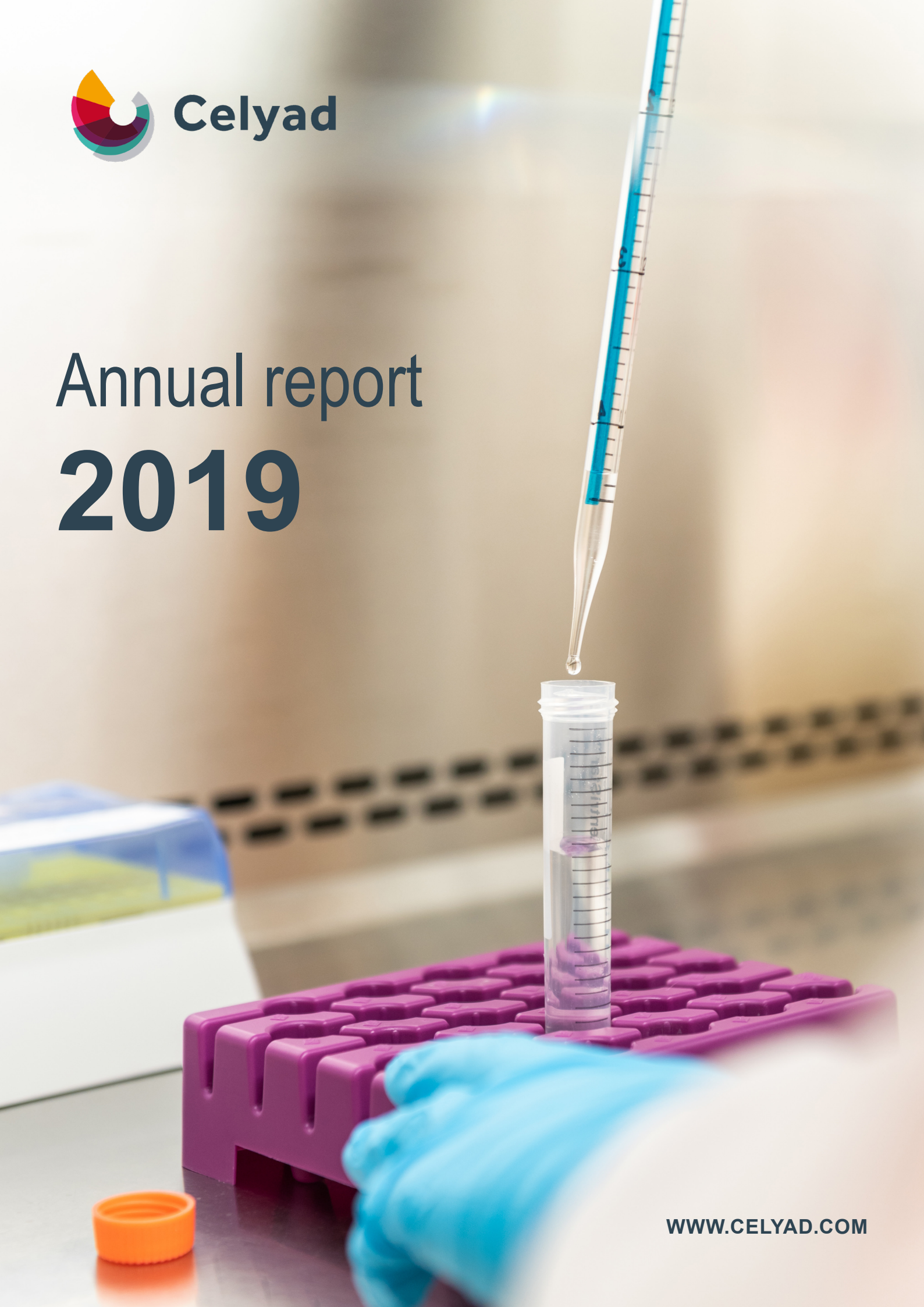
Celyad

Annual report 2019



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Celyad

ANNUAL REPORT

2019

Contents

ANNUAL REPORT 2019

This Annual Report contains all required information as per the Belgian Code of the Companies and Associations.

In this Annual Report, Celyad SA and its affiliates will be collectively referred to as "the Company", "the Group", "Celyad", "we" or "us".

LANGUAGE OF THE ANNUAL REPORT 2019

The Company publishes its Annual Report in French, in accordance with Belgian laws. The Company also provides an English translation. In case of difference in interpretation, the French version will prevail.

AVAILABILITY OF THE ANNUAL REPORT 2019

This document is available free of charge for the public and upon request to:

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An electronic version of this Report is available on the Company website: http://www.celyad.com/investors/regulated-information

FORWARD LOOKING STATEMENTS

In addition to historical facts or statements of current condition, this report contains forward-looking statements, including statements about the potential safety and feasibility of the Company's cell therapy product candidates CYAD-01, CYAD-02 and CYAD-101, including current and planned preclinical and clinical trials for the Company's product candidates; the clinical and commercial potential of these product candidates and the adequacy of the Company's financial resources; the Company's intellectual property portfolio, including plans related thereto; the Company's expectations regarding its strategic collaborations and license agreements with third parties, including Novartis, Horizon Discovery and Dartmouth College, and the potential impact of such collaborations on the Company's future financial condition; and the Company's expected cash burn, which reflect the Company's current expectations and projections about future events, and involve certain known and unknown risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

These forward-looking statements are further qualified by important factors and risks, which could cause actual results to differ materially from those in the forward-looking statements, including risks associated with conducting clinical trials; the risk that safety, bioactivity, feasibility and/or efficacy demonstrated in earlier clinical trials or preclinical studies may not be replicated in subsequent trials or studies; risks associated with the timely submission and approval of anticipated regulatory filings; the successful initiation and completion of clinical trials, including its clinical trials for CYAD-01, CYAD-02 and CYAD-101; risks associated with the satisfaction of regulatory and other requirements; risks associated with the actions of regulatory bodies and other governmental authorities; risks associated with obtaining, maintaining and protecting intellectual property, its ability to enforce its patents against infringers and defend its patent portfolio against challenges from third parties; risks associated with competition from others developing products for similar uses; risks associated with the Company's ability to manage operating expenses; and risks associated with the Company's ability to obtain additional funding to support its business activities and establish and maintain strategic business alliances and business initiatives.

A further list and description of these risks, uncertainties and other risks can be found in the Company's U.S. Securities and Exchange Commission (SEC) filings and reports, including in its Annual Report on Form 20-F filed with the SEC on March 24, 2020, and subsequent filings and reports by Celyad. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. The Company expressly disclaims any obligation to update any such forward-looking statements in this document to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, unless required by law or regulation.

1. REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

Dear Shareholders,

We are glad to present you our 2019 annual report related to Celyad consolidated financial statements as of December 31, 2019 prepared in accordance with International Financing Reporting Standards (IFRS) as endorsed by the European Union. The companies included in the consolidated financial statements are Celyad SA, Biological Manufacturing Services SA, Celyad Inc, and CorQuest Medical Inc.

1.1 Highlights of 2019

In 2019, the Company continued to advance towards its goal of developing differentiated engineered chimeric antigen receptors T-cell (CAR-T) therapies for the treatment of cancer. The Company made steady clinical progress investigating its most advanced clinical candidate CYAD-01, an autologous CAR-T candidate based on the activating Natural Killer Group 2D (NKG2D) receptor, for the treatment of relapsed or refractory (r/r) acute myeloid leukemia (AML) and its first-in-class non-gene edited allogeneic, or off-the-shelf, clinical candidate CYAD-101 that co-expresses its NKG2D receptor with its proprietary T-cell receptor (TCR) inhibitory molecule (TIM) for the treatment of metastatic colorectal cancer (mCRC).

Data reported from the ongoing CYAD-01 Phase 1 THINK (THerapeutic Immunotherapy with CAR-T NKG2D) and DEPLETHINK (LymphoDEPLEtion and THerapeutic Immunotherapy with NKR-2) trials for the treatment of both r/r AML at the 24th Congress of the European Hematology Association (EHA) and at the 61st American Society of Hematology (ASH) Annual Meeting shows CYAD-01 is well-tolerated. In addition, CYAD-01 has demonstrated encouraging clinical activity as monotherapy without preconditioning chemotherapy in the Phase 1 THINK trial.

With respect to CYAD-101, data from the ongoing alloSHRINK trial were reported at multiple major medical conferences in 2019 including in July at the European Society for Medical Oncology (ESMO) 21st World Congress on Gastrointestinal Cancer (WCGIC) and in November at the Society for Immunotherapy of Cancer (SITC) 34th Annual Meeting. At the SITC meeting, interim results from the trial demonstrated that two out of twelve (17%) evaluable patients with refractory mCRC treated with CYAD-101 following FOLFOX preconditioning chemotherapy experienced a partial response (PR) and seven patients with stable disease (SD). In addition, no clinical evidence of graft-versus-host disease (GvHD) has been observed following 35 injections of CYAD-101, which supports the ability of the Company's novel inhibitory TIM peptide to reduce signaling of the TCR complex through a non-gene edited approach. To the Company's knowledge, CYAD-101 is the world's first allogeneic CAR-T clinical candidate for the treatment of solid tumors.

Data from both CYAD-01 and CYAD-101 continue to validate the use of the full human NKG2D receptor in a CAR-T therapy targeting stress ligands on both hematological malignancies and solid tumors, respectively.

At the Company's Research & Development day held in March 2019, The Company unveiled its short hairpin RNA (shRNA) platform for the discovery and development of next-generation CAR-T cell therapies. This includes CYAD-02, an autologous CAR-T product candidate for the treatment of r/r AML that incorporates shRNA technology to target the NKG2D ligands MICA and MICB. In addition, the Company also highlighted its CYAD-200 series of CAR-T candidates, which incorporates shRNA technology to generate novel, non-gene edited, allogeneic cell therapies. Early preclinical *in vivo* data suggests that targeting the TCR with shRNA can lead to increased persistence of CAR-T cells while potentially reducing graft-versus-host disease. The Company's lead preclinical product candidate from the series, CYAD-211, targets B-cell maturation antigen (BCMA) for the treatment of multiple myeloma.

Operational highlights

Clinical Development

In June 2019, the U.S. Food and Drug Administration (FDA) and Belgium's Federal Agency for Medicines and Health Products (FAMHP) accepted the Company's proposal to use its new manufacturing process, OptimAb, for its ongoing and planned clinical development program. Importantly, the OptimAb manufacturing process was included into the existing Investigational New Drug (IND) application for CYAD-01. In September, the Company dosed its first patient with CYAD-01 produced by the OptimAb process in the DEPLETHINK Phase 1 trial for the treatment of r/r AML.

Also, in June 2019, the FDA accepted the Company's IND application to evaluate CYAD-02, produced with the OptimAb manufacturing process, for the treatment of patients with r/r AML and MDS following preconditioning chemotherapy in the dose-escalation CYCLE-1 Phase 1 trial.

Intellectual property

The Company's U.S. Patent No. 9,181,527 relating to allogeneic human primary T-cells that are engineered to be TCR-deficient and express a chimeric antigen receptor (CAR) is a seminal patent in the allogeneic CAR-T field. It has been unsuccessfully challenged in the past, but it was no longer contested in 2019. Building on this critical asset, the Company obtained several new patents in this portfolio, i.e. patents relating to allogeneic primary human T cells that are engineered to be T-Cell Receptor (TCR)-deficient and to express a CAR, and methods of using those. In total, the portfolio on allogeneic assets now amounts to seven US patents, six non-US patents and several more applications both in the US and abroad. This consolidates the Company's strong intellectual property (IP) position in the allogeneic CAR-T field and strengthens the Company's IP portfolio covering key elements in the allogeneic TCR-deficient CAR-T cells production value chain.

Corporate and financial highlights

The Company's license and collaboration agreements have generated no revenue in 2019 compared to €3.1 million during 2018. Research & Development expenses totaled €25.2 million during 2019, a €1.6 million increase compared to 2018 mainly driven by an increased spending related to the Company's process development and scale-up for CYAD-01 and an increase in spend associated with the development of its allogeneic platform (CYAD-200 series). Over the same period, General and Administrative expenses were €9.1 million for 2019, a decrease of €1.3 million compared to 2018, primarily driven by the decrease of expense associated with the vesting of warrants (non-cash) and by lower consulting fees for the period.

The Company has an exclusive license agreement with Horizon Discovery Group plc (LSE: HZD), for the use of its shRNA technology to generate the Company's second non-gene-edited allogeneic platform. In 2019, under the terms of this agreement, the Company has paid a total amount of license fees of USD 1.45 million to Horizon Discovery Group plc.

In September, the Company successfully completed a global equity offering with gross proceeds of approximately €18.2 million. At year-end 2019, the Company had cash, cash equivalents and short-term investments of €39.3 million which are expected to be sufficient to support the Company's operating capital expenditure into the first half 2021. In addition, in late 2019, the Company signed a total of €11.0 million in grants and non-dilutive funding, including €10.6 million from the SPW-Recherche of the Walloon Region, which will support the development programs of the Company's CAR-T candidates for the treatment of hematological malignancies and solid tumors.

Pursuant to the decision of the Company to shift its focus away from cardiovascular drug candidates, on November 22, 2019, the Group's affiliate, CorQuest Medical Inc., sold its portfolio of Heart-XS patents and related rights to CorQuest MedTech SRL, for consideration of €1 in addition of the reimbursement of certain maintenance costs of these patents. CorQuest Medical Inc. also has the right to receive royalties on the future sales and a percentage on the capital gains in the case of a re-sale or a change of control of Corquest MedTech SRL.

1.2 Post balance sheet events

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this Annual Report, Belgium, where the Group operates, has been impacted by temporary closures. The length or severity of this pandemic cannot be predicted, but the Group anticipates that there may be a potential impact from COVID-19 on the planned development activities of the Group.

With COVID-19 continuing to spread in the United States and Europe, the business operations of the Group could be delayed or interrupted, particularly if a large portion of its employees become ill. COVID-19 may also affect employees of third-party organizations located in affected geographies that the Group relies upon to carry out its clinical trials. The spread of COVID-19, or another infectious disease, could also negatively affect the operations at its third-party suppliers, which could result in delays or disruptions in the supply of drug product used in its clinical trials. In addition, the Group is taking temporary precautionary measures intended to help minimize the risk of the virus to its employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for its employees and discouraging employee

attendance at industry events and in-person work-related meetings, which could negatively affect the Group's business.

Further, timely enrollment in clinical trials is reliant on clinical trial sites which may be adversely affected by global health matters, including, among other things, pandemics such as COVID-19. For example, many of the Group's clinical trial sites are located in regions currently being afflicted by COVID-19. Some factors from the COVID-19 outbreak that the Group believes will adversely affect enrollment in its trials at least on a temporary basis include:

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- interruption in global shipping affecting the transport of clinical trial materials, such as investigational drug product used in our trials; and
- employee absences that delay necessary interactions with local regulators, ethics committees and other important agencies and contractors.

The impact of COVID-19 on its business is uncertain at this time and will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among other things, but prolonged closures or other business disruptions may negatively affect its operations and the operations of its agents, contractors, consultants or collaborators, which could have a material adverse impact its business, results of operations and financial condition.

There were no other subsequent events that occur between 2019 year-end and the date when the financial statements have been authorized by the Board for issue.

1.3 Financial review of the year ending 31 December 2019

1.3.1. Analysis of the consolidated income statement

The table below sets forth the Group's consolidated income statement, ending up with a €28.6 million net loss for the year ended 31 December 2019, and comparative information for the year 2018.

(€'000)	For the year ended 31 December,	
	2019	2018
Revenue	**6**	**3,115**
Cost of sales	-	-
Gross profit	**6**	**3,115**
Research and Development expenses	(25,196)	(23,577)
General & Administrative expenses	(9,070)	(10,387)
Other income	5,572	1,078
Other expenses	(191)	(8,399)
Operating Loss	**(28,879)**	**(38,170)**
Financial income	582	804
Financial expenses	(343)	(62)
Loss before taxes	**(28,640)**	**(37,427)**
Income taxes	8	0
Loss for the period	**(28,632)**	**(37,427)**
Basic and diluted loss per share (in €)	(2.29)	(3.36)

The Company's license and collaboration agreements have generated no revenue in 2019 compared to €3.1 million for the year 2018, which referred to:

i) the exclusive license agreement signed by the Group with Mesoblast Ltd., an Australian biotechnology company, focused on the development and commercialization of the Company's intellectual property rights related to C-Cath$_{ez}$, an intra-myocardial injection catheter. This agreement involved a transaction amount split between upfront and contingent milestone payments. A total amount of €2.4 million qualified for top-line revenue recognition at December 31, 2018, out of which, €0.8 million has been settled at year-end 2018. No further amount was settled in 2019.

ii) the non-clinical supply agreement with ONO Pharmaceutical Co., Ltd., or ONO, with respect to the product candidate development of CYAD-101 for ONO's licensed territories. The agreement with ONO was time and material driven, involved performing cell production and animal experiments requested by ONO, and has been completed as of December 31, 2018, generating a revenue of €0.7 million in 2018. As ONO decided to terminate the license and collaboration agreement for strategic and business reasons, there was no milestone payment received from ONO during the years 2018 or 2019 with regards to advancement of CYAD-101 into the clinic. As a result, the Company has recovered worldwide development and commercialization rights to CYAD-101.

The Research and Development expenses include pre-clinical, manufacturing, clinical, quality, intellectual property and regulatory expenses and other research and development expenses, which are aggregated and presented as a single line in the Company's consolidated financial statements.

Bottom-line, the R&D expenses show a year-over-year increase of €1.6 million. The increase reflects the organic growth of the Company's operations mainly for preclinical activities.

The key projects driving the research and development expenses in 2019 included:

- the clinical studies conducted on company's most advanced CAR-T product candidates, CYAD-01 and CYAD-101 (THINK, SHRINK, DEPLETHINK, alloSHRINK) ;
- the preclinical studies conducted on company's CAR-T product candidates in both autologous and allogeneic settings (CYAD-02, CYAD-03 and the development of the Company's allogeneic platform, which evaluates multiple non-gene editing technologies).

General and administrative expenses were €9.1 million in 2019 as compared to €10.4 million in 2018, a decrease of €1.3 million. This decrease primarily relates to the share-based payments expense associated with the vesting of warrants (non-cash expense recorded in accordance with IFRS 2 standard) and with lower consulting fees incurred during the year.

The Company's other income is associated with grants received from the Walloon Region mainly in the form of recoverable cash advances (RCAs), the change in fair value of the contingent liabilities and R&D tax credit income:

- with respect to grant income, the Company posts a higher quantum for 2019 for a total amount of €3.3 million, of which €1.5 million is in the form of RCAs, compared to 2018, for which an amount of €0.8 million in RCAs had been recognized;
- the fair value adjustment (€0.4 million decrease) relating to the contingent consideration and other financial liabilities as of December 31, 2019, mainly due to the increase of the discount rate (WACC) and refinement on time-to-market assumptions, both partly compensated by USD foreign exchange rate update;
- with respect to R&D tax credit, the increase for the current year income is predicated on a R&D tax credit updated for an amount of €1.6 million, taking into account all information available at this date.

For the year 2019, the decrease of the Company's other expenses compared to prior year is related to the following drivers:

- the fair value adjustment relating to the contingent consideration and other financial liabilities is a €0.4 million gain at December 31, 2019 compared to a €5.6 million cost for the comparative period ending December 31, 2018;
- a clinical development milestone had been paid for an amount of €1.4 million in the comparative period ending December 31, 2018, whereas no such milestone was paid in 2019;
- the amortized cost remeasurement of the recoverable cash advances liability (€0.1 million as of December 31, 2019 compared to €1.0 million as of December 31, 2018) required by IFRS.

Therefore, at year-end 2019, the loss from operations before financial results and taxes (EBIT) amounted to €28.9 million versus €38.2 million in 2018.

Financial results refer mainly to interest income on short-term investments (reported as financial income) and foreign exchange differences. Due to the depreciation of the USD compared to EUR in the previous year, the Company recognized a loss on foreign exchange differences of €0.4 million for the year 2018 against a loss on foreign exchange differences of €0.3 million for the year 2019. For the year 2019, the first adoption as from

January 1, 2019, of new accounting standard IFRS 16 *Leases* combined with the reduction of amounts invested in short-term deposits have driven the decrease of the Company's financial net result by €0.5 million.

As a result of the foregoing, the net loss for the financial year 2019 amounts to €28.6 million, compared to a net loss of €37.4 million for the prior year.

1.3.2. Analysis of the consolidated statements of financial position

The table below sets forth the Group's consolidated balance sheet for the year ended 31 December 2019, and comparative information as at 31 December 2018.

(€'000)	December 31, 2019	December 31, 2018
NON-CURRENT ASSETS	**47,000**	**42,607**
Intangible assets	36,199	36,164
Property, Plant and Equipment	5,061	3,014
Non-current Trade and Other receivables	2,432	1,743
Non-current Grant receivables	3,051	1,472
Other non-current assets	257	215
CURRENT ASSETS	**42,836**	**51,692**
Trade and Other Receivables	558	367
Current Grant receivables	1,686	-
Other current assets	1,253	1,585
Short-term investments	0	9,197
Cash and cash equivalents	39,338	40,542
TOTAL ASSETS	**89,836**	**94,299**
EQUITY	**45,619**	**55,589**
Share Capital	48,513	41,553
Share premium	43,349	206,149
Other reserves	28,181	25,667
Accumulated deficit	(74,424)	(217,778)
NON-CURRENT LIABILITIES	**32,295**	**29,063**
Bank loans	37	229
Lease liabilities	2,967	652
Recoverable Cash advances (RCAs)	4,139	2,864
Contingent consideration payable and other financial liabilities	24,754	25,187
Post-employment benefits	398	131
CURRENT LIABILITIES	**11,922**	**9,647**
Bank loans	192	281
Lease liabilities	1,167	484
Recoverable Cash advances (RCAs)	346	276
Trade payables	6,969	5,916
Other current liabilities	3,248	2,690
TOTAL EQUITY AND LIABILITIES	**89,836**	**94,299**

Intangible assets net book value mainly refers to:

- the Company's IPR&D assets related to its oncological programs acquired in 2015 through the OnCyte business combination. Pursuant to IFRS, the Company does not capitalize research and development expenses until marketing authorization. Accordingly, all clinical, research and development spend related to the development of the Company's CAR-T product candidates and allogeneic platform are accounted for as operating expenses for the year 2019.

- the Company's exclusive agreement for Horizon Discovery's shRNA Platform to develop next-generation allogenic CAR-T Therapies acquired for $1.0 million end of December 2018. In October 2019, the Company capitalized milestone payments for a total amount of $0.2 million related to the exercise of the option on the Exclusive Agreement and to the first effective IND filing related to CYAD-02. This patent is amortized over the remaining period of 10 years, corresponding to the remaining intellectual property protection of 20 years, filed for the first patent application in 2008.

Property, plant and equipment net book value mainly refers to right-of-use on leased assets (office and facilities, vehicles and equipment) and shows a total additional net book value of €2.7 million at balance sheet date consequently to the first adoption of new accounting standard IFRS 16 Leases.

Non-current trade receivables (€2.4 million as of 31 December 2019) mainly refer to discounted and risk-adjusted milestone receivables, to be cashed in by the Company in accordance with the terms of the exclusive license agreement signed by the Company with Mesoblast Ltd. for C-Cath$_{ez}$ device development, as above-described.

Non-current grant receivables relate to a receivable on the amounts to collect from the federal government as R&D tax credit recognized for the first time at year-end 2017 (€1.2 million), including a one-off catch-up effect. Since 2018, further R&D tax credit receivables are recorded on an annual base increment. For the current year, the R&D tax credit has been updated for an amount of €1.6 million, taking into account all information available at this date.

Current grant receivables relate to acquired revenue not yet proceeds in 2019 on government grants and RCAs contract numbered 8066 (CYAD-01 Deplethink), 8087 (CYAD-211 & CYAD-221) and 1910028 (CYAD-03) for total amount €1.7 million.

The Company's *treasury position* [1] amounts to €39.3 million at year-end which represents a decrease of 10.4 million compared to prior year-end. The cash on the Company's operations of €28.2 million has been partly compensated by the €16.4 million of net proceeds (gross proceeds €18.2 million reduced by all transactions costs associated with the capital increase) from capital raise occurred in September 2019.

In May 2019, the share premium has been reduced as a result of the absorption of accounting losses for an amount of €172.3 million, with a counterpart in the financial statements line item 'Accumulated Deficit'. In September 2019, as a result of the above-mentioned September 2019 capital raise net proceeds, the capital has increased by €7.0 million while the share premium has increased by €9.4 million

Lease liabilities reach a total amount of €4.1 million at balance sheet date, showing an increase of €3.0 million compared to the year 2018 explained by the first-time adoption of new accounting standard IFRS 16 *Leases*, on the leased office and facilities, vehicles and equipment.

The recoverable cash advances (RCAs) reach a total balance of €4.5 million as of December 31, 2019. Their increase is mainly due to new government grants which have been signed at year-end 2019 (contracts numbered 8087, 8088 and 1910028).

[1] 'Treasury position' is an alternative performance measure determined by adding Short-term investments and Cash and cash equivalents from the statement of financial position prepared in accordance with IFRS.

1.3.3. Analysis of the consolidated net cash burn rate[2]

The table below summarizes the *net cash burn rate* of the Group for the year 2019.

(€'000)	For the year ended 31 December,	
	2019	**2018**
Net cash used in operations	(28,202)	(27,249)
Net cash (used in)/from investing activities	8,987	607
Net cash (used in)/from financing activities	18,276	43,928
Effects of exchange rate changes	(264)	3
Change in Cash and cash equivalents	**(1,204)**	**17,289**
Change in Short-term investments	(9,197)	(1,456)
Net cash burned over the period	**(10,401)**	**15,834**

The net cash burn rate for 2019 is a net cash outflow amounting to €10.4 million, compared to a net cash inflow of €15.8 million for 2018.

The cash outflow resulting from operating activities amounted to €28.2 million for 2019, compared to €27.2 million for 2018. This €1.0 million increase is mainly due to increased spending on the Company's R&D expenses, which includes the Company's preclinical and in-process development/scale-up investments in preparation for the next anticipated clinical stages of the Company's product candidates.

Cash flow from investing activities represented a net cash inflow of €9.0 million for 2019, an increase of €7.4 million compared to 2018, largely driven by proceeds from short-term investments (€9.2 million), and partly offset by the acquisition of Horizon Discovery's shRNA Platform, acquired for $1.0 million in December 2018.

The decrease in cash inflow from financing activities is primarily due to:

- a decrease in the net proceeds from the September 2019 capital raise (€16.4 million) compared to net proceeds from the May 2018 capital raise (€43.0 million),
- and is partially offset by an increase of the proceeds from government grants received in 2019 for a total amount of €3.6 million (compared to €1.2 million in 2018).

1.4 Personnel

At the end of 2019, the Company employs 107 FTE's, within which 6 managers (Executive Committee members).

1.5 Environment

All entities of the Group continue to hold the permits required by their activities and are in compliance with all applicable environmental rules.

1.6 Risks and uncertainties

Reference is made to section 2.7 "Description of the principal risks associated to the activities of the Group ".

1.7 Going concern[3]

Management has prepared detailed budgets and cash flow forecasts for the years 2020 and 2021. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of selected research programs and pipeline of products candidates.

Based on its current scope of activities, the Company estimates that its treasury position as of December 31, 2019 is sufficient to cover its cash requirements until the first half 2021, therefore beyond the readouts of the Company's clinical trials currently ongoing. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the business continuity over the next 12

[2] 'Net cash burn rate' is an alternative performance measure determined by the year-on-year net variance in the Group's treasury position as above-defined.

[3] The uncertainly raised by the COVID-19 pandemic is not impacting going concern. Although there are lot of uncertainties, it does not impact the Company's ability to continue operations until the first half of 2021.

months from balance sheet date, and hence it is appropriate to prepare the financial statements on a going concern basis.

1.8 Events and circumstances that could have a significant impact on the future

The Company has not identified significant events and circumstances that could have a significant impact on the future in addition to the potential impact of risks described in section 7 of chapter 2: "Description of the principal risks associated to the activities of the Group".

2. CORPORATE GOVERNANCE

2.1 General

This section summarizes the rules and principles on the basis of which the corporate governance of the Company has been organized pursuant to Belgian Code of the Companies and Associations (the "CCA"), the Company's articles of association, and the Company's corporate governance charter (the "Charter") adopted in accordance with the Belgian Corporate Governance Code 2020 (the "CGC") and updated regularly by the Board of Directors.

The Charter is available on the Company's website (www.celyad.com) under Investors/Corporate Governance tab.

The text of the CGC is available on the website of the Commission of Corporate Governance at https://www.corporategovernancecommittee.be/fr/over-de-code-2020/code-belge-de-gouvernance-dentreprise-2020.

The Board of Directors intends to comply with the provisions of the CGC but believes that the size and the current state of development of the Company justifies certain deviations. These deviations are further detailed in the Section 2.5 hereinafter.

The Charter includes the following main chapters:

- Structure and organization;
- Shareholder structure;
- The Board : terms of reference;
- Chairman of the Board;
- Company Secretary;
- Board committees;
- Executive Committee;
- Rules preventing market abuse;
- Miscellaneous and annexes.

2.2 Board of Directors

2.2.1. Composition of the Board of Directors

As provided by articles 7:85 et sq. of the CCA, the Company is managed by a Board of Directors acting as a collegiate body. The Board of Directors' role is to pursue the long-term success of the Company by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors determines the Company's values and strategy, its risk preference and key policies. The Board of Directors ensures that the necessary leadership, financial and human resources are in place for the Company to meet its objectives.

The Company has opted for a one-tier governance structure. As provided by Article 7:93 of the CCA, the Board of Directors is the ultimate decision-making body in the Company, except with respect to those areas that are reserved by law or by the Company's articles of association to the Shareholders Meeting.

The Company's articles of association state that the number of directors of the Company, who may be natural persons or legal entities and who need not be shareholders, must be at least 3. At least half of the members of the Board of Directors must be non-executive directors and at least three of them must be independent directors.

A meeting of the Board of Directors is validly constituted if at least half of its members are present in person or represented at the meeting. If this quorum is not met, a new board meeting may be convened by any director to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not met, provided that at least two members are present. Meetings of the Board of Directors are convened by the Chairman of the Board or the CFO or Chief Legal Officer, or by at least two directors, whenever the interest of the Company so requires. In principle, the Board of Directors will meet at least four times per year.

The Chairman of the Board of Directors shall have a casting vote on matters submitted to the Board of Directors in the event of a tied vote.

At the date of this Report, the Board of Directors consists of 8 members, one of which is an executive director (with daily management authority) and 7 of which are non-executive directors, including six independent directors. The Board of Directors is composed of 5 men and 3 women.

Name	Position	Term	Board Committee Membership
Michel Lussier	Chairman Non-Executive	2020	Chairman of the Nomination and Remuneration Committee
Filippo Petti [1]	Director Executive	2024	
Serge Goblet	Non-executive director	2020	
Chris Buyse	Independent director	2020	Chairman of the Nomination and Remuneration Committee Member of the Audit Committee
Rudy Dekeyser	Independent director	2020	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Hilde Windels	Independent director	2022	Member of the Audit Committee
Margo Roberts	Independent Director	2022	
Maria Koehler (2)	Independent Director	2024	

[1] Filippo Petti has replaced LSS Consulting SRL, represented by Christian Homsy, as CEO of the Company as of April 1st, 2019. Filippo Petti has then been coopted as Board member as of November 28, 2019 in replacement of LSS Consulting SRL, who resigned. The Board mandate of Filippo Petti has been confirmed until 2024 by resolution of the extraordinary shareholders meeting of March 23, 2020.
[2] Maria Koehler has been appointed as Director of the Company by resolution of the extraordinary shareholders meeting of March 23, 2020.

The following paragraphs contain brief biographies of each of the directors, or in case of legal entities being director, their permanent representatives, with an indication of other relevant mandates as member of administrative, management or supervisory bodies in other companies during the previous five years.

Michel Lussier serves as Chairman of the Board of Directors. Mr. Lussier founded MedPole Ltd, the North American satellite of MedPole SA, a European incubator for medical technology start-up companies located in Belgium and serves as the Chief Executive Officer for the group. In this capacity, he is an advisor to Fjord Ventures, a Laguna Hills, California based medical technology accelerator / incubator. Since May 2014, Mr. Lussier has also served as the Chief Executive Officer of Metronom Health Inc, an early stage medical device company founded by Fjord Ventures, developing a continuous glucose monitoring system. Prior to that, from 2002 to 2013, he worked for Volcano Corporation, where he served several positions, most recently as President, Clinical and Scientific Affairs from 2012 to 2013, and prior to that from 2007 to 2012, Group President, Advanced Imaging Systems, Global Clinical & Scientific Affairs and General Management of Europe, Africa and the Middle East. Mr. Lussier obtained a Bachelor of Sciences degree in Electrical Engineering and Master's Degree in Biomedical Engineering at the University of Montreal. He also holds an MBA from INSEAD (European Institute of Business Administration), France. In addition to serving on the Company's Board of Directors, he also serves on the boards of several early stage medical devices companies.

Filippo Petti joined the Company in September 2018 as the Chief Financial Officer and was then appointed as Chief Executive Officer on April 1st, 2019. He was appointed as a Director on November 28, 2019, and his appointment was confirmed at the shareholders meeting of March 23, 2020. Prior to joining the Company, Mr. Petti worked in healthcare investment banking both at Wells Fargo Securities and William Blair & Company. Prior to his roles in investment banking, Mr. Petti spent several years in equity research covering U.S. biotechnology companies both at William Blair & Company and Wedbush Securities. He began his career as a research scientist at OSI Pharmaceuticals, Inc. focused on drug discovery and translational research, and later transitioning into corporate development with the company. Mr. Petti holds a Master of Business Administration from Cornell University, a Master of Science from St. John's University and a Bachelor of Science from Syracuse University.

Serge Goblet has served as a member of the Board of Directors of the Company since 2008. He holds a Master Degree in Business and Consular Sciences from ICHEC, Belgium and has many years of international experience as director in Belgian and foreign companies. He is the managing director of TOLEFI SA, a Belgian holding company and holds director mandates in subsidiaries of TOLEFI.

Chris Buyse has served as a member of the Board of Directors of the Company since 2008. He brings more than 30 years of international financial expertise and experience in introducing best financial management practices. He is currently Managing Director of FUND+, a fund that invests in innovative Belgian Life Sciences companies, Between August 2006 and June 2014, Mr. Buyse served as the Chief Financial Officer and board member of ThromboGenics NV, a leading biotech company that is listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was the Chief Financial Officer of the Belgian biotech company CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign NV he was financial manager of

WorldCom/MCI Belux, a European subsidiary of one of the world's largest telecommunication companies and he was also the Chief Financial Officer and interim Chief Executive Officer of Keyware Technologies. Mr. Buyse holds a Master's Degree in applied economic sciences from the University of Antwerp and a Master of Business Association from Vlerick School of Management in Gent. He currently serves, in his own name or as permanent representative of a management company, as member of the board of directors of the following publicly and privately held companies: Iteos SA, Bioxodes SA, Bio Incubator NV, Pinnacle Investments SA, CreaBuild NV, Sofia BVBA, Pienter-Jan BVBA, Life Sciences Research Partners VZW, Inventiva SA, The Francqui Foundation and EyeDPharma SA.

Rudy Dekeyser has served as a member of the Company's Board of Directors since 2008. Since 2012 Rudy has been partner at LSP Health Economics Fund, or LSP, one of Europe's leading venture capital firms in healthcare. Prior to joining LSP, Rudy has been co-managing director of VIB (Flanders Institute for Biotechnology), where he was also responsible for all activities related to the intellectual property portfolio, business development and the establishment of new companies. He holds non-executive director positions in Curetis AG, Sequana Medical NV, Lumeon Inc and Remynd NV, and held non-executive director positions in Devgen NV, CropDesign NV, Ablynx NV, Actogenix NV, Flandersbio VZW and Multiplicom NV. He is a co-founder of ASTP (the European associations of technology transfer managers) and Chairman of EMBLEM (EMBL's business arm). Rudy is member of the advisory boards of several foundations investing in life sciences research and innovation. He obtained a Ph.D. in molecular biology at the University Ghent.

Hilde Windels has served as a member of the Company's Board of Directors since August 2018. She is currently the Chief Executive Officer of the privately held diagnostics companies Mycartis NV and Antelope Dx BV and she is also member of their respective boards of directors. Ms. Windels brings 20 years of experience in biotech with a track record of business and corporate strategy, building and structuring organizations, private fundraising, mergers and acquisitions and public capital markets. Ms. Windels has worked as Chief Financial Officer for several biotech companies, amongst those Belgium based molecular Dx company Biocartis where she started as Chief Financial Officer CFO in 2011. She transitioned to the co-Chief Executive Officer role in 2015 and became Chief Executive Officer in 2017. Later that year, she also joined MyCartis NV as Chief Executive Officer. Ms. Windels is member of the boards of Erytech and MdxHealth. She holds a Master's Degrees in Economics (Commercial Engineer) from the University of Leuven (Belgium).

Dr. Margo Roberts, Ph.D., has more than three decades of biomedical research experience in both biotechnology and academia. Dr Roberts is currently Chief Scientist Officer at Lyell Immunotherapy. She serves also on the board of directors of Unity Biotechnology, a United States public company focused on developing medicines that slow or reverse age-associated diseases, and on the board of directors of InsTIL Bio, a United States start-up company focused on developing Timor infiltrating lymphocyte (TIL) - based therapies for the treatment of cancer. Until July 2018, Dr. Roberts served as Senior Vice President of Discovery Research at Kite Pharma focusing on the development of next generation therapeutic approaches, including heading up Kite's universal allogeneic T-cell programs. Prior that, in 2013, she was Chief Scientific Officer at Kite Pharma Inc., where she built a talented research organization that played an instrumental role in the successful development of Yescarta®, and the clinical advancement of additional CAR/TCR-engineered T-cell therapies. Prior to her tenure at Kite Pharma, Dr. Roberts was Principal Scientist and Director of Immune and Cell Therapy at Cell Genesys, Inc., where she led the development and application of CAR technology to T-cells and stem cells, culminating in the very first CAR T-cell trial initiated in 1994. Dr. Roberts was also an associate professor at the University of Virginia, has authored over 30 scientific publications, and is the inventor on 13 issued US patents and three published US patent applications related to CAR technology and tumor vaccine therapies. Dr. Roberts received both her Bachelor of Science degree with honors and her Ph.D. degree from the University of Leeds in England.

Dr Maria Koehler, Ph.D., has served as a member of the Company's Board of Directors since March 2020. From September 2017 until April 2019, Dr. Koehler served as the Chief Medical Officer of a Bicycle Therapeutics plc, a biotechnology company. From March 2009 until September 2017, she was the Vice President of Strategy and Innovation for the Oncology Unit at Pfizer Inc, a pharmaceutical company. Prior to that, Dr. Koehler was a Senior Medical Director for oncology research and development at AstraZeneca plc. Dr. Koehler has also served as the Clinical Director of Bone Marrow Transplantation at University Hospital in Pittsburgh and the Director of the Bone Marrow Transplant Program and Associate Professor at St. Christopher's Hospital in Philadelphia. Dr. Koehler is a board-certified hematology/oncology physician. Dr. Koehler received her M.D. and Ph.D. from Silesian School of Medicine in Katowice, Poland.

2.2.2. Director Independence

In application of the article 7:87 of the CCA, a director of a listed company is considered as independent if he does not entertain with the Company or an important shareholder of the Company any relation the nature of which could put his independence at risk. If the director is a legal entity, the independence must be assessed both in the case of the legal entity and its permanent representative. In order to verify if a candidate director fulfils those conditions, the independence criteria of the article 3.5 of the BCG are applied and can be summarized as follows:

- the director has not been an executive member of the Board of Directors, or daily manager of the Company (or an affiliate of the Company, if any), during a term of three years prior to his or her election and does not possess any stock option of the Company related to that function;
- the director has not been a non-executive director for a cumulative period of more than 12 years;
- the director has not been a member of the managerial staff of the Company (or an affiliate of the Company, if any) during a term of three years prior to his or her election and does not possess any stock option of the Company related to that function;
- the director does not receive and has not received any remuneration or other significant financial advantage from the Company (or an affiliate of the Company, if any), other than the profit share ("tantièmes") and remuneration received in his or her capacity as a non-executive director or as a member of the supervisory body;
- the director does not own any corporate rights that represent 10% or more of the share capital or voting rights of the Company, Further, the director cannot be appointed by a shareholder who falls under the conditions set forth in this criterion;
- the director does not and, during the year preceding his appointment, did not, have a significant business relationship with the Company (or an affiliate of the Company, if any), either directly or as a partner, shareholder, member of the Board of Directors or member of the managerial staff of a company or of a person that maintains such a relationship;
- the director is not and has not been at any time during the past three years, a partner or an employee of its current or former statutory auditor or of a company or person affiliated therewith;
- the director is not an executive director of another company in which an executive director of the Company is a non-executive director or a member of the supervisory body, and has no other significant ties with executive directors of the Company through his or her involvement in other companies or bodies;
- the director's spouse, unmarried legal partner and relatives (via birth or marriage) up to the second degree do not act as a member of the Board of Directors, member of the management board ("directiecomité / comité de direction") (should such corporate body be created) or daily manager or member of the managerial staff in the Company (or an affiliate of the Company, if any), and do not meet one of the criteria set out above.

2.2.3. Role of the Board in Risk Oversight

The Board of Directors is primarily responsible for the oversight of its risk management activities and has delegated to the Audit Committee the responsibility to assist its Board of Directors in this task. While its board oversees its risk management, its management is responsible for day-to-day risk management processes. Its Board of Directors expects its management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the Board of Directors. The Company believes this division of responsibilities is the most effective approach for addressing the risks the Company face.

2.2.4. Committees within the Board of Directors

2.2.4.1 General

Without prejudice to the role, responsibilities and functioning of the Executive Committee as set out below under section "Executive Committee", the Board of Directors may set up specialized committees to analyze specific issues and advise the Board of Directors on those issues. Such committees are advisory bodies only and the decision-making remains the collegiate responsibility of the Board of Directors. The Board of Directors determines the terms of reference of each committee with respect to the organization, procedures, policies and activities of the committee.

2.2.4.2 Audit Committee

At the date of this Report, the Audit Committee consists of 3 members: Chris Buyse (Chairman), Rudy Dekeyser and Hilde Windels.

The role of the Audit Committee is to ensure the effectiveness of the internal control and risk management systems, the internal audit (if any) and its effectiveness and the statutory audit of the annual and consolidated accounts, and to review and monitor the independence of the external auditor, in particular regarding the provision of additional services to the Company. The Audit Committee reports regularly to the Board of Directors on the exercise of its functions. The Audit Committee informs the Board of Directors about all areas in which action or improvement is necessary in its opinion and produces recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review cover the Company and its subsidiaries as a whole. The members of the Audit Committee are entitled to receive all information which they need to perform their function from the Board of Directors, Executive Committee and employees. Each member of the Audit Committee shall exercise this right in consultation with the Chairman of the Audit Committee.

The Audit Committee's duties and responsibilities include, among other things: the financial reporting, review of internal controls and risk management, and managing the internal and external audit process. These tasks are further described in the Audit Committee charter as set out in the Charter and in Article 7:99§4 of the CCA.

