A French limited liability company (*société anonyme*) with capital of €4,112,713.60

Registered office: Les Cardoulines, Allée de la Nertière, 06560 Valbonne – Sophia Antipolis

Grasse trade and companies register no. 435 361 209

HALF-YEAR FINANCIAL REPORT 2017

This English version is a free translation of the official annual financial report prepared in French.

All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions expressed therein, the original version of the half-year financial report in French takes precedence over this translation

In this half-year financial report (the "Half-Year Financial Report"), the terms "TxCell" or the "Company" mean TxCell, a French limited liability company (*société anonyme*) whose head office is located at Allée de la Nertière, Les Cardoulines, 06560 Valbonne - Sophia Antipolis, France, registered with the Grasse trade and companies register under number B 435 361 209.

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1. STATEMENT OF THE PERSON RESPONSIBLE

1.1 Person responsible for the financial information

Mr. Stéphane Boissel, Chief Executive Officer.

1.2 Statement of the person responsible

I hereby certify that, to the best of my knowledge, the financial statements for the past half-year were prepared in accordance with applicable accounting standards and give an accurate image of the assets, financial situation and results of the company TxCell and that the half-year activity report attached provides a faithful account of the significant events which occurred during the first six months of the fiscal period, of their impact on the financial statements, of the main transactions between related parties as well as a description of the main risks and uncertainties for the remaining six months of the fiscal period.

French original signed in Valbonne,
on September 21, 2017

Stéphane Boissel
Chief Executive Officer

2. Statutory auditors’ report on the 2017 half-year financial information

Audit Conseil Expertise, SAS
Member of PKF International

ERNST & YOUNG Audit

This is a free translation into English of the statutory auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English-speaking users. This report includes information relating to the specific verification of information given in the group’s half-yearly management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

TxCell

Period from January 1 to June 30, 2017

Statutory auditors' review report

on the half-yearly financial information

Audit Conseil Expertise, SAS
Member of PKF International
17, boulevard Augustin Cieussa
13007 Marseille – France

Statutory Auditor
Member of Compagnie
Régionale d'Aix-en-Provence - Bastia

ERNST & YOUNG Audit
1/2, place des Saisons
92400 Courbevoie - Paris-La Défense 1
A simplified joint-stock company with variable capital

Statutory Auditor
Member of Compagnie
Régionale de Versailles

TxCell

Period from January 1 to June 30, 2017

Statutory auditors' review report
on the half-yearly financial information

To the Shareholders,

In compliance with the assignment entrusted to us by your general meetings and in accordance with the requirements of article L. 451-1-2 III of the French monetary and financial code, we hereby report to you on:

- the review of the accompanying half-yearly financial statements of TxCell, for the period from January 1 to June 30, 2017,
- the verification of the information presented in the half-yearly management report.

These half-yearly financial statements are the responsibility of the board of directors. Our role is to express a conclusion on these financial statements based on our review.

1. Conclusions about the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying half-yearly financial statements are not prepared, in all material respects, in accordance with IAS 34 – standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2.2 "Going-concern principle" in the appendix to the half-yearly financial statements of June 30, 2017, regarding the elements underlying the application of the going-concern principle.

2. Specific verification

We have also verified the information presented in the half-yearly management report on the half yearly financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the half-yearly financial statements.

Marseille and Paris-La Défense, September 21, 2017

The Statutory Auditors
French original signed by

Audit Conseil Expertise *Member of PKF International*	ERNST & YOUNG Audit
Guy Castinel	Cédric Garcia

3. HALF-YEAR ACTIVITY REPORT

3.1 General presentation

TxCell (the "Company") is a biotechnology company that develops platforms for innovative, personalized T cell immunotherapies for the treatment of severe inflammatory and autoimmune diseases with high unmet medical need. TxCell is targeting transplant rejection as well as a range of autoimmune diseases (both T-cell and B-cell-mediated) including multiple sclerosis, lupus nephritis and bullous pemphigoid.

TxCell's cellular immunotherapies are based on regulatory T lymphocytes (Tregs). Tregs are a T cell population discovered in the nineties for which anti-inflammatory properties have been demonstrated. Contrary to conventional approaches based on non-specific polyclonal Tregs, TxCell is exclusively developing engineered antigen-specific Tregs, where the antigen specificity is brought by a Chimeric Antigen Receptor (CAR) (CAR-Treg cells).