Chris Buyse and Hilde Windels have been identified by the Company's Board of Directors as having the necessary expertise in accounting and audit matters to serve as experts on the Audit Committee.

The Audit Committee holds a minimum of four meetings per year.

2.2.4.3 Nomination and Remuneration Committee

As of the date of this Report, the Nomination and Remuneration Committee is composed of three members: Michel Lussier (Chairman), Chris Buyse and Rudy Dekeyser.

The Nomination and Remuneration Committee consists of not less than three directors, or such greater number as determined by the Board of Directors at any time. All members must be non-executive directors and at least a majority of its members must be independent in accordance with Article 7:87 of the CCA. The Company's Board of Directors has determined that a majority of the members of the Nomination and Remuneration Committee are independent in accordance with Article 7:87 of the CCA.

The Nomination and Remuneration Committee must have the necessary expertise as regards the remuneration policy, and this condition is fulfilled if at least one member has had a higher education and has had at least three years of experience in personnel management or in the field of remunerating directors and managers. As of the date of this Annual Report, Michel Lussier (Chairman), Chris Buyse and Rudy Dekeyser satisfy this requirement.

The CEO has the right to attend the meetings of the Nomination and Remuneration Committee in an advisory and non-voting capacity on matters other than those concerning himself. The Nomination and Remuneration Committee will elect a chairman from amongst its members. The Chairman of the Nomination and Remuneration Committee is actually Michel Lussier.

The role of the Nomination and Remuneration Committee is to assist the Board of Directors in all matters:

- relating to the selection and recommendation of qualified candidates for membership of the Board of Directors;
- relating to the nomination of the CEO;
- relating to the nomination of the members of the Executive Committee, other than the CEO, upon proposal by the CEO;
- relating to the remuneration of independent directors;
- relating to the remuneration of the CEO;
- relating to the remuneration of the members of the Executive Committee, other than the CEO, upon proposal by the CEO;
- on which the Board of Directors or the Chairman of the Board of Directors requests the Nomination and Remuneration Committee's advice.

Additionally, with regard to matters relating to remuneration, except for those areas that are reserved by law to the Board of Directors, the Nomination and Remuneration Committee will at least have the following tasks:

- preparing the remuneration report (which is to be included in the Board of Director's corporate governance statement); and

- explaining its remuneration report at the Annual General Shareholders Meeting.

It will report to the Board of Directors on the performance of these tasks on a regular basis. These tasks are further described in the terms of reference of the Nomination and Remuneration Committee as set out in the Charter. The Nomination and Remuneration Committee will meet at least twice per year, and whenever it deems it necessary to carry out its duties.

2.2.4.4. Strategy Committee

The Strategy Committee was created by the Board of Directors on April 1st, 2019 with the objective to help the Executive Committee along the strategic cycle and to facilitate the discussion on the strategy of the Company with the Board of Directors.

The Committee was composed of LSS Consulting SRL, represented by Christian Homsy (Chairman), Rudy Dekeyser and Margo Roberts.

The Committee held several informal meetings but was dissolved by a decision of the Board of Directors on November 28, 2019.

2.2.5. Meetings of the Board and the committees

In 2019, the Board held 4 in-person meetings and 5 meetings by telephone conference.

Board and committees – Dates and Attendance

	2019								
Board Members	**17Jan**	**28 March**	**15 May**	**26 June**	**9 July**	**22 Aug**	**10 Oct**	**28 Nov**	**17 Dec**
M. Lussier	Present	Present	Present	Present	Present	Present	Present	Present	Present
LSS Consulting SRL (1)	Present	Present	Present	Present	Present	Present	Present	N/A	N/A
S. Goblet	Absent	Present	Represented	Represented	Present	Present	Present	Present	Present
D. Roychowdhury (2)	Absent	Present	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R. Dekeyser	Present	Present	Present	Represented	Present	Present	Present	Present	Present
H. Windels	Absent	Present	Present	Present	Present	Present	Present	Present	Present
C. Buyse	Present	Present	Present	Present	Absent	Present	Present	Present	Present
M. Roberts	Absent	Present	Present	Represented	Absent	Present	Present	Present	Absent
Filippo Petti (3)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Present	Present

(1) LSS Consulting SRL resigned from the Board of Directors on November 25, 2019.
(2) The mandate of D. Roychowdhury has expired on May 6, 2019.
(3) Filippo Petti has been coopted as member of the Board of Directors on November 28, 2019.

In addition, three notarized meetings of the Board of Directors took place on July 16, September 11 and October 24, 2019, in relation to a capital increase or the issuance of warrants:

Board members	**2019**		
	16 July	**11 September**	**24 October**
M. Lussier	Represented	Present	Represented
LSS Consulting SRL	Present	Represented	Represented
S. Goblet	Represented	Represented	Represented
R . Dekeyser	Represented	Represented	Present
H. Windels	Represented	Present	Represented
C. Buyse	Present	Represented	Present
M. Roberts	Represented	Represented	Represented

Remuneration Committee	2019										
	15-16 Jan	30 Jan	6 Mar	14 Mar	22 Mar	26 Mar	11 Apr	14 May	13 Jun	4 Nov	25 Nov
M. Lussier	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
C. Buyse	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
R. Dekeyser	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present	Present
LSS Consulting SRL	Invited	Invited	Invited	Invited	Invited	Invited	Present	Present	Present	Present	N/A

Audit Committee	2019			
	28 March	21 August	29 November	17 December
C. Buyse	Present	Present	Present	Present
R. Dekeyser	Present	Present	Present	Present
H. Windels	Present	Present	Absent	Present
F. Petti	Invited	Invited	Invited	Invited

2.3 Executive Committee

The Board of Directors has established an Executive Committee. The terms of service of the Executive Committee have been determined by the Board of Directors and are set out in the Company's Corporate Governance Charter, or the Company's Charter. A copy of this Charter is available on the Company's website at https://www.celyad.com/en/investors/corporate-governance. The Company do not incorporate the information contained on, or accessible through, its corporate website into this Report, and you should not consider it a part of this Report.

The Executive Committee consists of the "Chief Executive Officer", or CEO (who is the chairman of the Executive Committee), the "Chief Financial Officer", or CFO, currently Filippo Petti ad interim, the "Chief Operating Officer", the "Chief Legal Officer" and the "Vice President Clinical Development and Medical Affairs", the "Vice President Research & Development", the Vice President Human Resources. Since February 1st, 2020, the "Chief Business Development Officer".

The Executive Committee discusses and consults with the Board of Directors and advises the Board of Directors on the day-to-day management of the Company in accordance with the Company's values, strategy, general policy and budget, as determined by the Board of Directors.

Each member of the Executive Committee has been made individually responsible for certain aspects of the day-to-day management of the Company and its business (in the case of the CEO, by way of delegation by the Board of Directors; in the case of the other member of the Executive Committee, by way of delegation by the CEO). The further tasks for which the Executive Committee is responsible are described in greater detail in the sections referencing the Executive Committee, as set out in the Company's Charter.

The members of the Executive Committee are appointed and may be dismissed by the Board of Directors at any time. The Board of Directors appoints them following the recommendation of the Nomination and Remuneration Committee, which shall also assist the Board of Directors on the remuneration policy of the members of the Executive Committee, and their individual remunerations.

The remuneration, duration and conditions of dismissal of Executive Committee members is governed by the contract entered into between the Company and each member of the Executive Committee with respect to their function within the Company.

The remuneration policy of the executive managers describes the various elements of their remuneration and establishes an appropriate balance between the fixed portion and the variable portion and between cash and differed remuneration;

The variable portion of the remuneration is structured in order to be linked to the individual and company performances;

The stock options (warrants) are not granted in an indefinite manner and cannot be exercised fewer than three years after the grant.

In principle, the Executive Committee meets every month. Additional meetings may be convened at any time by the Chairman of the Executive Committee or at the request of two of its members. The Executive Committee will constitute a quorum when all members have been invited and the majority of the members are present or represented at the meeting. Absent members may grant a power of attorney to another member of the Executive Committee. Members may attend the meeting physically or by telephone or video conference. The absent members must be notified of the discussions in their absence by the Chairman (or the Company Secretary, if the Executive Committee has appointed a Company Secretary from among its members).

The members of the Executive Committee must provide the Board of Directors with information in a timely manner, if possible in writing, on all facts and developments concerning the Company that the Board of Directors may need in order to function as required and to properly carry out its duties. The CEO (or, in the event that the CEO is not able to attend the Board of Directors' meeting, the CFO or, in the event that the CFO is not able to attend the Board of Directors' meeting, another representative of the Executive Committee) must report at every ordinary meeting of the Board of Directors on the material deliberations of the previous meeting(s) of the Executive Committee.

The following table sets forth the members of the Executive Committee as of the date of this Annual Report.

Name	Function	Year of birth
Filippo Petti	Chief Executive Officer and Chief Financial Officer [1]	1976
LSS Consulting SRL, represented by Christian Homsy	Chief Executive Officer [2]	
KNCL SRL, represented by Jean-Pierre Latere	Chief Operating Officer	1975
NandaDevi SRL, represented by Philippe Dechamps	Chief Legal Officer	1970
MC Consult, represented by Philippe Nobels	Vice President of Human Resources	1966
ImXense SRL, represented by Frederic Lehmann	Vice President Clinical Development & Medical Affairs	1964
Stephen Rubino [3]	Chief Business Development Officer	1958
David Gilham	Vice President Research & Development	1965
Anne Moore [4]	Vice President, Corporate Strategy	1978

(1) Filippo Petti was appointed as Chief Executive Officer as of April 1st, 2019
(2) LSS Consulting SRL ceased to be the Company's Chief Executive Officer upon the resignation of Mr. Homsy, effective April 1st, 2019
(3) Stephen Rubino was appointed Chief Business Development Officer as of February 1st, 2020
(4) Anne Moore has been a member of the Executive Committee from March 4 until October 17, 2019

The following paragraphs contain brief biographies of each of the current members of the Executive Committee or in case of legal entities being a member of the Executive Committee or key manager, their permanent representatives.

Filippo Petti, CEO and CFO ad interim– reference is made to section "2.2.1. Composition of the Board of Directors".

Jean-Pierre Latere (representative of KNCL SRL), has served as Chief Operating Officer in charge of program management, manufacturing, quality and regulatory affairs since January 2017. He leads the effort to further strengthen the organization as the Company grows as a leader in immuno-oncology. Prior to that role, he has previously acted as Vice President of Regenerative Medicine and Medical Devices franchise. He started his career as a Research Associate at the Michigan State University in the United States. Following that assignment, he moved to the Johnson & Johnson group where he held various positions, from Scientist to Senior Scientist. He then joined the Company in 2008 as Project Manager Delivery System and left the company in 2012 in the position of Senior Director Business Development. Prior to re-joining the Company in 2015, Jean-Pierre served as Beauty Care and Healthcare Market Global Leader at Dow Corning. Jean-Pierre holds a PhD in Chemistry from the University of Liège, Belgium.

Philippe Dechamps (representative of NandaDevi SRL), has served as Chief Legal Officer since September 2016. Philippe started his legal career as an associate in Brussels with the law firm Linklaters De Bandt from 1994 to 1998. He left private practice in 1998 and until 2003, he served as an in-house counsel at Solvay Group to assist the company in its turnaround through several M&A operations in Europe, India and Far-East Asia. In 2003, he took over the position of Legal Director at Guidant, the United States company formerly active in the medical devices business before its acquisition by Boston Scientific and Abbott Laboratories in 2005. Within Abbott, Philippe took over responsibility for the legal affairs of Abbott Vascular International outside of the United States. In 2008, Philippe joined Delhaize Group taking responsibility for the legal and government affairs in Europe and Asia, before becoming Group General Counsel and Secretary to the Board of Directors in 2015. In this position, he piloted the legal strategy to merge Delhaize Group with Royal Ahold in July 2016. Since

December 2018, Philippe is also member of the Board of Directors of Petserco SA, the holding company of the Tom&Co group. Philippe earned law degrees from the Université Catholique de Louvain (UCL) and Vrije Universiteit Brussel (VUB), and a Master of Law (LL.M) from Harvard University.

Philippe Nobels (representative of MC Consult SRL) has served as Vice President of Human Resources since October 2016. He started his career at Price Waterhouse (now PricewaterhouseCoopers) as auditor in 1989. He also went in rotational assignment in Congo during 2 years on consulting missions for the World Bank. In 1995, he joined Fourcroy as plant controller. Then, he joined Dow Corning in 1997 where he held different positions in Finance and Human Resources. He led the HR operations in Europe, became the HR manager for Dow Corning in Belgium, and HR Business Partner for the sales and marketing functions globally. As a member of the sales and marketing Leadership teams, he contributed to Dow Corning's major transformation initiatives to increase organizational effectiveness, employees' engagement & performance as well as Business results. Mr. Nobels holds a Master's Degree in Economics from the University of Namur.

Frédéric Lehmann (representative of ImXense SRL), has served as the Vice President Clinical Development & Medical Affairs since July 2016 and prior to that he has served as the Vice President Immuno-Oncology since September 2015. Dr. Lehmann is a physician by training, specialized in hematology and oncology. Dr. Lehmann has extensive experience in oncology drug development spanning early to late phase, including clinical trial design, translational research, regulatory interactions, and clinical risk management. He started his academic career at the Ludwig Institute for Cancer Research in Brussels, followed by a position at the Institute Jules Bordet. He then moved to the European Organization for Research and Treatment of Cancer (EORTC) as Medical Advisor. Dr. Lehmann began his corporate career at GlaxoSmithKline, where he led the early worldwide clinical development program for the Company's cancer vaccines and went on to lead the research and development incubator for cancer immunotherapeutics.

David Gilham, has served as Vice President Research and Development since September 2016. Prior to joining the Company, Mr. Gillham was a Reader and Group Leader within the Manchester Cancer Research Centre at the University of Manchester, United Kingdom leading a research group of 15 scientists in the area of cellular immunotherapy. Mr. Gilham obtained his Ph.D from the University of Dundee in 1998 in Molecular Pharmacology under the supervision of Professor Roland Wolf, OBE. After a short post-doctoral position at the University of Bristol, Mr. Gilham moved to the University of Manchester with Professor Robert Hawkins to establish translational research activity in the field of engineered cellular therapy. The group has carried out several clinical trials of CAR-T cells of which Mr. Gilham has been Lead scientific advisor and led several European framework programs bringing together researchers from all over Europe (for example, the ATTACK and ATTRACT programs). In 2010, along with Professor Hawkins and other colleagues, Mr. Gilham co-founded Cellular Therapeutics, a cell production company based in Manchester, England. He has published more than 60 peer reviewed articles and further book chapters and reviews. He sits on many review boards and charity grant committees and consulted for several biotech's and pharma concerning immune cell therapies.

Dr. Stephen Rubino, Ph.D., has served as the Company's Chief Business Officer since February 2020. Dr. Rubino brings over 30 years of pharmaceutical leadership experience to the role of Chief Business Officer, with emphasis in the areas of business development and licensing, new product development, commercial operations, pharmaceutical strategy and investor relations. Dr. Rubino currently serves as an independent board member of both ILKOS Therapeutics and Sermonix Pharmaceuticals. Dr. Rubino has also served Novartis Pharmaceuticals in a wide range of roles and therapeutic areas, the last of which was as Global Head of Business Development and New Product Marketing, responsible for developing and building the product pipeline for Novartis' Cell & Gene Therapies Unit. Prior to Novartis, Dr. Rubino worked for Schering–Plough (Merck) where his last role was head of the Global Solid Tumor Oncology & Autoimmune Business Unit responsible for the licensing and launch of Remicade, as well as the launch and commercialization of several global oncology brands. Dr. Rubino received his Ph.D. from Weill Cornell University (New York) and his Master of Business Association from Baruch University (New York).

2.4 Conflict of Interest of directors and members of the executive team and transactions with affiliated companies

2.4.1. General

Each director and member of the Executive Committee is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company. The Company's Charter contains specific procedures to deal with potential conflicts.

2.4.2. Conflicts of interest of directors

Article 7:96 of the CCA provides for a special procedure within the Board of Directors in the event of a possible personal financial conflict of interest of one or more directors with one or more decisions or transactions to be adopted by the Board of Directors. In the event of a conflict of interest, the director concerned must inform his or her fellow directors of his or her conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director may not participate in the deliberation and voting by the Board of Directors on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements made by the conflicted director, as well as a description by the Board of Directors of the conflicting interests and the nature of the relevant decision or transaction to be adopted. The minutes must also contain a justification by the Board of Directors for the decision or transaction adopted, and a description of the financial consequences thereof for the Company. The relevant minutes must be included in the (statutory) annual report of the Board of Directors.

The Company must notify the Statutory Auditor of the conflict. The Statutory Auditor must describe in its statutory annual audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

This procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions.

2.4.3. Existing conflicts of interest of members of the Board of Directors

Except as reported hereinafter, as far as the Company is aware, none of the have a conflict of interest within the meaning of Article 7:96 of the CCA which has not been disclosed to the Board of Directors. Other than potential conflicts arising in respect of compensation-related matters, the Company does not foresee any other potential conflicts of interest in the near future.

In 2019, certain members of the Board declared a conflict of interest. The following declaration were made in that respect:

"Excerpt from the minutes of the Board meeting of January 17, 2019":

The Article 523, paragraph 1, of the Belgian Company Code provides that "If a director has, directly or indirectly, a conflicting financial interest in a decision or operation to be decided by the Board of Directors, he has to inform the other directors before the deliberation of the Board of Directors. His declaration, including the reasons for his conflicting financial interest, must be recorded in the minutes of the board meeting that will take [...] the decision. The auditor must also be informed. (...) In listed companies, the concerned directors cannot deliberate nor vote on the concerned decisions".

The directors present in the meeting informed the other directors that they have a conflict of interest as they have a conflicting financial interest in the decision proposed at the present point of the agenda of this meeting of the Board of Directors relating to the allocation of warrants. As mentioned in the supporting documents, it is contemplated to allocate warrants to:

- *Michel Lussier (10,000 warrants);*
- *Rudy Dekeyser (10,000 warrants);*
- *Debasish Roychowdhury (10,000 warrants);*
- *Chris Buyse (10,000 warrants);*
- *Hilde Windels (10,000 warrants);*
- *Margo Roberts (10,000 warrants);*
- *Serge Goblet (10,000 warrants);*
- *Christian Homsy (40,000 warrants).*

Each warrant will give the right to its holder to acquire one new share of the Company. The exercise price will be equal to the average closing price of the share during a period of 30 days before the offer date or the price of the share on the last day before the offer date.

The Chairman thanks the directors for their declarations. These declarations will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with Article 523 of the Company Code. (...)

The Board then validly deliberated on this item of the agenda.

After deliberation, the Board unanimously decided to allocate an aggregate of 465,800 warrants, out of which 240,000 will be allocated to Board members and the Senior Leadership Team as follows (the Directors concerned by a conflict of interest abstained from voting on themselves):

- *Michel Lussier (10,000 warrants);*
- *Rudy Dekeyser (10,000 warrants);*
- *Debasish Roychowdhury (10,000 warrants);*
- *Chris Buyse (10,000 warrants);*
- *Hilde Windels (10,000 warrants);*
- *Margo Roberts (10,000 warrants);*
- *Serge Goblet (10,000 warrants);*
- *Christian Homsy (40,000 warrants).*

Finally, in so far as appropriate, the Board of Directors unanimously confirmed that the above-mentioned allocations of warrants will take place under the terms and conditions of the template Warrants Plan 2018. (...).

"Excerpt from the minutes of the Board meeting of March 28, 2019":

Article 523, paragraph 1, of the Company Code provides that "If a director has, directly or indirectly, a conflicting financial interest in a decision or operation to be decided by the Board of Directors, he has to inform the other directors before the deliberation of the Board of Directors. His declaration, including the reasons for his conflicting financial interest, must be recorded in the minutes of the board meeting that will take [...] the decision. The auditor must also be informed. (...) In listed companies, the concerned directors cannot deliberate nor vote on the concerned decisions".

Mr. Roychowdhury informed the other directors that he is in a position of conflict of interest with respect to the decision proposed under point 2.2 of the agenda. It is proposed by the Nomination and Remuneration Committee to grant a forward vesting of his warrants to Mr. Roychowdhury further to the termination of his mandate as director. This forward vesting would not have direct financial impact on the Company.

The Chairman thanks Mr. Roychowdhury for his declaration, it will be mentioned in the management report and communicated to the Statutory Auditor of the Company in accordance with Article 523 of the Company Code.

LSS Consulting SRL, represented by Mr. Christian Homsy, informed the other directors that he is in a position of conflict of interests with respect to the decision proposed under point 2.2 of the agenda, relating to the terms and conditions of the termination of LSS Consulting SRL as CEO of the Company. It is proposed by the Nomination and Remuneration Committee to pay to LSS Consulting SRL a termination fee of EUR 300,000 (excluding VAT) and to conclude a 3-month consulting agreement against compensation of EUR 70,000 (excluding VAT).

The Chairman thanks LSS Consulting for his declaration, it will be mentioned in the management report and communicated to the Statutory Auditor of the Company in accordance with Article 523 of the Company Code.

(...)

Mr. Roychowdhury leaves the room. The Board expressly approves the waiver to the condition of presence imposed by the warrants plans of the Company in favor of Mr. Roychowdhury, meaning that Mr. Roychowdhury

will be allowed to exercise all his warrants during the Exercise Periods provided by the plans, even if he stopped his professional activities in favor of the Company in May 2019 and even if all his warrants have not been vested. Mr. Roychowdhury comes back to the meeting.

(...)

Mr. Homsy leaves the room. (...) After discussion, the Committee recommended to approve the following terms and conditions to LSS Consulting's retirement as CEO of the Company:

a) The Management Services Agreement between the Company and LSS Consulting SRL ("LSS") will terminate as of April 1st, 2019 and the Company will pay to LSS a termination compensation of 300.000 EUR (excluding VAT);

b) The Company will sign with LSS a consultancy agreement as of April 1st, 2019 and for a period of 3 months, whereby LSS will provide services to assist the Company in its next fund raising and assist Mr. Petti in his transition as new CEO. The Company will pay 70.000 EUR (excluding VAT) to LSS in remuneration for those services;

c) The Company will pay to LSS its annual group insurance of 26,000 EUR, its fees for services delivered until March 31, 2019; however, the Company will not pay to LSS any bonus for the year 2019;

d) As of April 1st, LSS will be remunerated for his Board membership and will be appointed and remunerated as member of the Committee, and Chairman of the new Strategy Committee, all in accordance with the Company's remuneration policy;

e) In recognition of the accomplishments of Mr. Homsy for the Company over the past 12 years, the Board will agree that the warrants accepted by Mr. Homsy in 2017 and 2019, but not yet vested, will not be forfeited and will vest and in accordance with the terms and conditions of the 2017 and 2019 plan;

f) The Company on one hand, Mr. Homsy and LSS on the other hand, will waive any claim against one another; the Company will not impose any non-compete clause on LSS or Mr. Homsy.

The Board of Directors had a thorough discussion about those terms and conditions and deemed in the best interest of the Company to approve the recommendations of the Committee.

The Board decided also to appoint LSS as member of the Nomination & Remuneration Committee and to create a new Strategy Committee chaired by LSS. (...)

"Excerpt from the minutes of the Board meeting of October 10, 2019":

"The Board discussed the allocation of warrants to Board members:

- *Michel Lussier (10,000 warrants);*
- *Hilde Windels (10,000 warrants);*
- *Margo Roberts (10,000 warrants);*
- *Serge Goblet (10,000 warrants);*
- *Christian Homsy (10,000 warrants);*
- *Chris Buyse (10,000 warrants);*
- *Rudy Dekeyser (10,000 warrants).*

The warrants would be allocated under the Warrants Plan 2019. Each warrant will give the right to its owner to acquire one new share of the Company. The exercise price will be equal to the fair market value of the Company's shares at the time of the offer, this value corresponding to the closing price of the share on the day before the date of the offer.

The article 7:96 of the BCAC provides that "if a director has, directly or indirectly, a conflicting financial interest in a decision or operation to be decided by the Board of Directors, he has to inform the other directors before the deliberation of the Board of Directors. His declaration, including the reasons for his conflicting financial

interest, must be recorded in the minutes of the board meeting that will take [...] the decision. The auditor must also be informed. The concerned directors cannot deliberate nor vote on the concerned decisions".

Michel Lussier informed the other directors that he has a conflicting financial interest in the decision proposed. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Michel Lussier left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Michel Lussier. Michel Lussier then came back in the meeting room.

Serge Goblet informed the other directors that he has a conflicting financial interest in the decision proposed. The Chairman thanked Serge Goblet for his declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Serge Goblet left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Serge Goblet. Serge Goblet then came back in the meeting room.

Chris Buyse informed the other directors that he has a conflicting financial interest in the decision proposed. The Chairman thanked Chris Buyse for his declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Chris Buyse left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Chris Buyse. Chris Buyse then came back in the meeting room.

Rudy Dekeyser informed the other directors that he has a conflicting financial interest in the decision proposed. The Chairman thanked Rudy Dekeyser for his declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Rudy Dekeyser left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Rudy Dekeyser. Rudy Dekeyser then came back in the meeting room.

Christian Homsy informed the other directors that he has a conflicting financial interest in the decision proposed. The Chairman thanked Christian Homsy for his declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Christian Homsy left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Christian Homsy. Christian Homsy then came back in the meeting room.

Hilde Windels informed the other directors that she has a conflicting financial interest in the decision proposed. The Chairman thanked Hilde Windels for her declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Hilde Windels left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Hilde Windels. Hilde Windels then came back in the meeting room.

Margo Roberts informed the other directors that she has a conflicting financial interest in the decision proposed. The Chairman thanked Margo Roberts for her declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2019 in accordance with the article 7:96 of the BCAC. Margo Roberts left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Margo Roberts. Margo Roberts then came back in the meeting room."

2.4.4. Related Party Transactions

Currently, no related party transaction involving the Company's Directors, or the members of the Executive Committee has been disclosed to the Company.

2.4.5. Transactions with affiliates

Article 7:97 of the CCA provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure will apply to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It will also apply to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company.

Prior to any such decision or transaction, the Board of Directors of the Company must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee provides the Board of Directors with a written report giving the motives for the decision of the envisaged operation, addressing at least the following elements: the nature of the decision or the operation, a description and an estimation of the equity consequences, a description of the eventual other consequences, the advantages and inconvenient resulting therefrom for the Company, as the case maybe. The committee puts the proposed decision or operation in the context of the strategy of the Company and determines if it causes any prejudice to the Company, if it is compensated by other elements of that strategy, or if it is manifestly abusive. The remarks of the expert are integrated in the opinion of the committee.

The Board of Directors must then take a decision, taking into account the opinion of the committee. Any deviation from the committee's advice must be explained. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote. The committee's advice and the decision of the Board of Directors must be communicated to the Company's Statutory Auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the Statutory Auditor must be included in the (statutory) annual report of the Board of Directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value of less than 1% of the consolidated net assets of the Company.

2.4.6. Code of Business Conduct and Ethics

In 2015, the Company adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that is applicable to all of its employees, members of its Executive Committee and directors. It has been updated on October 5, 2018. The Code of Conduct is on its website at https://www.celyad.com/en/investors/corporate-governance. The Audit Committee of its Board of Directors is responsible for overseeing the Code of Conduct and is required to approve any waivers of the Code of Conduct for employees, members of its Executive Committee and directors.

2.4.7. Market abuse regulations

On June 17, 2013, the Board of the Company defined specific rules to prevent the illegal use of inside information by board members, shareholders, managers and employees or the appearance of such use ("the Market Abuse Policy"). The Market Abuse Policy has been amended by a resolution of the Board of Directors on December 7, 2017.

These provisions and their compliance are primarily intended to protect the market. To ensure that the law is respected and to uphold the reputation of the Company, it is therefore necessary to take a number of preventive measures in the form of a code of conduct.

The Policy applies to all Insiders. An Insider can be given access to inside information within the scope of the normal performance of his or her duties. The insider has the strict obligation to treat this information confidentially and is not allowed to trade financial instruments of the Company to which this inside information relates.

In accordance with art 25bis §1 of the law of August 2, 2002 and the EU Regulation 596/2014 of April 16, 2014 on market abuse (the "MAR"), the Company has established a list of persons in the Company who, based on an employment or service agreement, have contracted with the Company and have during the course of their duties access to inside information directly or indirectly. This list is updated regularly and remains at the disposal of the FSMA for a period of 5 years.

2.5 Corporate Governance Code

The Company's Board of Directors complies with the principles of the CGC. However, the Company deviates from the following principles:

- Remuneration in company's shares (principle 7.6): given the legal constraints of Belgian laws, the non-executive directors do not receive a portion of their remuneration in company's shares;

- No grant of stock options (principle 7.6): given the technical impossibility to grant company's shares to non-executive directors, those directors can receive subscription rights (warrants). Those grants can attract profiles with high potential, incentivize the beneficiaries in the development of the Company, and play a role as retention tool of the teams;
- Absence of minimum detention of shares (principle 7.9): at the date of this Report, the Company has not fixed any minimum threshold for the detention of shares by the executive managers. However, the executive managers have subscription rights (warrants) on the Company's shares as described in the section 2.6.3 of this Report.

The Company has not adopted a diversity policy. The talents market is particularly tense and dynamics in the biopharmaceutical industry and developing a diversity policy adjusted to this fast-changing environment was not deemed to be the best tool to meet the Company's challenges in human resources. Over the past years, the Company has successfully achieved a broad degree of diversity from a gender, citizenship, expertise and educational background perspective at the Company's Board of Directors, Executive Committee, Management and staff levels. As such, the Company has attracted talents from various countries which reflects the Company's international footprint to support the Company's strategy in research and development, clinical and medical affairs, manufacturing, business and finance.

At the Board of Directors, the Company complies with Belgian law on gender with at least one third of the members who are from a different gender. One Board member is Canadian, three are Americans, and three are Belgians.

At the Executive Committee, two members are Americans, one is English, one is from Congo and 3 are from Belgium. At that level, an effort has been made to improve gender diversity. In the course of 2019, one female member was hired who left the Company on October 17, 2019. The Company will pursue its efforts to increase the female presence at the Executive Committee.

Regarding the Management team who is composed of 16 members, the Company counts 43.7% (7) of female and 56.3% (9) of male. Those managers or directors have different nationalities (from Belgium, Greece, Italy, Mexico, France and the US).

Regarding the employees not included above, the Company records 60% female employees and 40% male employees.

In accordance with the CGC, the Board of Directors of the Company will review its Charter from time to time and make such changes as it deems necessary and appropriate. The Charter, together with the Company's articles of association, is available on the Company's website (www.celyad.com) and can be obtained free of charge at the registered office of the Company. The Charter has been updated by resolution of the Board of Directors on 28 November 2019.

2.6 Remuneration report

2.6.1. Director's remuneration

The remuneration of the Directors is determined by the shareholders' meeting upon proposal of the Board of Directors on the basis of the recommendations made by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee benchmarks Directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various committees.

The non-executive Directors receive a fixed remuneration in consideration for their membership of the Board of Directors and their membership of the Committees (see below). Directors are not entitled to any variable compensation as defined under Articles 96 §3 5° and 520bis of the CCA, as no performance criteria apply to the remuneration of non-executive directors.

On the advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders Meeting to grant options or warrants in order to attract or retain non-executive directors with the most relevant skills, knowledge and expertise. The grant of stock base incentive schemes is not linked or subject to any performance criteria and, consequently, qualifies as fixed remuneration. It is the Board of Directors' reasonable opinion, that the grant of warrants provides additional possibilities to attract or retain competent non-executive directors and to offer them an attractive additional remuneration without the consequence that this additional remuneration weighs on the Company's cash and financial results. Furthermore, the grant of warrants is a commonly used method in the sector in which the Company operates.

Without this possibility, the Company would be subject to a considerable disadvantage compared to competitors who do offer warrants to their non-executive directors. The Board of Directors is of the opinion that the grant of options or warrants has no negative impact on the functioning of the non-executive directors. As of 31 December 2019, non-executive directors owned in total 190,000 Company warrants.

Without prejudice to the powers granted by law to the Shareholders Meeting, the Board of Directors sets and, from time to time, revises the rules and the level of compensation for directors carrying out a special mandate or sitting on one of the committees and the rules for the reimbursement of directors' business-related out-of-pocket expenses. The remuneration of Directors will be disclosed to the Company's shareholders in accordance with applicable laws and regulations.

The Directors' mandate may be terminated "ad nutum" (at any time) without any form of compensation.

On 9 May 2016, the Shareholders Meeting approved a remuneration and compensation scheme for the non-executive directors. The remuneration package is made up of fixed annual fee of €10,000 for non-executive directors, supplemented by a fixed annual fee of €10,000 for the Chairman. The annual fee is supplemented by a €5,000 fee for any non-executive directors covering the participation to the four ordinary Board of Directors' meetings. Any participation to an extraordinary Board of Directors' meetings gives right to a supplemental fee of €5,000. This remuneration package is also supplemented with a fixed annual fee of €15,000 for membership of each committee of the Board of Directors, to be increased by €5,000 in case the relevant director chairs the Nomination and Remuneration Committee or the Audit Committee. Finally, an extraordinary fee of €3,000 is granted to non-executive directors in case of appointment of such directors, on request of the CEO and with prior approval of the Board of Directors, for specific missions requiring the presence of the concerned director. As part of the fixed remuneration for non-executive directors, all directors may receive from time to time Company warrants subject to shareholders' approval. As mentioned above, the grant of warrants to non-executive directors is not linked or subject to performance criteria. Directors are also entitled to the reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

On 6 May 2019, the Shareholders Meeting approved the terms and conditions of a template of warrants plan to comply with in the event of an implementation of such plan in the next 12 months, upon proposal of the nomination and remuneration committee, with a vesting period of 3 years and for which the exercise price will be the lowest between (i) the average of the closing price of the share in the 30 days preceding the offer and (ii) the last closing price of the share on the date preceding the offer. More specifically, the Shareholders Meeting approved pursuant to the art. 7:151 of the CCA, the clause of anticipated vesting in the event of a change of control or a public offering on the shares of the Company.

On October 24, 2019, the Company has issued 939,500 subscription rights under the terms and conditions approved by the shareholders meeting of May 6, 2019.

The Company does not envisage to amend the principles driving its remuneration policy in the near future and in particular in the coming two financial years.

As of 31 December 2019, there are no loans outstanding from the Company to any member of the Board of Directors.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and members of the Board of Directors who are not a member of the Executive Committee.

The following amounts detailed the 2019 remuneration of the Board of directors:

Name	Fees earned (€)	Total outstanding warrants
Michel Lussier	85,000	40,000
Debasish Roychowdhury	12,500	30,000
Rudy Dekeyser	80,000	40,000
Chris Buyse	80,000	40,000
Hilde Windels	55,000	20,000
LSS Consulting SRL	41,750	120,000

Margo Roberts	40,000	20,000
Serge Goblet	35,000	30,000
Total	**429,250**	**340,000**

2.6.2. Remuneration of the CEO

In accordance with Article 3:6 §3 of the CCA, this remuneration report includes the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis.

In the financial year 2019 the Company paid €104,259 of remuneration to LSS Consulting SRL, represented by Christian Homsy, CEO. This includes:

- a fixed remuneration of €104,259;

Furthermore, following the termination of the mandate of CEO of LSS Consulting SRL on April 1st, 2019, the Company has paid to LSS Consulting SRL the following amounts:

- a termination indemnity of €300,000;
- a consulting fee of €70,000;
- a compensation of €26,000 as group insurance.

Christian Homsy participates in different warrant plans set in place by the Company and approved by its shareholders:

- under Warrant plan of May 2010: 200 warrants at an exercise price of €22.44 per share vested over a period of 3 years;
- under Warrant plan of January 2013: 80,000 warrants at an exercise price of €4.52 per share vested over a period of 1 years. These warrants were exercised in 2014;
- under Warrant plan of May 2013: 112,000 warrants at an exercise price of €2.64 per share vested over a period of 3 years;
- Under Warrant plan of November 2015: 40,000 warrants at an exercise price of €34.65 per share vested over a period of 3 years;
- Under Warrant plan of June 2017: 40,000 warrants at an exercise price of €32.26 per share vested over a period of 3 years;
- Under Warrant plan of October 2018: 40,000 warrants at an exercise price of €22.04 per share vested over a period of 3 years.

In January 2017, Christian Homsy exercised 112,000 warrants issued in May 2013. As of December 31, 2019, Christian Homsy owned 120,000 warrants (plans of November 2015, June 2017 and October 2018).

In the financial year 2019 the Company paid €559,625 of remuneration to Filippo Petti, as CEO and CFO of the Company. This includes:

- a fixed remuneration of €436,550
- a variable component of €123,075.

Filippo Petti participates in different warrant plans set in place by the Company and approved by its shareholders:

- Under Warrant plan of October 2018: 20,000 warrants offered in October 2018 at an exercise price of €21.16 per share, 25,000 warrants offered in January 2019 at an exercise price of €18.82 per share and 20,000 warrants offered in September 2019 at an exercise price of €9.36 per share. All offers are vested over a period of 3 years.
- Under Warrant plan of October 2019: 30,000 warrants offered in October 2019 at an exercise price of €8.16 per share vested over a period of 3 years.

As of 31 December 2019, the CEO owned 95,000 warrants (plans of October 2018 and October 2019).

No procedure to reclaim the variable remuneration paid to the CEO has been foreseen.

2.6.3. Remuneration of the Executive Committee

In addition to the CEO Filippo Petti, also CFO ad interim, the composition of the Executive Committee is:

- ImXense SRL, represented by Frédéric Lehmann, Vice President Clinical Development & Medical Affairs;
- NandaDevi SRL, represented by Philippe Dechamps, Chief Legal Officer;
- David Gilham, Vice President Research & Development;
- KNCL SRL, represented by Jean-Pierre Latere, Chief Operating Officer;
- MC Consult SRL, represented by Philippe Nobels, Vice President of Human Resources;
- Stephen Rubino, Vice President, Chief Business Development Officer.

LSS Consulting SRL, represented by Christian Homsy, was CEO and member of the Executive Committee until April 1st, 2019 and was replaced by Filippo Petti in that position on that date.

Anne Moore, VP Corporate Strategy, has joined the Company on March 4, 2019 as member of the Executive Committee and left the Company on 17 October 2019.

Stephen Rubino, Vice President, Chief Business Development Officer, was engaged on February 1st, 2020.

The remuneration of the members of the Executive Committee is determined by the Board of Directors based on recommendations made by the Nomination and Remuneration Committee, further to a recommendation made by the CEO to the Nomination and Remuneration Committee (except where his own remuneration is concerned).

The remuneration of the members of the Executive Committee is designed to hire, retain and motivate high quality executive managers. The remuneration of the members of the Executive Committee currently consists of the following elements:

- Each member of the Executive Committee is entitled to a basic fixed compensation designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- the Company pays each member of the Executive Committee a variable compensation, dependent on specified individual, team and/or Company objectives which are pre-determined in an explicit decision by the Board of Directors. Such variable compensation is based on the Company's performance and the individual performance of the Manager;
- Each member of the Executive Committee currently participates in, and/or in the future may be offered the possibility to participate in, a stock based incentive scheme, in accordance with the recommendations set by the Nomination and Remuneration Committee, after the recommendation by the CEO to such committee (except in respect of his own remuneration) and after (in respect of future stock based incentive schemes) prior shareholders' approval of the scheme itself by way of a resolution at the annual shareholders' meeting. Such stock-based incentive schemes are implemented on a case by case basis in order to motivate and retain the beneficiaries;
- Each member of the Executive Committee is entitled to a number of fringe benefits (to the exception, however, of those managers engaged on the basis of service agreements), which may include participating in a defined contribution pension or retirement scheme, disability insurance and life insurance, a company car, and/or a lump-sum expense allowance according to general Company policy.

The contracts of the members of the Executive Committee can be terminated in accordance with the following conditions:

- The former CEO LSS Consulting SRL, represented by Christian Homsy, was engaged on the basis of a services agreement with effective date on July 24, 2007 and with indefinite term. The services agreement terminated on April 1st, 2019 (see section 2.6.2 above);
- The CEO and CFO ad interim, Filippo Petti, is engaged on the basis of an employment agreement with effective date on September 1st, 2018 and with indefinite term. This contract has been amended on April 1st, 2019 when Filippo Petti became CEO of the Company. The contract can be terminated by the Company without cause with 30-days' notice and the payment of a termination indemnity of 6 months of base salary if the contract is terminated before January 4, 2021, or 9 months of base salary if the contract is terminated after that date, as well as the payment of health coverage ("COBRA"). The contract can also be terminated by the Company with cause and without an indemnity or notice, or by Filippo Petti with 30-days' notice.

- ImXense SRL is engaged on the basis of a services agreement with effective date on August 4, 2015 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months, or with cause and without indemnity. The services agreement will terminate if ImXense SRL resigns as Vice President Clinical Development & Medical Affairs of the Company, with a notice period of three months.
- KNCL SRL is engaged on the basis of a services agreement with effective date on December 7, 2015 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months, or with cause and without indemnity. The services agreement will terminate if KNCL SRL resigns as Chief Operating Officer of the Company, with a notice period of three months.
- NandaDevi SRL is engaged on the basis of a services agreement with effective date on September 1, 2016 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months and the payment of an ad-target bonus pro-rated to the termination date of the current year, or with cause and without indemnity. The services agreement will terminate if Nandadevi SRL resigns as Chief Legal Officer of the Company, with a notice period of three months.
- MC Consult SRL is engaged on the basis of a services agreement with effective date on January 3, 2017 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months , or with cause and without indemnity. The services agreement will terminate if MC Consult SRL resigns as Vice President of Human Resources of the Company, with a notice period of two months.
- David Gilham, Vice President Research & Development is engaged on the basis of an employment agreement with effective date on September 12, 2016 and with indefinite term. The employment contract can be terminated by the Company without notice and without indemnity in case of gross misconduct.
- Stephen Rubino, Chief Business Development Officer, was engaged on the basis of an employment contract with effective date as of February 1st, 2020, with indefinite duration. The contract can be terminated by the Company without cause with 30-days' notice and the payment of a termination indemnity of 6 months of base salary, as well as the payment of health coverage ("COBRA"). The contract can also be terminated by the Company with cause and without an indemnity or notice, or by Stephen Rubino with 30-days' notice.

The total fees paid or due to the members of the Executive Committee (excluding the CEO) was €2.1 million in 2019 (full company costs but excluding VAT and stock-based compensation) as further detailed in sections of the notes to the financial statements.

This includes:

- a fixed remuneration of €1,695,101;
- a variable component of €411,522.

Out of the fixed compensation, the amounts paid by the Group on behalf of the members of the Executive Committee for a group insurance and other advantages in kind amounted to €62,141.

Over the course of 2019, the Executive Committee (excluding the CEO) accepted 136,500 warrants offered from the October 2018 and October 2019 plans. As of December 31, 2019, the Executive Committee holds 295,500 warrants. The exercise prices vary from €8.16 to €36,11. All plans have a vesting scheme of 3 years.

The following table detailed the warrants owned by the Executive Committee (excluding the CEO) as of December 31, 2019 and the movements occurred in 2019:

Name	Granted	Forfeited	Exercised	Total outstanding
Frédéric Lehmann	20,000	-	-	70,000
Philippe Dechamps	30,000	-	-	70,000
David Gilham	45,000	-	-	61,000
Jean-Pierre Latere	11,500	-	-	34,500
Philippe Nobels	30,000	-	-	60,000
Total	**136,500**	**-**	-	**295,500**

2.6.4. Claw back provisions

There are no provisions allowing the Company to reclaim any variable remuneration paid to the CEO or the other members of the Executive Committee.

2.6.5. Statutory Auditor

VCBA BDO Bedrijfsrevisoren – Réviseurs, organized and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9, Box E.6, 1930 Zaventem, , represented by Bert Kegels, has been appointed as its statutory auditor on May 5, 2017 for a term of three years. Bert Kegels is a member of the Belgian Institute of Certified Auditors ("Institut des Réviseurs d'Entreprises ").

The annual remuneration of the auditor for the performance of its three-year mandate for the audit of its financial statements (including the statutory financial statements) amounts to €128k for the year 2019 (excluding VAT).

2.7 Description of the principal risks associated to the activities of the Group

2.7.1. Risk Management

Risk management is embedded in the strategy of the Company and is of crucial importance for achieving the objectives set by the Board of Directors. The Board is responsible for assessing the risks associated with the activities of the Company and for evaluating the internal audit systems. The Board relies partially on the Executive Committee to perform this assessment.

The internal audit systems play a central role in managing the risks and the activities of the Company. To safeguard the proper implementation and execution of the strategies defined by the Board, the Company has set up internal risk management and control systems. The internal audit system is based on the following pillars:

- the compliance with and the training on the internal policies of the Company, including but not limited to the Code of Business Conduct, Standard Operating Procedures, or policies related to areas such as data protection, information systems, contract lifecycle, conflict of interest, gifts and gratuities, crisis management;
- the values of the Company;
- The monitoring of the legal environment with the support of external attorneys;
- Ongoing risk analysis;
- audit activities performed by Quality Assurance and Finance departments;
- controls, supervision and corrective actions and measures.

The purpose of these systems is to manage in an effective and efficient manner the significant risks to which the Company is exposed. They are designed to ensure:

- the careful monitoring of the effectiveness of the Company's short term and long-term strategy;
- the Company's sustainability by a constant evaluation of its performance (operations and cash).

2.7.2. Organization and values

The Company's organization and values as well as the legal environment surrounding the activities of the Company constitute the basis of all the internal audit components. It is determined by a composition of formal and informal rules on which the functioning of the Company relies.

The organization encompasses the following elements:

- Company's Mission: *"Developing innovative cell therapies against cancer";*
- The Company's values: *Passion. Respect. Innovation. Determination. Excellence;*
- The Company's vision: *"Eliminate cancer. Improve life"*;
- Employees and consultants: the Company has been able to attract and retain motivated and dedicated qualified employees. Passion, pro-activity, open-mindness, commitment, trust and integrity are the essential traits of character of the Company's team. All the Company's employees and consultants are required to manage the Company's resources with due diligence, integrity and to act with the necessary common sense;
- Board of Directors, including the Remuneration and Nomination Committee and the Audit Committee. See section 5 for further information on the functioning of the Board and its Committees;

- Independent non-executive directors: the Company is supported by several independent directors. Their expertise and experience contribute to the Company's effective management;
- Chief Executive Officer, in charge of the day-to-day management, supported by the other member of the Executive Committee;
- Internal set of procedures: The Company set up a Code of Business Conduct and Ethics and adopted internal rules and procedures which regulate the activities within the Company;
- External environment: The Company operates in a highly regulated environment (GMP, GCP, etc.). Compliance with all these external rules and guidelines is of critical importance to the Company.

The evaluation of the Company's organization, values and compliance with legal environment is made regularly for the supervising bodies.

2.7.3. Risks analysis

The Board of Directors decides on the Company's strategy, risk appetite and its main policies. It is the task of the Board of Directors to strive for long-term success by procuring proper risk assessment and management. The Executive Committee is responsible for the development of systems that identify, evaluate and monitor risks.

The Company divides its objectives into four categories:

- strategic;
- operational;
- financing;
- compliance with the rules, legislations and internal instructions.

Once the objectives are set by the Board of Directors, those are transferred to all departments, services and staff member within the Company. Regular assessments within the different services and department are made along the year to ensure that these objectives are followed. At year end, the Executive Committee performs an overall performance appraisal and initiates a performance review amongst the different departments and services of the Company.

Risk identification consists in examining the factors that could influence the objectives put forward in each category. Internal or external factors may influence the realization of these objectives.

- internal factors: they are closely related to the internal organization and could have several causes (change in the group structure, staff, ERP system);
- external factors: they can be the result of changes in the economic climate, regulations or competition.

Besides the common risks associated to all industrial companies, the Executive Committee has identified the following specific risk factors which are described here after.

2.7.4. Risks related to the Company's financial position and need for additional capital

The Company has incurred net losses in each period since its inception and anticipate that the Company will continue to incur net losses in the future.

The Company is not profitable and has incurred losses in each period since its inception. For the years ended December 31, 2019, 2018 and 2017, the Company incurred a loss for the year of €28.6 million, €37.4 million and €56.4 million, respectively. As of December 31, 2019, the Company had a retained loss of €74.4 million. The Company expects these losses to increase as it continues to incur significant research and development and other expenses related to its ongoing operations, continues to advance its drug product candidates through preclinical studies and clinical trials, seek regulatory approvals for its drug product candidates, scale-up manufacturing capabilities and hire additional personnel to support the development of its drug product candidates and to enhance its operational, financial and information management systems.

The main assets of the Company are intellectual property rights concerning technologies that have not led to commercialization of any product. The Company has never been profitable and has never commercialized any (pharmaceutical) product.

Even if the Company succeeds in commercializing one or more of its drug product candidates, it will continue to incur losses for the foreseeable future relating to its substantial research and development expenditures to develop its technologies. The Company anticipates that its expenses will increase substantially if and as the Company:

- continues its research, preclinical and clinical development of its drug product candidates;
- expands the scope of therapeutic indications of its current clinical studies for its drug product candidates;
- initiates additional preclinical studies or additional clinical trials of existing drug product candidates or new drug product candidates;
- further develops the manufacturing process for its drug product candidates;
- changes or adds additional manufacturers or suppliers;
- seeks regulatory and marketing approvals for its drug product candidates that successfully complete clinical studies;
- establishes a sales, marketing and distribution infrastructure to commercialize any products for which the Company may obtain marketing approval, in the European Union and the United States;
- makes milestone or other payments under any in-license agreements;
- maintains, protects and expands its intellectual property portfolio; and
- maintains and upgrades internal controls.

The Company may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect its business. The size of its future net losses will depend, in part, on the rate of future growth of its expenses and its ability to generate revenue.

Its prior losses and expected future losses have had and will continue to have an adverse effect on its shareholders' equity and working capital. Further, the net losses the Company incurs may fluctuate significantly from quarter to quarter and year to year, such that a period to period comparison of its results of operations may not be a good indication of its future performance.

The Company may need substantial additional funding, which may not be available on acceptable terms when needed, if at all.

The Company's operations have required substantial amounts of cash since inception. The Company expects to continue to spend substantial amounts to continue the clinical development of its drug product candidates, including its ongoing and planned clinical trials for CAR-T NKG2D and any future drug product candidates. If approved, the Company will require significant additional amounts in order to launch and commercialize its drug product candidates.

As of December 31, 2019, the Company had cash and cash equivalents of €39.3 million and no short-term investments. The Company believes that such resources will be sufficient to fund its operations for at least the next 12 months from balance sheet date. However, changing circumstances may cause it to increase its spending significantly faster than it currently anticipates, and the Company may need to spend more money than currently expected because of circumstances beyond its control. The Company may require additional capital for the further development and commercialization of its drug product candidates and may need to raise additional funds sooner if the Company chooses to expand more rapidly than it presently anticipates.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research programs and product candidates, to grant licenses on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favorable to the Company than those it might have obtained in a different context. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialization of all or part of its research programs or product candidates or it may be unable to take advantage of future business opportunities.

Raising additional capital may cause dilution to the Company's existing shareholders, restrict its operations or require the Company to relinquish rights to its drug product candidates or technologies.

The Company may seek additional funding through a combination of equity offerings, debt financings, collaborations and/or licensing arrangements. To the extent that the Company raises additional capital through the sale of equity or convertible debt securities, the shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a shareholder. The incurrence of indebtedness and/or the issuance of certain equity securities could result in increased fixed payment

obligations and could also result in certain additional restrictive covenants, such as limitations on its ability to incur additional debt and/or issue additional equity, limitations on its ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact its ability to conduct its business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of the Shares to decline. In the event that the Company enters into collaborations and/or licensing arrangements in order to raise capital, it may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms its rights to technologies or drug product candidates that the Company otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when the Company might be able to achieve more favorable terms.

The Company may be exposed to significant foreign exchange risk.

The Company incurs portions of its expenses, and may in the future derive revenues, in currencies other than the euro, in particular, the U.S. dollar. As a result, the Company is exposed to foreign currency exchange risk as its results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. The Company currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the euro. Therefore, for example, an increase in the value of the euro against the U.S. dollar could be expected to have a negative impact on the Company's revenue and earnings growth as U.S. dollar revenue and earnings, if any, would be translated into euros at a reduced value. The Company cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect its financial condition, results of operations and cash flows.

The investment of the Company's cash and cash equivalents may be subject to risks that may cause losses and affect the liquidity of these investments.

As of December 31, 2019, the Company had cash and cash equivalents of €39.3 million and no short-term investments. the Company historically has invested substantially all of its available cash and cash equivalents in corporate bank accounts. Pending their use in the Company's business, the Company may invest the net proceeds of its global offerings in investments that may include corporate bonds, commercial paper, certificates of deposit and money market funds. These investments may be subject to general credit, liquidity, and market and interest rate risks. The Company may realize losses in the fair value of these investments or a complete loss of these investments, which would have a negative effect on its financial statements.

2.7.4.1 Risk related to product development, regulatory approval and commercialization

The Company is heavily dependent on the regulatory approval of its clinical candidates CYAD-01, CYAD-02 and CYAD-101 in the United States and Europe, and subsequent commercial success of CYAD-01, CYAD-02 and CYAD-101, both of which may never occur.

The Company is a clinical-stage biopharmaceutical company with no products approved by regulatory authorities or available for commercial sale. The Company may be unable to develop or commercialize a product, product candidate or research program, or may cease some of its operations, which may have a material adverse effect on the Company's business.

The Company has generated limited revenue to date and does not expect to generate any revenue from product sales for the foreseeable future. As a result, its future success is currently dependent upon the regulatory approval and commercial success of the Company's clinical CAR-T cell therapies, including CYAD-01, CYAD-02 and CYAD- 101 which the Company intends to seek approval. The Company's ability to generate revenues in the near term will depend on its ability to obtain regulatory approval and successfully commercialize CYAD-01, CYAD-02 and CYAD-101 in the United States, the first country in which the Company intends to seek approval for these candidates. The Company may experience delays in obtaining regulatory approval in the United States for these clinical candidates, if it is approved at all, and the price of its ordinary shares and/or ADSs may be negatively impacted. Even if the Company receives regulatory approval, the timing of the commercial launch of CYAD-01, CYAD-02 and CYAD-101 in the United States is dependent upon a number of factors, including, but not limited to, hiring sales and marketing personnel, pricing and reimbursement timelines, the production of sufficient quantities of commercial drug product and implementation of marketing and distribution infrastructure.

In addition, the Company has incurred and expect to continue to incur significant expenses as the Company continues to pursue the approval of CYAD-01 in the United States, Europe and elsewhere, as well as CYAD-02 and CYAD-101. The Company plans to devote a substantial portion of its effort and financial resources in order

to continue to grow its operational capabilities. This represents a significant investment in the clinical and regulatory success of CYAD-01 and CYAD-02 for the treatment of relapsed / refractory acute myeloid leukemia and CYAD-101 for the treatment of metastatic colorectal cancer, which is uncertain. The success of the Company's clinical candidates, if approved, and revenue from commercial sales, will depend on several factors, including:

- execution of an effective sales and marketing strategy for the commercialization of CYAD-01, CYAD-02 and CYAD-101;
- acceptance by patients, the medical community and third-party payors;
- its success in educating physicians and patients about the benefits, administration and use of CYAD-01, CYAD-02 and CYAD-101;
- the incidence and prevalence of the indications for which its CYAD-01 and CY1D-02 drug product candidates are approved in those markets in which the candidate(s) are approved;
- the prevalence and severity of side effects, if any, experienced by patients treated with CYAD-01, CYAD-02 and CYAD-101;
- the availability, perceived advantages, cost, safety and efficacy of alternative treatments, including potential alternate treatments that may currently be available or in development or may later be available or in development or approved by regulatory authorities;
- successful implementation of its manufacturing processes that the Company plans to include in a future biologics license application, or BLA, and production of sufficient quantities of commercial drug product;
- maintaining compliance with regulatory requirements, including current good manufacturing practices, or cGMPs, good laboratory practices, or GLP and good clinical practices, or GCPs;
- obtaining and maintaining patent, trademark and trade secret protection and regulatory exclusivity and otherwise protecting its rights in its intellectual property portfolio.

The Company may also fail in its efforts to develop and commercialize future drug product candidates, including CYAD-103 and CYAD-211. If this were to occur, the Company would continue to be heavily dependent on the regulatory approval and successful commercialization of its NK2GD CAR-T product candidates, including CYAD-01, CYAD-02 and CYAD-101, its development costs may increase and its ability to generate revenue or profits, or to raise additional capital, could be impaired.
The achievement of milestones (such as those related to research and development, scientific, clinical, regulatory and business) will trigger payment obligations towards Celdara and Dartmouth, which will negatively impact the Company's profitability.

The Company's THINK and DEPLETHINK trials are ongoing and not complete. Initial success in the Company's ongoing clinical trial may not be indicative of results obtained when this trial is completed. Furthermore, success in early clinical trials may not be indicative of results obtained in later trials.

Its clinical experience with its lead drug product candidate CYAD-01 is limited. The Company has treated a small number of patients as of the date of this report. In particular, the results of the CM-CS1 trial and the interim results of the THINK and DEPLETHINK trials should not be relied upon as evidence that its ongoing or future clinical trials will succeed. Trial designs and results from previous or ongoing trials are not necessarily predictive of future clinical trial results, and initial or interim results may not continue or be confirmed upon completion of the trial. These data, or other positive data, may not continue or occur for these patients or for any future patients in its ongoing or future clinical trials, and may not be repeated or observed in ongoing or future trials involving its drug product candidates. There is limited data concerning long-term safety and efficacy following treatment with CYAD-01. Its drug product candidates may fail to show the desired safety and efficacy in later stages of clinical development despite having successfully advanced through initial clinical trials. There can be no assurance that any of these trials will ultimately be successful or support further clinical advancement or regulatory approval of CYAD-01 or other drug product candidates.

There is a high failure rate for drugs and biologics proceeding through clinical trials. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in later stage clinical trials even after achieving promising results in earlier stage clinical trials. Data obtained from preclinical and clinical activities are subject to varying interpretations, which may delay, limit or prevent regulatory approval. In addition, regulatory delays or rejections may be encountered as a result of many factors, including changes in regulatory policy during the period of product development.

In previous clinical trials involving T-cell based immunotherapies, some patients experienced serious adverse events. The Company's drug product candidates may demonstrate a similar effect or have other properties that could halt its clinical development, prevent its regulatory approval, limit its commercial potential, or result in significant negative consequences.

In previous and ongoing clinical trials involving CAR-T cell products by other companies or academic researchers, many patients experienced side effects such as neurotoxicity and CRS, which have in some cases resulted in clinical holds in ongoing clinical trials of CAR-T drug product candidates. There have been life threatening events related to severe neurotoxicity and CRS, requiring intense medical intervention such as intubation or pressor support, and in several cases, resulted in death. Severe neurotoxicity is a condition that is currently defined clinically by cerebral edema, confusion, drowsiness, speech impairment, tremors, seizures, or other central nervous system side effects, when such side effects are serious enough to lead to intensive care. In some cases, severe neurotoxicity was thought to be associated with the use of certain lymphodepletion preconditioning regimens used prior to the administration of the CAR-T cell products. CRS is a condition that is currently defined clinically by certain symptoms related to the release of cytokines, which can include fever, chills, low blood pressure, when such side effects are serious enough to lead to intensive care with mechanical ventilation or significant vasopressor support. The exact cause or causes of CRS and severe neurotoxicity in connection with treatment of CAR-T cell products is not fully understood at this time. In addition, patients have experienced other adverse events in these studies, such as a reduction in the number of blood cells (in the form of neutropenia, thrombocytopenia, anemia or other cytopenias), febrile neutropenia, chemical laboratory abnormalities (including elevated liver enzymes), and renal failure.

Undesirable side effects caused by its drug product candidates, CYAD-01, CYAD-02 and CYAD-101 or other T-cell based immunotherapy drug product candidates, could cause the Company or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of its trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the trials or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff, as toxicities resulting from T-cell based immunotherapies are not normally encountered in the general patient population and by medical personnel. The Company expects to have to train medical personnel regarding its T-cell based immunotherapy drug product candidates to understand their side effects for both its planned clinical trials and upon any commercialization of any T-cell based immunotherapy drug product candidates. Inadequate training in recognizing or managing the potential side effects of T-cell based immunotherapy drug product candidates could result in patient deaths. Any of these occurrences could have a material adverse effect on its business, financial condition and prospects.

The Company's drug product candidates, CYAD-01, CYAD-02 and CYAD-101 are a new approach to cancer treatment that presents significant challenges.

The Company has concentrated its research and development efforts on cell-based immunotherapy technology, and its future success is highly dependent on the successful development of cell-based immunotherapies in general and in particular its approach using the NKG2D receptor, an activating receptor of NK cells, to target stress ligands. Currently, all three of its clinical candidates, CYAD-01, CYAD-02 and CYAD-101 use the NKG2D receptor. The Company cannot be sure that its T-cell immunotherapy technologies will yield satisfactory products that are safe and effective, scalable or profitable.

Its approach to cancer immunotherapy and cancer treatment generally poses a number of challenges, including:

- obtaining regulatory approval from the FDA and other regulatory authorities that have very limited experience with the commercial development of genetically modified T-cell therapies for cancer;
- developing and deploying consistent and reliable processes for engineering a patient's T cells ex vivo and infusing the engineered T-cells back into the patient;
- preconditioning patients with chemotherapy or other product treatments in conjunction with delivering each of its drug product candidates, which may increase the risk of adverse side effects;

- educating medical personnel regarding the potential side effect profile of each of its drug product candidates, such as the potential adverse side effects related to cytokine release or neurotoxicity;
- developing processes for the safe administration of these drug product candidates, including long-term follow-up for all patients who receive its drug product candidates;
- sourcing clinical and, if approved, commercial supplies for the materials used to manufacture and process its drug product candidates;
- developing a manufacturing process and distribution network with a cost of goods that allows for an attractive return on investment;
- establishing sales and marketing capabilities after obtaining any regulatory approval to gain market acceptance, and obtaining adequate coverage, reimbursement, and pricing by third-party payors and government authorities;
- developing therapies for types of cancers beyond those addressed by its current drug product candidates.

Additionally, because its technology involves the genetic modification of patient cells ex vivo using a virus, the Company is subject to many of the challenges and risks that gene therapies face, including:

- Regulatory requirements governing gene and cell therapy products have changed frequently and may continue to change in the future. For example, the FDA recently released new guidance documents related to gene therapy products. To date, only one product that involves the genetic modification of patient cells has been approved in the United States and only one has been approved in the European Union;
- In the event of improper insertion of a gene sequence into a patient's chromosome, genetically modified products could lead to lymphoma, leukemia or other cancers, or other aberrantly functioning cells;
- Although its viral vectors are not able to replicate, there is a risk with the use of retroviral or lentiviral vectors that they could lead to new or reactivated pathogenic strains of virus or other infectious diseases;
- The FDA recommends a 15-year follow-up observation period for all patients who receive treatment using certain gene therapies, and the Company may need to adopt such an observation period for its drug product candidates.

Moreover, public perception of therapy safety issues, including adoption of new therapeutics or novel approaches to treatment, may adversely influence the willingness of subjects to participate in clinical trials, or if approved, of physicians to subscribe to the novel treatment mechanics. Physicians, hospitals and third-party payors often are slow to adopt new products, technologies and treatment practices that require additional upfront costs and training. Physicians may not be willing to undergo training to adopt this novel and personalized therapy, may decide the therapy is too complex to adopt without appropriate training and may choose not to administer the therapy. Based on these and other factors, hospitals and payors may decide that the benefits of this new therapy do not or will not outweigh its costs.

The Company has limited experience with its new OptimAb manufacturing process for its relapsed / refractory AML and MDS program, and there can be no guarantee that the Company will be able to improve safety and clinical activity of its drug product candidates or consistently produce the required number of T cells of its drug product candidates.

The manufacturing processes for the Company's CYAD-01 drug product candidate are complex. In 2019, the Company modified the manufacturing process the Company uses to manufacture its autologous drug product candidates, including CYAD-01 and CYAD-02. The Company refers to the new manufacturing process as the OptimAb process.

Until recently, CYAD-01 drug product candidate was manufactured using a process, which the Company refers to as the mAb manufacturing process. The mAb manufacturing process was adopted into the CYAD-01 clinical program in January 2018 as a response to manufacturing challenges with the Company's initial manufacturing process, which the Company refers to as the LY process. The objective of the mAb manufacturing process, which included a monoclonal antibody, or mAb, that inhibits NKG2D expression on the T cell surface during production, was to increase the yield of T cell expansion in the drug product candidate as the LY process failed

to consistency produce the required number of T cells in the drug product candidate consistent with the protocol for the Company's THINK trial.

The OptimAb manufacturing process, is designed as an iterative improvement of the Company's first two manufacturing processes for CYAD-01 (the LY and mAb processes) and builds upon key characteristics of both. OptimAb utilizes a shortened eight-day cell culture and incorporates a selective phosphoinositide 3-kinase (PI3K) inhibitor. Combined with the manufacturing optimizations previously developed by the Company, the OptimAb process results in a product that is enriched for T cells with a memory-like phenotype while maintaining the high level of manufacturing reliability required to support clinical development. Preclinical data demonstrate that CYAD-01 produced using the OptimAb manufacturing process drives improved anti-tumor activity in an aggressive AML model compared to CYAD-01 produced with the prior mAb manufacturing process.

Although the Company has evaluated this new OptimAb manufacturing process in preclinical models in order to demonstrate reproducibility and comparability, and the Company's THINK and DEPLETHINK protocols have been amended for this new approach, there can be no assurance that drug product candidates manufactured using this process will have similar or improved safety and clinical activity compared to drug product candidates manufactured using the Company's prior manufacturing processes. The Company has limited experience with this approach. If the Company fails to observe signs of clinical activity in THINK and DEPLETHINK clinical trials using its OptimAb manufacturing process, the Company's would adversely affect its clinical development, potential approval and commercial viability of its drug product candidate.

The first patient in the Company's CYAD-01 THINK and DEPLETHINK trials to be administered drug product candidate manufactured using the OptimAb process was treated in March 2019 and September 2019, respectively. In addition, the first patient in the Company's CYAD-02 CYCLE-1 trial to be administered drug product candidate manufactured using the process was treated in January 2020. As of the date of this Annual Report, six patients have been dosed using the new process across both the CYAD-01 and CYAD-02 clinical programs. To date, no critical safety issues related to the cell therapy have been reported. There can be no assurance that drug product candidate manufactured using the OptimAb process will have similar or improved safety and clinical activity compared to drug product candidate manufactured using either the LY or mAb manufacturing processes.

In addition, the Company may develop additional process changes in the future, as the Company seeks to advance its drug product candidates through the clinic and prepare for a potential commercial launch. In some circumstances, changes in the manufacturing process may require the Company to perform additional comparability studies or to collect additional clinical data from patients prior to undertaking additional clinical studies or filing for regulatory approval. These requirements may lead to delays in the Company's clinical development and commercialization plans as well as potential increased costs.

The Company has not yet finalized its clinical development program for CYAD-01 and CYAD-02 for the treatment of patients with relapsed / refractory AML and MDS. The FDA and comparable foreign regulators may not agree with its proposed protocols for these clinical trials, which could result in delays.

The Company is still considering the clinical development program for CYAD-01 and CYAD-02 in relapsed / refractory AML and MDS. Prior to initiating new clinical trials for its drug product candidates, the Company is required to submit clinical trial protocols for these trials to the FDA and comparable foreign regulators in other jurisdictions where the Company plans to undertake clinical trials. The Company may not reach agreement with these regulators, or there may be a delay in reaching agreement. These regulators may want to see additional clinical or preclinical data regarding its CYAD-01 and CYAD-02 drug product candidates before the Company initiates new clinical trials. Any of these decisions could have a material adverse effect on its expected clinical and regulatory timelines, business, prospects, financial condition and results of operations.

The Company has not yet finalized its clinical development program for CYAD-101, its allogeneic NKG2D CAR-T for the treatment of mCRC. The FDA and comparable foreign regulators may not agree with its proposed protocols for these clinical trials, which could result in delays.

The Company is still considering the clinical development program for CYAD-101 mCRC. Prior to initiating new clinical trials for its drug product candidates, the Company is required to submit clinical trial protocols for these trials to the FDA and comparable foreign regulators in other jurisdictions where the Company plans to undertake clinical trials. The Company may not reach agreement with these regulators, or there may be a delay in reaching agreement. These regulators may want to see additional clinical or preclinical data regarding its CYAD-101 drug product candidate before the Company initiates new clinical trials. Any of these decisions could have a material adverse effect on its expected clinical and regulatory timelines, business, prospects, financial condition and results of operations.

The Company may encounter substantial delays in its clinical trials or may fail to demonstrate safety and efficacy to the satisfaction of applicable regulatory authorities.

Before obtaining regulatory approval or marketing authorization from regulatory authorities for the sale of its drug product candidates, if at all, the Company must conduct extensive clinical trials to demonstrate the safety and efficacy of the drug product candidates in humans. Clinical testing is expensive, time-consuming and uncertain as to outcome. The Company cannot guarantee that any clinical trials will be conducted as planned or completed on schedule, if at all. A failure of one or more clinical trials can occur at any stage of testing. Events that may prevent successful or timely completion of clinical development include:

- delays in raising, or inability to raise, sufficient capital to fund the planned clinical trials;
- delays in reaching a consensus with regulatory agencies on trial design;
- identifying, recruiting and training suitable clinical investigators;
- delays in reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and clinical trial sites;
- delays in obtaining required Investigational Review Board, or IRB, approval at each clinical trial site;
- delays in recruiting suitable patients to participate in its clinical trials;
- delays due to changing standard of care for the diseases the Company is studying;
- adding new clinical trial sites;
- imposition of a clinical hold by regulatory agencies, including after an inspection of its clinical trial operations or trial sites;
- failure by its CRO's, other third parties or the Company to adhere to clinical trial requirements;
- catastrophic loss of drug product candidates due to shipping delays or delays in customs in connection with delivery to foreign countries for use in clinical trials;
- failure to perform in accordance with the FDA's good clinical practices, or GCP's, or applicable regulatory guidelines in other countries;
- delays in the testing, validation, manufacturing and delivery of its drug product candidates to the clinical sites;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical trial sites or patients dropping out of a trial;
- occurrence of serious adverse events associated with the drug product candidate that are viewed to outweigh its potential benefits;
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols.

Any inability to successfully complete preclinical and clinical development could result in additional costs to the Company or impair its ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. Clinical trial delays could also shorten any periods during which the Company may have the exclusive right to commercialize its drug product candidates or allow its competitors to bring products to market before the Company does, which could impair its ability to successfully commercialize its drug product candidates and may harm its business and results of operations.
If the results of its clinical trials are inconclusive or if there are safety concerns or adverse events associated with its drug product candidates, the Company may:

- be delayed in obtaining marketing approval for its drug product candidates, if at all;

- obtain approval for indications or patient populations that are not as broad as intended or desired;
- obtain approval with labelling that includes significant use or distribution restrictions or safety warnings;
- be subject to changes in the way the product is administered;
- be required to perform additional clinical trials to support approval or be subject to additional post-marketing testing requirements;
- have regulatory authorities withdraw their approval of the product or impose restrictions on its distribution in the form of a risk evaluation and mitigations strategy, or REMS, program;
- be subject to the addition of labelling statements, such as warnings or contraindications;
- be sued;
- experience damage to its reputation.

Its drug product candidates could potentially cause other adverse events that have not yet been predicted. As described above, any of these events could prevent the Company from achieving or maintaining market acceptance of its drug product candidates and impair its ability to commercialize its products if they are ultimately approved by applicable regulatory authorities.

The Company's drug product candidates may cause undesirable side effects or have other properties that could halt their clinical development, prevent their regulatory approval, limit their commercial potential, or result in significant negative consequences.

As with most biological drug products, use of its drug product candidates could be associated with side effects or adverse events which can vary in severity from minor reactions to death and in frequency from infrequent to prevalent. Undesirable side effects or unacceptable toxicities caused by its drug product candidates could cause the Company or regulatory authorities to interrupt, delay, or halt clinical trials. The FDA, EMA, or comparable foreign regulatory authorities could delay or deny approval of its drug product candidates for any or all targeted indications and negative side effects could result in a more restrictive label for any product that is approved. Side effects such as toxicity or other safety issues associated with the use of its drug product candidates could also require the Company or its collaborators to perform additional studies or halt development or sale of these drug product candidates.

Treatment-related side effects could also affect patient recruitment or the ability of enrolled subjects to complete the trial, or could result in potential product liability claims. In addition, these side effects may not be appropriately or timely recognized or managed by the treating medical staff. Any of these occurrences may materially and adversely harm its business, financial condition and prospects.

Additionally, if one or more of its drug product candidates receives marketing approval, and the Company or others later identify undesirable side effects caused by such products, including during any long-term follow-up observation period recommended or required for patients who receive treatment using its products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of or revoke licenses for such product;
- regulatory authorities may require additional warnings on the label;
- the Company may be required to create a REMS program which could include a medication guide outlining the risks of such side effects for distribution to patients, a communication plan for healthcare providers, and/or other elements to assure safe use;
- the Company could be sued and held liable for harm caused to patients;
- its reputation may suffer.

Any of the foregoing could prevent the Company from achieving or maintaining market acceptance of the particular drug product candidate, if approved, and could significantly harm its business, results of operations, and prospects.

If the Company encounters difficulties enrolling patients in its clinical trials, its clinical development activities could be delayed or otherwise adversely affected.

The timely completion of clinical trials in accordance with their protocols depends, among other things, on its ability to enroll a sufficient number of patients who remain in the trial until its conclusion. The Company may experience difficulties in patient enrolment in its clinical trials for a variety of reasons, including:

- the size and nature of the patient population;
- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- the proximity of patients to trial sites;
- the design of the trial;
- its ability to recruit clinical trial investigators with the appropriate competencies and experience;
- competing clinical trials for similar therapies;
- clinicians' and patients' perceptions as to the potential advantages and side effects of the drug product candidate being studied in relation to other available therapies, including any new drugs or treatments that may be approved for the indications the Company is investigating;
- its ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will not complete a clinical trial.

In addition, its clinical trials will compete with other clinical trials for drug product candidates that are in the same therapeutic areas as its drug product candidates, and this competition will reduce the number and types of patients available to the Company, because some patients who might have opted to enroll in its trials may instead opt to enroll in a trial being conducted by one of its competitors. Because the number of qualified clinical investigators is limited, the Company expects to conduct some of its clinical trials at the same clinical trial sites that some of its competitors use, which will reduce the number of patients who are available for its clinical trials at such clinical trial sites. Moreover, because its drug product candidates represent a departure from more commonly used methods for cancer treatment, potential patients and their doctors may be inclined to use conventional therapies, rather than enroll patients in its clinical trials.

Even if the Company is able to enroll a sufficient number of patients in its clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of its clinical trials, which could prevent completion of these trials and adversely affect its ability to advance the development of its drug product candidates.

Clinical development is a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials as well as data from any interim analysis of ongoing clinical trials may not be predictive of future trial results. Clinical failure can occur at any stage of clinical development.

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Although drug product candidates may demonstrate promising results in early clinical (human) trials and preclinical (animal) studies, they may not prove to be effective in subsequent clinical trials. For example, testing on animals may occur under different conditions than testing in humans and therefore the results of animal studies may not accurately predict human experience. Likewise, early clinical trials may not be predictive of eventual safety or effectiveness results in larger-scale pivotal clinical trials. The results of preclinical studies and previous clinical trials as well as data from any interim analysis of ongoing clinical trials of its drug product candidates, as well as studies and trials of other products with similar mechanisms of action to its drug product candidates, may not be predictive of the results of ongoing or future clinical trials. Drug product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and earlier clinical trials. In addition to the safety and efficacy traits of any drug product candidate, clinical trial failures may result from a multitude of factors including flaws in trial design, dose selection, placebo effect and patient enrollment criteria. Based upon negative or inconclusive results, the Company or its collaborators may decide, or regulators may require it, to conduct additional clinical trials or preclinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret its data as favorably as the Company does, which may delay, limit or prevent regulatory approval.

The regulatory approval processes of the FDA, EMA and other comparable regulatory authorities is lengthy, time-consuming, and inherently unpredictable, and the Company may experience significant delays in the clinical development and regulatory approval, if any, of its drug product candidates.

The research, testing, manufacturing, labelling, approval, selling, import, export, marketing, and distribution of drug products, including biologics, are subject to extensive regulation by the FDA, EMA and other comparable regulatory authorities. The Company is not permitted to market any biological drug product in the United States until the Company receives a license from the FDA for the Company's BLA, or an approval of its marketing authorization application, or MAA, from the EMA. the Company has not previously submitted a BLA

to the FDA, MAA to the EMA, or similar approval filings to comparable foreign authorities. A BLA must include extensive preclinical and clinical data and supporting information to establish that the drug product candidate is safe, pure, and potent for each desired indication. The BLA must also include significant information regarding the chemistry, manufacturing, and controls for the product, and the manufacturing facilities must complete a successful pre-license inspection. The Company expects the nature of its drug product candidates to create further challenges in obtaining regulatory approval. For example, the FDA and EMA have limited experience with commercial development of genetically modified T-cell therapies for cancer. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support licensure. The opinion of the Advisory Committee, although not binding, may have a significant impact on its ability to obtain licensure of the drug product candidates based on the completed clinical trials. Accordingly, the regulatory approval pathway for its drug product candidates may be uncertain, complex, expensive, and lengthy, and approval may not be obtained.

Obtaining and maintaining regulatory approval of its drug product candidates in one jurisdiction does not mean that the Company will be successful in obtaining regulatory approval of its drug product candidates in other jurisdictions.

If the Company obtains and maintains regulatory approval of its drug product candidates in one jurisdiction, such approval does not guarantee that the Company will be able to obtain or maintain regulatory approval in any other jurisdiction, but a failure or delay in obtaining regulatory approval in one jurisdiction may have a negative effect on the regulatory approval process in others. For example, even if the FDA or EMA grants marketing approval of a drug product candidate, comparable regulatory authorities in foreign jurisdictions must also approve the manufacturing, marketing and promotion of the drug product candidate in those countries. Approval procedures vary among jurisdictions and can involve requirements and administrative review periods different from those in the European Union or in the United States, including additional preclinical studies or clinical trials as clinical trials conducted in one jurisdiction may not be accepted by regulatory authorities in other jurisdictions. In many jurisdictions, a drug product candidate must be approved for reimbursement before it can be approved for sale in that jurisdiction. In some cases, the price that the Company intends to charge for its products is also subject to approval.

Obtaining foreign regulatory approvals and compliance with foreign regulatory requirements could result in significant delays, difficulties and costs for the Company and could delay or prevent the introduction of its products in certain countries. If the Company fails to comply with the regulatory requirements in international markets and/or to receive applicable marketing approvals, its target market will be reduced and its ability to realize the full market potential of its drug product candidates will be harmed.

A Breakthrough Therapy Designation by the FDA for the Company's drug product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that its drug product candidates will receive marketing approval.

The Company may seek a Breakthrough Therapy Designation for some of its drug product candidates. A breakthrough therapy is defined as a product that is intended, alone or in combination with one or more other products, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drug product candidates that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Drug product candidates designated as breakthrough therapies by the FDA may also be eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if the Company believes one of its drug product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a Breakthrough Therapy Designation for a drug product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of the Company's drug

product candidates qualify as breakthrough therapies, the FDA may later decide that the drug product candidates no longer meet the conditions for designation.

Even if the Company receives regulatory approval of its drug product candidates, the Company will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and the Company may be subject to penalties if the Company fails to comply with regulatory requirements or experience unanticipated problems with its drug product candidates.

If the Company's drug product candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including both federal and state requirements in the United States and requirements of comparable foreign regulatory authorities.

Manufacturers and manufacturers' facilities are required to comply with extensive FDA, and comparable foreign regulatory authority, requirements, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices, or cGMP, and in certain cases current Good Tissue Practices, or cGTP, regulations. As such, the Company and its contract manufacturers will be subject to continual review and inspections to assess compliance, to the extent applicable, with cGMP and adherence to commitments made in any BLA, other marketing application, and previous responses to inspection observations. Accordingly, the Company and others with whom the Company work must continue to expend time, money, and effort in all areas of regulatory compliance, including manufacturing, production, and quality control.

Any regulatory approvals that the Company receives for its drug product candidates may be subject to limitations on the approved indicated uses for which the product may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase 4 clinical trials and surveillance to monitor the safety and efficacy of the drug product candidate. The FDA may also require a REMS program as a condition of approval of the Company's drug product candidates, which could entail requirements for long-term patient follow-up, a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA or a comparable foreign regulatory authority approves the Company's drug product candidates, the Company will have to comply with requirements including submissions of safety and other post-marketing information and reports, establishment registration, as well as continued compliance with cGMPs and GCPs for any clinical trials that the Company conducts post-approval.

The FDA may impose consent decrees or withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with the Company's drug product candidates, including adverse events of unanticipated severity or frequency, or with the Company's third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of the Company's products, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the FDA to approve pending applications or supplements to approved applications filed by the Company or suspension or revocation of license approvals;
- product seizure or detention, or refusal to permit the import or export of the Company's drug product candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising, and promotion of products that are placed on the market. Products may be promoted only for the approved indications and in accordance with the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the FDA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of the

Company's drug product candidates. The Company cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If the Company is slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if the Company is not able to maintain regulatory compliance, the Company may lose any marketing approval that the Company may have obtained and the Company may not achieve or sustain profitability.

Even if the Company obtains regulatory approval of its drug product candidates, the products may not gain market acceptance among physicians, patients, hospitals and others in the medical community.

Its autologous engineered-cell therapies may not become broadly accepted by physicians, patients, hospitals, and others in the medical community. Numerous factors will influence whether its drug product candidates are accepted in the market, including:

- the clinical indications for which its drug product candidates are approved;
- physicians, hospitals, and patients considering its drug product candidates as a safe and effective treatment;
- the potential and perceived advantages of its drug product candidates over alternative treatments;
- the prevalence and severity of any side effects;
- product labelling or product insert requirements of the FDA, EMA, or other regulatory authorities;
- limitations or warnings contained in the labelling approved by the FDA or EMA;
- the timing of market introduction of its drug product candidates as well as competitive products;
- the cost of treatment in relation to alternative treatments;
- the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities;
- the willingness of patients to pay out-of-pocket in the absence of coverage by third-party payors and government authorities;
- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies;
- the effectiveness of its sales and marketing efforts.

In addition, although the Company is not utilizing embryonic stem cells in its drug product candidates, adverse publicity due to the ethical and social controversies surrounding the therapeutic use of such technologies, and reported side effects from any clinical trials using these technologies or the failure of such trials to demonstrate that these therapies are safe and effective may limit market acceptance its drug product candidates due to the perceived similarity between its drug product candidates and these other therapies. If its drug product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, or others in the medical community, the Company will not be able to generate significant revenue.

Even if its products achieve market acceptance, the Company may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received than its products, are more cost effective or render its products obsolete.

Its drug product candidates are biologics, which are complex to manufacture, and the Company may encounter difficulties in production, particularly with respect to process development or scaling-out of its manufacturing capabilities. If the Company or any of its third-party manufacturers encounter such difficulties, its ability to provide supply of its drug product candidates for clinical trials or its products for patients, if approved, could be delayed or stopped, or the Company may be unable to maintain a commercially viable cost structure.

Its drug product candidates are biologics and the process of manufacturing its products is complex, highly-regulated and subject to multiple risks. The manufacture of its drug product candidates involves complex processes, including harvesting cells from patients, selecting and expanding certain cell types, engineering or reprogramming the cells in a certain manner to create CAR T-cells, expanding the cell population to obtain the desired dose, and ultimately infusing the cells back into a patient's body. As a result of the complexities, the cost to manufacture its drug product candidates, is higher than traditional small molecule chemical compounds,

and the manufacturing process is less reliable and is more difficult to reproduce. Its manufacturing process is susceptible to product loss or failure due to logistical issues associated with the collection of blood cells, or starting material, from the patient, shipping such material to the manufacturing site, shipping the final product back to the patient, and infusing the patient with the product, manufacturing issues associated with the differences in patient starting materials, interruptions in the manufacturing process, contamination, equipment or reagent failure, improper installation or operation of equipment, vendor or operator error, inconsistency in cell growth, and variability in product characteristics. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects, and other supply disruptions. Because some of its drug product candidates are manufactured for each particular patient, the Company is required to maintain a chain of identity with respect to materials as they move from the patient to the manufacturing facility, through the manufacturing process, and back to the patient. Maintaining such a chain of identity is difficult and complex, and failure to do so could result in adverse patient outcomes, loss of product, or regulatory action including withdrawal of its products from the market. Further as drug product candidates are developed through preclinical to late stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives, and any of these changes could cause its drug product candidates to perform differently and affect the results of ongoing clinical trials or other future clinical trials.

Although the Company is working, or will be working, to develop commercially viable processes for the manufacture of its drug product candidates, doing so is a difficult and uncertain task, and there are risks associated with scaling to the level required for later-stage clinical trials and commercialization, including, among others, cost overruns, potential problems with process scale-out, process reproducibility, stability issues, lot consistency, and timely availability of reagents or raw materials. The Company may ultimately be unable to reduce the cost of goods for its drug product candidates to levels that will allow for an attractive return on investment if and when those drug product candidates are commercialized.

In addition, the manufacturing process that the Company develops for its drug product candidates is subject to regulatory authorities' approval process, and the Company will need to make sure that the Company or its contract manufacturers, or CMO's, if any, are able to meet all regulatory authorities requirements on an ongoing basis. If the Company or its CMO's are unable to reliably produce drug product candidates to specifications acceptable to the regulatory authorities, the Company may not obtain or maintain the approvals the Company needs to commercialize such drug product candidates. Even if the Company obtains regulatory approval for any of its drug product candidates, there is no assurance that either the Company or its CMO's will be able to manufacture the approved product to specifications acceptable to the regulatory authorities, to produce it in sufficient quantities to meet the requirements for the potential launch of the product, or to meet potential future demand. Any of these challenges could have an adverse effect on its business, financial condition, results of operations and growth prospects.

The Company may face competition from biosimilars, which may have a material adverse impact on the future commercial prospects of its drug product candidates.