3.2 Significant events occurring over the 1st half of 2017

On February 22, 2017, the Company announced the completion of its capital increase through the issue of 5,549,300 new shares with warrants attached, for a gross amount of €11.1 million, which may be supplemented by a gross amount of € 10.8 million in the event of the exercise by February 26, 2018 of all the warrants so issued. These proceeds will cover TxCell's cash requirements for 2017, which include the costs of the CAR-Treg research and manufacturing process development programs as well as TxCell's ongoing expenses and overheads. The additional proceeds from the potential exercise of all the warrants which were attached to new shares issued in February 2017 would enable TxCell to further finance its activities through to the IND approval to initiate a first-in-man study with a CAR-Treg candidate. This is expected by the end of 2018. As a reminder, these warrants have a maturity of one year and are traded on a separate Euronext line (FR0013231792). At any time up to February 26, 2018 (included), 4 warrants will entitle holders to subscribe for 3 TxCell's new shares at a subscription price of €2.60 per new share.

On May 2, 2017, the Company announced the signature of a strategic collaboration agreement with the Center for Research in Transplantation and Immunology (CRTI), a research unit affiliated to both Inserm and to the Nantes University. The collaboration covers the development of CD8+ CAR-Treg cells, a new subset of regulatory T cell, for which the Company was granted an exclusive worldwide license by the end of 2016, and will concentrate on the treatment of transplant rejection and autoimmune diseases, specifically focusing on multiple sclerosis.

On June 19, 207, the Company announced the appointement of Lentigen Technology, Inc. (LTI) as contract manufacturing organization (CMO) for the GMP production of its HLA-A2 CAR lentiviral vector. This vector will be used to manufacture TxCell's CAR-Tregs targeting transplant rejection. This CAR-Treg pogram is expected to enter clinical studies by the end of 2018, with a first-in-man study to be conducted in the setting of solid organ transplantation (lung and/or kidney).

3.3 Update on the strategy and prospects

HLA-A2 CAR-Treg program on track to start first-in-man study in transplanted patients

TxCell's most advanced CAR-Treg product-candidate, which targets the prevention of chronic rejection after organ transplantation, is on track to start a first-in-man study by the end of 2018. Start of clinical development will be subject to availability of appropriate funding.

In June 2017, TxCell achieved a critical step in the development of this product candidate by appointing Lentigen Technology, Inc. (LTI) as its contract manufacturing organization (CMO) for the GMP production of the product's lentiviral vector. Finalization of the CAR-Treg manufacturing process is ongoing and TxCell is in the process of selecting a second CMO for GMP production of the cellular therapy drug product *per se*. Such selection should be done before year end 2017.

Recently, TxCell and its academic partner, UBC, obtained a new preclinical proof-of-concept in a GvHD model with a humanized clinical candidate. This humanized candidate showed similar efficacy results to those previously published with the original murine construct. This is in addition to an improved safety profile. Detailed data will be presented by Prof. Megan Levings during the 18th Congress of the European Society for Organ Transplantation (ESOT) to be held in Barcelona, Spain on September 24-27, 2017. TxCell will provide more details on results the day of the oral presentation.

Promising results obtained with other CAR-Treg programs

Ongoing *in vitro* and *in vivo* studies conducted by TxCell are showing promising preliminary results in relevant models of autoimmune diseases, including multiple sclerosis, confirming TxCell's CAR-Treg platform strategy. In the next few months, TxCell will present new proof-of- concept data in clinically relevant mouse models with several candidates at appropriate scientific conferences and/or in peer-reviewed journals.

TxCell intends to focus on its 4 to 5 most promising preclinical programs. As a result, the Company may discontinue certain discovery programs and/or academic collaborations.

Update on ASTrIA

TxCell has fully completed the optimization of the ASTrIA manufacturing process. As expected, the reduction of production costs and of the overall manufacturing leadtime allowed by the new process identified by TxCell in 2016 can reach 50%. The new ASTrIA process is simple, robust and scalable. However, TxCell now intends to lower its investment on the ASTrIA platform and to focus on continuing promising developments on the ENTrIA platform. This includes utilizing know-how and intellectual property from the ASTrIA platform to work on new engineered Tregs. As a result, the ASTrIA and ENTrIA denominations will ultimately be replaced by a single platform of engineered Treg products.

3.4 Activity report

TxCell's 2017 half-year financial results are a result of the strategic shift finalized in September 2016 and concentrating the majority of its resources on the development of the CAR-Treg technology of the ENTrIA platform.