Even if the Company is successful in achieving regulatory approval to commercialize a drug product candidate faster than its competitors, the Company may face competition from biosimilars. The Biologics Price Competition and Innovation Act of 2009, or BPCI Act, created an abbreviated approval pathway for biological products that are demonstrated to be biosimilar to, or interchangeable with, an FDA-approved biological product. "Biosimilarity" means that the biological product is highly similar to the reference product notwithstanding minor differences in clinically inactive components and there are no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency of the product. To meet the higher standard of "interchangeability," an applicant must provide sufficient information to show biosimilarity and demonstrate that the biological product can be expected to produce the same clinical result as the reference product in any given patient and, if the biological product is administrated more than once to an individual, the risk in terms of safety or diminished efficacy of alternating or switching between the use of the biological product and the reference product is not greater than the risk of using the reference product without such alternation or switch.

A reference biological product is granted 12 years of exclusivity from the time of first licensure of the product, and the FDA will not accept an application for a biosimilar or interchangeable product based on the reference biological product until four years after first licensure. First licensure typically means the initial date the particular product at issue was licensed in the United States. This does not include a supplement for the biological product or a subsequent application by the same sponsor or manufacturer of the biological product

(or licensor, predecessor in interest, or other related entity) for a change that results in a new indication, route of administration, dosing schedule, dosage form, delivery system, delivery device, or strength, unless that change is a modification to the structure of the biological product and such modification changes the Company's safety, purity, or potency. Whether a subsequent application, if approved, warrants exclusivity as the first licensure of a biological product is determined on a case-by-case basis with data.

This data exclusivity does not prevent another company from developing a product that is highly similar to the innovative product, generating the Company's own data, and seeking approval. Data exclusivity only assures that another company cannot rely upon the data within the application for the reference biological product to support the biosimilar product's approval.

In the European Union, the European Commission has granted marketing authorizations for several biosimilars pursuant to a set of general and product class-specific guidelines for biosimilar approvals issued over the past few years. In the European Union, a competitor may reference data supporting approval of an innovative biological product, but will not be able do so until eight years after the time of approval of the innovative product and to get the Company's biosimilar on the market until ten years from the aforementioned approval. This 10-year marketing exclusivity period will be extended to 11 years if, during the first eight of those ten years, the marketing authorization holder obtains an approval for one or more new therapeutic indications that bring significant clinical benefits compared with existing therapies. In addition, companies may be developing biosimilars in other countries that could compete with the Company's products.

If competitors are able to obtain marketing approval for biosimilars referencing the Company's products, its products may become subject to competition from such biosimilars, with the attendant competitive pressure and consequences.

Nearly all aspects of the Company's activities are subject to substantial regulation. No assurance can be given that any of the Company's product candidates will fulfill regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals, fines and withdrawal of approvals.

The international pharmaceutical and medical technology industry is highly regulated by government bodies (hereinafter the "Competent Authorities") that impose substantial requirements covering nearly all aspects of the Company's activities notably on research and development, manufacturing, preclinical tests, clinical trials, labelling, marketing, sales, storage, record keeping, promotion and pricing of its research programs and product candidates. Compliance with standards laid down by local Competent Authorities is required in each country where the Company, or any of its partners or licensees, conducts said activities in whole or in part. The Competent Authorities notably include the EMA in the European Union and the FDA in the United States.

There can be no assurance that product candidates of the Company will fulfill the criteria required to obtain necessary regulatory authorization to access the market. Also, at this time, the Company cannot guarantee or know the exact nature, precise timing and detailed costs of the efforts that will be necessary to complete the remainder of the development of its research programs and product candidates.

The specific regulations and laws, as well as the time required to obtain Competent Authorities approvals, may vary from country to country, but the general regulatory procedures are similar in the European Union and the United States. Each Competent Authority may impose its own requirements, may discontinue an approval, may refuse to grant approval, or may require additional data before granting approval, notwithstanding that approval may have been granted by one or more other Competent Authorities. Competent Authority approval may be delayed, limited or denied for a number of reasons, most of which are beyond the Company's control. Such reasons include the production process or site not meeting the applicable requirements for the manufacture of regulated products, or the products not meeting applicable requirements for safety or efficacy during the clinical development stage or after marketing. No assurance can be given that clinical trials will be approved by Competent Authorities or that products will be approved for marketing by Competent Authorities in any pre-determined indication or intended use. Competent Authorities may disagree with the Company's interpretation of data submitted for their review. Even after obtaining approval for clinical trials or marketing, products will be subject to ongoing regulation and evaluation of their benefit/safety or risk/performance ratio; a negative evaluation of the benefit/safety or risk/performance ratio could result in a potential use restriction and/or withdrawal of approval for one or more products. At any time Competent Authorities may require discontinuation or holding of clinical trials or require additional data prior to completing their review or may issue restricted authorization or authorize products for clinical trials or marketing for narrower indications than

requested or require further data or studies be conducted and submitted for their review. There can be no guarantee that such additional data or studies, if required, will corroborate earlier data.

Research programs and product candidates of the Company must undergo rigorous preclinical tests and clinical trials, the start, timing of completion, number and results of which are uncertain and could substantially delay or prevent the products from reaching the market.

Preclinical tests and clinical trials are expensive and time-consuming, and their results are uncertain. The Company, its collaborative partners or other third parties may not successfully complete the preclinical tests and clinical trials of the research programs and product candidates. Failure to do so may delay or prevent the commercialization of products. The Company cannot guarantee that its research programs and product candidates will demonstrate sufficient safety or efficacy or performance in its preclinical tests and clinical trials to obtain marketing authorization in any given territory or at all, and the results from earlier preclinical tests and clinical trials may not accurately predict the results of later-stage preclinical tests and clinical trials. At any stage of development, based on a review of available preclinical and clinical data, the estimated costs of continued development, market assessments and other factors, the development of any of the Company's research programs and product candidates may be suspended or discontinued.

The Company and its collaborative partners are, or may become subject to, numerous ongoing regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. The costs of compliance with applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing authorization of its products, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's or its collaborative partners' costs or delay the development and commercialization of its product candidates.

The Company may face significant competition and technological change which could limit or eliminate the market opportunity for its product candidates.

The market for pharmaceutical products is highly competitive. The Company's competitors include many established pharmaceutical, biotechnology, universities and other research or commercial institutions, many of which have substantially greater financial, research and development resources than the Company. The fields in which the Company operates are characterized by rapid technological change and innovation. There can be no assurance that competitors of the Company are not currently developing or will not in the future develop technologies and products that are equally or more effective and/or are more economical as any current or future technology or product of the Company. Competing products may gain faster or greater market acceptance than the Company's products and medical advances or rapid technological development by competitors may result in the Company's product candidates becoming non-competitive or obsolete before the Company is able to recover its research and development and commercialization expenses. If the Company or its product candidates do not compete effectively, it may have a material adverse effect on the Company's business.

The price setting, the availability and level of adequate reimbursement by third parties, such as insurance companies, governmental and other healthcare payers is uncertain and may impede on the Company's ability to generate sufficient operating margins to offset operating expenses.

The Company's commercial performance will depend in part on the conditions for setting the sales price of its products by the relevant public commissions and bodies and the conditions of their reimbursement by the health agencies or insurance companies in the countries where the Company intends to market its products. The current context of healthcare cost control and economic and financial crisis that most countries are currently facing, coupled with the increase in health care budgets caused by the aging population creates extra pressure on health care spending in most if not all countries. Consequently, pressure on sales prices and reimbursement levels is intensifying owing in particular to:

- price controls imposed by many states;
- the increasing reimbursement limitations of some products under budgetary policies;

- the heightened difficulty in obtaining and maintaining a satisfactory reimbursement rate for medicines.

Obtaining adequate pricing decisions that would generate return on the investment incurred for the development of the product candidates developed by the Company is therefore uncertain. The Company's ability to manage its expenses and cost structure to adapt to increased pricing pressure is untested and uncertain.

All of these factors will have a direct impact on the Company's ability to make profits on the products in question. The partial/no reimbursement policy of medicines could have a material adverse effect on the business, prospects, financial situation, earnings and growth of the Company.

Changes in regulatory approval policies or enactment of additional regulatory approval requirements may delay or prevent the product candidates from being marketed.

The regulatory clearance process is expensive and time consuming and the timing of marketing is difficult to predict. Once marketed, products may be subject to post-authorization safety studies or other pharmacovigilance or vigilance activities or may be subject to limitations on their uses or may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective, or when used in a larger population that may be different from the trial population studied prior to market introduction of the product.

The Company's product candidates may become subject to changes in the regulatory framework or market conditions. Regulatory guidelines may change during the course of product development and review process, making the chosen development strategy suboptimal. Market conditions may change resulting in the emergence of new competitors or new treatment guidelines which may require alterations in the development strategy. These factors may result in significant delays, increased trial costs, significant changes in commercial assumptions or failure of the products to obtain marketing authorization.

The Company is subject to inspection and shall be subject to market surveillance by the FDA, EMA and other Competent Authorities for compliance with regulations that prohibit the promotion of the Company's products for a purpose or indication other than those for which approval has been granted.

While a product manufacturer may not promote a product for such "off label" use, doctors are allowed, in the exercise of their professional judgment in the practice of medicine, to use a product in ways not approved by Competent Authorities. Off-label marketing regulations are subject to varying evolving interpretations.

Post-approval manufacturing and marketing of Company's products may show different safety and efficacy profiles to those demonstrated in the data on which approval to test or market said products was based. Such circumstances could lead to the withdrawal or suspension of approval, which could have a material adverse effect on the Company's business, financial condition, operating results or cash flows. In addition, Competent Authorities may not approve the labelling claims or advertisements that are necessary or desirable for the successful commercialization of the Company's products.

Competent Authorities have broad enforcement power, and a failure by the Company or its collaboration partners to comply with applicable regulatory requirements can, among other things, result in recalls or seizures of products, operating and production restrictions, withdrawals of previously approved marketing applications, total or partial suspension of regulatory approvals, refusal to approve pending applications, warning letters, injunctions, penalties, fines, civil proceedings, criminal prosecutions and imprisonment.

The Company may fail to comply with evolving European and other privacy laws.

In Europe, Directive 95/46/EC of the European Parliament and of the Council of October 24, 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (the "Directive"), and Directive 2002/58/EC of the European Parliament and of the Council of July 12, 2002 concerning the processing of personal data and the protection of privacy in the electronic communications sector (as amended by Directive 2009/136/EC) (the "e-Privacy-Directive"), have required the European Union, or EU member states, to implement data protection laws to meet strict privacy requirements. Violations of these requirements can result in administrative measures, including fines, or criminal sanctions. The e-Privacy

Directive will likely be replaced in time by a new e-Privacy Regulation which may impose additional obligations and risk for the Company's business.

Beginning on May 25, 2018, the Directive was replaced by Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR"). The GDPR imposes a broad range of strict requirements on companies subject to the GDPR, such as us, including requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside the European Economic Area (the "EEA"), including to the United States, providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, appointing data protection officers, conducting data protection impact assessments, and record-keeping. The GDPR increases substantially the penalties to which the Company could be subject in the event of any non-compliance, including fines of up to €10,000,000 or up to 2% of the Company's total worldwide annual turnover for certain comparatively minor offenses, or up to €20,000,000 or up to 4% of its total worldwide annual turnover for more serious offenses. Given the new law, the Company faces uncertainty as to the exact interpretation of the new requirements, and the Company may be unsuccessful in implementing all measures required by data protection authorities or courts in interpretation of the new law.

In particular, national laws of member states of the EU are in the process of being adapted to the requirements under the GDPR, thereby implementing national laws which may partially deviate from the GDPR and impose different obligations from country to country, so that the Company do not expect to operate in a uniform legal landscape in the EU. Also, in the field of handling genetic data, the GDPR specifically allows national laws to impose additional and more specific requirements or restrictions, and European laws have historically differed quite substantially in this field, leading to additional uncertainty.

The Company must also ensure that the Company maintains adequate safeguards to enable the transfer of personal data outside of the EEA, in particular to the United States in compliance with European data protection laws. The Company expect that the Company will continue to face uncertainty as to whether its efforts to comply with its obligations under European privacy laws will be sufficient. If the Company is investigated by a European data protection authority, the Company may face fines and other penalties. Any such investigation or charges by European data protection authorities could have a negative effect on the Company's existing business and on its ability to attract and retain new clients or pharmaceutical partners. The Company may also experience hesitancy, reluctance, or refusal by European or multi-national clients or pharmaceutical partners to continue to use the Company's products and solutions due to the potential risk exposure as a result of the current (and, in particular, future) data protection obligations imposed on them by certain data protection authorities in interpretation of current law, including the GDPR. Such clients or pharmaceutical partners may also view any alternative approaches to compliance as being too costly, too burdensome, too legally uncertain, or otherwise objectionable and therefore decide not to do business with the Company. Any of the foregoing could materially harm the Company's business, prospects, financial condition and results of operations.

2.7.4.2 Risks related to the Company's reliance on third parties

The Company has obtained and will obtain significant funding from the Walloon Region. The terms of the agreements signed with the Region may hamper the Company's ability to partner part or all its products.

The Company contracted over the past year numerous funding agreements with the Walloon Region to partially finance its research and development programs. Under the terms of the agreements, the Company would need to obtain the consent of the Walloon Region for any out-licensing agreement or sale to a third party of any or all of its products, prototypes or installations which may reduce the Company's ability to partner or sell part or all of its products.

Furthermore, when the research and development programs partially financed by the Company enter in "exploitation phase", the Company has to start reimbursing the funding received. The Company may not be

able to reimburse such funding under the terms of the agreements or such reimbursement may jeopardize the funding of its clinical and scientific activities.

The Company relies and will continue to rely on collaborative partners regarding the development of its research programs and product candidates.

The Company is and expects to continue to be dependent on collaborations with partners relating to the development and commercialization of its existing and future research programs and product candidates. The Company had, has and will continue to have discussions on potential partnering opportunities with various pharmaceutical and medical device companies. If the Company fails to enter into or maintain collaborative agreements on reasonable terms or at all, the Company's ability to develop its existing or future research programs and product candidates could be delayed, the commercial potential of its products could change and its costs of development and commercialization could increase.
The Company's dependence on collaborative partners subjects it to a number of risks, including, but not limited to, the following:

- the Company may not be able to control the amount or timing of resources that collaborative partners devote to the Company's research programs and product candidates;
- the Company may be required to relinquish significant rights, including intellectual property, marketing and distribution rights;
- the Company relies on the information and data received from third parties regarding its research programs and product candidates and will not have control of the process conducted by the third party in gathering and composing such data and information. The Company may not have formal or appropriate guarantees from its contract parties with respect to the quality and the completeness of such data;
- a collaborative partner may develop a competing product either by itself or in collaboration with others, including one or more of the Company's competitors;
- the Company's collaborative partners' willingness or ability to complete their obligations under the Company's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborative partner's business strategy; and/or
  the Company may experience delays in, or increases in the costs of, the development of the Company's research programs and product candidates due to the termination or expiration of collaborative research and development arrangements.

The Company relies on third parties to conduct, supervise and monitor its clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Company may not be able to obtain regulatory approval for or commercialize its drug product candidates and its business could be substantially harmed.

The Company relies on clinical research organizations, or CROs, clinical investigators and clinical trial sites to ensure its clinical trials are conducted properly and on time. While the Company will have agreements governing their activities, the Company will have limited influence over their actual performance. The Company will control only certain aspects of its CRO's activities. Nevertheless, the Company will be responsible for ensuring that each of its clinical trials is conducted in accordance with the applicable protocol, legal, and regulatory requirements and scientific standards, and its reliance on these third parties does not relieve the Company of its regulatory responsibilities.

The Company and these third parties are required to comply with the FDA's GCP's for conducting, recording and reporting the results of clinical trials to assure that the data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. The FDA, the Competent Authorities of the Member States of the EEA, and comparable foreign regulatory authorities, enforce these GCP's through periodic inspections of trial sponsors, principal investigators and clinical trial sites. If the Company or these third parties fail to comply with applicable GCP's, the clinical data generated in its future clinical trials may be deemed unreliable and the FDA, the EMA, or other foreign regulatory authorities may require the Company to perform additional clinical trials before approving any marketing applications. Upon inspection, the FDA may determine that its clinical trials did not comply with GCP's. In addition, its future clinical trials will require a sufficient number of test subjects to evaluate the safety and effectiveness of its drug product candidates. Accordingly, if its CRO's fail to comply with these regulations or fail to recruit a sufficient number of

patients, the Company may be required to repeat such clinical trials, which would delay the regulatory approval process.

These third parties are not the Company's employees, and the Company is therefore unable to directly monitor whether or not they devote sufficient time and resources to its clinical and preclinical programs. These third parties may also have relationships with other commercial entities, including its competitors, for whom they may also be conducting clinical trials or other product development activities that could harm the Company's competitive position. If these third parties do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to the Company's clinical protocols or regulatory requirements, or for any other reasons, the Company's clinical trials may be extended, delayed or terminated, and the Company may not be able to obtain regulatory approval for, or successfully commercialize, its drug product candidates. If any such event were to occur, the Company's financial results and the commercial prospects for its drug product candidates would be harmed, its costs could increase, and its ability to generate revenues could be delayed.

If any of the Company's relationships with these third-party CRO's terminate, the Company may not be able to enter into arrangements with alternative CRO's or to do so on commercially reasonable terms. Further, switching or adding additional CRO's involves additional costs and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which could materially impact its ability to meet its desired clinical development timelines. Though the Company carefully manages its relationships with its CRO's, there can be no assurance that the Company will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on its business, financial condition and prospects.

Cell-based therapies rely on the availability of specialty raw materials, which may not be available to the Company on acceptable terms or at all.

Engineered-cell therapies require many specialty raw materials, some of which are manufactured by small companies with limited resources and experience to support a commercial product. The suppliers may be ill-equipped to support the Company's needs, especially in non-routine circumstances like an FDA inspection or medical crisis, such as widespread contamination. The Company also does not have contracts with many of these suppliers and may not be able to contract with them on acceptable terms or at all. Accordingly, the Company may experience delays in receiving key raw materials to support clinical or commercial manufacturing.

In addition, some raw materials are currently available from a single supplier, or a small number of suppliers. The Company cannot be sure that these suppliers will remain in business, or that they will not be purchased by one of its competitors or another Company that is not interested in continuing to produce these materials for its intended purpose.

2.7.4.3 Risk related to the Company's intellectual property

The Company's patents and other intellectual property rights portfolio is relatively young and may not adequately protect its research programs and product candidates, which may impede the Company's ability to compete effectively.

The Company's success will depend in part on the ability of the Company to obtain, maintain and enforce its patents and other intellectual property rights. The Company's research programs, and product candidates are covered by several patent application families, which are either licensed to the Company or owned by the Company. Out of the numerous patent applications controlled by the Company, eleven national patents have been granted in the US relating to the field of immuno-oncology. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against challenges to their validity, scope and/or enforceability. The Company cannot guarantee that it is or has been the first to conceive an invention or to file a patent application on an invention, particularly given that patent applications are not published in most countries before 18-months after the date of filing. Moreover, the Company may have little or no control over its licensors' abilities to prevent the infringement of their patents or the misappropriation of their intellectual property. There can be no assurance that the technologies used in the Company's research programs and product candidates are patentable, that pending or future applications will result in the grant to the Company or its licensors, that any patents will be of sufficient breadth to provide adequate and commercially meaningful protection against

competitors with similar technologies or products, or that any patents granted to the Company or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, enabling competitors to circumvent or use them and depriving the Company from the protection it would need against competitors. If the Company or its licensors do not obtain meaningful patents on their technologies or if the patents of the Company or its licensors are invalidated, third parties may use the technologies without payment to the Company. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology.

The Company cannot guarantee that third parties, contract parties or employees will not claim ownership rights over the patents or other intellectual property rights owned or held by the Company.

The Company also relies on proprietary know-how to protect its research programs and product candidates. Know-how is difficult to maintain and protect. The Company uses reasonable efforts to maintain its know-how, but it cannot assure that its partners, employees, consultants, advisors or other third parties will not willfully or unintentionally disclose proprietary information to competitors. Furthermore, the Company's competitors may independently develop equivalent knowledge and know-how, which could diminish or eliminate the Company's competitive advantage.

The enforcement of patents, know-how and other intellectual property is costly, time consuming and highly uncertain. The Company cannot guarantee that it will be successful in preventing infringement of its patented inventions, or the misappropriation of the Company's know-how and other intellectual property rights and those of its licensors, and failure to do so could significantly impair the ability of the Company to compete effectively.

The Company may infringe on the patents or intellectual property rights of others and may face patent litigation, which may be costly and time consuming.

The Company's success will depend in part on its ability to operate without infringing on or misappropriating the intellectual property rights of others. The Company cannot guarantee that its activities will not infringe on the patents or other intellectual property rights owned by others. The Company may expend significant time and effort and may incur substantial costs in litigation if it is required to defend against patent or other intellectual property right suits brought against the Company regardless of whether the claims have any merit. Additionally, the Company cannot predict whether it or its licensors will be successful in any litigation. If the Company or its licensors are found to infringe on the patents or other intellectual property rights of others, it may be subject to substantial claims for damages, which could materially impact the Company's cash flow and financial position. The Company may also be required to cease development, use or sale of the relevant research program, product candidate or process or it may be required to obtain a license on the disputed rights, which may not be available on commercially reasonable terms, if at all.

There can be no assurance that the Company is even aware of third-party rights that may be alleged to be relevant to any particular product candidate, method, process or technology.

The Company may spend significant time and effort and may incur substantial costs if required to defend against any infringement claims or to assert its intellectual property rights against third parties. The risk of such a claim by a third party may be increased by the Company's public announcement regarding its research programs and product candidates. The Company may not be successful in defending its rights against such procedures or claims and may incur as a consequence thereof significant losses, costs or delays in its intended commercialization plans as a result thereof.

The Company depends on intellectual property licensed from third parties and termination of any of these licenses could result in the loss of significant rights, which would harm its business.

The Company is dependent on patents, know-how, and proprietary technology, both its own and licensed from others. The Company's licenses technology from the Trustees of Dartmouth College, or Dartmouth College. Dartmouth College may terminate the Company's license, if the Company fails to meet a milestone within the specified time period, unless the Company pays the corresponding milestone payment. Dartmouth College may terminate either the license in the event the Company defaults or breach any of the provisions of the applicable license, subject to 30 days' prior notice and opportunity to cure. In addition, the license automatically terminates in the event the Company becomes insolvent, make an assignment for the benefit of creditors or file, or have filed against us, a petition in bankruptcy. Furthermore, Dartmouth College may terminate the

Company's license, after April 30, 2024, if the Company fails to meet the specified minimum net sales obligations for any year, unless the Company pay to Dartmouth College the royalty the Company would otherwise be obligated to pay had the Company met such minimum net sales obligation. The Company also licenses technology from Horizon Discovery Limited, or Horizon Discovery. Horizon Discovery may terminate the Company's license in case of insolvency, material breach or force majeure. Any termination of these licenses or any of the Company's other licenses could result in the loss of significant rights and could harm its ability to commercialize its drug product candidates. Disputes may also arise between the Company and its licensors regarding intellectual property subject to a license agreement, including those relating to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which its technology and processes infringe on intellectual property of the licensor that is not subject to the license agreement;
- its right to sublicense patent and other rights to third parties under collaborative development relationships;
- the amount and timing of milestone and royalty payments;
- whether the Company is complying with its diligence obligations with respect to the use of the licensed technology in relation to its development and commercialization of its drug product candidates;
- the allocation of ownership of inventions and know-how resulting from the joint creation or use of intellectual property by the Company and its partners and by its licensors.

If disputes over intellectual property that the Company has licensed prevent or impair its ability to maintain its current licensing arrangements on acceptable terms, the Company may be unable to successfully develop and commercialize the affected drug product candidates. The Company is generally also subject to all of the same risks with respect to protection of intellectual property that the Company licenses as it is for intellectual property that the Company owns, which are described below. If the Company or its licensors fail to adequately protect this intellectual property, the Company's ability to commercialize its products could suffer.

The licenses of the Company may be terminated if it is unable to meet the payment obligations under the agreements (notably if the Company is unable to obtain additional financing).

The Company could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of its drug product candidates.

The patent application process is expensive and time-consuming, and the Company and its current or future licensors and licensees may not be able to apply for or prosecute patents on certain aspects of its drug product candidates or deliver technologies at a reasonable cost, in a timely fashion, or at all. It is also possible that the Company or its current licensors, or any future licensors or licensees, will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, its patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of its business. It is possible that defects of form in the preparation or filing of its patents or patent applications may exist, or may arise in the future, such as with respect to proper priority claims, inventorship, claim scope or patent term adjustments. Under its existing license agreements with the Trustees of Dartmouth College, the Company has the right, but not the obligation, to enforce its licensed patents. If its current licensors, or any future licensors or licensees, are not fully cooperative or disagree with the Company as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised and the Company might not be able to prevent third parties from making, using, and selling competing products. If there are material defects in the form or preparation of its patents or patent applications, such patents or applications may be invalid and unenforceable. Moreover, its competitors may independently develop equivalent knowledge, methods, and know-how. Any of these outcomes could impair its ability to prevent competition from third parties, which may have an adverse impact on its business, financial condition and operating results.

The Company currently has issued patents and patent applications directed to its drug product candidates and medical devices, and the Company anticipates that it will file additional patent applications in several jurisdictions, including several European Union countries and the United States, as appropriate.

However, the Company cannot predict:

- if and when any patents will issue from patent applications;

- the degree and range of protection any issued patents will afford the Company against competitors, including whether third parties will find ways to invalidate or otherwise circumvent its patents;
- whether others will apply for or obtain patents claiming aspects similar to those covered by its patents and patent applications;
- whether the Company will need to initiate litigation or administrative proceedings to defend its patent rights, which may be costly whether the Company win or lose.

The Company cannot be certain, however, that the claims in its pending patent applications will be considered patentable by patent offices in various countries, or that the claims in any of its issued patents will be considered valid and enforceable by local courts.

The strength of patents in the biotechnology and pharmaceutical field can be uncertain and evaluating the scope of such patents involves complex legal and scientific analyses. The patent applications that the Company owns, or in-licenses may fail to result in issued patents with claims that cover its drug product candidates or uses thereof in the European Union, in the United States or in other jurisdictions. Even if the patents do successfully issue, third parties may challenge the validity, enforceability, or scope thereof, which may result in such patents being narrowed, invalidated, or held unenforceable. Furthermore, even if they are unchallenged, its patents and patent applications may not adequately protect its intellectual property or prevent others from designing their products to avoid being covered by its claims. If the breadth or strength of protection provided by the patent applications the Company holds with respect to its drug product candidates is threatened, this could dissuade companies from collaborating with the Company to develop, and could threaten its ability to commercialize, its drug product candidates. Further, because patent applications in most countries are confidential for a period of time after filing, the Company cannot be certain that the Company was the first to file any patent application related to its drug product candidates.

Patents have a limited lifespan. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Further, the extensive period of time between patent filing and regulatory approval for a drug product candidate limits the time during which the Company can market a drug product candidate under patent protection, which may particularly affect the profitability of its early-stage drug product candidates. If the Company encounters delays in its clinical trials, the period of time during which the Company could market its drug product candidates under patent protection would be reduced. Without patent protection for its drug product candidates, the Company may be open to competition from biosimilar versions of its drug product candidates.

Third-party claims of intellectual property infringement against the Company or its collaborators may prevent or delay the Company's product discovery and development efforts.

The Company's commercial success depends in part on its avoiding infringement of the patents and proprietary rights of third parties. There is a substantial amount of litigation involving patents and other intellectual property rights in the biotechnology and pharmaceutical industries, as well as administrative proceedings for challenging patents, including interference, derivation, and reexamination proceedings before the USPTO or oppositions and other comparable proceedings in foreign jurisdictions. Recently, due to changes in U.S. law referred to as patent reform, new procedures including *inter partes* review and post-grant review have been implemented. This reform adds uncertainty to the possibility of challenge to the Company's patents in the future.

Numerous U.S. and foreign issued patents and pending patent applications owned by third parties exist in the fields in which the Company is developing its drug product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that the Company's drug product candidates may give rise to claims of infringement of the patent rights of others.

Although the Company has conducted analyses of the patent landscape with respect to its drug product candidates, and based on these analyses, the Company believes that the Company will be able to commercialize its drug product candidates, third parties may nonetheless assert that the Company infringes their patents, or that the Company is otherwise employing their proprietary technology without authorization, and may sue us. There may be third-party patents of which the Company is currently unaware with claims to compositions, formulations, methods of manufacture, or methods of use or treatment that cover the Company's drug product candidates. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that the Company's drug product candidates may

infringe. In addition, third parties may obtain patents in the future and claim that use of the Company's technologies or the manufacture, use, or sale of its drug product candidates infringes upon these patents. If any such third-party patents were held by a court of competent jurisdiction to cover the Company's technologies or drug product candidates, the holders of any such patents may be able to block the Company's ability to commercialize the applicable drug product candidate unless the Company obtains a license under the applicable patents, or until such patents expire or are finally determined to be held invalid or unenforceable. Such a license may not be available on commercially reasonable terms or at all. If the Company is unable to obtain a necessary license to a third-party patent on commercially reasonable terms, the Company's ability to commercialize its drug product candidates may be impaired or delayed, which could in turn significantly harm its business.

Third parties asserting their patent rights against the Company may seek and obtain injunctive or other equitable relief, which could effectively block the Company's ability to further develop and commercialize its drug product candidates. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of management and other employee resources from the Company's business, and may impact its reputation. In the event of a successful claim of infringement against us, the Company may have to pay substantial damages, including treble damages and attorneys' fees for willful infringement, obtain one or more licenses from third parties, pay royalties, or redesign the Company's infringing products, which may be impossible or require substantial time and monetary expenditure. In that event, the Company would be unable to further develop and commercialize its drug product candidates, which could harm its business significantly.

The Company may not be able to protect its intellectual property rights throughout the world.

Filing, prosecuting and defending patents on drug product candidates in all countries throughout the world would be prohibitively expensive. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as laws in the European Union or the United States. Consequently, the Company may not be able to prevent third parties from practicing its inventions in all countries, or from selling or importing products made using its inventions in and into other jurisdictions. Competitors may use its technologies in jurisdictions where the Company has not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where the Company has patent protection, but enforcement is not as strong. These products may compete with its products and its patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in a number of jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in violation of its proprietary rights generally. Proceedings to enforce its patent rights in some jurisdictions could result in substantial costs and divert its efforts and attention from other aspects of its business, could put its patents at risk of being invalidated or interpreted narrowly and its patent applications at risk of not issuing and could provoke third parties to assert claims against the Company. The Company may not prevail in any lawsuits that the Company initiates, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, its efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that the Company develops or licenses.

The Company may be involved in lawsuits to protect or enforce its patents or the patents of its licensors, which could be expensive, time-consuming, and unsuccessful.

Competitors may infringe its patents or the patents of its licensors. To address such infringement the Company may be required to file patent infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding or a declaratory judgment action against the Company, a court may decide that one or more of its patents is not valid or is unenforceable or may refuse to stop the other party from using the technology at issue on the grounds that its patents do not cover the technology in question. An adverse result in any litigation or defense proceeding could put one or more of its or its licensors' patents at risk of being invalidated, held unenforceable, interpreted narrowly, or amended such that they do not cover its drug product candidates. Such results could also increase the risk that pending patent applications of the Company or its licensors may not issue. Defense of these claims, regardless of their merit, would involve substantial litigation expense and could create a substantial diversion of employee resources from its business.

Interference or derivation proceedings provoked by third parties may be necessary to determine the priority of inventions with respect to, or the correct inventorship of, its patents or patent applications or those of its licensors. An unfavorable outcome could result in a loss of its current patent rights and could require the Company to cease using the related technology or to attempt to license rights to it from the prevailing party. Its business could be harmed if the prevailing party does not offer the Company a license on commercially reasonable terms. Litigation, interference, or derivation proceedings may result in a decision adverse to its interests and, even if the Company is successful, may result in substantial costs and distract its management and other employees.

Furthermore, because of the substantial amount of discovery required in some jurisdictions in connection with intellectual property litigation, there is a risk that some of its confidential information could be compromised by disclosure during this type of litigation. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments. If securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of its ordinary shares.

Confidentiality agreements with employees and third parties may not prevent unauthorized disclosure of trade secrets and other proprietary information, and the inability of the Company to maintain the confidentiality of that information, due to unauthorized disclosure or use, cyber-attack, or other event, could have a material adverse effect on its business.

In addition to the protection afforded by patents, the Company seeks to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable or that the Company elects not to patent, processes for which patents are difficult to enforce, and any other elements of the Company's product discovery and development processes that involve proprietary know-how, information, or technology that is not covered by patents. Trade secrets, however, may be difficult to protect. The Company seeks to protect its proprietary processes, in part, by entering into confidentiality agreements with its employees, consultants, outside scientific advisors, contractors and collaborators. Although the Company uses reasonable efforts to protect its trade secrets, its employees, consultants, outside scientific advisors, contractors, and collaborators might intentionally or inadvertently disclose the Company's trade secret information to competitors. In addition, competitors may otherwise gain access to the Company's trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, the Company may encounter significant problems in protecting and defending its intellectual property both in the United States and abroad. If the Company is unable to prevent unauthorized material disclosure of its intellectual property to third parties, or misappropriation of its intellectual property by third parties, the Company will not be able to establish or maintain a competitive advantage in its market, which could materially adversely affect the Company's business, operating results and financial condition.

The intellectual property of the Company and other sensitive company information are also dependent on sophisticated information technology systems and are potentially vulnerable to cyber-attack, loss, damage, destruction from system malfunction, computer viruses, loss of data privacy, or misappropriation or misuse of it by those with permitted access, and other events. While the Company has invested to protect its data and other information and continue to upgrade and enhance its systems to keep pace with continuing changes in information processing technology, there can be no assurance that its precautionary measures will prevent breakdowns, breaches, cyber-attacks, or other events. Such events could have a material adverse effect on reputation, financial condition, or results of operations of the Company.

Issued patents covering its drug product candidates could be found invalid or unenforceable if challenged in court or before relevant authority.

If the Company or one of its licensing partners initiate legal proceedings against a third party to enforce a patent covering one of its drug product candidates, the defendant could counterclaim that the patent covering its drug product candidate is invalid or unenforceable. Third parties may also raise similar claims before administrative bodies, even outside the context of litigation. Such mechanisms include re-examination, *inter partes* review, post grant review, oppositions and derivation proceedings. Such proceedings could result in revocation or amendment to the Company's or those of its licensing partners' patents in such a way that the patent no longer covers and protects the relevant drug product candidate(s). The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of its patents, for example, the Company cannot be certain that there is no invalidating prior art of which the Company, its patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity

and/or unenforceability, the Company would lose at least part, and perhaps all, of the patent protection on its drug product candidates. Such a loss of patent protection could have a material adverse impact on its business.

The Company may be subject to claims that its employees, consultants, or independent contractors have wrongfully used or disclosed confidential information of third parties.

The Company has received confidential and proprietary information from third parties. In addition, the Company employs individuals who were previously employed at other biotechnology or pharmaceutical companies. The Company may be subject to claims that the Company or its employees, consultants, or independent contractors have inadvertently or otherwise used or disclosed confidential information of these third parties or its employees' former employers. Litigation may be necessary to defend against these claims. Even if the Company is successful in defending against these claims, litigation could result in substantial cost and be a distraction to its management and employees.

2.7.4.4 Risks related to the Company's organization, structure and operation

Maintenance of high standards of manufacturing in accordance with GMPs and other manufacturing regulations.

The Company and key third-party suppliers on which it relies currently or in the future must continuously adhere to GMPs and corresponding manufacturing regulations of Competent Authorities. In complying with these regulations, the Company and its third-party suppliers must expend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against the Company, including the seizure of products and shutting down of production. The Company and any of these third-party suppliers may also be subject to audits by the Competent Authorities. If any of the Company's third-party suppliers or the Company itself fails to comply with GMPs or other applicable manufacturing regulations, the Company's ability to develop and commercialize the products could suffer significant interruptions.

The Company relies on a single manufacturing facility.

The Company faces risks inherent in operating a single manufacturing facility, since any disruption, such as a fire, natural hazards or vandalism could significantly interrupt the Company's manufacturing capability. The Company currently does not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, the Company will have to establish alternative manufacturing sources. This would require substantial capital on the part of the Company, which it may not be able to obtain on commercially acceptable terms or at all. Additionally, the Company would likely experience months or years of manufacturing delays as it builds or locates replacement facilities and seek and obtain necessary regulatory approvals. If this occurs, the Company will be unable to satisfy manufacturing needs on a timely basis, if at all. Also, operating any new facilities may be more expensive than operating the Company's current facility. Further, business interruption insurance may not adequately compensate the Company for any losses that may occur, and the Company would have to bear the additional cost of any disruption. For these reasons, a significant disruptive event of the manufacturing facility could have drastic consequences, including placing the financial stability of the Company at risk.

The Company will need increased manufacturing capacity.

The Company may not be able to expand the manufacturing capacity within the anticipated time frame or budget or may not be able to obtain the requisite regulatory approvals for the increase in manufacturing capacity on a timely basis, or at all. If the Company cannot obtain necessary approvals for this contemplated expansion in a timely manner, its ability to meet demand for its products would be adversely affected. The Company may have difficulties in finding suitable locations or commercially acceptable terms for the leasing of such facilities. The Company may also have difficulties in finding a commercial partner for the construction of those facilities and/or partners for investing in the capital expenses related to the manufacturing plants. The Company will need to obtain GMP certification of those plants for commercial products. Obtaining those certificates may be delayed or may not be granted.

The Company is highly dependent on its key personnel, and if the Company is not successful in attracting, motivating and retaining highly qualified personnel, the Company may not be able to successfully implement its business strategy.

Its ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon its ability to attract, motivate and retain highly qualified managerial, scientific and medical personnel. The Company is highly dependent on members of its Executive Committee, and its scientific and medical personnel. The loss of the services of any members of its Executive Committee, other key employees, and other scientific and medical advisors, and its inability to find suitable replacements, could result in delays in product development and harm its business. On March 28, 2019, the Company announced the retirement of Dr. Christian Homsy as Chief Executive Officer of the Company and announced the appointment of Filippo Petti as new Chief Executive Officer with effective date on April 1, 2019. Dr. Homsy stepped down from the Board of Directors as of November 25, 2019 and the Board of Directors decided to dissolve the Strategy Committee with effective date as of November 28, 2019.

Competition for skilled personnel in the biotechnology and pharmaceutical industries is intense and the turnover rate can be high, which may limit the Company's ability to hire and retain highly qualified personnel on acceptable terms or at all.
To induce valuable employees to remain within the Company, in addition to salary and cash incentives, the Company has provided warrants that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in its share price that are beyond its control and may at any time be insufficient to counteract more lucrative offers from other companies. The Company does not maintain "key man" insurance policies on the lives of all of these individuals or the lives of any of its other employees.

The improper conduct of employees, agents, contractors, consultants or collaborators could adversely affect the Company's reputation and business, prospects, operating results, and financial condition.

The Company cannot ensure that its compliance controls, policies, and procedures will in every instance protect it from acts committed by its employees, agents, contractors, or collaborators that would violate the laws or regulations of the jurisdictions in which it operates, including, without limitation, healthcare, employment, foreign corrupt practices, environmental, competition, and patient privacy and other privacy laws and regulations. Such improper actions could subject the Company to civil or criminal investigations, and monetary and injunctive penalties, and could adversely impact the Company's ability to conduct business, operating results, and reputation. In particular, the Company's business activities may be subject to anti-bribery or anti-corruption laws, regulations or rules of countries in which it operates, including the Foreign Corrupt Practices Act, or FCPA, or the U.K. Bribery Act.

Violations of these laws and regulations could result in fines, criminal sanctions against the Company, its officers, or its employees, the closing down of its facilities, requirements to obtain export licenses, cessation of business activities in sanctioned countries, implementation of compliance programs, and prohibitions on the conduct of the Company's business. Any such violations could include prohibitions on the Company's ability to offer products in one or more countries and could materially damage its reputation, its brand, its international expansion efforts, its ability to attract and retain employees, and its business, prospects, operating results, and financial condition.

The Company has limited experience in sales, marketing and distribution.

Given its stage in development, the Company has never marketed a product and has therefore limited experience in the fields of sales, marketing and distribution of therapies. As a consequence, the Company will have to acquire marketing skills and develop its own sales and marketing infrastructure and would need to incur additional expenses, mobilize management resources, implement new skills and take the time necessary to set up the appropriate organization and structure to market the relevant product(s), in accordance with applicable laws.

While several managers of the Company have commercialized and launched high technology medical products there can be no assurance that the existing limited experience would be sufficient to effectively commercialize any or all of the Company's product candidates. The Company may not be able to attract qualified sales and marketing personnel on acceptable terms in the future and therefore may experience constraints that will

impede the achievement of its commercial objectives. Such events could have a material adverse effect on the Company's business, prospects, financial situation, earnings and growth.

The Company will need to grow the size and capabilities of its organization, and the Company may experience difficulties in managing this growth.

As of December 31, 2019, the Company had 101 employees and six senior managers, two being under employment contracts and four under management services agreements, most of whom are full-time. As the Company's drug product candidates move into later stage clinical development and towards commercialization, the Company must add a significant number of additional managerial, operational, sales, marketing, financial, and other personnel. Future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining, and motivating additional employees;
- managing the Company's internal development efforts effectively, including the clinical and FDA review process for its drug product candidates, while complying with its contractual obligations to contractors and other third parties;
- improving its operational, financial and management controls, reporting systems, and procedures.

The Company's future financial performance and its ability to commercialize its drug product candidates will depend, in part, on its ability to effectively manage any future growth, and its management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If the Company is not able to effectively expand its organization by hiring new employees and expanding its groups of consultants and contractors, the Company may not be able to successfully implement the tasks necessary to further develop and commercialize its drug product candidates and, accordingly, may not achieve its research, development, and commercialization goals.

If the Company engages in future acquisitions or strategic partnerships, this may increase its capital requirements, dilute its shareholders, and cause it to incur debt or assume contingent liabilities, and subject it to other risks.

The Company may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies, or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of its equity securities;
- assimilation of operations, intellectual property and products of an acquired Company, including difficulties associated with integrating new personnel;
- the diversion of its management's attention from its existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in its ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or drug product candidates and regulatory approvals;
- its inability to generate revenue from acquired technology and/or products sufficient to meet its objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if the Company undertakes acquisitions, the Company may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, the Company may not be able to locate suitable acquisition opportunities and this inability could impair its ability to grow or obtain access to technology or products that may be important to the development of its business.

The Company is subject to certain covenants as a result of certain non-dilutive financial support received to date.

The Company has received some non-dilutive financial supports from the Walloon Region to support various research programs. The support has been granted in the form of recoverable cash advances, or RCAs, and subsidies.
In the event the Company decides to exploit any discoveries or products from the research funded by under an RCA, the relevant RCA becomes refundable; otherwise the RCA is not refundable. The Company owns the intellectual property rights which result from the research programs partially funded by the Region, unless it decides not to exploit, or cease to exploit, the results of the research in which case the results and intellectual property rights are transferred to the Region. Subject to certain exceptions, however, the Company cannot grant to third parties, by way of license or otherwise, any right to use the results without the prior consent of the Region. The Company also needs the consent of the Region to transfer an intellectual property right resulting from the research programs or a transfer or license of a prototype or installation. Obtaining such consent from the Region could give rise to a review of the applicable financial terms. The RCAs also contain provisions prohibiting the Company from conducting research for any other person which would fall within the scope of a research program of one of the RCAs. Most RCAs provide that this prohibition is applicable during the research phase and the decision phase, but a number of RCAs extend it beyond these phases.

Subsidies received from the Region are dedicated to funding research programs and patent applications and are not refundable. The Company owns the intellectual property rights which result from the research programs or with regard to a patent covered by a subsidy. Subject to certain exceptions, however, the Company cannot grant to third parties, by way of license, transfer or otherwise, any right to use the patents or research results without the prior consent of the Region. In addition, certain subsidies require that the Company exploits the patent in the countries where the protection was granted and to make an industrial use of the underlying invention. In case of bankruptcy, liquidation or dissolution, the rights to the patents covered by the patent subsidies will be assumed by the Region by operation of law unless the subsidy is reimbursed. Furthermore, the Company would lose its qualification as a small or medium-sized enterprise, the patent subsidies will terminate, and no additional expenses will be covered by such patent subsidies. In 2020, the Company will be required to make exploitation decisions on its remaining outstanding RCA related to the CAR-T platform.

Failure to build the Company's finance infrastructure and improve its accounting systems and controls could impair its ability to comply with the financial reporting and internal controls requirements for publicly traded companies.

As a public company, the Company is operating in an increasingly demanding regulatory environment that requires it to comply with, among other things, the Sarbanes-Oxley Act of 2002 and related rules and regulations of the Securities and Exchange Commission's substantial disclosure requirements, accelerated reporting requirements and complex accounting rules. Company responsibilities required by the Sarbanes-Oxley Act include establishing corporate oversight and adequate internal control over financial reporting and disclosure controls and procedures. Effective internal controls are necessary for the Company to produce reliable financial reports and are important to help prevent financial fraud.

The Company's international operations subject it to various risks, and its failure to manage these risks could adversely affect its results of operations.

The Company faces significant operational risks as a result of doing business internationally, such as:

- fluctuations in foreign currency exchange rates;
- potentially adverse and/or unexpected tax consequences, including penalties due to the failure of tax planning or due to the challenge by tax authorities on the basis of transfer pricing and liabilities imposed from inconsistent enforcement;
- potential changes to the accounting standards, which may influence its financial situation and results;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations (including those relating to corporate taxation and sales taxes);
- reduced protection of, or significant difficulties in enforcing, intellectual property rights in certain countries;

- difficulties in attracting and retaining qualified personnel;
- restrictions imposed by local labor practices and laws on the Company's business and operations, including unilateral cancellation or modification of contracts;
- rapid changes in global government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events, and potential failure in confidence of the Company's suppliers or customers due to such changes or events; and tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers.

The Company incurs portions of its expenses, and may in the future derive revenues, in currencies other than the euro, in particular, the U.S. dollar. As a result, the Company is exposed to foreign currency exchange risk as its results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. The Company currently does not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the euro. Therefore, for example, an increase in the value of the euro against the U.S. dollar could be expected to have a negative impact on the Company's revenue and earnings growth as U.S. dollar revenue and earnings, if any, would be translated into euros at a reduced value. The Company cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect its financial condition, results of operations and cash flows.

The Company or third parties upon whom the Company depends may be adversely affected by natural disasters and/or global health pandemics, and its business, financial condition and results of operations could be adversely affected.

The occurrence of unforeseen or catastrophic events, including extreme weather events and other natural disasters, man-made disasters, or the emergence of epidemics or pandemics, depending on their scale, may cause different degrees of damage to the national and local economies and could cause a disruption in the Company's operations and have a material adverse effect on its financial condition and results of operations. Man-made disasters, pandemics, and other events connected with the regions in which the Company operates could have similar effects. If a natural disaster, health pandemic, or other event beyond its control occurred that prevented the Company from using all or a significant portion of its office and/or lab spaces, damaged critical infrastructure, such as its manufacturing facilities or its manufacturing facilities of its third-party contract manufacturers, or that otherwise disrupted operations, it may be difficult for the Company to continue its business for a substantial period of time.

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this Annual Report, Belgium, where the Company operates, has been impacted by temporary closures. The length or severity of this pandemic cannot be predicted, but the Company currently anticipates that there may be a potential impact from COVID-19 on the planned development activities of the Company.

With COVID-19 continuing to spread in the United States and Europe, the business operations of the Company could be delayed or interrupted, particularly if a large portion of its employees become ill. COVID-19 may also affect employees of third-party organizations located in affected geographies that the Company relies upon to carry out its clinical trials. The spread of COVID-19, or another infectious disease, could also negatively affect the operations at its third-party suppliers, which could result in delays or disruptions in the supply of drug product used in its clinical trials. In addition, the Company is taking temporary precautionary measures intended to help minimize the risk of the virus to its employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for its employees and discouraging employee attendance at industry events and in-person work-related meetings, which could negatively affect the Company's business.

Further, timely enrollment in clinical trials is reliant on clinical trial sites which may be adversely affected by global health matters, including, among other things, pandemics such as COVID-19. For example, many of the Company's clinical trial sites are located in regions currently being afflicted by COVID-19. Some factors from the COVID-19 outbreak that the Company believes will adversely affect enrollment in its trials at least on a temporary basis include:

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Company's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;

- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- interruption in global shipping affecting the transport of clinical trial materials, such as investigational drug product used in our trials; and
- employee absences that delay necessary interactions with local regulators, ethics committees and other important agencies and contractors.

The impact of COVID-19 on its business is uncertain at this time and will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among other things, but prolonged closures or other business disruptions may negatively affect its operations and the operations of its agents, contractors, consultants or collaborators, which could have a material adverse impact its business, results of operations and financial condition.

2.7.4.5 Risks related to the ownership of shares

If securities or industry analysts do not publish research or publish inaccurate research or unfavorable research about its business, the price of the securities and trading volume could decline.

The trading market for the securities depends in part on the research and reports that securities or industry analysts publish about the Company or its business. If no or few securities or industry analysts cover the Company, the trading price would be negatively impacted. If one or more of the analysts who covers the Company downgrades the securities or publishes incorrect or unfavorable research about its business, the price of the securities would likely decline. If one or more of these analysts eases coverage of the Company or fails to publish reports on the Company regularly, or downgrades the securities, demand for the securities could decrease, which could cause the price of the securities or trading volume to decline.

The market price of the Shares could be negatively impacted by actual or anticipated sales of substantial numbers of Shares.

Sales of a substantial number of Shares in the public markets, or the perception that such sales might occur, might cause the market price of the Shares to decline. The Company cannot make any prediction as to the effect of any such sales or perception of potential sales on the market price of the Shares.

A public market for the Company's shares may not be sustained.

The Company cannot guarantee the extent to which a liquid market for the Shares will be sustained. In the absence of such liquid market for the Shares, the price of the Shares could be influenced. The liquidity of the market for the Shares could be affected by various causes, including the factors identified in the next risk factor (below) or by a reduced interest of investors in biotechnology sector.

The market price of the shares may fluctuate widely in response to various factors.

A number of factors may significantly affect the market price of the Shares. The main factors are changes in the operating results of the Company and its competitors, announcements of technological innovations or results concerning the product candidates, changes in earnings estimates by analysts.
Other factors which could cause the price of the shares to fluctuate or could influence the reputation of the Company include, amongst other things:

- developments concerning intellectual property rights, including patents;
- public information regarding actual or potential results relating to products and product candidates under development by the Company's competitors;
- actual or potential results relating to products and product candidates under development by the Company itself;
- developments concerning intellectual property rights, including patents;
- regulatory and medicine pricing and reimbursement developments in Europe, the United States and other jurisdictions;

- any publicity derived from any business affairs, contingencies, litigation or other proceedings, the Company's assets (including the imposition of any lien), its management, or its significant Shareholders or collaborative partners;
- divergences in financial results from stock market expectations;
- changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates; and
- any publicity derived from data protection or cybersecurity breaches.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic, financial and political conditions, could affect the market price for the Shares regardless of the operating results or financial condition of the Company.

The Company has no present intention to pay dividends on its ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of the securities increases.

The Company has no present intention to pay dividends in the foreseeable future. Any recommendation by its Board of Directors to pay dividends will depend on many factors, including its financial condition (including losses carried-forward), results of operations, legal requirements and other factors. Furthermore, pursuant to Belgian law, the calculation of amounts available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of its non-consolidated statutory accounts prepared in accordance with Belgian accounting rules. In addition, in accordance with Belgian law and its Articles of Association, the Company must allocate each year an amount of at least 5% of its annual net profit under its non-consolidated statutory accounts to a legal reserve until the reserve equals 10% of its share capital. Therefore, the Company is unlikely to pay dividends or other distributions in the foreseeable future. If the price of the securities or the underlying ordinary shares declines before the Company pays dividends, investors will incur a loss on their investment, without the likelihood that this loss will be offset in part or at all by potential future cash dividends.

Takeover provisions in the national law of Belgium may make a takeover difficult.

Public takeover bids on its shares and other voting securities, such as warrants or convertible bonds, if any, are subject to the Belgian Act of April 1, 2007 on public takeover bids, as amended and implemented by the Belgian Royal Decree of April 27, 2007, or Royal Decree, and to the supervision by the Belgian Financial Services and Markets Authority, or FSMA. Public takeover bids must be made for all of its voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion into voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company. The Belgian Act of April 1, 2007 provides that a mandatory bid will be required to be launched for all of its outstanding shares and securities giving access to ordinary shares if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30% of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of one or more shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to the Company and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that third parties may consider and thus deprive the shareholders of the opportunity to sell their shares at a premium (which is typically offered in the framework of a takeover bid).

The Company may be at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of that company's securities. This risk is especially relevant for the Company because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If the Company was to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm its business.

Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights (notice for non-Belgian resident investors).

In the event of an increase in its share capital in cash, holders of shares are generally entitled to full pre-emption rights unless these rights are excluded or limited either by a resolution of the general meeting, or by a resolution of the Board of Directors (if the Board of Directors has been authorized by the general meeting in the articles of association to increase the share capital in that manner). Certain holders of shares outside Belgium or France may not be able to exercise pre-emption rights unless local securities laws have been complied with. In particular, U.S. holders of the shares may not be able to exercise pre-emption rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. The Company does not intend to obtain a registration statement in the U.S. or to fulfill any requirement in other jurisdictions (other than Belgium and France) in order to allow shareholders in such jurisdictions to exercise their pre-emptive rights (to the extent not excluded or limited).

Any future sale, purchase or exchange of shares may become subject to the Financial Transaction Tax.

On February 14, 2013, the European Commission published a proposal (the Draft Directive) for a Directive for a common FTT (Foreign Trade Tax) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (save for Estonia, the Participating Member States). However, Estonia has since then stated that it would not participate.

Pursuant to the Draft Directive, the FTT will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to, among others, primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT will be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT will be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction or acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Investors should note, in particular, that following implementation of the Draft Directive, any future sale, purchase or exchange of shares will be subject to the FTT at a minimum rate of 0.1% provided the above-mentioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Shares. The issuance of the new Shares by the Issuer should not be subject to the FTT.

The Draft Directive is still subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.
Investors should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Shares.

The Company has been subject to an investigation by the Belgian Financial Services and Markets Authority.

The Belgian Financial Services and Markets Authority, or the FSMA, opened an investigation against the Company on April 22, 2014. Such investigation was related to whether the Company had failed to timely disclose inside information to the market in relation to the Investigational New Drug, or IND, clearance from the FDA for its CHART-2 Phase III heart-failure trial received on December 26, 2013 and reported on January 9, 2014. In April 2015, the Company notified the FSMA its agreement to settle its investigation by paying the

proposed settlement amount of €175,000. Although such settlement does not provide for any admission of guilt on its part, the fact that the Company has entered into a settlement with the FSMA could cause investors to have a negative perception of its governance structure, which would have a material adverse effect on its business. Further, any future allegations (based on other facts and circumstances) that the Company failed to comply with applicable securities laws, whether or not true, may subject it to fines, claims and/or sanctions, which could impair its ability to offer its securities or restrict trading in its securities. The occurrence of any of the foregoing could have a material adverse effect on the trading price of its securities and its business.

The Company may be subject at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for the Company because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If the Company was to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm its business.

Tax law changes could adversely affect the Company's shareholders and its business and financial condition.

The Company and its subsidiaries are subject to income and other taxes in Belgium, the United States, and other tax jurisdictions throughout the world. Tax laws and rates in these jurisdictions are subject to change. The Company's financial condition can be impacted by a number of complex factors, including, but not limited to: (i) interpretations of existing tax laws; (ii) the tax impact of existing or future legislation; (iii) changes in accounting standards; and (iv) changes in the mix of earnings in the various tax jurisdictions in which the Company operates. In recent years, many such changes have been made and changes are likely to continue to occur in the future. For example, in 2017 the U.S. government enacted comprehensive tax legislation that includes significant changes to the taxation of U.S. business entities. This legislation, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for net interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, in each case, for losses generated after December 31, 2017 (though any such net operating losses may be carried forward indefinitely), and the modification or repeal of many business deductions and credits (including reducing the business tax credit for certain clinical testing expenses incurred in the testing of certain drugs for rare diseases or conditions generally referred to as "orphan drugs"). Future changes in tax laws could have a material adverse effect on the Company's business, cash flow, financial condition or results of operations. The Company urges its shareholders to consult with their legal and tax advisors with respect to any such legislation and the potential tax consequences of investing in the Company's common shares.

2.7.5. Audit activities

Internal audit activities are performed by the departments of Finance, for all matters related to accounting and financial information, and Quality Assurance for all matters related to the operational activities of the Company.

As of the date of this report, there is not yet a dedicated internal audit function.

In order to properly manage identified risks, the Company has set up the following audit measures:

- access and security systems at the premises and offices;
- establishment, under the supervision of the Quality Assurance department, of a set of procedures covering all activities of the Company;
- weekly modifications and updates of the existing procedures;
- development of electronic approval system in the existing ERP system;
- implementation of extra controls in the existing ERP system;
- development of a monthly financial reporting tool which allow a close monitoring of the financial information and KPI's;
- updated Risks and Controls Matrix are in place for the internal controls processes (Entity Level, IT, Financial operations) .

2.7.6. Controls, supervision and correctives actions

Controls are performed by all persons in charge of departments and services. When deviations are identified, there are reported to, depending of their relative importance, the head of department or the Executive Committee.

The Executive Committee supervises the implementation of internal audit and risk management, taking into consideration the recommendations of the Audit Committee.

The Executive Committee is also in charge of proposing the Audit Committee corrective actions when identified.

External audit

On May 5, 2017, the Annual Shareholder's Meeting of Celyad SA engaged CVBA BDO Bedrijfsrevisoren – Réviseurs d'Entreprises, represented by Bert Kegels. BDO's mission includes the auditing of the statutory annual accounts, the consolidated annual accounts of the Company and its subsidiaries.

The Company is also subject to ad hoc audit performed by the competent authorities to ensure compliance with GMP, GCP or other regulations.

3. SHARES AND SHAREHOLDERS

3.1 Group structure

Its main business is conducted through the Company itself. In 2011, the Company incorporated Cardio3 Inc, a fully owned subsidiary, in the U.S. for the purposes of supporting its clinical and regulatory activities of the Group in the US. Cardio3 Inc became Celyad Inc on May 12, 2015. The growth of the activities of Celyad Inc. is associated to the development of the US clinical and regulatory activities of the Company in the US.

On November 5, 2014, the Company acquired CorQuest Medical, Inc., a private U.S. company, for a single cash payment of €1.5 million and on-going earn-out royalty payments based on sales milestones. CorQuest Medical, Inc. is developing Heart-XS, a new access route to the left atrium. The development of Heart-XS and the activities of CorQuest Medical, Inc. have been on hold following the decision of the Company to abandon the development of its cardio business program (C Cure). On November 22, 2019, CorQuest Medical Inc. has sold to Corquest MedTech SRL, a company established under Belgian laws, its portfolio of patents and related rights for a consideration of €1 and the reimbursement of certain maintenance costs of these patents. CorQuest Medical Inc. has also the right to receive royalties on the future sales and a percentage on the capital gains in case of re-sale or change of control of Corquest MedTech SRL.

On January 21, 2015, the Company purchased OnCyte, LLC, or OnCyte, a wholly-owned subsidiary of Celdara Medical, LLC, a privately-held U.S. biotechnology company for an upfront payment of $10.0 million, of which, $6.0 million was paid in cash and $4.0 million was paid in the form of 93,087 of its ordinary shares. Additional contingent payments with an estimated fair value of $42.0 million are payable upon the attainment of various clinical and sales milestones. As a result of this transaction the Company acquired its CAR-T cell drug product candidates and related technology, including technology licensed from the Trustees of Dartmouth College. OnCyte, LLC was the company holding the CAR-T Cell portfolio of clinical-stage immuno-oncology assets. In March 2018, the Company has dissolved OnCyte, and all the assets and liabilities of OnCyte, have been fully distributed to and assumed by the Company

In May 1, 2016, the Company acquired Biological Manufacturing Services SA (BMS). BMS owns GMP laboratories. BMS rent its laboratories to the Company since 2009 and until April 30, 2016. Until the acquisition, BMS was considered as a related party to the Company.

The Company does not exercise any activities through a branch office.

The consolidation scope of the Company is as follows:

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Company (%)	Proportion of ordinary shares held by non-controlling interests (%)
Celyad SA	BE	Biopharma	Parent company		
Celyad Inc	US	Biopharma	100%	100%	0%
CorQuest Medical Inc	US	Medical Device	100%	100%	0%
Biological Manufacturing Services SA	BE	Manufacturing	100%	100%	0%

3.2 Capital increase and issuance of shares

On January 1, 2019, the equity of the Company amounted to €41,552,614,57 represented by 11,942,344 shares. In 2019, the Company has increased its capital following the raising of funds through a contribution in cash subscribed in a private placement on 16 September 2019. As of December 31, 2019, the share capital of the Company amounted to €48,512,614,57 and was represented by 13,942,344 shares. The par value is €3.48 per share.

The evolution of the capital of the Company since its inception on July 24, 2007 is presented in the notes to the financial statements.

All shares are issued and fully paid up and are of the same class. Each share (i) entitles its holder to one vote at the Shareholders' Meetings (except for what is said below regarding shares with double voting rights); (ii)

represents an identical fraction of the capital and has the same rights and obligations and participates equally in the profit of Celyad SA; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or warrants in proportion to the part of the share capital represented by the shares already held.

The preferential subscription right can be restricted or cancelled by a resolution approved by the Shareholders' Meeting, or by the Board of Directors subject to an authorization of the Shareholders' Meeting, in accordance with the provisions of the Belgian Company Code and the Company's articles of association.

Further to the Initial Public Offering (IPO) made on the Nasdaq on June 19, 2015, some shares of the Company are represented in the form of American Depositary Shares (ADS). As of December 31, 2019, there were 1,752,358 ADS outstanding.

On May 23, 2019, the extraordinary shareholders meeting of the Company has decided to modify the articles of association of the Company to comply with the CCA (« opt-in »). In this context, the shareholders meeting has decided to adopt the possibility offered by the article 7:53 of the CCA, i.e., that the shares fulfilling the conditions of that article be granted a double voting right. All shares entirely paid up, registered for at least two years without interruption under the name of the same shareholder in the shareholders registry, are granted a double voting right in comparison to the other shares representing the same part of the capital.

3.3 Warrants plans

The Company has created various incentive plans under which warrants were granted to its employees, consultants or directors (all warrants are together referred to as "Warrants"). This section provides an overview of the outstanding warrants as of December 31, 2019.

Upon proposal of the Board of Directors, the extraordinary shareholders' meeting approved the issuance of, in the aggregate, warrants giving right to subscribe to shares as follows:

- On September 26, 2008, warrants giving right to 90,000 shares. Of these 90,000 Warrants, 50,000 were accepted by the beneficiaries. None are outstanding on the date hereof;
- on May 5, 2010, warrants giving right to 50,000 shares. Of these 50,000 warrants (15,000 A warrants, 5,000 B warrants and 30,000 C warrants), 12,710 A warrants , 5,000 B warrants, and 21,700 C warrants C were accepted by the beneficiaries. None are outstanding on the date hereof;
- on October 29, 2010, warrants giving right to 79,500 shares. Out of the 79,500 warrants offered, 61,050 Warrants were accepted by the beneficiaries and 766 warrants are outstanding on the date hereof;
- on January 31, 2013, warrants giving right to 140,000 shares. Out of the 140,000 warrants, 120,000 were granted to certain members of the Executive Committee and a pool of 20,000 warrants was created. The warrants attributed to certain members of the Executive Committee were fully vested at December 31, 2013 and were all exercised in January 2014 and therefore converted into ordinary shares. The remaining 20,000 warrants were not granted and therefore lapsed;
- on May 6, 2013, 11 investor warrants are attached to each Class B Share subscribed in the capital increase in cash which was decided on the same date, with each investor warrant giving right to subscribe to one ordinary share – as a result, these warrants give right to a maximum 2,433,618 ordinary shares. On May 31, 2013, warrants giving right to 2,409,176 ordinary shares were issued and accepted, which have all been exercised on the date hereof.
- on May 6, 2013, warrants giving right to 266,241 ordinary shares. Out of the 266,241 warrants offered, 253,150 Warrants were accepted by the beneficiaries and 7,000 warrants are outstanding on the date hereof.
- on June 11, 2013, overallotment warrant giving right to a maximum number of shares equal to 15% of the new shares issued in the context of the U.S. initial public offering, i.e. 207,225 shares). The overallotment warrant was exercised on July 17, 2013;
- on May 5, 2014, warrants giving right to 100,000 shares; a plan of 100,000 warrants was approved. Warrants were offered to Company's newcomers (employees, non-employees and directors) in several tranches. Out of the warrants offered, 94,400 warrants were accepted by the beneficiaries and 60,697 warrants are outstanding on the date hereof.

- on November 5, 2015, warrants giving right to 466,000 shares; a plan of 466,000 warrants was approved. Warrants were offered to Company's newcomers (employees, non-employees and directors) in several tranches. Out of the warrants offered, 343,550 warrants were accepted by the beneficiaries and 245,982 warrants are outstanding on the date hereof.
- on December 8, 2016, warrants giving right to 100,000 shares; a plan of 100,000 warrants was approved. Warrants were offered to Company's newcomers (employees, non-employees and directors) in two tranches. Out of the warrants offered, 45,000 warrants were accepted by the beneficiaries and 42,500 warrants are outstanding on the date hereof.
- on June 29, 2017, warrants giving right to 520,000 shares; a plan of 520,000 warrants was approved. Warrants were offered to employees, non-employees and directors in several tranches. Out of the warrants offered, 334,400 warrants were accepted by the beneficiaries and 294,484 warrants are outstanding on the date hereof.
- on October 26, 2018, warrants giving rights to 700,000 shares; 700,000.00 warrants have been issued in the framework of the authorized capital. 426,050 warrants were accepted by the beneficiaries, out of which 401,350 warrants are still outstanding on the date hereof.
  on October 25, 2019, warrants giving rights to 939,500 shares; 939,500.00 warrants have been issued in the framework of the authorized capital. 273,500 warrants were accepted by the beneficiaries, out of which 273,500 warrants are still outstanding on the date hereof.

As a result, as of December 31, 2019 there are 1,292,380 warrants outstanding which represent approximately 8.48% of the total number of all its issued and outstanding voting financial instruments.

3.4 Changes in share capital

In accordance with the CCA, the Company may increase or decrease its capital by decision of the Extraordinary General Shareholders' Meeting taken with a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of the Company is present or represented. If the attendance quorum of 50% is not met, a new Extraordinary General Shareholders' Meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. There are in this respect no conditions imposed by the Company's articles of association that are more stringent than those required by law.

Within the framework of the powers granted to it under the authorized capital, the Board of Directors may also increase the Company's capital as specified in its articles of association.

3.5 Anti-takeover provisions under Belgian laws

Under Belgian law, public takeover bids for all the outstanding voting securities issued by the issuer are subject to the supervision of the FSMA. If the latter determines that a takeover violates Belgian law, it may lead to suspension of the exercise of the rights attached to any shares that were acquired in connection with the envisaged takeover. Pursuant to the Belgian law of April 1, 2007 on public takeovers, a mandatory takeover bid must be made when, as a result of its own acquisition or the acquisition by persons acting in concert with it, a person owns, directly or indirectly, more than 30% of the securities with voting rights in a company with registered office in Belgium whose securities are admitted to trading on a regulated or recognized market. The acquirer must offer to all other shareholders the opportunity to sell their shares at the highest of (i) the highest price offered by the acquirer for shares of the issuer during the 12 months preceding the announcement of the bid or (ii) the weighted average price of the shares on the most liquid market of the last 30 calendar days prior to the date on which the obligation of the acquirer to offer the takeover of the shares of other shareholders starts.

With respect to anti-takeover protection, Article 34 of the Royal Decree of November 14, 2007 requires the following information to be included in the annual report:

- Capital Structure
- The share capital of the Company is represented by ordinary shares.
- Based on the transparency notifications received by the Company, the shareholders owning 5% or more of the Company's shares on December 31, 2019 were TOLEFI SA (2,295,701 shares) and Victory Capital Management (953,661 ADS shares).
- Legal or statutory restrictions to the transfer of shares

- The articles of association of the Company do not contain any restriction on the transfer of the shares.
- Holders of securities with special control rights
- Not applicable to the Company.
- Control mechanisms in case of an employee shareholding system
- Not applicable to the Company.
- Legal or statutory restrictions to the exercise of voting rights
- The articles of association of the Company do not contain any restriction on voting rights.
- Shareholder agreements known to the Company and engendering restrictions to the transfer of shares and/or the exercise of voting rights
- The Company is not aware of the existence of any other shareholders' agreements between its shareholders.
- Appointment and replacement of directors

The Chairman of the Board is in charge of the nomination procedure. The Board is responsible for proposing members for nomination to the shareholders' meeting, in each case based on the recommendation of the Nomination & Remuneration Committee.

For any new appointment to the Board, the skills, knowledge and experience already present and those needed on the Board will be evaluated and, in the light of that evaluation, a description of the role and skills, experience and knowledge needed will be prepared (a "profile").

When dealing with a new appointment, the Chairman of the Board must ensure that, before considering the candidate, the Board has received sufficient information such as the candidate's curriculum vitae, an assessment of the candidate based on the candidate's initial interview, a list of the positions the candidate currently holds, and, if applicable, the necessary information for assessing the candidate's independence.

If a legal entity is appointed as a director, it is obliged to appoint, in accordance with the provisions of the Belgian Company Code, a natural person as a permanent representative, who may represent the legal entity in all its dealings with the Company. The legal entity director may not dismiss its permanent representative without simultaneously appointing a new representative.

Any proposal for the appointment of a director by the shareholders' meeting should include a recommendation from the Board based on the advice of the Nomination & Remuneration Committee. This provision also applies to shareholders' proposals for appointment. The proposal must specify the proposed term of the mandate, which must not exceed four years. It must be accompanied by relevant information on the candidate's professional qualifications together with a list of the positions the candidate already holds. The Board will indicate whether the candidate satisfies the independence criteria.

Outgoing directors will remain in office for as long as the shareholders' meeting, for whatever reason, has not filled the vacancy.

Appointments are generally made for a maximum term of four years. Outgoing directors will be eligible for re-election. However, when an independent director has served on the Board for more than 12 years, he is in not eligible for a fourth term as independent director of the Company. Before proposing any director for re-election, the Board should take into account the evaluations made by the Nomination & Remuneration Committee. The mandates of those directors who are not re-appointed for a new term will terminate immediately after the shareholders' meeting which decides on any re-appointment or appointment.

The directors may be revoked by the shareholders' meeting at any time.
If at any time a vacancy is created on the Board of Directors, the remaining directors may temporarily appoint a director to the board to fill the vacancy. Any director so appointed will hold office for the remainder of the term of appointment of the director that it replaces.
The definitive appointment of the replacing director is added to the agenda of the following shareholders' meeting.

- Amendment of the articles of association

Pursuant to the Belgian Company Code, any amendment to the articles of association such as an increase or decrease in the capital of the Company, and certain other matters such as the approval of the dissolution, merger or de-merger may only be authorized with the approval of at least 75% of the votes validly cast at an Extraordinary General Shareholders' Meeting where at least 50% of the Company's share capital is present or represented. If the

attendance quorum of 50% is not met, a new Extraordinary General Shareholders' Meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

- Powers of the Board of Directors

The Board of Directors has the most extensive powers in order to perform all acts which are useful or necessary so as to complete the Company's corporate purpose.

The Board of Directors has the power to perform all acts which are not expressly assigned by law or by the articles of association to the shareholders' meeting.

The Board of Directors has to power to establish an audit committee and other committees, the powers of which it will determine.

On June 29, 2017, an extraordinary shareholders meeting of the Company granted to the Board of Directors the power to increase the share capital in accordance with the articles 7:198 et sq. of the Belgian Company Code, in one or several times, for a maximum amount of €33.117.976,63 (excluding issue premium), for a period of 5 years as of the publication of the modification to the articles of association of the Company. Furthermore, in accordance with article 7:202 of the Belgian Company Code, the Board of Directors is empowered to proceed with a share capital increase even after receipt by the Company of a notification by the FSMA of a takeover bid for the Company's share, for a period of three years from June 29, 2017.

When increasing the share capital within the limits of the authorized capital, the Board of Directors may, in the Company's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the Company or its subsidiaries. The Board of Directors is not allowed to buy back shares.

- Agreements on severance pay

Reference is made to section 6 of chapter 2.

3.6 Financial service

The financial services for the shares are provided by BNP Paribas Security Services.

Citibank N.A. is acting as depositary bank for the ADS issued by the Company. Citibank issued an ADS for every new share issued at the IPO.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1 Responsibility statement

We hereby certify that:

- to the best of our knowledge, the consolidated financial statements as of 31 December 2019, prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, and the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position, comprehensive loss, changes in equity and cash flows of the Company and the undertakings included in the consolidation taken as a whole; and that

- the management report includes a fair review of the development and the performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

March 24, 2020 on behalf of the Board of Directors,

Michel Lussier
Chairman

Filippo Petti
CEO

4.2 *Statutory auditor's report to the general meeting of shareholders of Celyad SA for the year ended December 31, 2019 (consolidated financial statements)*

In the context of the statutory audit of the consolidated financial statements of Celyad S.A. ('the Company') and its subsidiaries (together referred to as 'the Group'), we hereby present our statutory auditor's report. It includes our report on the audit of the consolidated financial statements and the other legal and regulatory requirements. This report is an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting of May 5, 2017, following the proposal formulated by the board of directors issued upon recommendation of the Audit Committee. Our statutory auditor's mandate expires on the date of the General Meeting deliberating on the financial statements closed on December 31, 2019. We have performed the statutory audit of the consolidated financial statements of Celyad S.A. for three consecutive years.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterized by a consolidated statement of financial position total of 89,836 (000) EUR and for which consolidated income statement and other comprehensive income shows a loss for the year of 29,194 (000) EUR.

We have obtained from the administrative body and company officials the explanations and information necessary for performing our audit.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as at December 31, 2019, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) as applicable in Belgium. Our responsibilities under those standards are further described in the 'Statutory auditor's responsibilities for the audit of the consolidated financial statements' section in this report. We have complied with all the ethical requirements that are relevant to the audit of consolidated financial statements in Belgium, including those concerning independence.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Financial funding

Description of the matter
As described in Note 1.7 of the consolidated financial statements, the Company has disclosed that based on its current scope of activities, the Group estimates that its treasury position as of December 31, 2019 is sufficient to cover its cash requirements until first half 2021, so that there is no going concern issue as of today.

Given the high cash burn ratio that is inherent to the sector the Company is operating in, we consider financial funding a key audit matter requiring high auditors' attention.

Procedures performed
Our audit procedures included, among others, the following:

- We obtained the business plan and the cash forecast for the year 2020 and 2021 and reviewed it for reasonableness;
- We challenged the assumptions underlying this budget and cash forecast, especially with respect to the expected level of operating expenses;
- We compared the total of expected revenues included in the budget and cash forecast with those expected from existing agreements;
- We discussed with management any potential future financing possibilities and assessed their reasonableness.

Goodwill and intangible assets impairment

Description of the matter
As described in Note 5.6.2 of the consolidated financial statements, the Group is required to annually test its intangible assets for impairment as they are mainly composed of "In-process Research and Development Costs" ("IPRD"). As reminder, these assets acquired in a business combination are subject to annual impairment testing until the projects are available for use.

We consider this area a key audit matter requiring high auditors' attention because of the potential significant impact on the financial statements and the fact that the impairment test contains key judgmental areas that are strongly affected by assumptions.

Procedures performed
Our audit procedures included, among others, the following:

- We have analyzed internal and external information in order to identify potential impairment indicators;
- We have analyzed and reviewed the Company's impairment model including the significant underlying assumptions and checked whether an adequate valuation model was applied;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the latest Board approved business plan;
- We have consulted a valuation expert in our firm to assess the methodology, clerical accuracy, long term growth rate and discount rate as applied;

- We reviewed the sensitivity analysis prepared by management to understand the effect of a change in assumptions;
- We considered all available information provided to us by the Company to assess potential additional factors that could trigger impairment;
- We reviewed the completeness and adequacy of the disclosures in the consolidated financial statements.

Contingent consideration valuation

Description of the matter
As a result of the acquisition of OnCyte LLC in January 2015, the consolidated financial statements include a contingent consideration towards Celdara Medical LLC. As disclosed in Note 5.19.2 of the consolidated financial statements, this contingent liability is reported at fair value in the statement of financial position.

We consider this area a key audit matter requiring high auditors' attention because of the fact that the valuation of the contingent consideration is complex, contains key judgmental areas and is strongly affected by assumptions with regards to expected future cash flows and market conditions.

Procedures performed
Our audit procedures included, among others, the following:

- We have analyzed and reviewed the Company's fair value calculation including the significant underlying assumptions and checked whether an adequate valuation model was applied;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the latest Board approved business plan;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the data used in the context of the annual impairment test;
- We have performed an assessment of the reasonableness of key assumptions, notably probabilities of success, forecasted sales level, discount rate and long term growth rate;
- We have consulted a valuation expert in our firm to assess the methodology, clerical accuracy, long term growth rate and discount rate as applied;
- We reviewed the completeness and adequacy of the disclosures to the consolidated financial statements.

Responsibilities of the administrative body for the drafting of the consolidated financial statements

The administrative body is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory provisions applicable in Belgium, and for such internal control as the administrative body determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the consolidated financial statements, the administrative body is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the administrative body either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

When executing our audit, we respect the legal, regulatory and normative framework applicable for the audit of the consolidated financial statements in Belgium. However, a statutory audit does not guarantee the future viability of the Group, neither the efficiency and effectiveness of the management of the Group by the administrative body.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control;

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the administrative body;

- Conclude on the appropriateness of the administrative body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business

activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the Group audit. We assume full responsibility for the auditor's opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control identified during the audit.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year, and are therefore the key audit matters. We describe these matters in our statutory auditor's report, unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Responsibilities of the administrative body

The administrative body is responsible for the preparation and the contents of the management report on the consolidated financial statements and for the other information included in the annual report on the consolidated financial statements.

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (version revised in 2020) which is complementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report on the consolidated financial statements and the other information included in the management report on the consolidated financial statements, as well as to report on these elements.

Aspects relating to the management report on the consolidated financial statementsand to the other information included in the annual report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the management report, this report is consistent with the consolidated financial statements for the same financial year, and it is prepared in accordance with article 3:32 of the Code of companies and associations.

In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge we have obtained during the audit, whether the management report on the consolidated financial statements (chapter 1 of the annual report) and the other information included in the annual report on the consolidated financial statements, namely the operational and financial review by the Board of Directors (chapter 1.3 of the annual report),contain a material misstatement, i.e. information which is inadequately disclosed or otherwise misleading. Based on the procedures we have performed, there are no material misstatements we have to report to you.

Statement concerning independence

- Our audit firm and our network did not provide services which are incompatible with the statutory audit

of the consolidated financial statements and our audit firm remained independent of the Group during the terms of our mandate.

- The fees related to additional services which are compatible with the statutory audit as referred to in article 3:65 of the Code of companies and associations were duly itemised and valued in the notes to the consolidated financial statements.

Other statements

- This report is in compliance with the contents of our additional report to the Audit Committee as referred to in article 11 of regulation (EU) No 537/2014.

Zaventem, March 24, 2020

BDO Réviseurs d'Entreprises SCRL
Statutory auditor
Represented by Bert Kegels

4.3 Consolidated financial statements as at 31 December 2019

4.3.1. Consolidated statements of financial position

(€'000)	Notes	December 31, 2019	December 31, 2018
NON-CURRENT ASSETS		**47,000**	**42,607**
Intangible assets	5.6	36,199	36,164
Property, Plant and Equipment	5.7	5,061	3,014
Non-current Trade and Other receivables	5.8	2,432	1,743
Non-current Grant receivables	5.8	3,051	1,472
Other non-current assets	5.8	257	215
CURRENT ASSETS		**42,836**	**51,692**
Trade and Other Receivables	5.9	558	367
Current Grant receivables	5.9	1,686	-
Other current assets	5.9	1,253	1,585
Short-term investments	5.10	0	9,197
Cash and cash equivalents	5.11	39,338	40,542
TOTAL ASSETS		**89,836**	**94,299**
EQUITY		**45,619**	**55,589**
Share Capital	5.13	48,513	41,553
Share premium	5.13	43,349	206,149
Other reserves	5.21	28,181	25,667
Accumulated deficit		(74,424)	(217,778)
NON-CURRENT LIABILITIES		**32,295**	**29,063**
Bank loans	5.18	37	229
Lease liabilities	5.18	2,967	652
Recoverable Cash advances (RCAs)	5.16	4,139	2,864
Contingent consideration payable and other financial liabilities	5.19	24,754	25,187
Post-employment benefits	5.15	398	131
Other non-current liabilities		-	-
CURRENT LIABILITIES		**11,922**	**9,647**
Bank loans	5.18	192	281
Lease liabilities	5.18	1,167	484
Recoverable Cash advances (RCAs)	5.16	346	276
Trade payables	5.17	6,969	5,916
Other current liabilities	5.17	3,248	2,690
TOTAL EQUITY AND LIABILITIES		**89,836**	**94,299**

The accompanying disclosure notes form an integral part of these consolidated financial statements.

4.3.2. Consolidated statements of comprehensive loss

(€'000)	Notes	For the year ended 31 December, 2019	2018
Revenue	**5.22**	**6**	**3,115**
Cost of sales		-	-
Gross profit		**6**	**3,115**
Research and Development expenses	5.23	(25,196)	(23,577)
General & Administrative expenses	5.24	(9,070)	(10,387)
Other income	5.27	5,572	1,078
Other expenses	5.27	(191)	(8,399)
Operating Loss		**(28,879)**	**(38,170)**
Financial income	5.30	582	804
Financial expenses	5.30	(343)	(62)
Loss before taxes		**(28,640)**	**(37,427)**
Income taxes	5.20	8	0
Loss for the period		**(28,632)**	**(37,427)**
Basic and diluted loss per share (in €)	5.31	(2.29)	(3.36)
Other comprehensive income/(loss)			
Items that will not be reclassified to profit and loss		**(301)**	**70**
Remeasurements of post-employment benefit obligations, net of tax		(301)	70
Items that may be subsequently reclassified to profit or loss		**(261)**	**(1,194)**
Currency translation differences		(261)	(1,194)
Other comprehensive income / (loss) for the period, net of tax		**(562)**	**(1,124)**
Total comprehensive loss for the period		**(29,194)**	**(38,551)**
Total comprehensive loss for the period attributable to Equity Holders [1]		**(29,194)**	**(38,551)**

[1] For 2019 and 2018, the Group does not have any non-controlling interests and the losses for the year are fully attributable to owners of the parent.

The accompanying disclosure notes form an integral part of these consolidated financial statements.

4.3.3. Consolidated statements of changes in equity

(€'000)	Share capital	Share premium	Other reserves	Accumulated deficit	Total Equity
Balance as of 1st January 2018	**34,337**	**170,297**	**23,322**	**(180,421)**	**47,535**
Capital increase	7,204	38,937			46,140
Transaction costs associated with capital increases		(3,141)			(3,141)
Exercise of warrants	12				12
Share-based payments		56	3,539		3,595
Total transactions with owners, recognized directly in equity	**7,216**	**35,851**	**3,539**	-	**46,606**
Loss for the period				(37,427)	(37,427)
Currency Translation differences			(1,194)		(1,194)
Remeasurements of defined benefit obligation				70	70
Total comprehensive loss for the period	**-**	**-**	**(1,194)**	**(37,357)**	**(38,551)**
Balance as of 31 December, 2018	**41,553**	**206,149**	**25,667**	**(217,778)**	**55,589**
Balance as of 1st January 2019	**41,553**	**206,149**	**25,667**	**(217,778)**	**55,589**
Capital increase	6,960	11,209	-	-	18,169
Transaction costs associated with capital increases	-	(1,721)	-	-	(1,721)
Exercise of warrants	-	-	-	-	-
Share-based payments	-	-	2,775	-	2,775
Total transactions with owners, recognized directly in equity	**6,960**	**9,488**	**2,775**	**-**	**19,223**
Loss for the period	-	-	-	(28,632)	(28,632)
Reduction of share premium by absorption of losses	-	(172,287)	-	172,287	-
Currency Translation differences	-	-	(261)	-	(261)
Remeasurements of defined benefit obligation	-	-	-	(301)	(301)
Total comprehensive loss for the period	**-**	**(172,287)**	**(261)**	**143,354**	**(29,194)**
Balance as of 31 December, 2019	**48,513**	**43,349**	**28,181**	**(74,424)**	**45,619**

The accompanying disclosure notes form an integral part of these consolidated financial statements.

4.3.4. Consolidated statements of Cash flows

(€'000)		For the year ended 31 December,	
	Notes	2019	2018
Cash Flow from operating activities			
Loss for the period	4.3.2	(28,632)	(37,427)
Non-cash adjustments			
Intangibles - Amortization and impairment	5.6	169	66
Property, plant & equipment - Depreciation	5.7	1,619	1,048
Upfront payment settled in shares	5.22	-	(843)
Fair value adjustment on securities	5.10	(182)	
Change in fair value of contingent consideration payable and other financial liabilities	5.19	(433)	5,604
Remeasurement of Recoverable Cash Advances (RCAs)	5.18	120	998
Grant income (RCAs and others)	5.27	(3,296)	(768)
Loss on disposal of property, plant and equipment		-	-
Share-based payment expense	5.14	2,775	3,595
Post-employment benefits	5.15	267	(3)
Change in working capital			
Trade receivables, other (non-)current receivables		(1,772)	(1,459)
Trade payables, other (non-)current liabilities		1,162	1,940
Net cash used in operations		**(28,202)**	**(27,249)**
Cash Flow from investing activities			
Acquisition of Property, Plant & Equipment	5.7	(417)	(833)
Acquisitions of Intangible assets	5.6	(205)	(932)
Disposals of fixed assets	5.7	0	74
Proceeds from net investment in lease	5.18	229	-
Contingent liability pay-out	5.19	-	-
Acquisition of short-term investments	5.10	-	(26,561)
Proceeds from short-term investments	5.10	9,379	28,859
Net cash from/(used in) investing activities		**8,987**	**607**
Cash Flow from financing activities			
Proceeds from bank borrowings	5.18	-	220
Repayments of bank borrowings	5.18	(281)	(245)
Proceeds from leases	5.18	-	730
Repayments of leases	5.18	(1,206)	(503)
Proceeds from issuance of shares and exercise of warrants	5.13	16,448	43,011
Proceeds from RCAs & other grants		3,571	1,187
Repayments of RCAs & other grants	5.18	(256)	(471)
Net cash from/(used in) financing activities		**18,276**	**43,928**
Net cash and cash equivalents at beginning of the period		**40,542**	**23,253**
Change in Cash and cash equivalents	5.11	(940)	17,286
Effects of exchange rate changes on cash and cash equivalents		(264)	3
Net cash and cash equivalents at the end of the period		**39,338**	**40,542**

The accompanying disclosure notes form an integral part of these consolidated financial statements.