The results were characterized by a net loss of €5.3 million, down €1.8 million compared with the first half of 2016, and can be summarized as follows:

- A 30.8% decrease in research and development expenses, following the closure of TxCell's manufacturing site in Besançon and the final termination of Ovasave® Phase IIb clinical study, and therefore of activities subcontracted to Contract Research Organizations (CROs) and Contract Manufacturing Organizations (CMOs), and

- A 26.8% decrease in general expenses, mainly due to the presence in the first half of 2016 of non-recurring legal consultancy fees, especially for collaboration and license agreements signed during this period.

3.4.1 Income statement analysis

The income statement breaks down as follows:

Statement of net income (in thousands of euros)	06/30/2017	06/30/2016
Revenue	0	0
Other income	1,292	1,422
Revenue and other income	**1,292**	**1,422**
Research and development expenses	(3,890)	(5,624)
General and administrative expenses	(1,837)	(2,509)
Expenses related to share-based payments	(587)	(372)
Current operating profit / (loss)	**(5,022)**	**(7,083)**
Other operating expenses	0	(785)
Other operating income	0	792
Operating profit / (loss)	**(5,022)**	**(7,076)**
Income from cash and cash equivalents	0	3
Cost of gross financial debt	(44)	0
Cost of net financial debt	**(44)**	**3**
Other financial income	2	19
Other financial expenses	(222)	(29)
Net profit / (loss) before tax	**(5,286)**	**(7,084)**
Income taxes	0	0
Net profit / (loss)	**(5,286)**	**(7,084)**

3.4.1.1 Revenue and other income

As expected, the Company did not generate revenue during the first half of 2017.

Other income mainly comprises:

- grants in the amount of €159 thousand; and
- a research tax credit estimate for the first half of 2017 of €1,030 thousand, compared to €1,315 thousand for the first half of 2016.

3.4.1.2 Operating profit/(loss)

3.4.1.2.1 Research and development expenses

Research and development expenses were as follows:

R&D (in thousands of euros)	06/30/2017	06/30/2016
Purchase of raw materials	572	715
Scientific fees, studies and other expenses	1,551	2,858
Salaries and social security expenses	1,674	1,780
Depreciation, amortization and provisions	91	268
Retirement benefits	1	2
Total research and development expenses	**3,890**	**5,624**

In the first half of 2017, research and development costs were mainly attributable to:

- manufacturing process development programs for the improvement of the ASTrIA process and the development of an ENTrIA process; and

- ENTrIA CAR-Treg research programs, conducted in-house as part of research and development agreements for the generation of preclinical proof-of-concept data.

The 45.7% decline in Scientific fees, studies and other expenses was mainly due to the the final termination of Ovasave® Phase IIb clinical study in 2016 and therefore of the activities subcontracted to CROs and CMOs.

The 20.0% decline in Purchase of raw materials and the 65.9% decline in Amortization, depreciation and provisions are primarily due to the closure of TxCell's manufacturing site in Besançon in 2016.

The 5.9% decline in Salaries and social security expenses was achieved on the back of restructuring operations covering the clinical and production staff as part of the Company's change in strategy. However, this decline was partially offset by reinforcements to research staff, namely with the creation of two special teams dedicated to process development and cell engineering.

3.4.1.2.2 General and administrative expenses

General and administrative expenses are presented as follows:

G&A (in thousands of euros)	06/30/2017	06/30/2016
Rent, fees and other expenses	1,175	1,859
Salaries and social security expenses	647	655
Depreciation, amortization and provisions	15	(5)
Retirement benefits	0	0
Total general and administrative expenses	**1,837**	**2,509**

The 36.8% decrease in Rent, fees and other expenses was primarily attributable to non-recurring legal consultancy fees recognized in the first half of 2016, especially for collaboration and license agreements signed during this period.

3.4.1.2.3 Other operating income and expenses

Other operating income and expenses recognized in 2016 correspond to the cost of restructuring following the changes to the Company's manufacturing strategy in 2015 and clinical development strategy in 2016.

3.4.1.3 Financial and net income

The €2 thousand in income from cash and cash equivalents correspond to accrued interest and short-term gains on investment securities.

Other financial expenses correspond to:

- €26 thousand from the accretion of the financial flows for the zero-interest innovation loan (*Prêt à Taux Zéro Innovation*) (see Note 11.2 in Section 4.5 of the Half-Year Financial Report) and trade payables on fixed assets (see Note 14.2 in Section 4.5 of the Half-Year Financial Report); and
- €189 thousand from the fair value recognition through profit and loss of the bond issues (see Note 11.3 in Section 4.5 of the Half-Year Financial Report).