5. Notes to the consolidated financial statements

5.1 General information

The Company is a clinical-stage biopharmaceutical company focused on the development of specialized CAR-T cell-based product candidates and utilizes its expertise in cell engineering to target cancer. The Company's CAR-T cell platform has the potential to treat a broad range of solid and hematologic tumors.

The Company's lead clinical candidate, CYAD-01, an autologous NKG2D-based CAR-T therapy, is currently being evaluated in several Phase 1 clinical trials to assess safety and clinical activity for the treatment of hematological malignancies, such as acute myeloid leukemia, and solid cancers, such as metastatic colorectal cancer. The Company is also developing CYAD-101, an investigational, non-gene edited, allogeneic (donor derived) NKG2D-based CAR-T therapy, which is currently being evaluated in a Phase 1 trial for the treatment of patients with metastatic colorectal cancer.

Celyad SA was incorporated on July 24, 2007 under the name "Cardio3 BioSciences". Celyad is a limited liability company (Société Anonyme) governed by Belgian law with its registered office at Axis Parc, Rue Edouard Belin 2, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115). The Company's ordinary shares are listed on NYSE Euronext Brussels and NYSE Euronext Paris regulated markets and the Company's American Depositary Shares (ADSs) are listed on the Nasdaq Global Market, all under the ticker symbol CYAD.

The Company has three fully owned subsidiaries (together, the Group) located in Belgium (Biological Manufacturing Services SA) and in the United States (Celyad Inc. and CorQuest Medical, Inc.). OnCyte LLC was dissolved on March 8, 2018 and, as a result, all its assets and liabilities were fully distributed to and assumed by Celyad SA.

These consolidated financial statements have been approved for issuance by the Company's Board of Directors on March 24, 2020. These statements have been audited by BDO Réviseurs d'Entreprises SCRL, the statutory auditor of the Company and independent registered public accounting firm.

The annual report is available to the public free of charge and upon request to the above-mentioned address or via the Company's website (http://www.celyad.com/investors).

5.2 Basis of preparation and significant accounting policies

The year-end consolidated financial statements of the Group for the twelve months ended December 31, 2019 (the "year" or "the period") include Celyad SA and its subsidiaries. The significant accounting policies used for preparing these consolidated financial statements are explained below.

5.2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for:

- Financial instruments – Fair value through profit or loss
- Contingent consideration and other financial liabilities
- Post-employment benefits liability
- Equity securities held as short-term investments at 31 December 2019 (see note 5.10)

The policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in euro and all values are presented in thousands (€000) except when otherwise indicated. Amounts have been rounded off to the nearest thousand and in certain cases, this may result in minor discrepancies in the totals and sub-totals disclosed in the financial tables.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively, IFRSs) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, are areas where assumptions and estimates are significant to the financial statements. They are disclosed in note 5.4.

Going concern

The Group is pursuing a strategy to develop therapies to treat unmet medical needs in oncology. Management has prepared detailed budgets and cash flow forecasts for the years 2020 and 2021. These forecasts reflect the strategy of the Group and

include significant expenses and cash outflows in relation to the development of selected research programs and product candidates.
Based on its current scope of activities, the Group estimates that its treasury position[4] as of 31 December 2019 is sufficient to cover its cash requirements until the first half 2021, therefore beyond the readouts of its clinical trials currently ongoing. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the business continuity over the next 12 months from balance sheet date, and hence it is appropriate to prepare the financial statements on a going concern basis.

Changes to accounting standards and interpretations

The Group has applied the same accounting policies and methods of computation in its year-end consolidated financial statements as prior year, except for those that relate to new standards and interpretations. For periods beginning on (or after) 1 January 2019, a number of new or amended standards became applicable for the first time for periods beginning on (or after) 1 January 2019, and the group had to change its accounting policies as a result of adopting IFRS 16 *Leases*.

IFRS 16 standard replaces the former lease accounting requirements and, in particular, represents a significant change in the accounting and reporting of leases that were previously classified as 'operating leases' under IAS 17, with incremental assets and liabilities to be reported on the balance sheet and a different recognition basis for lease costs. The details of the changes in accounting policies and the transition quantitative impact are discussed further under the section 5.2.8 below.

None of the other new or amended standards and interpretations issued by the IASB and the IFRIC that will apply for the first time in future annual periods are expected to have a material effect on the Group as either they are not relevant to the Group's activities or they require accounting which is consistent with the Group's current accounting policies.

5.2.2. Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.
Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated.
Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Business Combinations

The Group applies the acquisition method to account for business combinations.
The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values of the assets transferred, the liabilities incurred or assumed, and the equity interests issued by the Group at the date of the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.
Acquisition-related costs are expensed as incurred.
Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in profit or loss, in accordance with IFRS 9 if applicable. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

5.2.3. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Group's presentation currency.

[4] 'Treasury position' is an alternative performance measure determined by adding Short-term investments and Cash and cash equivalents from the statement of financial position prepared in accordance with IFRS.

Transactions and balances

Foreign currency transactions (mainly USD) are translated into the functional currency using the applicable exchange rate on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Foreign currency exchange gains and losses arising from settling foreign currency transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognized in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting translation differences are recognized in other comprehensive income.

5.2.4. Revenue

So far, the main revenue generated by the Group relates to the sale of licenses.

Licensing revenue

The Group enters into license and/or collaboration agreements with third-party biopharmaceutical partners. Revenue under these arrangements may include non-refundable upfront payments, product development milestone payments, commercial milestone payments and/or sales-based royalties' payments.

Upfront payments

License fees representing non-refundable payments received at the time of signature of license agreements are recognized as revenue upon signature of the license agreements when the Group has no significant future performance obligations and collectability of the fees is assured.

Milestone payments

Milestone payments represent amounts received from the Group's customers or collaborators. The receipt of which is dependent upon the achievement of certain scientific, regulatory, or commercial milestones. Under IFRS 15, milestone payments generally represent a form of variable consideration as the payments are likely to be contingent on the occurrence of future events. Milestone payments are estimated and included in the transaction price based on either the expected value (probability-weighted estimate) or most likely amount approach. The most likely amount is likely to be most predictive for milestone payments with a binary outcome (i.e., the Group receives all or none of the milestone payment). Variable consideration is only recognized as revenue when the related performance obligation is satisfied, and the Group determines that it is highly probable that there will not be a significant reversal of cumulative revenue recognized in future periods.

Royalty revenue

Royalty revenues arise from the Group's contractual entitlement to receive a percentage of product sales achieved by co-contracting parties. As the Group's co-contracting partners currently have no products based on a Celyad-technology approved for sale, the Group has not received any royalty revenue to date. Royalty revenues, if earned, will be recognized on an accrual basis in accordance with the terms of the contracts with the Group's customers when sales occur and there is reasonable assurance that the receivables from outstanding royalties will be collected.

Sales of goods (medical devices)

Sales of medical devices are recognized when the Group has fulfilled the performance obligations under the terms of the sales contract, which includes delivery of the promised goods. Sales of medical devices generated by the Group until 2017 are associated with C-Cath$_{ez}$, its proprietary catheter.

5.2.5. Government Grants (Other income)

The Group's grant income reported under 'Other income' in the consolidated income statement is generated from: (i) recoverable cash advances (RCAs) granted by the Regional government of Wallonia; (ii) R&D tax credits granted by the Belgian federal government; and (iii) grants received from the European Commission under the Seventh Framework Program ("FP7") and Regional authorities.

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Once a government grant is recognized, any related contingent liability (or contingent asset) is treated in accordance with IAS 37.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Recoverable cash advances (RCAs)

The Group receives grants from the Walloon Region in the form of recoverable cash advances (RCAs).
RCAs are dedicated to support specific development programs. All RCA contracts, in essence, consist of three phases, i.e., the "research phase", the "decision phase" and the "exploitation phase". During the research phase, the Group receives funds from the Region based on statements of expenses. In accordance with IAS 20.10A and IFRS Interpretations Committee (IC)'s conclusion that contingently repayable cash received from a government to finance a research and development (R&D) project is a financial liability under IAS 32, 'Financial instruments; Presentation', the RCAs are initially recognized as a financial liability at fair value, determined as per IFRS 9/IAS 39.

The benefit (RCA grant component) consisting in the difference between the cash received (RCA proceeds) and the above-mentioned financial liability's fair value (RCA liability component) is treated as a government grant in accordance with IAS 20. The RCA grant component is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the underlying R&D expenses subsidized by the RCA.

The RCAs liability component (RCA financial liability) is subsequently measured at amortized cost using the cumulative catch-up approach under which the carrying amount of the liability is adjusted to the present value of the future estimated cash flows, discounted at the liability's original effective interest rate. The resulting adjustment is recognized within profit or loss.

At the end of the research phase, the Group should within a period of six months decide whether or not to exploit the results of the research phase (decision phase). The exploitation phase may have a duration of up to 10 years. In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently refundable, and the fair value of the RCA liability adjusted accordingly, if required.

When the Group does not exploit (or ceases to exploit) the results under an RCA, it has to notify the Region of this decision. This decision is of the sole responsibility of the Group. The related liability is then discharged by the transfer of such results to the Region. Also, when the Group decides to renounce to its rights to patents which may result from the research, title to such patents will be transferred to the Region. In that case, the RCA liability is extinguished.

R&D Tax credits

Since 2013, the Group applies for R&D tax credit, a tax incentive measure for European SME's set-up by the Belgian federal government. When capitalizing its R&D expenses under tax reporting framework, the Group may either i) get a reduction of its taxable income (at current income tax rate applicable) ; or ii) if no sufficient taxable income is available, apply for the refund of the unutilized tax credits, calculated on the R&D expenses amount for the year. Such settlement occurs at the earliest 5 financial years after the tax credit application filed by the Group.

Considering that R&D tax credits are ultimately paid by the public authorities, the related benefit is treated as a government grant under IAS 20 and booked into other income, in order to match the R&D expenses subsidized by the grant.

Other government grants

The Group has received and will continue to apply for grants from European (FP7) and Regional authorities. These grants are dedicated to partially finance early stage projects such as fundamental research, applied research, prototype design, etc.

To date, all grants received are not associated with any conditions. As per each grant contract, grants are paid upon submission by the Group of a statement of eligible expenses. The Group incurs project expenses first and asks for partial refunding according to the terms of the contracts.

These government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the underlying R&D expenses subsidized.

5.2.6. Intangible assets

The following categories of intangible assets apply to the current Group operations:

Separately acquired intangible assets

Intangible assets acquired from third parties are recognized at cost, if and only if it is probable that future economic benefits associated with the asset will flow to the Group, and that the cost can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. The useful life of intangible assets is assessed as finite, except for Goodwill and IPRD assets (discussed below). They are amortized over the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Patents, Licenses and Trademarks
Licenses for the use of intellectual property are granted for a period corresponding to the intellectual property of the assets licensed. Amortization is calculated on a straight-line basis over this useful life.
Patents and licenses are amortized over the period corresponding to the IP protection and are assessed for impairment whenever there is an indication these assets may be impaired. Indication of impairment is related to the value of the patent demonstrated by the preclinical and clinical results of the technology.

Software
Software only concerns acquired computer software licenses. Software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of three to five years on a straight-line basis.

Intangible assets acquired in a business combination

Goodwill
Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is measured as a residual at the acquisition date, as the excess of the fair value of the consideration transferred and the assets and liabilities recognized (in accordance with IFRS 3).
Goodwill has an indefinite useful life and is not amortized but tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets).
Goodwill arising from business combinations is allocated to cash generating units, which are expected to receive future economic benefits from synergies that are most likely to arise from the acquisition. These cash generating units form the basis of any future assessment of impairment of the carrying value of the acquired goodwill.

In-process research and development costs
The In-process research and development costs ("IPRD") acquired as part of a business combination are capitalized as an indefinite-lived intangible asset until project has been completed or abandoned. In a business combination, IPRD is measured at fair value at the date of acquisition. Subsequent to initial recognition, it is reported at cost and is subject to annual impairment testing until the date the projects are available for use. At this moment, the IPRD will be amortized over its remaining useful economic life.
Subsequent R&D expenditure can be capitalized as part of the IPRD only to the extent that IPRD is in development stage, i.e. when such expenditure meets the recognition criteria of IAS 38. In line with biotech industry practice, the Group determines

that 'development stage' under IAS 38 is reached when the product candidate gets regulatory approval (upon Phase III completion). Therefore, any R&D expenditure incurred between the acquisition date and the development stage should be treated as part of research phase and expensed periodically in the income statement.

Internally generated intangible assets

Except qualifying development expenditure (discussed below), internally generated intangible assets are not capitalized. Expenditure is reflected in the income statement in the year in which the expenditure is incurred.

Research and development costs
Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) its intention to complete the intangible asset and use or sell it.
c) its ability to use or sell the intangible asset.
d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

For the industry in which the Group operates, the life science industry, criteria a) and d) tend to be the most difficult to achieve. Experience shows that in the Biotechnology sector technical feasibility of completing the project is met when such project completes successfully Phase III of its development. For medical devices this is usually met at the moment of CE marking.
Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses.
Amortization of the asset begins when development has been completed and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in Research & Development expenses. During the period of development, the asset is tested for impairment annually, or earlier when an impairment indicator occurs. As of balance sheet date, only the development costs of C-Cath$_{ez}$ have been capitalized and amortized over a period of 17 years which corresponds to the period over which the intellectual property is protected.

5.2.7. Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Repair and maintenance costs are recognized in the income statement as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land and buildings: 15 to 20 years
- Plant and equipment: 5 to 15 years
- Laboratory equipment: 3 to 5 years
- Office furniture: 3 to 10 years
- Leasehold improvements: based on remaining duration of office building lease
- Right-of-use assets: over lease term

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.
The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if applicable.

5.2.8. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group leases various offices, facilities, cars and IT-equipment.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term covers the non-cancellable period for which the Group has the right to use an underlying asset, together with both:

(a) periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
(b) periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise IT-equipment.

The Group subleases some office space it leases from a head lessor. In its capacity as intermediate lessor, the Group assesses whether the sublease is a finance or operating lease in the context of the right-of-use asset being leased. The sublease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying right-of-use asset. It is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying right-of-use asset.

From time to time, the Group may enter into sale and leaseback transactions. When a sale occurs, both the seller-lessee and the buyer-lessor account for the leaseback in the same manner as any other lease. Specifically, the seller-lessee recognizes a lease liability and right-of-use asset for the leaseback (subject to the optional exemptions for short-term leases and leases of low-value assets).

Adjustments recognized on adoption of IFRS 16

The Group has adopted IFRS 16 modified retrospective approach from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new lease accounting principles are therefore recognized in the opening balance sheet on January 1, 2019.

On adoption date, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019 (weighted-average rate applied was 7.5%). The right-of-use assets were measured at an amount equal to the lease liability on that date. The Group then derecognized a right-of-use asset to a head lease transferred to a sublessee under a finance lease and recognized the net investment in the sublease, measured using the same discount rate as that used to measure the liability under the head lease.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- application of a single discount rate to a portfolio of lease with similar characteristics;
- exclusion of initial direct costs from measuring the right-of-use asset at the date of initial application; and
- use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On January 1, 2019, the Group recognized an additional lease liability of €3.9 million primarily relating to its headquarter offices as well as R&D and manufacturing facilities, and an increase in right-of-use assets and net investment in leases of €3.0 million and €0.9 million, respectively. No effect resulted on the balance of accumulated deficit on 1 January 2019.

The transition impact is detailed as follows:

(€'000)

Operating leases commitments disclosed - 31 December 2018	**2,912**
Future minimum sublease income offset against amount of operating lease commitments previously disclosed [1]	1,078
Adjustment as a result of different treatment of extension options	957
'Low-value assets' and 'short-term' leases [2]	(137)
Operating leases commitments as per IFRS 16 scope	**4,810**
Discounting effect @ incremental borrowing rate	(928)
IFRS 16 lease liability (discounted) recognized at transition date - 1 January 2019	**3,882**
IFRS 16 lease liability (non-current) - 1 January 2019	3,208
IFRS 16 lease liability (current) - 1 January 2019	674

[1] This relates to a real estate property lease in which the Group acts as an intermediate lessor between a head lessor and a sublessee.

[2] IFRS 16 scope exemptions, as commented above.

5.2.9. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used based on the discounted cash-flow model. For intangible assets under development (like IPRD), only the fair value less costs to sell reference is allowed in the impairment testing process.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, an impairment loss is immediately recognized as an expense and the asset carrying value is written down to its recoverable amount.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. An impairment loss recognized on goodwill is however not reversed in a subsequent period.

As of balance sheet date, the Group has two cash-generating units which consist of the development and commercialization activities on:

- CYAD products candidate series based on CAR-T technology, for the immune-oncology segment; and
- C-Cath$_{ez}$ commercialized medical device, for the cardiology segment.

Indicators of impairment used by the Group are the preclinical and clinical results obtained with the technology.

5.2.10. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and very short-term deposits with an original maturity of one month or less. Cash and cash equivalents are carried in the balance sheet at their nominal value.

5.2.11. Financial assets

5.2.11.1 Classification

The Group classifies its financial assets in accordance with IFRS 9 categories for measurement purposes. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

'Amortized cost' measurement category refers to loans and receivables which are non-derivative financial assets, with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. This measurement category comprises "cash and cash equivalents", "short-term investments", and relevant financial assets within "(non-) current trade and other receivables", "(non-) current grant receivables" and "other (non-) current assets".

5.2.11.2 Initial recognition and measurement

All financial assets are recognized initially at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs.

5.2.11.3 Subsequent measurement

After initial measurement, financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR), less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the income statement. The losses arising from impairment are recognized in the income statement.

5.2.11.4 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
Specifically, IFRS 9 requires the Group to recognize a loss allowance for expected credit losses on trade receivables and contract assets.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Given the current nature and size of operations of the Group, these requirements mainly apply to the financial assets reported under 'non-current trade receivables'. The carrying value of these receivables (resulting from Mesoblast license agreement commented further under the disclosure note 5.22) take into account a discount rate equal to the Group's partner's incremental borrowing rate and, accordingly, is already credit risk-adjusted. The Group considers there is no significant additional credit risk related to this receivable, which would not have been captured by discounting effect, both at inception of the receivable and at the reporting date. As such, no additional ECL allowance per se has been recognized for this financial asset or any other financial asset.

5.2.11.5 Financial assets carried at amortized cost

For financial assets carried at amortized cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for

impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

5.2.12. Financial liabilities

5.2.12.1 Classification

The Group's financial liabilities include "bank loans", "lease liabilities", "recoverable cash advances", "contingent consideration and other financial liabilities", "trade payables" and relevant financial liabilities within "Other (non-) current liabilities".

The Group classifies and measures its financial liabilities at 'amortized cost' using the effective interest method, except "contingent consideration and other financial liabilities" which are classified and measured at 'fair value through profit or loss'.

5.2.12.2 Initial recognition and measurement

All financial liabilities are recognized initially at fair value plus or minus, in the case of a financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

5.2.12.3 Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as explained above. In particular:

Contingent consideration and other financial liabilities

The contingent consideration and other financial liabilities are recognized and measured at fair value at the acquisition date. After initial recognition, contingent consideration arrangements that are classified as liabilities are re-measured at fair value with changes in fair value recognized in profit or loss in accordance with IFRS 3 and IFRS 9. Therefore, contingent payments will not be eligible for capitalization but will simply reduce the contingent consideration liability.
Details regarding the valuation of the contingent consideration are disclosed in note 5.19.2.

Recoverable cash advances

Recoverable cash advances granted by the Walloon Region are subsequently measured at amortized cost using the cumulative catch-up approach, as described in section 5.2.5 above.

Trade payables and other payables

After initial recognition, trade payables and other payables are measured at amortized cost using the effective interest method.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the income statement when the liabilities are derecognized.

5.2.12.4 Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

5.2.13. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

5.2.13.1 Employee benefits

Post-employment plan

The Group operates a pension plan which requires defined contributions (DC) to be funded by the Group externally at a third-party insurance company. Under Belgian law, an employer must guarantee a minimum rate of return on the Group's contributions. Therefore, any pension plan (including DC plans) organized in Belgium is treated as defined benefit plans under IAS 19.

At balance sheet date, the minimum rates of return guaranteed by the Group are as follows, in accordance with the law of 18 December 2015:

- 1.75% for the employer's contributions paid as from 1 January 2016 (variable rate based on Governmental bond OLO rates, with a minimum of 1.75% and a maximum of 3.75%);
- 3.25% (fixed rate) for the employer's contributions paid until 31 December 2015.

The cost of providing benefits is determined using the projected unit credit (PUC) method, with actuarial valuations being carried out at the end of each annual reporting period, with the assistance of an independent actuarial firm.

The liability recognized in the balance sheet in respect of the pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the income statement as part of the operating costs, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the operating costs in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Short-term benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits such as wages, salaries, profit-sharing and bonuses and non-monetary benefits paid to current employees.

The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in that period. The expected cost of short-term compensated absences is recognized as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the entity expects to pay as a result of unused entitlements at the end of the period.

Share-based payments

Certain employees, managers and members of the Board of Directors of the Group receive remuneration, as compensation for services rendered, in the form of share-based payments which are "equity-settled".

Measurement

The cost of equity-settled share-based payments is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details are given in note 5.14.

Recognition

The cost of equity-settled share-based payments is recorded as an expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.
The estimate of warrants to vest is revised at each reporting date. The change in estimates will be recorded as an expense with a corresponding correction in equity.

The expense or credit for a period accounted for in the income statement represents the movement in cumulative expense recognized as of the beginning and end of that period.

Modification

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award were met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

The incremental fair value granted is the difference between the fair value of the modified equity instrument and the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Cancellation

An equity-settled award can be forfeited with the departure of a beneficiary before the end of the vesting period, or cancelled and replaced by a new equity settled award. When an equity-settled award is forfeited, the previously recognized expense is offset and credited in the income statement. When an equity-settled award is cancelled, the previously recognized expense is offset and credited in the income statement. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

5.2.14. Income Taxes

Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses (except if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction other than a business combination and that, at the time of the transaction affects neither accounting nor taxable profit or loss), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority or either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

5.2.15. Earnings (loss) per share

The basic net profit/(loss) per share is calculated based on the weighted average number of shares outstanding during the period.

The diluted net profit/(loss) per share is calculated based on the weighted average number of shares outstanding including the dilutive effect of potentially dilutive ordinary shares such as warrants and convertible debts. Potentially dilutive ordinary shares should be included in diluted earnings (loss) per share when and only when their conversion to ordinary shares would decrease the net profit per share (or increase net loss per share).

5.3 Risk Management

Financial risk factors

Interest rate risk

The interest rate risk is very limited as the Group has only a limited amount of finance leases and outstanding bank loans. So far, because of the immateriality of the exposure, the Group did not enter into any interest hedging arrangements.

Credit risk

The Group has a limited amount of trade receivables due to the fact that sales to third parties are not significant and thus the Group's credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions. The Group only works with international reputable commercial banks and financial institutions.

Foreign exchange risk

The Group is exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. Moreover, the Group has also investments in foreign operations, whose net assets are exposed to foreign currency translation risk (USD). So far, because of the immateriality of the exposure, the Group did not enter into any currency hedging arrangements.
At year-end, the foreign exchange risk exposure exists mainly on the cash and short-term deposits denominated in USD.

EUR/USD foreign (loss)/gain exposure	+2%	+1%	-1%	-2%
31 December 2019	(€0.1 million)	(€0.1 million)	+€0.1 million	+€0.1 million
31 December 2018	(€0.2 million)	(€0.1 million)	+€0.1 million	+€0.2 million

A depreciation of 1% on the USD versus EUR would translate into an unrealized foreign exchange loss of €60k for the Group at December 31, 2019.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposit and finance leases.

The Group is exposed to liabilities and contingent liabilities as a result of the RCAs it has received from the Walloon Government, as the Group is required to make exploitation decisions.

Refer to note 5.18 for an analysis of the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an adequate structure to limit to costs of capital.

5.4 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these

assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made judgments and has used estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Going Concern

When assessing going concern, the Group's Board of directors considers mainly the following factors:

- the treasury available at balance sheet date; and,
- the cash burn projected in accordance with approved budget for next 12-month period as from the date of the balance sheet; and,
- the availability of grant funding and outcome of ongoing and future grant applications payback loan to be received for the next 12-month period.

Revenue

The recognition of revenue relating to license and collaboration agreements involves management estimates and requires judgement as to:

(i) classifying the license agreement (right-to-use or right-to-access license) in accordance with 'Licensing' Application Guidance set forth in IFRS 15;
(ii) identifying the performance obligations comprised in the contract;
(iii) estimating probability for (pre-)clinical development or commercial milestone achievement;
(iv) determining the agreed variable considerations to be included in the transaction price taking into account the constraining limit of the "highly probable" criteria;
(v) allocating the transaction price according to the stand-alone selling price of each of the performance obligations; and
(vi) estimating the finance component in the transaction price, based on the contract expected duration and discount rate.

The management makes its judgment taking into account all information available about clinical status of the underlying projects at the reporting date and the legal analysis of each applicable contracts. Further details are contained in Note 5.22.

Recoverable Cash Advances received from the Walloon Region

As explained in note 5.2.5, accounting for RCAs requires initial recognition of the fair value of the loan received to determine the benefit of the below-market rate of interest, which shall be measured as the difference between the initial carrying value of the loan and the proceeds received. Loans granted to entities in their early stages of operations, for which there is significant uncertainty about whether any income will ultimately be generated and for which any income which will be generated will not arise until a number of years in the future, normally have high interest rates. Judgment is required to determine a rate which may apply to a loan granted on an open market basis.

In accordance with the RCA agreements, the following two components are assessed when calculating estimated future cash flows:

- 30% of the initial RCA, which is repayable when the Group exploits the outcome of the research financed; and
- a remaining amount, which is repayable based on a royalty percentage of future sales milestones.

After initial recognition, RCA liabilities are measured at amortized cost using the cumulative catch up method requiring management to regularly revise its estimates of payments and to adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows.

Measurement and impairment of non-financial assets

With the exception of goodwill and certain intangible assets for which an annual impairment test is required, the Group is required to conduct impairment tests where there is an indication of impairment of an asset. Measuring the fair value of a non-

financial assets requires judgement and estimates by management. These estimates could change substantially over time as new facts emerge or new strategies are taken by the Group. Further details are contained in note 5.6.2.

Business combinations

In respect of acquired businesses by the Group, significant judgement is made to determine whether these acquisitions are to be considered as an asset deal or as a business combination. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant. Moreover, managerial judgement is particularly involved in the recognition and fair value measurement of the acquired assets, liabilities, contingent liabilities and contingent consideration. In making this assessment management considers the underlying economic substance of the items concerned in addition to the contractual terms.

Contingent consideration and other financial liabilities

The Group records a liability for the estimated fair value of contingent consideration arising from business combinations. The estimated amounts are the expected payments and timing of such payments, determined by considering the possible scenarios of forecast sales and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario, which is then discounted to a net present value. The estimates could change substantially over time as new facts emerge and each scenario develops.

Deferred Tax Assets

Deferred tax assets for unused tax losses are recognized to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in note 5.20.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 5.14.

5.5 Operating segment information

The chief operating decision-maker (CODM), who is responsible for making strategic decisions, allocating resources and assessing performance of the Group, has been identified as the Board of Directors.

Since the acquisition of the oncological platform in 2015, the management and the CODM have determined that there are two operating segments, being:

- the cardiology segment, regrouping the Cardiopoiesis platform, the Corquest Medical, Inc. (Corquest) platform and C-Cath$_{EZ}$; and
- the immuno-oncology segment regrouping all assets developed based on the CAR-T cell platform.

Although the Group is currently active in Europe and in the US, no geographical financial information is currently available given the fact that the core operations are currently still in a study phase. No disaggregated information on product level or geographical level or any other level currently exists and hence also not considered by the Board of Directors for assessing performance or allocating resources.

CODM is not reviewing assets by segments, hence no segment information per assets is disclosed. At reporting date, the main Group's non-current assets are located in Belgium.

Since mid of 2016, the Group is fully focused on the development of its immuno-oncology platform. Therefore, as of December 31, 2019, most of the R&D expenses were incurred in the immuno-oncology segment, in line with prior year.

€ '000	For the year ended 31 December 2019,			
	Cardiology	Immuno-oncology	Corporate	**Group Total**
Revenue recognized at a point in time	6	-	-	6
Revenue recognized over time	-	-	-	-
Total Revenue	**6**	**-**	**-**	**6**
Cost of Sales	-	-	-	-
Gross Profit	**6**	**-**	**-**	**6**
Research & Development expenses	(146)	(25.049)	-	(25.196)
General & Administrative expenses	-	-	(9.070)	(9.070)
Net Other income/(loss)	63	5.228	90	5.381
Operating Profit/(Loss) - EBIT	**(78)**	**(19.821)**	**(8.979)**	**(28.879)**
Net financial income/(loss)	212	(183)	211	239
Profit/(Loss) before taxes	**134**	**(20.005)**	**(8.769)**	**(28.640)**
Income Taxes	-	-	8	8
Profit/(Loss) for the year 2019	**134**	**(20.005)**	**(8.761)**	**(28.632)**

During the first half of 2018, the Group had entered into a license agreement with Mesoblast relating to the C-Cath$_{ez}$ device, in the Cardiology segment, resulting in €2.4 million revenue recognized. See disclosure note 5.22.

€ '000	For the year ended 31 December 2018,			
	Cardiology	Immuno-oncology	Corporate	**Group Total**
Revenue recognized at a point in time	2,399	-	-	2,399
Revenue recognized over time	-	716	-	716
Total Revenue	**2,399**	**716**	**-**	**3,115**
Cost of Sales	-	-	-	-
Gross Profit	**2,399**	**716**	**-**	**3,115**
Research & Development expenses	(375)	(23,202)	-	(23,577)
General & Administrative expenses	-	-	(10,387)	(10,387)
Net Other income/(loss)	(686)	(6,765)	130	(7,321)
Operating Profit/(Loss) - EBIT	**1,338**	**(29,251)**	**(10,257)**	**(38,170)**
Net financial income/(loss)	-	-	743	743
Profit/(Loss) before taxes	**1,338**	**(29,251)**	**(9,515)**	**(37,428)**
Income Taxes	-	-	0	0
Profit/(Loss) for the year 2018	**1,338**	**(29,251)**	**(9,514)**	**(37,427)**

5.6 Intangible assets

5.6.1. Intangible assets details and balance roll forward

The change in intangible assets is broken down as follows, per class of assets:

(€'000)	Goodwill	In-process research and development	Development costs	Patents, licenses, trademarks	Software	Total
Cost:						
At 1 January 2018	**914**	**34,854**	**1,084**	**13,337**	**111**	**50,300**
Additions	-	-	-	877	55	932
Currency translation adjustments	(31)	(1,177)	-	-	-	(1,208)
Divestiture	-	-	-	-	(2)	(2)
At 31 December 2018	**883**	**33,677**	**1,084**	**14,214**	**164**	**50,022**
Additions	-	-	-	181	46	227
Currency translation adjustments	-	-	-	-	-	-
Divestiture	-	-	-	(1,493)	(30)	(1,523)
At 31 December 2019	**883**	**33,678**	**1,084**	**12,903**	**179**	**48,726**
Accumulated amortization						
At 1 January 2018	**-**	**-**	**(345)**	**(13,337)**	**(110)**	**(13,792)**
Amortization charge	-	-	(66)	(1)	(0)	(68)
Divestiture	-	-	-	-	2	2
At 31 December 2018	**-**	**-**	**(411)**	**(13,338)**	**(109)**	**(13,858)**
Amortization charge	-	-	(66)	(92)	(12)	(169)
Divestiture	-	-	-	1,493	8	1,501
Impairment (non-recurring loss)	-	-	-	-	-	-
At 31 December 2019	**0**	**0**	**(477)**	**(11,938)**	**(112)**	**(12,527)**
Net book value						
Cost	883	33,677	1,084	14,214	164	50,022
Accumulated amortization	-	-	(411)	(13,338)	(109)	(13,858)
At 31 December 2018	**883**	**33,677**	**673**	**876**	**55**	**36,164**
Cost	883	33,678	1,084	12,903	179	48,726
Accumulated amortization	-	-	(477)	(11,938)	(112)	(12,527)
At 31 December 2019	**883**	**33,678**	**607**	**965**	**66**	**36,199**

The capitalized development costs relate to the development of C-Cath$_{ez}$. Since May 2012 and the CE marking of C-Cath$_{ez}$, the development costs of C-Cath$_{ez}$ are capitalized and amortized over the estimate residual intellectual property protection as of the CE marking (i.e. until 2029). No other development costs have been capitalized up till now. All other programs (ao. C-Cure, CYAD-01, CYAD-02, CYAD-101…) related development costs have been assessed as not being eligible for capitalization and have therefore been recognized in the income statement as research and development expenses. Software is amortized over a period of 3 to 5 years.

Goodwill, In-process R&D, Patents, Licenses and Trademarks relate to the following items:

- Goodwill and In-process research and development resulted from the purchase price allocation exercise performed for the acquisition of Oncyte LLC in 2015. As of balance sheet date, Goodwill and In-Process Research and Development are not amortized but tested for impairment.
- A license, granted in August 2007 by Mayo Clinic (for an amount of €9.5 million) upon the Group's inception and an extension to the licensed field of use, granted on October 29, 2010 for a total amount of €2.3 million. The license and its extension were amortized straight line over a period of 20 years, in accordance with the license term. A €6.0 million impairment loss has been recognized on the remaining net book value in the year ended 31 December 2017.
- Patents acquired upon the acquisition of CorQuest LLC in November 2014. The fair value of these intellectual rights was then determined to be €1.5 million. These patents were amortized over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012. A €1.2 million impairment loss has been recognized on the remaining net book value in the year ended 31 December 2017. On November 22, 2019 the Heart-XS (CorQuest patents) patents and related rights have been divested to Corquest MedTech SRL, a third-party company established under Belgian laws, whose one of the founders is one of the technology developers, prior its sale to Celyad SA.

- Exclusive Agreement for Horizon Discovery's shRNA Platform to develop next-generation allogenic CAR-T Therapies acquired for $1.0 million end of December 2018. In October 2019, the Group capitalized the milestone payments for a total amount of $0.2 million related to the exercise of the option on the Exclusive Agreement and to the first effective IND, filed by the Group, relating to the product CYAD-02. This patent is amortized over the remaining period of 10 years, corresponding to the remaining intellectual property protection of 20 years, filed for the first patent application in 2008.

The Immuno-oncology cash generating unit (CGU) reach a net book value of €35.5 million at balance sheet date. This CGU is composed by:

- the goodwill and In-process R&D resulting from the purchase price allocation exercise performed for the acquisition of Oncyte LLC in 2015, and;
- the Horizon Discovery's shRNA platform.

The variance on the total intangible assets as of December 31, 2019 resulted primarily from the regular amortization of C-Cath$_{ez}$ costs and the Group's Patents & Licenses.

5.6.2. Impairment testing

Impairment testing is detailed below.

***Immuno-oncology CGU impairment test*[5]**

Goodwill and In-process research and development (IPRD) exclusively relate to the acquisition of the former entity Oncyte LLC (meanwhile liquidated into Celyad SA) which was acquired in 2015. Management performs an annual impairment test on goodwill and on 'indefinite lived assets' that are not amortized in accordance with the accounting policies stated in notes 5.2.6 and 5.2.9. The impairment test has been performed at the level the immuno-oncology segment corresponding to the CGU to which the goodwill and the IPRD belong as well as the Horizon Discovery's shRNA platform. The recoverable amount has been calculated based on the fair value less costs to sell model, which requires the use of assumptions. The calculations use cash flow projections based on 11-year period business plan based on probability of success of CYAD-01 and CYAD-101 product candidates as well as extrapolations of projected cash flows resulting from the future expected sales associated with CYAD-01 and CYAD-101. CGU recoverable value, determined accordingly, exceeds its carrying amount. Accordingly, no impairment loss was recognized neither on goodwill, on the IPRD nor on the Horizon Discovery's shRNA platform intangible assets at balance sheet date.

Management's key assumptions about projected cash flows when determining fair value less costs to sell are as follows:

- Discount rate (WACC) — 14.6% (13,9% in 2018), in line with industry standards for biotechnological companies and WACC used by Equity Research companies following the Group
- Sales revenue growth in the Terminal Value — a decline of 25% of the estimated product revenue has been considered in the Terminal Value (for infinite extrapolation purposes)
- Probabilities of Success (PoS) — based on Clinical Development Success Rates observed for the period 2006-2015 determined by independent business intelligence consulting companies for hematologic and solid oncological diseases. Probability of the Group's product candidates getting on the market used were in line with prior year and as follows:

PoS	Phase I	Phase I to II	Phase II to III	Phase III to BLA	BLA to Approval	Cumulative PoS
CYAD-01 CYAD-101	100%	63%	26%	45%	83%	**6.3%**

[5] The uncertainly raised by the COVID-19 pandemic is not impacting impairment testing. Although there are lot of uncertainties, it does not impact the Group's assets valuation as of December 31, 2019.

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The following table presents the sensitivity analyses of the recoverable amount of the CGU associated to the immuno-oncology operations:

Sensitivity analysis		Discount rate (WACC)		
Terminal Revenue Growth rate	Impact on model value	14.6%	15.3%	16.0%
	-35%	-12%	-20%	-27%
	-30%	-7%	-15%	-23%
	-25%	Model Reference	-9%	-17%

Even at the lower terminal revenue growth and higher discount rate, the recoverable value of the CGU exceeds its carrying amount at balance sheet date.

C-Cure impairment test

Pursuant to 2017 strategic decision to focus all the efforts of the Group on the development of the immuno-oncology platform and the lack of strategic business development opportunities identified for the C-Cure (Mayo Licenses), this asset had been fully impaired as of December 31, 2017. CGU's recoverable amounts being confirmed to be zero at current year-end, the 100% impairment allowance has been carried forward at balance sheet date.

5.7 Property, plant and equipment

(€'000)	Property	Equipment	Furnitures	Leasehold	Total
Cost:					
At 1 January 2018	-	**4,537**	**445**	**3,059**	**8,042**
Additions	-	564	10	260	833
Reclass BMS SA	-	(1,032)	24	1,007	-
Disposals	-	(123)	(154)	(140)	(417)
Currency translation adjustments	-	1	4	8	13
At 31 December 2018	**-**	**3,947**	**329**	**4,195**	**8,470**
Additions	2,810	648	37	167	3,662
Disposals	-	(496)	(59)	(172)	(728)
Currency translation adjustments	-	0	-	4	4
At 31 December 2019	**2,810**	**4,099**	**307**	**4,193**	**11,409**
Accumulated depreciation:					
At 1 January 2018	-	**(3,126)**	**(229)**	**(1,395)**	**(4,750)**
Reclass BMS SA	-	786	(24)	(761)	-
Depreciation charge (note 5.25)	-	(529)	(49)	(469)	(1,048)
Currency translation adjustments	-	**117**	**93**	133	**343**
Disposals	-	0	(1)	(1)	(1)
At 31 December 2018	-	**(2,751)**	**(211)**	**(2,494)**	**(5,456)**
Depreciation charge (note 5.25)	(399)	(711)	(54)	(455)	(1,619)
Disposals	-	496	59	172	728
Currency translation adjustments	-	(0)	-	(1)	(1)
At 31 December 2019	**(399)**	**(2,967)**	**(205)**	**(2,776)**	**(6,347)**
Net book value					
Cost	-	3,947	329	4,195	8,471
Accumulated depreciation	-	(2,751)	(211)	(2,494)	(5,456)
At 31 December 2018	**-**	**1,196**	**117**	**1,701**	**3,014**
Cost	2,810	4,099	307	4,193	11,409
Accumulated depreciation	(399)	(2,967)	(205)	(2,776)	(6,347)
At 31 December 2019	**2,411**	**1,132**	**101**	**1,417**	**5,061**

Property, Plant and Equipment is mainly composed of right-of-use on leased offices, facilities and equipment (including vehicles), office furniture, leasehold improvements, and laboratory equipment.

The variance on the total tangible assets as of December 31, 2019 resulted primarily from the capitalization of leases as a right-of-use on leased buildings (mainly relating to the Group's headquarter offices as well as R&D and manufacturing facilities) and equipment (including vehicles) under IFRS 16 *Leases* as from January 1, 2019. See disclosure notes 5.2.8 and 5.29.

Some lease relates to contracts with financial institutions and relate to laboratory and office equipment. All such leases have a maturity of three years. A key common feature is that they include a bargain option to purchase the leased asset at the end of the three-year-lease term. The total of future minimum lease payments at the end of the reporting period, and their present value reported on the balance sheet, are similar amounts.

The acquisition of BMS in 2016 was accounted for as an asset deal. The fair value of the assets acquired is concentrated in one identifiable asset, i.e. the GMP laboratories. A reclass of BMS equipment to Leasehold has been operated in 2018 without having any impact on the net book value. The difference between the purchase price and the net assets of BMS at the date of acquisition is then allocated entirely to the Property, Plant and Equipment.

5.8 Non-current trade receivables and other non-current assets

(€'000)	As at 31 December,	
	2019	**2018**
Non-current trade receivables Mesoblast license agreement	1,955	1,743
Net investment in Lease	477	-
Total Non-current Trade and Other receivables	**2,432**	**1,743**

In May 2018, the Group has entered into an exclusive license agreement with Mesoblast. More details on the transaction and its revenue recognition pattern is set forth in disclosure note 5.22.

At balance sheet date, a net investment in lease has been recorded in view of adoption of new accounting standard IFRS16 *Leases* as from January 1, 2019, as the Group subleases some office spaces it leases from a head lessor. See disclosure notes 5.2.8.

(€'000)	As at 31 December,	
	2019	**2018**
R&D Tax credit receivable	3,051	1,472
Total Non-current Grant receivables	**3,051**	**1,472**
Deposits	257	215
Total Other non-current assets	**257**	**215**

In 2017, the Group recognized for the first time a R&D tax credit (€1.2 million) receivable from the federal government that included a one-off catch-up effect. Since 2018, further R&D tax credit receivables are recorded on an annual base increment. For the current year, the R&D tax credit has been updated for an amount of €1.6 million, taking into account all information available at this date.

The non-current assets refer to security deposits paid to the lessors of the building leased by the Group and a deposit to the Social Security administration.