These financial expenses are due to IFRS adjustments and have no impact on the Company's cash position.

As of June 30, 2017, the net loss was €5,286 thousand, down €1,797 thousand compared to the loss recognized on June 30, 2016.

3.4.2 Balance sheet analysis

3.4.2.1 Assets

Assets (in thousands of euros)	06/30/2017	12/31/2016
Intangible assets	5,933	5,911
Property, plant and equipment	631	736
Other property, plant and equipment under lease purchase agreements	267	63
Financial assets	492	322
Total non-current assets	**7,324**	**7,031**
Trade receivables	7	4
Other current assets	2,590	2,277
Cash and cash equivalents	8,680	3,482
Total current assets	**11,276**	**5,763**
Total assets	**18,600**	**12,794**

Intangible assets mainly consist of Trizell's rights to Ovasave® repurchased on December 2, 2015.

Leases entered into by the Company only include laboratory equipment.

Other current assets include:

- a research tax credit provision for the first half of 2017 of €1,030 thousand. As of December 31, 2016, the 2016 Research Tax Credit (RTC) receivable, transferred to a mutual investment fund, was recognized in other receivables after deduction of the amounts already received under the pre-financing agreement, i.e. €879 thousand; and
- prepayments in the amount of €786 thousand corresponding to operating expenses, and particularly the spread over time of research and development agreements according to the progress of the projects.

Cash and cash equivalents include immediately available cash and short-term available-for-sale securities. The Company's improved cash position is primarily due to the capital increase carried out in February 2017 for a net amount of around €10 million.

3.4.2.2 Liabilities

Liabilities (in thousands of euros)	06/30/2017	12/31/2016
Share capital	4,049	2,775
Issue premiums	31,261	32,724
Reserves	(22,191)	(20,737)
Net profit / (loss) for the year	(5,286)	(13,570)
Total shareholders' equity	**7,833**	**1,192**
Financial debt - non current	1,897	3,650
Debts related to finance leases - non-current	212	51
Other non-current liabilities	0	9
Total non-current liabilities	**2,108**	**3,709**
Financial debt - current	2,711	1,575
Trade and other payables	1,112	893
Other current liabilities	4,766	5,358
Debts related to finance leases - current	56	12
Provisions - current	14	55
Total current liabilities	**8,659**	**7,893**
Total liabilities	**18,600**	**12,794**

Equity on June 30, 2017, including the loss for the period of €5.3 million, was €7.8 million compared to equity of €1.2 million as of December 31, 2016. This amount includes the capital increase completed in February 2017 through the issue of 5,549,300 new shares with share warrants (ABSAs) at a price of €2.00 each (share premium inclusive).

As of June 30, 2017, current and non-current financial debt (excluding leasing) totaled €4,607 thousand and included:

- the discounted amount of the zero-interest innovation loan received by the Company in December 2014 for €1,662 thousand;
- the convertible bonds (OCAs) not converted as of June 30, 2017 and measured at fair value for €2,373 thousand; and
- the pre-financing of the research tax credit for €573 thousand.

Current and non-current financial debt in connection with leasing totaled €268 thousand. Leases entered into by the Company only include laboratory equipment. These leases are entered into for a period of five years.

Other current liabilities mainly include the remaining €4 million due to Trizell for the Ovasave® rights the Company purchased from it. When the termination agreement was signed on December 2, 2015, €2 million of the original debt of €6 million had been repaid. The balance is due on December 2, 2017 for €2 million and on December 2, 2018 for €2 million.

3.4.3 Cash flows

In thousands of euros	06/30/2017	12/31/2016	06/30/2016
Net profit / (loss)	**(5,286)**	**(13,570)**	**(7,084)**
Eliminations of items with no impact on cash and cash equivalents			
Elimination of depreciation, amortization and provisions	107	(326)	(445)
Share-based payment	587	649	372
Financial expenses arising from bonds	189	732	
Other eliminations with no impact on cash and cash equivalents	7	36	19
OPERATING CASH FLOW	**(4,397)**	**(12,479)**	**(7,138)**
Change - non-current		**230**	**5**
Other eliminations of non-current items with no impact on cash and cash equivalents	9	244	9
Change in other non-current liabilities	(9)	(14)	(5)
Change - current	**(708)**	**1,815**	**1,040**
Change in trade receivables	(3)		
Change in other current assets	(313)	2,294	444
Change in trade payables	219	(714)	503
Change in other current liabilities (excluding fixed asset suppliers)	(611)	235	93
CHANGE IN WORKING CAPITAL REQUIREMENTS	**(708)**	**2,044**	**1,045**
Net cash from operating activities	**(5,105)**	**(10,435)**	**(6,093)**
Acquisition of intangible assets	(25)	(7)	(2)
Change in intangible assets supplier account	19	39	19
Other eliminations of intangible items with no impact on cash and cash equivalents	(19)	(39)	(19)
Acquisition of property, plant and equipment	(26)	(330)	(276)
Sale of property, plant and equipment	3	97	97
Change in property, plant and equipment supplier account		(4)	(4)
Acquisition of non-current financial assets	(275)	(225)	(52)
Sale of non-current financial assets		8	5
Finance leases payments	(6)		
Net cash from investing activities	**(329)**	**(460)**	**(233)**
Capital increases or contributions	10,058	270	316
Receipts from loans		4,900	
Research tax credit pre-financing	573		
Financial expenses on finance leases	()		
Net cash from financing activities	**10,631**	**5,170**	**316**
NET CASH FLOWS	**5,197**	**(5,725)**	**(6,009)**
OPENING CASH	**3,483**	**9,208**	**9,208**
CLOSING CASH	**8,680**	**3,482**	**3,198**

3.4.3.1 Cash flows from operating activities

The cash flows from operating activities were –€5,105 thousand as of June 30, 2017, consisting of:

- A – €5,286 thousand net loss in the first half of 2017 primarily due to:
  - costs in connection with the ENTrIA research program, and particularly for progress made on the research and development agreements entered into in 2016 and 2017; and
  - costs related to the development and industrialization program for the manufacturing process of ASTrIA platform products.
- + €890 thousand in non-cash items restated in net income, notably:
  - €107 thousand in depreciation, amortization, provisions and reversals;

  - the expense for share-based payments as per IFRS 2 of €587 thousand in the first half of 2017; and
  - the fair value recognition through profit and loss of €189 thousand in bond issues during the first half of 2017 (see Note 11.3 in Section 4.5 of the Half-Year Financial Report).

- The – €708 thousand change in WCR, resulting primarily from:
  - the decrease in social security payables, primarily due to provisions set aside to cover bonuses for the first half of 2017, compared with a full-year provision as of December 31, 2016; and
  - the decrease in deferred income, due to the recognition over time of grants.

Accordingly, the Company's cash burn rate was down by €1 million compared with the first half of 2016. This was mainly attributable to:

- a €2.7 million increase in the Company's operating cash flow compared with the first half of 2016, mainly owing to the termination of the CATS29 clinical trial; and
- a €1.8 million increase in working capital requirement in the first half of 2017, primarily due to the pre-financing of the Company's research tax credit set up in the second half of 2016, whose payment will now be spread over the year.

3.4.3.2 Cash flows from investing activities

The cash flows related to investing activities were –€329 thousand as of June 30, 2017 (compared to –€233 thousand as of June 30, 2016). These primarily include the payment of guarantee deductions in connection with the pre-financing of the Company's 2016 and 2017 Research Tax Credits (see Note 5 in Section 4.5 of the Half-Year Financial Report) and an additional €100 thousand under the liquidity contract. The reduction in cash flows used in property, plant and equipment is the result of an increased use of finance leases.

3.4.3.3 Cash flows from financing activities

As of June 30, 2017 cash flows from financing activities were €10,631 thousand and mainly included:

- the capital increase completed in February 2017 through the issue of 5,549,300 new shares with warrants (ABSAs), less transaction expenses; and
- €573 thousand for the partial pre-financing of the 2017 research tax credit.

Excluding the capital increase, cash burn was €4.9 million in the first half of 2017.

It should be noted that the Company, as part of the growth plan, estimated its cash burn from operations at around €13 million for 2017.