5.9 Trade receivables and other current assets

(€'000)	As at 31 December,	
	2019	2018
Trade receivables	156	277
Advance deposits	149	90
Net Investment in Lease	253	-
Other receivables	-	-
Total Trade and Other receivables	**558**	**367**
Current Grant receivables (RCAs)	693	-
Current Grant receivables (Others)	993	-
Total Current Grant receivables	**1,686**	-
Prepaid expenses	647	593
VAT receivable	356	255
Income and other tax receivables	251	737
Total Other current assets	**1,253**	**1,585**
Total Trade receivables, advances and other current assets	**3,497**	**1,952**

Impairment of receivables is assessed on an individual basis at the end of each accounting year.

At balance sheet date, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currencies, except for the net investment in lease for which carrying amount is under USD. No impairments were recorded on trade receivables and other current assets.

Trade receivables balance increase mainly due to net investment in lease for some subleased office space after first adoption of IFRS 16 *Leases* as from January 1, 2019. See disclosure notes 5.2.8.
The advance deposits increase relates to the clinical trials on CYAD-02 (€0.1 million). This effect is partly compensated by decrease of trade receivables after collection of payment on a non-clinical supply services agreement signed with ONO (€0.2 million receivable at year-end 2018). See disclosure note 5.22.

As of December 31, 2019, grant receivables for a total amount of €1.7 million has been recorded due to new Walloon Region conventions signed end of 2019 (CYAD-01 Deplethink 8087, CYAD-221 & CYAD-221 8066 and CYAD-03 1910028). Contracts numbered 8087 & 1910028 are related to recoverable cash advances for €0.7 million.

In comparison with year-end 2018, income other tax receivables mainly decrease due to lower withholding tax to be received from the Group's short-term deposits interests (€0.2 million), combined with the recovering of previous years withholding taxes (€0.3 million).

5.10 Short-term investments

(€'000)	As at 31 December,	
	2019	2018
Short-term cash deposits	-	8,559
Investment in equity securities	0	639
Total	0	**9,197**

Amounts recorded as short-term investments correspond to short-term cash deposits with fixed interest rates. Short-term deposits are made for variable periods (from 1 to 12 months) depending on the short-term cash requirements of the Group. Interest is calculated at the respective short-term deposit rates. Given the level of market interest rates of corporate deposits of short-term maturities, the Group has reduced the amounts invested in short-term deposits over 2019.

Mesoblast equity shares received in settlement of the upfront payment for the C-Cath$_{ez}$ licensing agreement (see disclosure note 5.22) have been settled during the first semester 2019.

5.11 Cash and cash equivalents

(€'000)	As at 31 December,	
	2019	2018
Cash at bank and on hand	39,338	40,542
Total	**39,338**	**40,542**

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The credit quality of cash and cash equivalents and short-term cash deposit balances may be categorized between A-1 and A+ based on Standard and Poor's rating at December 31, 2019.

5.12 Subsidiaries fully consolidated

The consolidation scope of the Group is as follows, for both current and comparative years presented in these year-end financial statements:

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the Group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Celyad SA	BE	Biopharma	Parent company		
Celyad Inc	US	Biopharma	100%	100%	0%
CorQuest Medical Inc	US	Medical Device	100%	100%	0%
Biological Manufacturing Services SA	BE	Manufacturing	100%	100%	0%

Cardio3 Inc was incorporated in 2011 to support clinical and regulatory activities of the Group in the US. Cardio3 Inc was renamed in Celyad Inc in 2015. The growth of the activities of Celyad Inc is associated to the development of the US clinical and regulatory activities of the Group in the US.

CorQuest Medical Inc has been acquired on November 5, 2014. CorQuest Medical Inc. is developing Heart-XS, a new access route to the left atrium. In November 2019, the patent rights related to Heart-XS has been sold to CorQuest MedTech SRL, a newly constituted Belgian company developing innovative cellular medicines. The Group do not hold any ordinary share within CorQuest MedTech SRL.

Biological Manufacturing Services SA (BMS) has been acquired in May 2016. BMS owns GMP laboratories. BMS rent its laboratories to Celyad SA since 2009 and until April 30, 2016. Until the acquisition, BMS had been treated as a related party to Celyad.

Oncyte LLC had been acquired on January 21, 2015. It has been liquidated in March 2018. Oncyte LLC was the company hosting the CAR T-Cell portfolio of clinical and pre-clinical stage immuno-oncology IP assets, as disclosed in our previous annual reports. In 2018, as a result of the liquidation, these IP assets have been transferred to Celyad SA, without any impact on the Group's operations.

5.13 Share Capital

The number of shares issued is expressed in units.

	As of 31 December,	
	2019	2018
Total number of issued and outstanding shares	13,942,344	11,942,344
Total share capital (€'000)	48,513	41,553

As of December 31, 2019, the share capital amounts to €48,513k represented by 13,942,344 fully authorized and subscribed and paid-up shares with a nominal value of €3.48 per share. This number does not include warrants issued by the Group and granted to certain directors, employees and non-employees of the Group.

History of the capital of the Company

The Company has been incorporated on July 24, 2007 with a share capital of €62,500 by the issuance of 409,375 class A shares. On August 31, 2007, the Company has issued 261,732 class A shares to Mayo Clinic by way of a contribution in kind of the upfront fee that was due upon execution of the Mayo License for a total amount of €9,500,000.

Round B Investors have participated in a capital increase of the Company by way of a contribution in kind of a convertible loan (€2,387,049) and a contribution in cash (€4,849,624 of which €1,949,624 uncalled) on December 23, 2008; 204,652 class B shares have been issued at the occasion of that capital increase. Since then, the capital is divided in 875,759 shares, of which 671,107 are class A shares and 204,652 are class B shares.

On October 29, 2010, the Company closed its third financing round resulting in a capital increase totaling €12,100,809. The capital increase can be detailed as follows:

- capital increase in cash by certain existing investors for a total amount of €2,609,320.48 by the issuance of 73,793 class B shares at a price of €35.36 per share;
- capital increase in cash by certain existing investors for a total amount of €471,240 by the issuance of 21,000 class B shares at a price of €22.44 per share;
- capital increase in cash by certain new investors for a total amount of €399,921.60 by the issuance of 9,048 class B shares at a price of €44.20 per share;
- exercise of 12,300 warrants ("Warrants A") granted to the Round C investors with total proceeds of €276,012 and issuance of 12,300 class B shares. The exercise price was €22.44 per Warrant A;
- contribution in kind by means of conversion of the loan C for a total amount of €3,255,524.48 (accrued interest included) by the issuance of 92,068 class B shares at a conversion price of €35.36 per share;
- contribution in kind by means of conversion of the loan D for a total amount of €2,018,879.20 (accrued interest included) by the issuance of 57,095 class B shares at a conversion price of €35.36 per share. The loan D is a convertible loan granted by certain investors to the Company on 14 October 2010 for a nominal amount of €2,010,000.
- contribution in kind of a payable towards Mayo Foundation for Medical Education and Research for a total amount of €3,069,911 by the issuance of 69,455 class B shares at a price of €44.20 per share. The payable towards Mayo Clinic was related to (i) research undertaken by Mayo Clinic in the years 2009 and 2010, (ii) delivery of certain materials, (iii) expansion of the Mayo Clinical Technology License Contract by way the Second Amendment dated October 18, 2010.

On May 5, 2011, pursuant the decision of the Extraordinary General Meeting, the capital was reduced by an amount of €18,925,474 equivalent to the outstanding net loss as of December 31, 2010.

On May 31, 2013, the Company closed its fourth financing round, the 'Round D financing'. The convertible loans E, F, G and H previously recorded as financial debt were converted in shares which led to an increase in equity for a total amount of €28,645k of which € 5,026k is accounted for as capital and € 6,988k as share premium. The remainder (€ 16,613k) is accounted for as other reserves. Furthermore, a contribution in cash by existing shareholders of the Company led to an increase in share capital and issue premium by an amount of €7,000k.

At the Extraordinary Shareholders Meeting of June 11, 2013 all existing classes of shares of the Company have been converted into ordinary shares. Preferred shares have been converted at a 1 for 1 ratio.

On July 5, 2013, the Company completed its Initial Public Offering. The Company issued 1,381,500 new shares at €16.65 per shares, corresponding to a total of €23,002k.

On July 15, 2013, the over-allotment option was fully exercised for a total amount of €3,450k corresponding to 207,225 new shares. The total IPO proceeds amounted to €26,452k and the capital and the share premium of the Company increased accordingly. The costs relating to the capital increases performed in 2013 amounted to €2.8 million and are presented as a deduction of share premium.

On June 11, 2013, the Extraordinary General Shareholders' Meeting of Celyad SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association. This authorization is valid for a period of five years starting on July 26, 2013 and until July 26, 2018. The Board of Directors may increase the share capital of the Company within the framework of the authorized capital for an amount of up to €21,413k.

Over the course of 2014, the capital of the Company was increased in June 2014 by way of a capital increase of €25,000k represented by 568,180 new shares fully subscribed by Medisun International Limited.

In 2014, the capital of the Company was also increased by way of exercise of Company warrants. Over four different exercise periods, 139,415 warrants were exercised resulting in the issuance of 139,415 new shares. The capital and the share premium of the Company were therefore increased respectively by €488k and €500k.

In January 2015, the shares of Oncyte LLC were contributed to the capital of the Company, resulting in a capital increase of €3,452k and the issuance of 93,087 new shares.

In 2015, the Company conducted two fund raisings. A private placement was closed in March resulting in a capital increase of €31,745k represented by 713,380 new shares. The Company also completed an IPO on Nasdaq in June, resulting in a capital increase of €87,965k represented by 1,460,000 new shares.

Also, in 2015, the capital of the Company was also increased by way of exercise of Company warrants. Over three different exercise periods, 6,749 warrants were exercised resulting in the issuance of 6,749 new shares. The capital and the share premium of the Company were therefore increased respectively by €23k and €196k.

Over 2017 the capital of the Company was also increased by way of exercise of Company warrants. Over four different exercise periods, 225,966 warrants were exercised resulting in the issuance of 225,966 new shares. The capital of the Company was therefore increased by €625k.

In August 2017, pursuant to the amendment of the agreements with Celdara Medical LLC and Dartmouth College, the CAR-T technology inventors, the capital of the Company was increased by way of contribution in kind of a liability owed to Celdara Medical LLC. 328,275 new shares were issued at a price of €32.35 (being Celyad share's average market price for the 30 days preceding the transaction) and the capital and the share premium of the Company were therefore increased respectively by €1,141k and €9,479k without this had an impact on the cash and cash equivalents, explaining why such transaction is not disclosed in the consolidated statements of cashflows.

In May 2018, the Company completed a global offering of $54.4 million (€46.1 million), resulting in cash proceeds for an amount of €43.0 million net of bank fees and transaction costs.

In May 2019, share premium decreased as a result of the absorption of accounting losses for an amount of €172.3 million, with a counterpart in the financial statements line item 'Accumulated Deficit'. The absorption of the accumulated deficit into share premium is a non-cash accounting transaction.

In September 2019, the Company completed a global offering of $20.0 million (€18.2 million), resulting in cash proceeds for an amount of €16.4 million net of bank fees and transaction costs.

As of December 31, 2019, all shares issued have been fully paid.

The following share issuances occurred since the incorporation of the Company:

Category	Transaction date	Description	# of shares	Par value (in €)
Class A shares	24 July 2007	Company incorporation	409,375	0.15
Class A shares	31 August 2007	Contribution in kind (upfront fee Mayo License)	261,732	36.30
Class B shares	23 December 2008	Capital increase (Round B)	137,150	35.36
Class B shares	23 December 2008	Contribution in kind (Loan B)	67,502	35.36
Class B shares	28 October 2010	Contribution in cash	21,000	22.44
Class B shares	28 October 2010	Contribution in kind (Loan C)	92,068	35.36
Class B shares	28 October 2010	Contribution in kind (Loan D)	57,095	35.36
Class B shares	28 October 2010	Contribution in cash	73,793	35.36
Class B shares	28 October 2010	Exercise of warrants	12,300	22.44
Class B shares	28 October 2010	Contribution in kind (Mayo receivable)	69,455	44.20
Class B shares	28 October 2010	Contribution in cash	9,048	44.20
Class B shares	31 May 2013	Contribution in kind (Loan E)	118,365	38.39
Class B shares	31 May 2013	Contribution in kind (Loan F)	56,936	38.39
Class B shares	31 May 2013	Contribution in kind (Loan G)	654,301	4.52
Class B shares	31 May 2013	Contribution in kind (Loan H)	75,755	30.71
Class B shares	31 May 2013	Contribution in cash	219,016	31.96
Class B shares	4 June 2013	Conversion of warrants	2,409,176	0.01
Ordinary shares	11 June 2013	Conversion of Class A and Class B shares in ordinary shares	4,744,067	-

Ordinary shares	5 July 2013	Initial Public Offering	1,381,500	16.65
Ordinary shares	15 July 2013	Exercise of over-allotment option	207,225	16.65
Ordinary shares	31 January 2014	Exercise of warrants issued in September 2008	5,966	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in May 2010	333	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in January 2013	120,000	4.52
Ordinary shares	30 April 2014	Exercise of warrants issued in September 2008	2,366	22.44
Ordinary shares	16 June 2014	Capital increase	284,090	44.00
Ordinary shares	30 June 2014	Capital increase	284,090	44.00
Ordinary shares	4 August 2014	Exercise of warrants issued in September 2008	5,000	22.44
Ordinary shares	4 August 2014	Exercise of warrants issued in October 2010	750	35.36
Ordinary shares	3 November 2014	Exercise of warrants issued in September 2008	5,000	22.44
Ordinary shares	21 January 2015	Contribution in kind (Celdara Medical LLC)	93,087	37.08
Ordinary shares	7 February 2015	Exercise of warrant issued in May 2010	333	22.44
Ordinary shares	3 March 2015	Capital increase	713,380	44.50
Ordinary shares	11 May 2015	Exercise of warrant issued in May 2010	500	22.44
Ordinary shares	24 June 2015	Capital increase	1,460,000	60.25
Ordinary shares	4 August 2015	Exercise of warrant issued in May 2010	666	22.44
Ordinary shares	4 August 2015	Exercise of warrant issued in October 2010	5,250	35.36
Ordinary shares	1 February 2017	Exercise of warrant issued in May 2013	207,250	2.64
Ordinary shares	2 May 2017	Exercise of warrant issued in May 2013	4,900	2.64
Ordinary shares	1 August 2017	Exercise of warrant issued in May 2013	7,950	2.64
Ordinary shares	23 August 2017	Contribution in kind (Celdara Medical LLC)	328,275	32.35
Ordinary shares	9 November 2017	Exercise of warrant issued in May 2013	5,000	2.64
Ordinary shares	9 November 2017	Exercise of warrant issued in October 2010	866	35.36
Ordinary shares	7 February 2018	Exercise of warrant issued in May 2013	4,500	2.64
Ordinary shares	22 May 2018	Capital increase	2,070,000	22.29
Ordinary shares	16 Sept 2019	Capital increase	2,000,000	9.08

(€000)

	Nature of the transactions	Share Capital	Share premium	Number of shares
	Balance as of January 1st, 2018	**34,337**	**170,297**	**9,867,844**
	Issue of shares related to exercise of warrants	12	-	4,500
	Capital increase as a result of the global offering	7,204	35,796	2,070,000
	Share Based Payment	-	56	-
	Balance as of December 31, 2018	**41,553**	**206,149**	**11,942,344**
	Issue of shares related to exercise of warrants	-	-	-
	Absorption of accounting losses into Share premium	-	(172,287)	-
	Capital increase as a result of the global offering	6,960	9,488	2,000,000
	Share Based Payment	-	-	-
	Balance as of December 31, 2019	**48,513**	**43,349**	**13,942,344**

The total number of shares issued and outstanding as of December 31, 2019 totals 13,942,344 ordinary common shares.

5.14 Share-based payments

The Group operates an equity-based compensation plan, whereby warrants are granted to directors, management and selected employees and non-employees. The warrants are accounted for as equity-settled share-based payment plans since the Group has no legal or constructive obligation to repurchase or settle the warrants in cash.

Each warrant gives the beneficiaries the right to subscribe to one common share of the Group. The warrants are granted for free and have an exercise price equal to the lower of the average closing price of the Celyad share over the 30 days prior to the offer, and the last closing price before the day of the offer, as determined by the Board of Directors of the Group.

Changes in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	2019		2018	
	Weighted average exercise price (in €)	Number of warrants	Weighted average exercise price (in €)	Number of warrants
Outstanding as of 1 January	**30.71**	**731,229**	**31.76**	**674,962**
Granted	13.21	610,250	23.09	111,600
Forfeited	8.24	(24,100)	28.79	(50,833)
Exercised	-	0	2.64	(4,500)
Expired	23.60	(24,999)	-	0
At 31 December	**22.56**	**1,292,380**	**30.71**	**731,229**

No warrant exercised in 2019. There were 24,999 warrants expired in 2019, that were issued in May 2014.
Warrants outstanding at the end of the year have the following expiry date and exercise price:

Warrant plan issuance date	Vesting date	Expiry date	Number of warrants outstanding as of 31 December, 2019	Number of warrants outstanding as of 31 December, 2018	Exercise price per share
29 October 2010	29 October 2013	29 October 2020	766	766	35.36
06 May 2013	06 May 2016	06 May 2023	2,500	2,500	2.64
05 May 2014	05 May 2017	05 May 2024	35,698	60,697	38.29
05 November 2015	05 November 2018	05 November 2025	250,982	245,982	33.39
08 December 2016	08 December 2019	08 December 2021	42,500	42,500	22.41
29 June 2017	29 June 2020	29 June 2022	285,084	294,484	31.44
26 October 2018	26 October 2021	19 September 2024	401,350	84,300	18.07
25 October 2019	25 October 2022	25 October 2024	273,500	-	8.16
			1,292,380	**731,229**	

Warrants issued on 29 October 2010

At the Extraordinary Shareholders Meeting of October 29, 2010, a plan of 79,500 warrants was approved. Warrants were offered to Group's employees, non-employees and directors. Out of the 79,500 warrants offered, 61,050 warrants were accepted by the beneficiaries and 766 warrants are outstanding on the date hereof.

The 61,050 warrants were vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on January 1, 2014. The exercise price amounts to €35.36. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on May 6, 2013

At the Extraordinary Shareholders Meeting of May 6, 2013, a plan of 266,241 warrants was approved. Warrants were offered to Group's employees and management team. Out of the 266,241 warrants offered, 253,150 warrants were accepted by the beneficiaries and 2,500 warrants are outstanding on the date hereof.

The 253,150 warrants were vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on January 1, 2017. The exercise price amounts to €2.64. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on May 5, 2014

At the Extraordinary Shareholders Meeting of May 5, 2014, a plan of 100,000 warrants was approved. Warrants were offered to Group's employees, non-employees and directors in five different tranches. Out of the warrants offered, 94,400 warrants were accepted by the beneficiaries and 35,698 warrants are outstanding on the date hereof.

The 100,000 warrants were vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on January 1, 2018. The exercise price of the different tranches ranges from €33.49 to €45.05. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on 5 November 2015

At the Extraordinary Shareholders Meeting of 5 November 2015, a plan of 466,000 warrants was approved. Warrants were offered to Group's employees, non-employees and directors in five different tranches. Out of the warrants offered, 353,550 warrants were accepted by the beneficiaries and 250,982 warrants are outstanding on the date hereof.

These warrants vest in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on January 1, 2019. The exercise price of the different tranches ranges from €15.90 to €34.65. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on December 8, 2016

On December 8, 2016, the Board of Directors issued a new plan of 100,000 warrants. An equivalent number of warrants were cancelled from the remaining pool of warrants of the plan of November 5, 2015. Warrants were offered to Group's employees and non-employees in two different tranches. Out of the warrants offered, 45,000 warrants were accepted by the beneficiaries and 42,500 warrants are outstanding on the date of the financial statements.

These warrants will vest in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on January 1, 2020. The exercise price of the different tranches ranges from €17.60 to €36.81. Warrants not exercised within 5 years after issue become null and void.

Warrants issued on June 29, 2017

At the Extraordinary Shareholders Meeting of June 29, 2017, a plan of 520,000 warrants was approved. Warrants were offered in different tranches to beneficiaries (employees, non-employees and directors). Out of the warrants offered, 334,400 warrants were accepted by the beneficiaries and 285,084 warrants are outstanding on the date hereof.

These warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on January 1, 2021. The exercise price of the different tranches ranges from €31.34 to €48.89. Warrants not exercised within 5 years after issue become null and void.

Warrants issued on 26 October 26, 2018

On October 26, 2018, the Board of Directors issued a new plan of 700,000 warrants. Warrants were offered in different tranches to beneficiaries (employees, non-employees and directors). Out of the warrants offered, 426,050 warrants were accepted by the beneficiaries and 401,350 warrants are outstanding on the date of the financial statements.

These warrants will vest in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on January 1, 2022. The exercise price of the different tranches ranges from €9.36 to €22.04. Warrants not exercised within 5 years after issue become null and void.

Warrants issued on October 25, 2019

On October 25, 2019, the Board of Directors issued a new plan of 939,500 warrants. Warrants were offered in different tranches to beneficiaries (employees, non-employees and directors). Out of the warrants offered, 273,500 warrants were accepted by the beneficiaries and 273,500 warrants are outstanding on the date of the financial statements.

These warrants will vest in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on January 1, 2023. The exercise price of the first offer was of €8.16. Warrants not exercised within 5 years after issue become null and void.

As a result, at December 31, 2019, there are 1,292,380 Warrants outstanding which represent approximately 8.48% of the total number of all issued and outstanding voting financial instruments.

The fair value of the warrants has been determined at grant date based on the Black-Scholes formula. The variables, used in this model, are:

	Warrants issued on									
	29 October 2010	31 January 2013	06 May 2013	05 May 2014	05 Nov. 2015	08 Dec. 2016	29 June 2017	26 October 2018	25 October 2019	Total
Number of warrants issued	79,500	140,000	266,241	100,000	466,000	100,000	520,000	700,000	939,500	**3,311,241**
Number of warrants granted	61,050	140,000	253,150	94,400	353,550	45,000	334,400	426,050	273,500	**1,981,100**
Number of warrants not fully vested as of 31 December 2019	-	-	-	-	-	12,500	285,084	401,350	273,500	**972,434**
Average exercise price (in €)	35.36	4.52	2.64	38.29	33.39	22.41	31.44	18.07	8.16	**22.58**
Expected share value volatility	35.60%	35.60%	39.55%	67.73%	60.53%	61.03%	60.61%	58.82%	59.14%	
Risk-free interest rate	3.21%	2.30%	2.06%	1.09%	0.26%	(0.40%)	(0.23%)	(0.06%)	(0.38%)	
Average fair value (in €)	9.00	2.22	12.44	25.22	21.73	11.28	15.65	8.80	3.97	**12.34**
Weighted average remaining contractual life	0.82	3.08	3.34	4.34	5.84	1.94	2.49	3.82	4.82	

The total net expense recognized in the income statement for the outstanding warrants totals €2.8 million for the year 2019 (€3.6 million for the prior year 2018).

5.15 Post-employment benefits

(€'000)	As at 31 December,	
	2019	2018
Pension obligations	398	131
Total	**398**	**131**

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plan is a defined contribution plan. However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be accounted for under IFRS as defined benefit plans because of the minimum guaranteed returns on these plans.

At the end of each year, the Group is measuring and accounting for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return.

The contributions to the plan are determined as a percentage of the yearly salary. There are no employee contributions. The benefit also includes a death in service benefit.

The amounts recognized in the balance sheet are determined as follows:

(€'000)	As at 31 December,	
	2019	2018
Present value of funded obligations	2,330	1,838
Fair value of plan assets	(1,932)	(1,706)
Deficit of funded plans	398	131
Total deficit of defined benefit pension plans	398	131
Liability in the balance sheet	**398**	**131**

The change in the defined benefit liability over the year is as follows:

(€'000)	Present value of obligation	Fair value of plan assets	Total
As at 1 January 2018	**1,704**	**1,499**	**204**
Current service cost	190		190
Interest expense/(income)	36	31	5
	1,929	1,530	399
Remeasurements			
- Return on plan assets, excluding amounts included in interest expense/(income)		9	(9)
- Actuarial (Gain)/loss due to change in actuarial assumptions	(58)		(58)
- Actuarial (Gain)/Loss due to experience	(3)		(3)
	(61)	9	(70)
Employer contributions:		198	(198)
Benefits Paid	(31)	(31)	-
At 31 December 2018	**1,838**	**1,707**	**131**

As at 1 January 2019	**1,838**	**1,707**	**131**
Current service cost	193	0	193
Interest expense/(income)	44	31	13
	2,076	1,737	339
Remeasurements			
- Return on plan assets, excluding amounts included in interest expense/(income)	-	0	-
- Actuarial (Gain)/loss due to change in actuarial assumptions	222	0	222
- Actuarial (Gain)/Loss due to experience	70	0	70
	292	-	292
Employer contributions:	0	233	(233)
Benefits Paid	(38)	(38)	-
At 31 December 2019	**2,330**	**1,932**	**398**

The income statement charge included in operating profit for post-employment benefits amount to:

(€'000)	2019	2018
Current service cost	193	190
Interest expense on DBO	44	36
Expected return on plan assets	(40)	(30)
Net periodic pension cost	**198**	**195**

The re-measurements included in other comprehensive loss amount to:

(€'000)	2019	2018
Effect of changes in actuarial assumptions	222	(58)
Effect of experience adjustments	70	(3)
(Gain)/Loss on assets for the year	8	(9)
Remeasurement of post-employment benefit obligations	**301**	**(70)**

Plan assets relate all to qualifying insurance policies. The significant actuarial assumptions as per December 31, 2019 were as follows:

Demographic assumptions (for both current and comparative years presented in these year-end financial statements):

- Mortality tables: mortality rates-5 year for the men and 5 year for the women
- Withdrawal rate: 15% each year
- Retirement age: 65 years

Economic assumptions:

- Yearly inflation rate: 1.8%
- Yearly salary raise: 1.5% (above inflation)
- Yearly discount rate: 1.2%

If the discount rate would decrease with 0.5% then, the defined benefit obligation would increase with 6.2%. Reversely if the discount rate would increase with 0.5% then the defined benefit obligation would decrease with 6.6%.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the statement of financial position.
Through its defined benefit pension plan, the Group is exposed to several risks, the most significant of which are detailed below:

- Changes in discount rate: a decrease in discount rate will increase plan liabilities;
- Inflation risk: the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The investment positions are managed by the insurance company within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes.

Expected contributions to pension plans for next financial year amount to €0.2 million.

5.16 Advances repayable

(€'000)	As at December 31,	
	2019	**2018**
Non-Current portion as at 1st January	2,864	1,544
Non-Current portion as at 31 December	4,139	2,864
Current portion as at 1st January	276	226
Current portion as at 31 December	346	276
Total Recoverable Cash Advances at 1st January	**3,140**	**1,770**
Total Recoverable Cash Advances 31 December	**4,484**	**3,140**

The Group receives government support in the form of recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Group. Refer to note 5.2.5.

At balance sheet date, the Group has been granted total recoverable cash advances amounting to €34.8 million. Out of this total amount : i) €26.3 million have been received to date ; ii) out of the active contracts, an amount of €7.0 million should be received in 2020 or later depending on the progress of the different programs partially funded by the Region ; and iii) an amount of €1.5 million refer to contracts for which the exploitation has been abandoned (and thus will not be received).

For further details, reference is made to the table below which shows (i) the year for which amounts under those agreements have been received and initially recognized on the balance sheet for the financial liability and deferred grant income components and (ii) a description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances. In 2020, the Group will be required to make exploitation decisions on its remaining outstanding RCA related to the CAR-T platform.

(in €'000)			Amounts received for the years ended 31 December				Amounts to be received		As at 31 December 2019
Id	**Project**	**Contractual amount**	**Prior years**	**2018**	**2019**	**Cumulated cashed in**	**2020 and beyond**	**Status**	**Amount reimbursed (cumulative)**
5160	C-Cure	2,920	2,920	-	-	2,920	-	Abandoned	-
5731	C-Cure	3,400	3,400	-	-	3,400	-	Abandoned	-
5914	C-Cure	700	687	-	-	687	-	Abandoned	180
5915	C-Cath$_{ez}$	910	910	-	-	910	-	Exploitation	530
5951	Industrialization	1,470	866	-	-	866	-	Abandoned	245
6003	C-Cure	1,729	1,715	-	-	1,715	-	Abandoned	-
6230	C-Cure	1,084	1,084	-	-	1,084	-	Abandoned	-
6363	C-Cure	1,140	1,126	-	-	1,126	-	Abandoned	1,536
6548	Industrialization	660	541	-	-	541	-	Abandoned	-
6633	C-Cath$_{ez}$	1,020	1,020	-	-	1,020	-	Exploitation	245
6646	Proteins	1,200	450	-	-	450	-	Abandoned	450
7027	C-Cath$_{ez}$	2,500	2,500	-	-	2,500	-	Exploitation	375
7246	C-Cure	2,467	2,467	-	-	2,467	-	Abandoned	-
7502	CAR-T Cell	2,000	2,000	-	-	2,000	-	Exploitation	20
7685	THINK	3,496	873	1,187	1,086	3,146	350	Research	-
8087	CYAD01 - Deplethink	2,492	-	-	623	623	1,869	Research	-
8088	CYAD02 - Cycle1	3,538	-	-	885	885	2,654	Research	-
1910028	CwalityCAR	2,102	-	-	-	-	2,102	Research	-
Total		**34,828**	**22,559**	**1,187**	**2,593**	**26,339**	**6,975**		**3,581**

Regarding active contracts (in exploitation status):
The contracts 5915 has the following specific characteristics:

- funding by the Region covers 70% of the budgeted project costs;
- certain activities have to be performed within the Region;
- in case of an outlicensing agreement or a sale to a third party, the Group will have to pay 10% of the price received (excl. of VAT) to the Region;
- sales-independent reimbursements, sales-dependent reimbursements, and amounts due in case of an outlicensing agreement or a sale to a third party, are, in the aggregate, capped at 100% of the principal amount paid out by the Region;
- sales-dependent reimbursements payable in any given year can be set-off against sales-independent reimbursements already paid out during that year;
- the amount of sales-independent reimbursement and sales-dependent reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Walloon Region to proceed thereto.

The other contracts have the following specific characteristics:

- funding by the Region covers from 45 to 70% of the budgeted project costs;
- certain activities have to be performed within the European Union;
- sales-independent reimbursements represent in the aggregate 30% of the principal amount;
- sales-independent reimbursements and sales-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made + 100 basis points) accrue as of the 1st day of the exploitation phase;
- the amount of sales-independent reimbursement and sales-dependent reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Region to proceed thereto.
- in case of bankruptcy, the research results obtained by the Group under those contracts are expressed to be assumed by the Region by operation of law.

The table below summarizes, in addition to the specific characteristics described above, certain terms and conditions for the recoverable cash advances:

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement	Turnover-independent reimbursement	Interest rate accrual	Amounts due in case of licensing (per year) resp. Sale
(€'000)						
5160	01/05/05-30/04/08	70%	0.18%	Consolidated with 6363	N/A	N/A
5731	01/05/08-31/10/09	70%	0.18%	Consolidated with 6363	N/A	N/A
5914	01/09/08-30/06/11	70%	5.00%	€30k in 2012 and €70k each year after	N/A	10% with a minimum of 100/Y
5915	01/08/08-30/04/11	70%	5.00%	€40k in 2012 and €70k each year after	N/A	10% with a minimum of 100/Y
5951	01/09/08-31/12/14	70%	5.00%	€100k in 2014 and €150k each year after	N/A	10% with a minimum of 200/Y
6003	01/01/09-30/09/11	60%	0.18%	Consolidated with 6363	N/A	N/A
6230	01/01/10-31/03/12	60%	0.18%	Consolidated with 6363	N/A	N/A
6363	01/03/10-30/06/12	60%	0.18%	From €103k to €514k starting in 2013 until 30% of advance is reached	Starting on 01/01/13	N/A
6548	01/01/11-31/03/13	60%	0.01%	From €15k to €29k starting in 2014 until 30% of advance is reached	Starting on 01/10/13	N/A
6633	01/05/11-30/11/12	60%	0.27%	From €10k to €51k starting in 2013 until 30% of advance is reached	Starting on 01/06/13	N/A
6646	01/05/11-30/06/15	60%	0.01%	From €12k to €60k starting in 2015 until 30% of advance is reached	Starting on 01/01/16	N/A
7027	01/11/12-31/10/14	50%	0.33%	From €25k to €125k starting in 2015 until 30% of advance is reached	Starting on 01/01/15	N/A
7246	01/01/14-31/12/16	50%	0,05%	From €30k to €148k starting in 2017 until 30% of advance is reached.	Starting in 2017	N/A
7502	01/12/15-30/11/18	45%	0.19%	From €20k to €50k starting in 2019 until 30% is reached.	Starting 2019	N/A
7685	1/01/17-31/12/19	45%	0.33%	From €35k to €70k starting in 2020 until 30% is reached.	Starting 2020	N/A
8087	01/05/19 - 31/12/20	45%	0.22%	From €25k to €75k starting in 2021 until 30% is reached	Starting 01/01/21	N/A
8088	01/05/19 - 31/12/20	45%	0.21%	From €35k to €106k starting in 2021 until 30% is reached	Starting 01/01/21	N/A
1910028	06/06/19 - 05/05/21	45%	0.01%	From €21k to €42k starting in 2022 until 30% is reached	Starting 01/06/21	N/A

5.17 Trade payables and other current liabilities

(€'000)	**As at 31 December,**	
	2019	**2018**
Total Trade payables	**6,969**	**5,916**
Other current liabilities		
Social security	482	314
Payroll accruals and taxes	1,750	1,351
Other current liabilities	1,016	1,024
Total Other current liabilities	**3,248**	**2,690**
Total Trade payables and other current liabilities	**10,217**	**8,606**

Trade payables are non-interest-bearing liabilities and are normally settled on a 90-day terms. Their increase is mainly attributable to timing of clinical operations in the fourth quarter of 2019.

The Other current liabilities include the short-term debts to employees and social welfare and tax agencies.

No discounting was performed to the extent that the amounts do not present payments terms longer than one year at the end of each financial year presented.

5.18 Financial liabilities

5.18.1. Maturity analysis

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, except for advances repayable which are presented at amortized cost. Contingent consideration liability has not been disclosed in the table below, because as of balance sheet date, it does not meet the definition of a contractual obligation. Commitments relating to contingent consideration are detailed in the disclosure note 5.33.2.

Financial liabilities reported as at December 31, 2019:

(€'000)	Total	Less than one year	One to five years	More than five years
As at 31 December, 2019				
Bank loan	229	192	37	-
Lease liabilities	4.838	1.401	3.052	385
Advances repayable	4.484	346	976	3.163
Trade payables	6.969	6.969	-	-
Total financial liabilities	**16.520**	**8.908**	**4.065**	**3.547**

Financial liabilities reported as at December 31, 2018:

(€'000)	Total	Less than one year	One to five years	More than five years
As at 31 December, 2018				
Bank loan	510	281	229	-
Financial leases	1,136	484	652	-
Advances repayable	3,140	276	1,021	1,843
Trade payables	5,916	5,916	-	-
Total financial liabilities	**10,702**	**6,957**	**1,902**	**1,843**

5.18.2. Changes in liabilities arising from financing activities

The change in bank loans balances is detailed as follows:

BANK LOANS FINANCIAL LIABILITY ROLL FORWARD

(€'000)	For the year ended	
	2019	**2018**
Opening balance at 1 January	**510**	**536**
New bank loans	-	220
Installments	(281)	(245)
Closing balance at 31 December	**229**	**510**

The change in lease liability balances is detailed as follows:

LEASES LIABILITY ROLL FORWARD

(€'000)	For the year ended	
	2019	**2018**
Opening balance at 1 January	**1.136**	**909**
New leases	4.204	730
Installments	(1.206)	(503)
Closing balance at 31 December	**4.134**	**1.136**

The change in recoverable cash advance liability balances is detailed as follows:

RECOVERABLE CASH ADVANCE LIABILITY ROLL FORWARD

(€'000)	For the year ended	
	2019	**2018**
Opening balance at 1 January	**3,140**	**1,770**
Repayments	(256)	(226)
New Liability component	1,481	598
Remeasurement	120	998
Closing balance at 31 December	**4,484**	**3,140**

The change in the recoverable cash advances liability at balance sheet date reflects both the new liability components recorded during the year as well as the remeasurement of the liability at amortized cost, based on the Group's updated business plan and sales forecast for its CAR-T product candidates. See disclosure note 5.28. The year-end balance also captures the repayments of contractual turnover independent lump sums to the Walloon Region (relating to C-Cath$_{ez}$ agreements).

5.19 Financial instruments

5.19.1. Financial instruments not reported at fair value on balance sheet

The carrying and fair values of financial instruments that are not reported at fair value in the consolidated financial statements were as follows for the current and comparative periods:

(€'000)	As at December 31,	
	2019	**2018**
Financial Assets ('Amortized cost' category) within:		
Non-current Trade receivables	2,432	1,743
Other non-current assets	257	215
Trade receivables and other current assets	558	367
Short-term investments	0	9,197
Cash and cash equivalents	39,338	40,542
Total	**42,586**	**52,065**

For the above-mentioned financial assets, the carrying amount reported at balance sheet date is a reasonable approximation of their fair value.

(€'000)	As at December 31,	
	2019	**2018**
Financial Liabilities ('Financial liabilities at amortized cost' category) within:		
Bank loans	229	510
Lease liabilities	4,134	1,136
RCAs liability	4,484	3,140
Trade payables	6,969	5,916
Total	**15,759**	**10,702**

For the above-mentioned financial liabilities, the carrying amount reported at balance sheet date is a reasonable approximation of their fair value.

5.19.2. Financial instruments reported at fair value on balance sheet

Contingent consideration and other financial liabilities are reported at fair value in the statement of financial position using Level 3 fair value measurements for which the Group developed unobservable inputs.

(€'000)	Level I	Level II	Level III	Total
Assets				
Investment in equity securities	0	-	-	0
Total Assets	0	-	-	0
Liabilities	-	-	-	-
Contingent consideration and other financial liabilities	-	-	24,754	24,754
Total Liabilities	-	-	24,754	**24,754**

The change in the balance is detailed as follows:

CONTINGENT CONSIDERATION AND OTHER FINANCIAL LIABILITIES ROLL FORWARD

(€'000)	For the year ended	
	2019	**2018**
Opening balance Contingent consideration at 1 January	**20,282**	**15,549**
Milestone payment	-	-
Fair value adjustment	(430)	4,733
Currency Translation Adjustment	-	-
Closing balance Contingent consideration at 31 December	**19,853**	**20,282**
	-	**-**
Opening balance Other financial liabilities at 1 January	**4,905**	**4,034**
Fair value adjustment	(4)	871
Closing balance Other financial liabilities at 31 December	**4,901**	**4,905**
	-	**-**
Total - Contingent consideration and Other financial liabilities at 31 December	**24,754**	**25,187**

The contingent consideration and other financial liabilities refer to the acquisition of the Group's immuno-oncology platform and corresponds to the fair value of the potential future payments due to Celdara Medical, LLC and Dartmouth College. The liability evolution reflects the development of the Group's product candidates using CAR-T technology and their progress towards market approval in both autologous and allogeneic programs, as well as the update of its underlying business plans and revenue forecast.

The liability decrease at balance sheet date is due to the fair value adjustment at reporting date, mainly driven by discount rate (WACC) update and refinement on time-to-market assumptions at year-end 2019, both partly compensated by USD foreign exchange rate update as of December 31, 2019.

The contingent consideration liability captures the commitments disclosed under note 5.33.2. It does not include any amount for contingent consideration payable relating to any sub-licensing agreements entered into or to be entered into by the Group for the reasons that:

- any contingent consideration payable would be due only when the Group earns revenue from such sub-licensing agreements, and in an amount representing a fraction of that revenue; and
- the development of the underlying product candidates by the sub-licensees is not under the Group's control, making a reliable estimate of any future liability impossible.

Contingent consideration liability sensitivity analysis

A sensitivity analysis has been performed on the key assumptions driving the fair value of the contingent consideration liability. The main drivers are i) the discount rate (WACC), ii) the sales long-term growth rate in the terminal value and iii) the probabilities of success (PoS) for the Group's product candidates to get commercialized.

	Discount rate (WACC)				
	10.6%	12.6%	14.6%	16.6%	18.6%
Cont. consideration (€ million)	32.2	28.2	24.8	21.9	19.5
Impact (%)	30%	14%	-	-12%	-21%

	Sales long-term growth rate in the terminal value				
	-40%	-32.5%	-25%	-17.5%	-10%
Cont. consideration (€ million)	23.3	23.9	24.8	26.0	28.0
Impact (%)	-6%	-3%	-	5%	13%

To determine the contingent consideration liability, the Group used the same probabilities of success than for impairment testing purposes (see note 5.6.2):

PoS	Phase I	Phase I to II	Phase II to III	Phase III to BLA	BLA to Approval	Cumulative PoS
CYAD-01 CYAD-101	100%	63%	26%	45%	83%	**6.3%**

In order to assess the sensitivity to this driver, the Group applies here an incremental probability factor to the bottom-line cumulative PoS disclosed below:

	Probabilities of Success				
	-20%	-10%	PoS model	10%	20%
Cont. consideration (€ million)	19.8	22.3	24.8	27.2	29.7
Impact (%)	-20%	-10%	-	10%	20%

5.20 Income taxes

The Group reports income taxes in the income statement as detailed below:

INCOME TAX EXPENSE IN PROFIT OR LOSS

(€'000)	For the year ended 31 December	
	2019	**2018**
Current tax (expense) / income	8	0
Deferred tax (expense) / income	-	-
Total income tax income in profit or loss	8	**0**

The Group has a history of losses. For 2019, the Group is eligible to a minor tax debit.

The following table shows the reconciliation between the effective and theoretical income tax at the nominal Belgian income tax rate of 29.58% for the year 2019 and 2018:

EFFECTIVE INCOME TAX RECONCILIATION

(€'000)	For the year ended 31 December	
	2019	**2018**
Loss before tax	(28.640)	(37.428)
Permanent differences		
Tax disallowed expenses	967	269
Share-based payment	2.775	3.595
Nominal tax rate	**29,58%**	**29,58%**
Tax income at nominal tax rate[1]	7.365	9.928
Deferred Tax assets not recognized	(7.357)	(9.928)
Effective tax expense	**8**	**0**
Effective tax rate	0%	0%

[1] The difference in foreign tax rate in the US (22.83%) compared to the Belgian rate (29.58%) is not distinctively disclosed in this table due to non-materiality of the operations of the Group's subsidiary Celyad Inc.

As having not yet reached the commercialization step, the Group accumulates tax losses that are carried forward indefinitely for offset against future taxable profits of the Group. Significant uncertainty exists however surrounding the Group's ability to realize taxable profits in a foreseeable future. Therefore, the Group has not recognized any deferred tax income in its income statement.