4. HALF-YEAR FINANCIAL INFORMATION

4.1 Statement of financial position

4.1.1 Assets

Assets (in thousands of euros)	Note	06/30/2017	12/31/2016
Intangible assets	3	5,933	5,911
Property, plant and equipment	4	631	736
Other property, plant and equipment under lease purchase agreements	4	267	63
Financial assets	5	492	322
Total non-current assets		**7,324**	**7,031**
Trade receivables	6	7	4
Other current assets	7	2,590	2,277
Cash and cash equivalents	9	8,680	3,482
Total current assets		**11,276**	**5,763**
Total assets		**18,600**	**12,794**

4.1.2 Liabilities

Liabilities (in thousands of euros)	Note	06/30/2017	12/31/2016
Share capital	10	4,049	2,775
Issue premiums		31,261	32,724
Reserves		(22,191)	(20,737)
Net profit / (loss) for the year		(5,286)	(13,570)
Total shareholders' equity		**7,833**	**1,192**
Financial debt - non current	11	1,897	3,650
Debts related to finance leases - non-current	11	212	51
Other non-current liabilities	12	0	9
Total non-current liabilities		**2,108**	**3,709**
Financial debt - current	11	2,711	1,575
Trade and other payables	14	1,112	893
Other current liabilities	14	4,766	5,358
Debts related to finance leases - current	11	56	12
Provisions - current	13	14	55
Total current liabilities		**8,659**	**7,893**
Total liabilities		**18,600**	**12,794**

4.2 Statement of net income and comprehensive income

Statement of net income (in thousands of euros)	Note	06/30/2017	06/30/2016
Revenue	15	0	0
Other income	15	1,292	1,422
Revenue and other income		**1,292**	**1,422**
Research and development expenses	17	(3,890)	(5,624)
General and administrative expenses	17	(1,837)	(2,509)
Expenses related to share-based payments	18	(587)	(372)
Current operating profit / (loss)		**(5,022)**	**(7,083)**
Other operating expenses	19	0	(785)
Other operating income	19	0	792
Operating profit / (loss)		**(5,022)**	**(7,076)**
Income from cash and cash equivalents	20	0	3
Cost of gross financial debt	20	(44)	0
Cost of net financial debt		**(44)**	**3**
Other financial income	20	2	19
Other financial expenses	20	(222)	(29)
Net profit / (loss) before tax		**(5,286)**	**(7,084)**
Income taxes	21	0	0
Net profit / (loss)		**(5,286)**	**(7,084)**
Basic earnings per share (in €)	24	(0.30)	(0.55)

Items of other comprehensive income:

Net profit / (loss) (in thousands of euros)	Note	(5,286)	(7,084)
Non-recyclable elements in income statement:			
Revaluations of net liabilities arising from defined benefit schemes	12	1	(13)
Items of other comprehensive income		**1**	**(13)**
Comprehensive income		**(5,286)**	**(7,097)**

4.3 Statement of changes in equity

In thousands of euros	NUMBER OF SHARES	CAPITAL	SHARE PREMIUMS	RESERVES AND RETAINED EARNINGS	OTHER ITEMS OF COMPREHENSIVE INCOME	INCOME	TOTAL
12/31/2015	**12,887,326**	**2,577**	**29,885**	**(9,581)**	**5**	**(11,297)**	**11,589**
Allocation of net profit / (loss) for the previous period				(11,297)		11,297	0
Subscription of BSA PACEO warrants			0				0
H1 2016 - Exercise of BSA 04-11 warrants	115,251	23	294				317
Subscription of BSA 05-16 warrants			8				8
Subscription of BSA 09-16 warrants			38				38
Capital increase by conversion of debt	77,689	16	209				225
Conversion of convertible bonds	792,986	159	1,541				1,700
Allocation of unamortized redemption premiums on the date of conversion			(26)				(26)
Allocation of capital increase costs			(93)				(93)
Expenses arising from share-based payments			649				649
Liquidity Contract - Treasury shares			(49)				(49)
Actuarial gains and losses					17		17
Fair value of convertible bonds			387				387
Reserves for allocation of free shares			(120)	120			0
Net profit / (loss) for the period						(13,570)	(13,570)
12/31/2016	**13,873,252**	**2,775**	**32,724**	**(20,759)**	**22**	**(13,570)**	**1,192**
Allocation of net profit / (loss) for the previous period			(12,140)	(1,431)		13,570	0
H1 2017 - Exercise of listed warrants	2,766	1	7				7
Subscription of BSA 03-17 warrants			5				5
Vesting of free shares	120,372	24	0				24
Capital increase through the issue of new shares with warrants attacl	5,549,300	1,110	9,989				11,099
Conversion of convertible bonds	700,324	140	1,060				1,200
Allocation of unamortized redemption premiums on the date of conversion			(7)				(7)
Allocation of capital increase costs			(1,052)				(1,052)
Expenses arising from share-based payments			587				587
Liquidity Contract - Treasury shares			(105)				(105)
Actuarial gains and losses					1		1
Fair value of convertible bonds			194				194
Reserves for allocation of free shares				(24)			(24)
Net profit / (loss) for the period						(5,286)	(5,286)
06/30/2017	**20,246,014**	**4,049**	**31,261**	**(22,214)**	**23**	**(5,286)**	**7,833**

4.4 Statement of cash flows

In thousands of euros	06/30/2017	06/30/2016
Net profit / (loss)	**(5,286)**	**(7,084)**
Eliminations of items with no impact on cash and cash equivalents		
Elimination of depreciation, amortization and provisions	107	(445)
Share-based payment	587	372
Financial expenses arising from bonds	189	
Other eliminations with no impact on cash and cash equivalents	7	19
OPERATING CASH FLOW	**(4,397)**	**(7,138)**
Change - non-current		**5**
Other eliminations of non-current items with no impact on cash and cash equivalents	9	9
Change in other non-current liabilities	(9)	(5)
Change - current	**(708)**	**1,040**
Change in trade receivables	(3)	
Change in other current assets	(313)	444
Change in trade payables	219	503
Change in other current liabilities (excluding fixed asset suppliers)	(611)	93
CHANGE IN WORKING CAPITAL REQUIREMENTS	**(708)**	**1,045**
Net cash from operating activities	**(5,105)**	**(6,093)**
Acquisition of intangible assets	(25)	(2)
Change in intangible assets supplier account	19	19
Other eliminations of intangible items with no impact on cash and cash equivalents	(19)	(19)
Acquisition of property, plant and equipment	(26)	(276)
Sale of property, plant and equipment	3	97
Change in property, plant and equipment supplier account		(4)
Acquisition of non-current financial assets	(275)	(52)
Sale of non-current financial assets		5
Finance leases payments	(6)	
Net cash from investing activities	**(329)**	**(233)**
Capital increases or contributions	10,058	316
Research tax credit pre-financing	573	
Financial expenses on finance leases	()	
Net cash from financing activities	**10,631**	**316**
NET CASH FLOWS	**5,197**	**(6,009)**
OPENING CASH	**3,483**	**9,208**
CLOSING CASH	**8,680**	**3,198**

4.5 Notes to the financial statements

Note 1 : The Company

TxCell (the “Company”) is a biotechnology company that develops platforms for innovative, personalized T cell immunotherapies for the treatment of severe inflammatory and autoimmune diseases with high unmet medical need. TxCell is targeting a range of autoimmune diseases (both T-cell and B-cell-mediated) including multiple sclerosis, lupus nephritis and bullous pemphigoid, as well as transplant rejection.

Highlights of the period

On February 22, 2017, the Company announced the completion of its capital increase through the issue of 5,549,300 new shares with warrants attached, for a gross amount of €11.1 million, which may be supplemented by a gross amount of € 10.8 million in the event of the exercise by February 26, 2018 of all the warrants so issued. These proceeds will cover TxCell’s cash requirements for 2017, which include the costs of the CAR-Treg research and manufacturing process development programs as well as TxCell’s ongoing expenses and overheads. The additional proceeds from the potential exercise of all the warrants which were attached to new shares issued in February 2017 would enable TxCell to further finance its activities through to the IND approval to initiate a first-in-man study with a CAR-Treg candidate. This is expected by the end of 2018. As a reminder, these warrants have a maturity of one year and are traded on a separate Euronext line (FR0013231792). At any time up to February 26, 2018 (included), 4 warrants will entitle holders to subscribe for 3 TxCell’s new shares at a subscription price of €2.60 per new share.

On May 2, 2017, the Company announced the signature of a strategic collaboration agreement with the Center for Research in Transplantation and Immunology (CRTI), a research unit affiliated to both Inserm and to the Nantes University. The collaboration covers the development of CD8+ CAR-Treg cells, a new subset of regulatory T cell, for which the Company was granted an exclusive worldwide license by the end of 2016, and will concentrate on the treatment of transplant rejection and autoimmune diseases, specifically focusing on multiple sclerosis.

On June 19, 207, the Company announced the appointement of Lentigen Technology, Inc. (LTI) as contract manufacturing organization (CMO) for the GMP production of its HLA-A2 CAR lentiviral vector. This vector will be used to manufacture TxCell’s CAR-Tregs targeting transplant rejection. This CAR-Treg pogram is expected to enter clinical studies by the end of 2018, with a first-in-man study to be conducted in the setting of solid organ transplantation (lung and/or kidney).