Unrecognized deferred tax assets and liabilities are detailed below by nature of temporary differences for the current year:

DEFERRED TAX ASSETS AND LIABILITIES, PER TAX BASES

(€'000)	For the year ended 31 December 2019		
	Assets	Liabilities	Net
Intangibles assets	-	(894)	(894)
Tangible assets	-	(90)	(90)
Recoverable cash advances liability	1,056	-	1,056
Contingent consideration liability	6,189	-	6,189
Employee Benefits liability	100	-	100
Other temporary difference	-	(473)	(473)
Tax-losses carried forward	55,414	-	55,414
	-	-	-
Unrecognized Gross Deferred Tax assets/(liabilities)	**62,758**	**(1,458)**	**61,300**
Netting by tax entity	(1,365)	1,365	-
Unrecognized Net Deferred Tax assets/(liabilities)	**61,393**	**(93)**	**61,300**

Unrecognized deferred tax assets and liabilities are detailed below by nature of temporary differences for the prior year:

(€'000)	For the year ended 31 December 2018		
	Assets	Liabilities	Net
Intangibles assets	49	-	49
Tangible assets	-	(154)	(154)
Recoverable cash advances liability	633	-	633
Contingent consideration liability	6,297	-	6,297
Employee Benefits liability	33	-	33
Other temporary difference	-	(436)	(436)
Tax-losses carried forward	46,858	-	46,858
Unrecognized Gross Deferred Tax assets/(liabilities)	**53,869**	**(590)**	**53,279**
Netting by tax entity	(437)	437	-
Unrecognized Net Deferred Tax assets/(liabilities)	**53,432**	**(153)**	**53,279**

The Group's main deductible tax base relates to tax losses carried forward, which have indefinite term under both BE and US tax regimes applicable to its subsidiaries. In addition, the Group can benefit from additional tax benefits (like notional interest deduction in Belgium) which can be carried-forward until the taxation year 2020.

The remaining temporary differences refer to differences between IFRS accounting policies and local tax reporting policies. The Group has not recognized any deferred tax asset on its balance sheet, for the same reason as explained above (uncertainty relating to taxable profits in a foreseeable future).

The change in the Group's unrecognized deferred tax asset balance is detailed below:

UNRECOGNISED DEFERRED TAX ASSET BALANCE ROLL FORWARD

(€'000)	For the year ended	
	2019	2018
Opening balance at 1 January	**53,279**	**48,839**
Temporary difference creation or reversal	(536)	5,734
Change in Tax-losses carried forward	8,556	(1,294)
Foreign exchange rate effect	-	-
Closing balance at 31 December	**61,300**	**53,279**

The net increase in the balance mainly relates to the additional losses reported for the current year.

5.21 Other reserves

(€'000)	Share based payment reserve	Convertible loan	Currency Translation Difference	Total
Balance as at 1st January 2018	**6,707**	**16,631**	**(17)**	**23,322**
Vested share-based payments	3,539			3,539
Currency Translation differences subsidiaries			(1,194)	(1,194)
Balance as at 31 December 2018	**10,246**	**16,631**	**(1,211)**	**25,667**
Vested share-based payments	2,775			2,775
Currency Translation differences subsidiaries			(261)	(261)
Balance as at 31 December 2019	**13,021**	**16,631**	**(1,472)**	**28,181**

5.22 Revenue

(€'000)	For the year ended 31 December,	
	2019	**2018**
Out-licensing revenue	-	2,399
C-Cath$_{ez}$ sales	6	-
Other revenue	0	716
Total	**6**	**3,115**

In May 2018, the Group has entered into an exclusive license agreement with Mesoblast, an Australian biotechnology company, to develop and commercialize the Group's intellectual property rights relating to C-Cath$_{ez}$, an intra-myocardial injection catheter. The Group has applied the 5-step model foreseen by IFRS 15 to determine revenue recognition pattern applicable to this contract as of December 31, 2018. Key judgements made in accordance with IFRS 15 were that the license agreement:

- is a distinct component of the Mesoblast agreement;
- refers to a 'right-to-use' type of license, i.e. the right to use the company's intellectual property as it exists at the point in time the license has been granted (May 2018). Revenue allocated to the transaction price is thus eligible for full revenue recognition for the year 2018 ;
- foresees a transaction price broken down between upfront (€0.8 million settled in shares) and contingent milestone payments (an additional amount of €2.2 million qualifying for recognition at December 31, 2018);
- features a financing component (€0.5 million deferred financial income to be deducted from the above), leading to a net out-licensing revenue reported of €2.4 million);
- further foresees variable consideration of up to $17.5 million related to future regulatory- and commercial-based milestones, which will not be recognized until it becomes highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The related receivable is reported for its discounted value (€1.9 million) under 'Non-current trade receivables', see note 5.8. There are no corresponding contract liabilities reported at balance sheet date, as no performance obligation was outstanding.

The Group did not enter into such agreements for the 12-month period ended December 31, 2019.

In previous year, other revenue referred to a non-clinical supply agreement concluded with ONO Pharmaceutical Co., Ltd (time & material type of contract). The revenue reported reflects the services delivered for the year, consisting in performing cell production and animal experiments requested by ONO. This agreement had been completed at year-end 2018, without any performance obligation remaining outstanding.

The Group does not expect to generate significant revenue unless and until it receives regulatory approval for one of its drug product candidates.

5.23 Research and Development expenses

The following table is a summary of manufacturing expenses, clinical, quality and regulatory expenses and other research and development expenses, which are aggregated and presented as research and development expenses in the Group's consolidated financial statements.

(€'000)	For the year ended 31 December	
	2019	**2018**
Employee expenses	8,362	7,902
Travel & Living	486	467
Clinical study costs	4,713	4,987
Preclinical study costs	3,711	2,680
Process development and scale-up	3,765	2,187
Consulting fees	675	1,522
IP filing and maintenance fees	260	474
Share-based payments	813	1,264
Depreciation	1,444	848
Rent and utilities	746	668
Delivery systems	53	117
Others	168	461
Total R&D expenses	**25,196**	**23,577**

Research and development expenses totaled €25.2 million for the 12-month period ended December 31, 2019, which represents an increase of 7% compared to 2018. The Group's R&D internal resources are allocated to the continuous development of its immuno-oncology platform both in autologous setting on the products candidate CYAD-01, CYAD-02 and CYAD-03 and in allogenic setting with its products candidate CYAD-101 and CYAD-200 series. The increase in the Group's R&D expenses primarily refers both to its preclinical investments into its pipeline of products candidate and its investments in process development, scale-up and automation of its manufacturing processes, in preparation of the next anticipated clinical stages of its products candidate.

5.24 General and administrative expenses

(€'000)	For the year ended 31 December,	
	2019	**2018**
Employee expenses	3,542	3,312
Share-based payments	1,962	2,331
Rent & Insurances	625	1,097
Communication & Marketing	607	676
Consulting fees	1,532	2,192
Travel & Living	331	253
Post-employment benefits	(33)	(3)
Depreciation	345	267
Other	159	263
Total General and administration	**9,070**	**10,387**

General and administrative expenses decreased by €1.3 million over the 12-month period ended December 31, 2019, which represents a decrease of 13% compared to 2018. This variance primarily relates to the decrease in the expenses associated with the share-based payments (non-cash expenses) that related to the share option plan offered to the Group's employees, managers and directors combined with lower consulting fees and lower rent and insurances.

5.25 Depreciation and amortization

(€'000)	For the year ended 31 December,	
	2019	**2018**
Depreciation of property, plant and equipment	1,619	1,048
Amortization of intangible assets	170	68
Total depreciation and amortization	1,789	1,115

The amortization expenses relating to right-to-use of leased assets (consequent to adoption IFRS 16 *Leases* as from January 1, 2019) drives the increase in the amortization expense compared to prior year on property, plant and equipment. See disclosure notes 5.2.28 and 5.29.

The increase in the amortization expenses on intangible assets is mainly due to full year effect on amortization of Horizon Discovery's license, which had been acquired at year-end 2018.

5.26 Employee benefit expenses

(€'000)	For the year ended 31 December,	
	2019	**2018**
Salaries, wages and fees	6,932	6,439
Executive Committee compensation	2,993	3,235
Share-based payments	2,775	3,595
Social security	1,473	1,301
Post-employment benefits	215	217
Hospitalization insurance	138	118
Other benefit expense	119	2
Total Employee expenses	**14,646**	**14,906**

Total employee expenses slightly decreased compared to comparative year. This effect is mainly explained by the decrease on share-based payments vesting cost (non-cash expenses) which are driven by vesting impact of the warrants distribution occurred in prior years for an amount of €0.8 million compared to year 2018. Salaries, wages and fees expenses show a net increase year-on-year, which reflects the organic growth of the Group's operations. The total staff headcount increased by 9.5% compared to prior year.

Headcount	For the year ended 31 December,	
	2019	**2018**
Research & Development	94.2	88.1
General and administrative staff	17.3	13.7
Total Headcount	**111.5**	**101.8**

5.27 Other income and expenses

Other income

Other income is mainly related to regional government grants received in 2019. For the regional government grants received in form of recoverable cash advances (RCAs) contract, numbered 7685, 8087, 8088 and 1910028 (amounting to a total of €1.5 million), refer to note 5.16 for more information. Additional grants income has been recognized in 2019 on grants received from Federal 124 Belgian Institute for Health Insurance Inami (€0.2 million) and from regional government (contract numbered 8066 for €1.6 million), not referring to RCAs and not subject to reimbursement.

The second driver of other income is the change in fair value of the contingent consideration and other financial liabilities (€0.4 million). See 5.19.2 for more information.

With respect to R&D tax credit, the current year income is predicated on a R&D tax credit recorded (€1.6 million), which has been updated taking into account all information available at this date.

Other expenses

Other expenses mainly refer to remeasurement expenses of recoverable cash advances (RCAs). For the government grants received in the form of RCAs, refer to disclosure note 5.16.

Other expenses decrease compared to prior year is attributable to the following drivers:

- the fair value adjustment relating to the contingent consideration and other financial liabilities is an €0.4 million income at December 31, 2019, against a €5.6 million expense for the comparative period;
- a clinical development milestone had been paid for an amount of €1.4 million in the comparative period;
- decrease of remeasurement expense of RCAs, required by IFRS, for the current period.

(€'000)	For the year ended December 31,	
	2019	**2018**
Remeasurement of contingent consideration	-	5,604
Clinical Development milestone payments	36	1,372
Remeasurement of RCAs	120	998
Fair value adjustment on securities	-	182
Other	35	243
Total Other Expenses	**191**	**8,399**

(€'000)	For the year ended December 31,	
	2019	**2018**
Grant income (RCAs)	1,508	768
Grant income (Other)	1,788	-
Remeasurement of RCAs	-	-
Fair value adjustment on securities	182	-
Remeasurement of contingent consideration	433	-
R&D tax credit	1,560	310
Other	102	-
Total Other Income	**5,572**	**1,078**

5.28 Non-recurring operating income and expenses

Non-recurring operating income and expenses are defined as one-off items, not directly related to the operational activities of the Group. No operations qualify for such a presentation for the years 2019 and 2018.

5.29 Leases

Amounts recognized in the consolidated statements of financial position

"Property, plant and equipment" comprise owned and leased assets that do not meet the definition of investment property.

(€'000)	**As of December 31,**	
	2019	**2018**
Property, Plant and Equipment owned (excluding right-of-use assets)	1,713	1,867
Right-of-use assets	3,348	1,147
Total Property, Plant and Equipment	**5,061**	**3,014**

The statement of financial position shows the following amounts relating to leases for which the Group is a lessee:

Right-of-use assets

(€'000)	As of December 31,			
	2019			
	Property	Vehicles	Equipment	**Total**
Lease assets as per 31 December 2018	-	-	1,147	1,147
Right-of-use assets recognized on transition date to IFRS16	2,780	106	72	2,958
Opening balance at 1 January 2019	**2,780**	**106**	**1,219**	**4,105**
Additions for the period	30	257	-	287
Disposals for the period	-	-	-	-
Depreciation charge for the period	(399)	(90)	(555)	(1,044)
Closing balance at 31 December 2019	**2,411**	**273**	**664**	**3,348**

Amounts recognized in the consolidated statements of comprehensive loss

The consolidated statements of comprehensive loss show the following amounts relating to leases:

(€'000)	For the year ended December 31,
	2019
Depreciation charge of right-of-use assets	
Property	399
Vehicles	90
Equipment	555
Interest on lease liabilities (including in Financial expenses)[1]	291
Interest on sublease receivable (including in Financial income)	(62)
Variable lease payments not included in the measurement of lease liabilities	-
Expenses relating to short-term leases and leases of low-value assets	182
Total expenses related to leases	**1,450**

[1]Interests on leases are presented as operating cash flow.

Total cash outflows for leases

(€'000)	For the year ended December 31,
	2019
Total cash outflow for leases (including short-term leases and leases of low-value assets)	**1,679**

5.30 Finance income and expenses

(€'000)	For the year ended 31 December,	
	2019	**2018**
Interest on leases	291	18
Interest on overdrafts and other finance costs	35	29
Interest on RCAs	17	15
Foreign Exchange differences	-	-
Finance expenses	**343**	**62**
Finance income on the net investment in lease	62	-
Interest income bank account	30	308
Foreign Exchange differences	326	387
Other financial income	164	109
Finance income	**582**	**804**
Net Financial result	**239**	**743**

The net financial result decreased from €0.7 million at year-end 2018 to €0.2 million at year-end 2019, which is mainly driven by:

- decrease by €0.2 million of net results on finance leases interests, through the first adoption of new accounting standard *IFRS 16 Leases* as from January 1, 2019. See disclosure notes 5.2.8 and 5.29.
- decrease by €0.3 million on interest's income on bank accounts through the Group decision to reduce the amounts invested in short-term deposits over 2019 given the level of market interest rates of corporate deposits of short-term maturities.

5.31 Loss per share

The loss per share is calculated by dividing loss for the year by the weighted average number of ordinary shares outstanding during the period. As the Group is incurring net losses, outstanding warrants have an anti-dilutive effect. As such, there is no difference between the basic and the diluted earnings per share. In case the warrants would be included in the calculation of the loss per share, this would decrease the loss per share.

(€'000)	As at 31 December,	
	2019	**2018**
Loss of the year attributable to Equity Holders	(28,632)	(37,427)
Weighted average number of shares outstanding	12,523,166	11,142,244
Earnings per share (non-fully diluted) in €	**(2.29)**	**(3.36)**
Outstanding warrants	1,292,380	731,229

5.32 Contingent assets and liabilities

As described in note 5.2.5, the Group has to reimburse certain government grants received in the form of recoverable cash advances under certain conditions. For more information, refer to note 5.16.
In 2020 and beyond, the Group will have to make exploitation decisions on the remaining RCA (agreements numbered 7685, 8087, 8088 and 1910028).

5.33 Commitments

5.33.1. Corquest Inc

Based on the terms of the Share Purchase Agreement dated November 5, 2014, former shareholders of Corquest Inc will be entitled to an earn-out payment based on the net revenues generated by the Company, which revenues should be generated from the selling or divesting, in all or in part, of Proprietary Intellectual Property Rights of the Company to a third party.

As from the November 5, 2014 date until the tenth anniversary of the Agreement, former shareholders of Corquest Inc are entitled to:

- an Earn-Out royalty of 2% if Net Revenue are below or equal to €10 million;
- or an Earn-Out royalty of 4% if Net Revenue are higher than €10 million.

5.33.2. Celdara Medical LLC Milestones (formerly OnCyte LLC)

Based on the terms of the Asset Purchase Agreement dated January 21, 2015, as amended on August 3, 2017, Celdara Medical LLC is entitled to development and regulatory milestones, sales milestones and royalties based on the net sales generated by the Group from products candidate, whose level depend on whether or not the licensed asset from which the product candidate is derived was in clinical or preclinical stage upon in-licensing from Celdara.

On the clinical assets (NKG2D), Celdara Medical will be entitled to the following development and regulatory milestones;

$5 million upon enrolment of the first patient of the second cohort of the Phase I trial[6]
$6 million upon dosing the first patient of a Phase II trial[7]
$9 million upon dosing the first patient of a Phase III trial
$11 million upon filing of the first regulatory approval of CAR-T NKG2D

[6] Paid as of December 31, 2016

[7] Paid as of December 31, 2017

$14 million upon CAR-T NKG2D approval for commercialization in the US

On the other preclinical assets (TIM, B7H6, NKP30):

$1.5 million upon an IND filing to the FDA[8]
$4 million upon dosing the first patient of a Phase II trial
$6 million upon dosing the first patient of a Phase III trial
$10 million upon filing of the first regulatory request for the product candidate
$15 million upon product candidate approval for commercialization in the US

Sales milestones will also be due to Celdara Medical and are dependent of cumulative net sales of products developed from licensed assets:

$15 million when first time cumulative worldwide net sales equal to or exceed $250 million
$25 million when first time cumulative worldwide net sales equal to or exceed $500 million
$40 million when first time cumulative worldwide net sales equal to or exceed $1 billion

The Group will make annual royalty payments to Celdara Medical on net sales of each product sold by the Group, its affiliates and sublicensees at the applicable rate set forth below:

5% of the net sales if cumulative worldwide annual net sales are less or equal to $250 million
6% of the net sales if cumulative worldwide annual net sales are greater than $250 million and less or equal to $500 million
7% of the net sales if cumulative worldwide annual net sales are greater than $500 million and less or equal to $1 billion
8% of the net sales if cumulative worldwide annual net sales are greater than $1 billion

On all sublicensing revenues received, the Group will pay percentages ranging from 23% to 5% depending on the stage of development of the product sublicensed. On top of the amounts and percentages due to Celdara Medical LLC, the Group will owe to Dartmouth College an additional 2% royalties on its direct net sales.

In accordance with IFRS 3, these contingencies are recognized on balance sheet at year-end, on a risk-adjusted basis. See note 5.19.2.

5.33.3. Horizon Discovery Limited

The deal structure with Horizon Discovery entails two agreements.
Based on the terms of the R&D Collaboration and License agreement dated April 3, 2018, Horizon Discovery Limited is entitled to development milestones and royalties based on the net sales generated by the Group from the Product.

On the First Product, Horizon Discovery Limited will be entitled to the following development milestones:
$100,000 upon the Group's exercise of the Option[9]
$100,000 upon the first effective IND, filed by the Group, relating to the First Product[10]
$200,000 upon filing by the Group for the first Phase 2 Clinical Trial relating to the first Product
$400,000 upon filing by the Group for the first Phase 3 Clinical Trial relating to the first Product
$1.25 million upon filing by the Group of the first MAA or NDA relating to the first Product
$2 million upon first MAA or NDA approval by the relevant Regulatory Authority for the first Product

Group will make annual royalty payments to Horizon Discovery Limited of 1.5% on net sales of each product sold by the Group or its affiliates. In case the Group sublicenses all or part of its rights, then the Sublicensee shall pay royalties directly to Horizon at 1.25% on Sublicensees' net sales of the product.

Based on the terms of the R&D Collaboration and License agreement dated June 27, 2018, as amended on December 19, 2018, Horizon Discovery Limited is entitled to development milestones and royalties based on the net sales generated by the Group from the Product.

On the First Product, Horizon Discovery Limited will be entitled to the following development milestones:
$1.25 million upon the Group's exercise of the Option[11]

[8] Paid as of December 31, 2018, for TIM preclinical asset

[9] Paid as of December 31? 2019

[10] Paid as of 31 December 2019

[11] paid as of 31 December 2019

$200,000 upon the first effective IND, filed by the Group, relating to the First Product
$500,000 upon enrolment of the first patient in a Phase 2 Clinical Trial relating to the first Product
$800,000 upon enrolment of the first patient in a Phase 3 Clinical Trial relating to the first Product
$2 million upon filing by the Group of the first MAA or NDA relating to the first Product
$3 million upon first MAA or NDA approval by the relevant Regulatory Authority for the first Product

On the second Product, Horizon Discovery Limited will be entitled to the following development milestones:
$200,000 upon the first effective IND, filed by the Group, relating to the second Product
$400,000 upon enrolment of the first patient in a Phase 2 Clinical Trial relating to the second Product
$450,000 upon enrolment of the first patient in a Phase 3 Clinical Trial relating to the second Product
$700,000 upon filing by the Group of the first MAA or NDA relating to the second Product
$2 million upon first MAA or NDA approval by the relevant Regulatory Authority for the second Product

On the third Product, Horizon Discovery Limited will be entitled to the following development milestones:
$100,000 upon the first effective IND, filed by the Group, relating to the third Product
$200,000 upon enrolment of the first patient in a Phase 2 Clinical Trial relating to the third Product
$250,000 upon enrolment of the first patient in a Phase 3 Clinical Trial relating to the third Product
$300,000 upon filing by the Group of the first MAA or NDA relating to the third Product
$1 million upon first MAA or NDA approval by the relevant Regulatory Authority for the third Product

The Group will make annual royalty payments to Horizon Discovery Limited of 2% on net sales of each product sold by the Group or its affiliates. In case the Group sublicenses all or part of its rights, then the Group shall pay to Horizon 15% of all upfront payments, development milestones associated with filing for or receiving MAA and royalties which the Group shall receive from the Sublicensee.

5.34 Related-party transactions

5.34.1. Remuneration of key management

Key management consists of the members of the Executive Committee and the entities controlled by any of them.

	As at 31 December,	
	2019	2018
Number of EMT members	**6**	**7**

(€'000)	For the year ended 31 December	
	2019	2018
Short term employee benefits[1]	1,112	740
Post employee benefits	26	16
Share-based compensation	1,005	1,794
Other employment costs[2]	75	27
Management fees	1,789	2,457
Total benefits	**4,006**	**5,034**

[1] Include salaries, social security, bonuses, lunch vouchers

[2] Such as Company cars

	As at 31 December,	
	2019	2018
Number of warrants granted	136,500	30,000
Number of warrants lapsed	0	0
Cumulative outstanding warrants	295,500	259,000
Exercised warrants	0	0
Outstanding payables (in '000€)	-	803

5.34.2. Transactions with non-executive directors

	For the year ended 31 December,	
(€'000)	**2019**	**2018**
Share-based compensation	430	420
Management fees	429	357
Total benefits	**859**	**776**

	As at 31 December,	
	2019	**2018**
Number of warrants granted	100,000	20,000
Number of warrants lapsed	5,000	-
Number of exercised warrants	-	-
Cumulative outstanding warrants	190,000	135,000
Outstanding payables (in '000€)	210	127
Shares owned	345,453	345,453

5.34.3. Transactions with shareholders

There were no transactions with Group's shareholders, for both current and prior years.

5.35 Events after the balance sheet date

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. As of the date of this Annual Report, Belgium, where the Group operates, has been impacted by temporary closures. The length or severity of this pandemic cannot be predicted, but the Group anticipates that there may be a potential impact from COVID-19 on the planned development activities of the Group.

With COVID-19 continuing to spread in the United States and Europe, the business operations of the Group could be delayed or interrupted, particularly if a large portion of its employees become ill. COVID-19 may also affect employees of third-party organizations located in affected geographies that the Group relies upon to carry out its clinical trials. The spread of COVID-19, or another infectious disease, could also negatively affect the operations at its third-party suppliers, which could result in delays or disruptions in the supply of drug product used in its clinical trials. In addition, the Group is taking temporary precautionary measures intended to help minimize the risk of the virus to its employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for its employees and discouraging employee attendance at industry events and in-person work-related meetings, which could negatively affect the Group's business.

Further, timely enrollment in clinical trials is reliant on clinical trial sites which may be adversely affected by global health matters, including, among other things, pandemics such as COVID-19. For example, many of the Group's clinical trial sites are located in regions currently being afflicted by COVID-19. Some factors from the COVID-19 outbreak that the Group believes will adversely affect enrollment in its trials at least on a temporary basis include:

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- interruption in global shipping affecting the transport of clinical trial materials, such as investigational drug product used in our trials; and
- employee absences that delay necessary interactions with local regulators, ethics committees and other important agencies and contractors.

The impact of COVID-19 on its business is uncertain at this time and will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among other things, but prolonged closures or other business

disruptions may negatively affect its operations and the operations of its agents, contractors, consultants or collaborators, which could have a material adverse impact its business, results of operations and financial condition.
There were no other subsequent events that occur between 2019 year-end and the date when the financial statements have been authorized by the Board for issue.

5.36 Statutory accounts as of December 31, 2019 and 2018 according to Belgian GAAP

This section contains selected financial information, consisting of the balance sheet, income statement and certain notes, as derived from the statutory financial statements of Celyad SA as of and for the year ended December 31, 2019 (including comparative information as of and for the year ended December 31, 2018). These financial statements were prepared in accordance with the applicable accounting framework in Belgium and with the legal and regulatory requirements applicable to the financial statements in Belgium and are filed with the National Bank of Belgium. These statutory financial statements were approved by the Shareholders' Meeting on May 5, 2020 and the statutory auditor has issued an unqualified audit opinion with respect to these statutory financial statements. The full set of the statutory financial statements is available on the website of the National Bank of Belgium (www.nbb.be).

5.36.1. Balance Sheet

(in €)	2019	2018
ASSETS		
FIXED ASSETS	**44,272,419**	**46,838,308**
II. Intangible fixed assets	**31,551,977**	**35,054,454**
III. Tangible fixed assets	**1,666,799**	**2,039,280**
Land and buildings	-	
Installations machinery and equipment	182,834	136,935
Furniture and vehicles	110,288	24,155
Leasing and similar rights	657,876	1,147,282
Other fixed assets	715,801	730,909
Fixed assets under construction and advance payments	-	
IV. Financial fixed assets	**11,053,643**	**9,744,574**
CURRENT ASSETS	**47,978,269**	**54,641,197**
VI. Stocks and contracts in progress	-	
Goods purchase for resale	-	
VII. Amounts receivable within one year	**3,624,878**	**1,384,102**
Trade debtors	295,865	396,652
Others amounts receivable	3,329,013	987,450
VIII. Amounts receivable more than one year	**5,326,109**	**4,009,323**
Others amounts receivable	5,326,109	4,009,323
IX. Investment	0	**9,197,493**
X. Cash at bank and in hand	**38,448,000**	**39,528,751**
XI. Deferred charges and accrued income	**579,282**	**521,528**
TOTAL ASSETS	**92,250,687**	**101,479,506**
CAPITAL AND RESERVES	**80,027,523**	**89,943,674**
I. Capital	**48,512,615**	**41,552,615**
Issued capital	48,512,615	41,552,615
Uncalled capital (-)	-	
II. Share Premium	**59,599,665**	**220,678,055**
V. Accumulated profits (losses)	**(28,084,757)**	**(172,286,995)**
PROVISIONS AND DEFERRED TAXES	-	
VII.A. Provisions for liabilities and charges	-	
CREDITORS	**12,223,165**	**11,535,831**
VIII. Amounts payable after more than one year	**1,344,340**	**2,166,342**
Credit institutions; leasing and other similar obligations	193,740	770,142
Other financial loans	1,150,600	1,396,200
Other debts		
IX. Amounts payable within one year	**10,690,756**	**9,369,032**
Current portion of amounts payable after one year	827,153	945,705

Trade debts	6,880,528	5,800,067
Suppliers	6,880,528	5,800,067
Taxes; remunerations and social security costs	2,500,978	2,455,758
Taxes	344,256	852,516
Remunerations and social security costs	2,156,722	1,603,243
Other amounts payable	482,097	167,502
X. Accrued charges and deferred income	**188,069**	**458**
TOTAL LIABILITIES	**92,250,687**	**101,479,506**

5.36.2. Income statement

(in €)	2019	2018
Operating income	**29,481,359**	**22,677,279**
Turnover	6,286	1,567,308
Capitalization of development costs	22,165,312	18,598,125
Other operating income	7,309,578	2,509,614
Non-recurring operating income	182	2,232
Operating charges	(60,226,729)	**(56,505,192)**
Direct Material	(6,028,799)	(3,679,610)
Services and other goods	(17,477,513)	(21,929,720)
Remuneration; social security and pensions	(9,755,518)	(7,600,167)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(26,610,889)	(22,250,470)
Write-downs on inventories, on orders in progress and on trade receivables (appropriations -; write-backs +)	(22,122)	-
Provisions for liabilities and charges (appropriations -; use and write-backs +)	-	-
Other operating charges (-)	(374,206)	(1,043,231)
Non-recurring operating expenses	(1,925)	(1,995)
Operating profit (loss)	**(30,745,370)**	**(33,827,914)**
Financial income	**483,616**	**1,761,957**
Income from current assets	29,570	307,632
Income from financial assets	-	490,442
Other financial income	454,046	963,883
Financial charges (-)	**(170,710)**	**(2,673,713)**
Interest on financial debts	(13,567)	(16,798)
Other financial charges	(157,143)	(2,656,915)
Non-recurring financial charges	-	-
Profit (loss) on ordinary activities before taxes (-)	**(30,432,464)**	**(34,739,670)**
Profit (Loss) for the period before taxes (-)		
Income taxes (-) (+)	**2,347,708**	**4,009,323**
Profit (loss) for the period available for appropriation	**(28,084,756)**	**(30,730,347)**

5.36.3. Notes

Statement of intangibles assets

(in €)	2019	2018
Acquisition value at the end of the preceding period	149,174,219	92,582,712
Movements during the period		
Acquisitions, included produced fixed assets	22,392,243	56,590,006
Sale, transfer and withdraw	30,022	1,500
Acquisition value at the end of the period	171,536,439	149,174,219
Depreciation and amounts written down at end of the preceding period	114,119,765	92,555,282
Movements during the period		
Recorded	25,873,120	21,562,982
Sale, transfer and withdraw	8,422	1,500
Depreciation and amounts written down at the end of the period	139,984,462	114,119,765
Net book value at the end of the period	31,551,977	35,054,454

Statement of tangible fixed assets

(in €)	2019	2018
LAND AND BUILDINGS		
Acquisition value at the end of the preceding period	-	-
Movements during the period		
Acquisitions, included produced fixed assets	-	-
Acquisition value at the end of the period	-	-
Depreciation and amounts written down at end of the preceding period	-	-
Movements during the period		
Recorded	-	-
Depreciation and amounts written down at end of the period	-	-
Net book value at the end of the period		
INSTALLATIONS, MACHINERY & EQUIPMENT		
Acquisition value at the end of the preceding period	1,136,307	1,314,115
Movements during the period		
Acquisitions, included produced fixed assets	137,637	97,508
Sale, transfer and withdraw	179,819	275,316
Acquisition value at the end of the period	1,094,125	1,136,307
Depreciation and amounts written down at end of the preceding period	999,372	947,930
Movements during the period		
Recorded	91,443	65,920
Sale, transfer and withdraw	179,524	14,478
Depreciation and amounts written down at end of the period	911,291	999,372
Net book value at the end of the period	182,834	136,935
FURNITURE AND VEHICLES		
Acquisition value at the end of the preceding period	1,729,121	1,120,260
Movements during the period	150,632	
Acquisitions, included produced fixed assets	112,379	18,581
Sale, transfer and withdraw	492,706	590,279
Acquisition value at the end of the period	1,499,426	1,729,121
Depreciation and amounts written down at end of the preceding period	1,704,966	1,096,759
Movements during the period	150,632	
Recorded	26,246	155,398
Sale, transfer and withdraw	492,706	452,810
Depreciation and amounts written down at end of the period	1,389,138	1,704,966
Net book value at the end of the period	110,288	24,155
LEASING AND OTHER SIMILAR RIGHT		
Acquisition value at the end of the preceding period	1,559,052	1,723,730
Movements during the period	-150,632	
Acquisitions, included produced fixed assets	-	729,654
Sale, transfer and withdraw	-	894,332
Acquisition value at the end of the period Sale, transfer and withdraw	1,408,421	1,559,052
Depreciation and amounts written down at end of the preceding	411,771	809,818
Movements during the period Recorded	-150,632	
Recorded	489,406	348,872
Sale, transfer and withdraw	-	-746,919
Depreciation and amounts written down at end of the period	750,545	411,771
Net book value at the end of the period	657,876	1,147,282
Whereof:		
Land and buildings		
Installation, machinery & equipment	593,327	1,017,681
Furniture and vehicles	64,549	129,601
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	1,146,461	1,079,843
Movements during the period		
Acquisitions, included produced fixed assets	115,566	67,050
Sale, transfer and withdraw	9,733	432
Acquisition value at the end of the period	1,252,294	1,146,461
Depreciation and amounts written down at end of the preceding period	415,552	299,597

Movements during the period		
Recorded	130,674	117,298
Movements during the period	9,733	1,343
Depreciation and amounts written down at end of the period	536,493	415,552
Net book value at the end of the period	715,801	730,909
FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS		
Acquisition value at the end of the preceding period	-	3,316
Movements during the period		
Acquisitions, included produced fixed assets		
Transfers from one heading to another	-	(3,316)
Acquisition value at the end of the period	-	-
Depreciation and amounts written down at end of the preceding period		
Movements during the period		
Recorded		
Depreciation and amounts written down at end of the period Recorded		
Net book value at the end of the period	-	-

Other investments and deposits

(in €)	2019	2018
Other Investments and deposits		
Acquisition value at the end of the preceding period	206,256	267,059
Movements during the period		
Additions	48,316	166,809
Reimbursements (-)		(227,611)
Net book value at the end of the period	254,572	206,256

Investment and deposits

(in €)	2019	2018
Less than one year	0	8,558,952
More than one year		
Net book value at the end of the period	0	8,558,952

Statement of capital 2019

(in €)	Amounts	Amounts
Issued capital	48,512,615	0
Structure of the capital		
Different categories of shares		
Registered	xxxxxxxxxxxxxx	2,368,025
Dematerialized	xxxxxxxxxxxxxx	11,574,319
Unpaid capital		
Uncalled capital	xxxxxxxxxxxxxx	
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full		
Authorized unissued capital	13,567,364	

Statement of capital 2018

(in €)	Amounts	Number of shares
Issued capital	41,552,615	13,942,314
Structure of the capital		

Different categories of shares		
Registered	xxxxxxxxxxxxxx	72,314
Dematerialized	xxxxxxxxxxxxxx	13,870,000
Unpaid capital		
Uncalled capital	xxxxxxxxxxxxxx	
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full		
Authorized unissued capital	22,947,704	

Statement of amounts payable

(in €)	2019	2018
Analysis of amounts payable after more than one year		
Current portion of amounts initially payable after more than one year	827,153	945,705
Amounts payable expiring over one year and before 5 years	834,340	1,541,342
Amounts payable expiring over five year	510,000	625,000
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	652,032	1,135,738
Other debts (loans)	1,519,461	1,976,309
Other debt		
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	344,256	852,516
Remuneration and social security		
Other amounts payable related to remuneration and social security	2,156,722	1,603,243

Operating results

(in €)	2019	2018
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	5,962,869	2,281,025
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	97	85
Average number of employees calculated in full-time equivalents	92	84
Number of actual worked hours	154,564	138,455
Personnel costs		
Remuneration and direct social benefits	6,340,731	4,965,658
Employer's social security contributions	1,579,459	1,307,535
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	1,531,379	1,057,693
Pensions	303,949	269,280
Impairment of trade receivables		
On trade receivables		
Record		
Withdrawal	22,122	
Provisions for risks and charges		
Addition		
Use of and withdrawal		
Other operating charges		
Taxes related to operations	343,920	1,908

Other charges	30,287	1,041,324
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date	0	1
Average number calculated as full-time equivalents	1	0
Number of actual worked hours	1,040	908
Charges to the enterprise	57,849	32,987

Financial results

(in €)	2019	2018
Interest income	29,570	798,074
Other financial income	454,046	963,882
Interest charges	13,567	16,798
Foreign exchange difference	37,534	2,433,844
Other financial charges	119,608	223,072

Income and charge of exceptional size or incidence

(in €)	2019	2018
Non-recurring income		
Non-recurring financial income	182	2,232
Non-recurring operating charges	1,925	1,995
Non-recurring financial charges	-	

Income tax

(in €)	2019	2018
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	**213,997,484**	180,559,555

The total amount of value added tax and taxes borne by third parties

(in €)	2019	2018
The total amount of value added tax and taxes borne by third parties		
The total amount of value added tax charged		
To the enterprise (deductible)	**4,480,788**	4,608,725
By the enterprise	**2,675,397**	2,950,904
Amounts retained on behalf of third parties		
Payroll withholding taxes	**2,235,792**	1,692,894

Financial relationship with Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

(in €)	2019	2018
To non-executive directors	429,250	356,750

Financial relationship with auditors

(in €)	2019	2018
Auditor's fees	127.524	127.524
Auditor's special missions fees	169.220	203.950
Fees for special missions executed by related parties to the Auditor	-	-

5.36.4. Summary of valuation rules

Valuation rules are determined by the Board of Directors in accordance with the Royal Decree of 30 January 2001, executing Belgian Company Code and related to the annual accounts requirements for companies.

Formation expenses are booked as intangible fixed assets and amortized over 5 years. Intangible fixed assets acquired from a third party or acquired through a contribution in kind are recorded at the acquisition value. Intangible fixed assets not acquired from a third party are valued at their cost of production in such a way that they do not exceed a prudent estimation of their future economical use or their future return.

Intangible assets developed internally are capitalized when perspectives of future return are probable and clearly identified. Clinical development expenses are capitalized when authorization to start a phase III trial of the related program is obtained. Development expenses of a medical device are capitalized when the device is CE marked.

These intangible fixed assets are – in principle – amortized prorate temporis over 5 years starting the year of the first revenue generation associated with the related asset. Furniture and fixtures are depreciated over 3, 5 or 10 years depending on the economic life of the assets.

An impairment test is performed each year at year end on all tangible and intangible assets. Exceptional depreciation or amortization expenses may result from such impairment analysis.

Financial fixed assets are booked at acquisition value. A write-off is accounted for when the financial fixed asset is permanently impaired. There is no inventory.

Direct materials purchased are directly expensed taken into account their short lifetime. Amounts receivable are booked as asset at nominal value. Amounts receivable in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income. Amounts receivable are written-off when their realizable value is estimated to be lower than their carrying value.

Bank deposits are valued at their acquisition value. Cash and cash equivalent are valued at nominal value. When the nominal value includes interests, these latter are accounted for through the balance sheet caption "deferred charges and accrued income". A write-off is accounted for when their realizable value is estimated to be lower than their carrying value. Amount payables are booked at nominal value. Amount payables in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income.

Recoverable advances are recognized in operating income prorated on the associated R&D costs as soon as there is reasonable assurance that these advances are acquired. Recoverable cash advances contracted with the Walloon Region are subject to reimbursement plans that are both fixed (30% of the recoverable advance) and variable. When the decision to exploit the outcome of the research and development program partially financed by the Walloon Region is notified to the Region, the fixed part of the reimbursements is recognized in debts. The presentation of short-term and long-term debt is based on perspectives of revenue generation and reviewed on a yearly basis. The variable part of reimbursements, depending on turnover, will be paid in the year of income. An off-balance sheet commitment is presented in the appendix and corresponds to the Company's best estimate of the amount potentially reimbursable to the Region and not recognized in debts (including variable part).

The impact of the change in valuation rules regarding the recognition of income related to recoverable advances and other grants received from the Walloon Region (previously recognized in other income when received) is reflected in 2019 by the recognition of additional other income for € 1.2 million. In addition, an amount of € 1.1 million relating to expenses prior to the 2019 financial year was recognized and should have been booked in 2018 according to the new valuation rules applicable in 2019.

CELYAD CONTACT DETAILS

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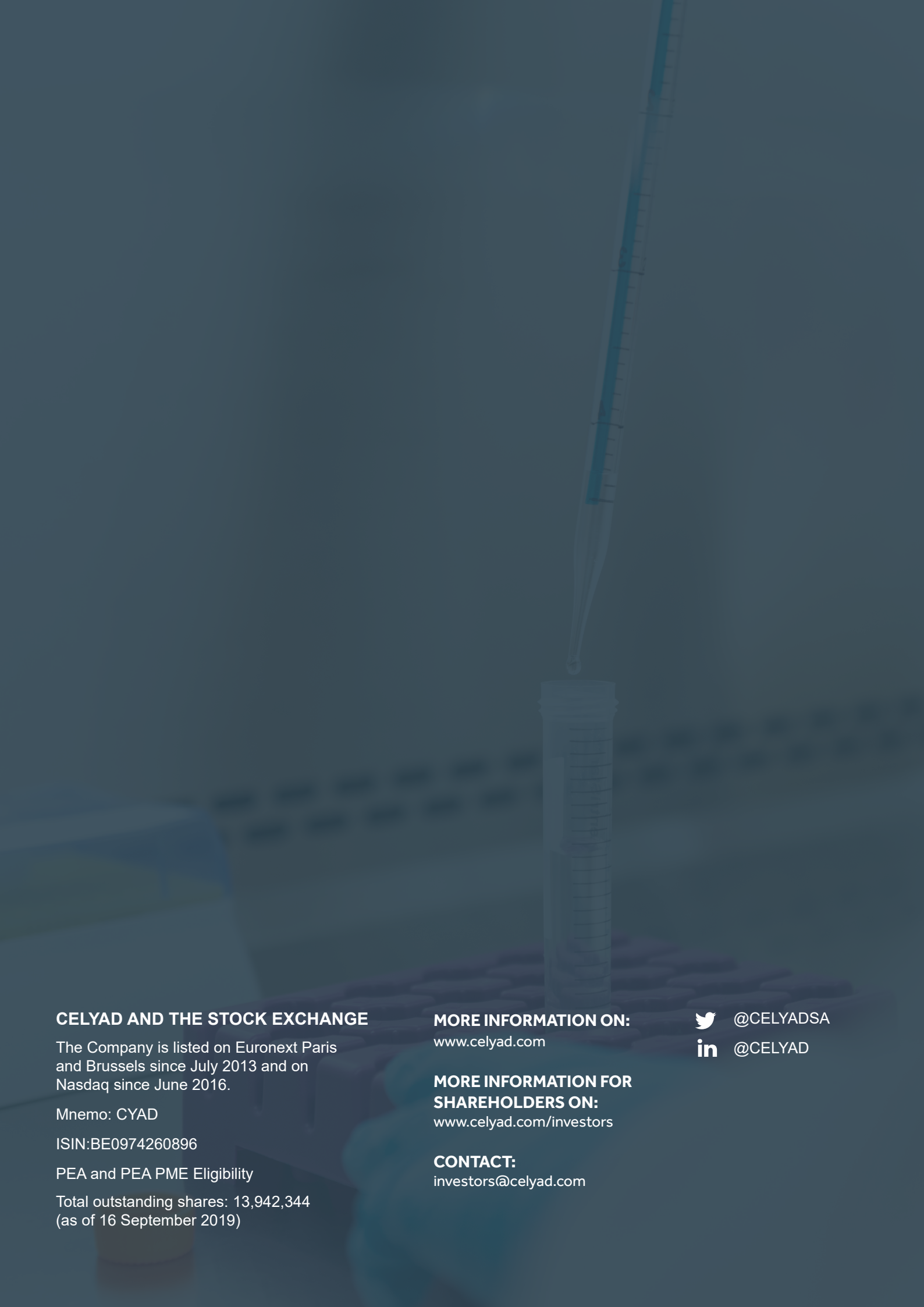

CELYAD AND THE STOCK EXCHANGE

The Company is listed on Euronext Paris and Brussels since July 2013 and on Nasdaq since June 2016.

Mnemo: CYAD

ISIN:BE0974260896

PEA and PEA PME Eligibility

Total outstanding shares: 13,942,344
(as of 16 September 2019)

MORE INFORMATION ON:
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MORE INFORMATION FOR SHAREHOLDERS ON:
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