Note 2 : Accounting principles and methods

The financial statements are presented in thousands of euros.

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

Note 2.1 : Basis of preparation of the financial statements

The accounting principles used to prepare the 2017 half-year financial statements comply with the IFRS standards and interpretations as adopted by the European Union. They are available on the European Commission's website (http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm).

The accounting principles used are identical to those used to prepare the financial statements for the financial year ended December 31, 2016, with the exception of the application of the following new standards, amendments to standards and interpretations below and compulsory for fiscal periods after January 1, 2017, subject to their adoption by the European Union:

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

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

Furthermore, the Company decided not to proceed with the early application of new standards, amendments, revisions and interpretations if their application was compulsory after June 30, 2017, irrespective of whether they have been adopted by the European Union. Management is currently assessing the impacts of the first application of these new texts and does not expect there to be any major impact on its financial statements.

Principle of preparation of the financial statements

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

Use of judgments and estimates

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

- valuation of stock option subscription plans, warrants, free shares and bonds convertible into shares (see notes 2.9 and 10.3);
- recognition of deferred taxes on loss carryforwards (see Notes 2.15 and 21);
- valuation of provisions for risks and charges (see Notes 2.11.1 and 13);
- Valuation of rights locked in under the license acquired (see Note 3).

Note 2.2 : Going-concern principle

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

- The Company’s historical loss-making position is the result of the innovative nature of its products, which require several years of research and development.
- As of June 30, 2017, the Company had €8.7 million in cash, after factoring in the €0.6 million received in partial pre-financing of the 2017 Research Tax Credit. Furthermore, additional

income of €10.8 million resulting from the potential exercise before February 26, 2018, of all the warrants issued as part of the capital increase of February 2017, should cover the Company's working capital requirement over the next 12 months. In the event these warrants are not exercised, to pursue its growth plan, the Company will consider finding other funding sources, particularly through additional capital increases or by signing strategic partnership agreements. Otherwise it could defer the expenses of certain programs.

Note 2.3 : Intangible assets

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

Note 2.3.1 : Research and development expenses

Research costs are systematically recognized as an expense.
In accordance with IAS 38, development costs are recognized in intangible assets only if the Company can demonstrate all of the following:

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

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

Note 2.3.2 : Patents

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

Note 2.3.3 : Software

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

Software is amortized on a straight-line basis over its estimated useful life. The following useful lives are applicable:

Nature of intangible asset	Duration
Software	3 years

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

Note 2.3.4 : Other intangible assets

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

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

Note 2.4 : Property, plant and equipment

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

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives.

The following useful lives are applicable:

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

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

Note 2.4.1 : Leasing

Leased property is capitalized at the purchase value as at the date of the lease. Each rent is broken down between the payable and the financial cost so as to determine a constant interest rate on the capital remaining due. The corresponding rental obligations, net of financial expenses, are reported as leasing liabilities. The part of the financial expense corresponding to the interest is reported under expense over the duration of the lease. Property, plant and equipment acquired under a finance lease is amortized over the duration of use. Royalties due in more than one year's time are reported as Debts related to finance leases - non-current; those due in under one year are reported as Debts related to finance leases - current.

Note 2.5 : Financial assets

Financial assets include security deposits, a construction loan, other capitalized receivables and liquidities held under a liquidities contract.

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

Loans and receivables:

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

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

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

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

Note 2.6 : Recoverable value of non-current assets

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

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

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

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

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

Note 2.7 : Cash, cash equivalents and other financial assets

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

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

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

Note 2.8 : Capital

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

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

Note 2.9 : Share-based payments

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

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

The fair value of share warrants granted to employees is determined using Monte-Carlo or Black & Scholes simulation techniques, as described in Note 18.

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

Note 2.10 : Measurement and recognition of financial liabilities

Note 2.10.1 :Financial liabilities at amortized cost

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

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

Note 2.10.2 :Liabilities at fair value through the income statement

Liabilities at fair value through profit and loss are measured at fair value.

Note 2.10.3 :Fair value

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

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

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

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

Note 2.11 : Provisions

Note 2.11.1 :Provisions for risks and charges

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

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

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

Note 2.11.2 :Retirement benefits

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

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

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

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

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

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

More details on retirement obligations can be found in Note 13.

Note 2.12 : Revenue and other income

Note 2.12.1 :Revenues

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

The non-reimbursable amounts billable on the signature of contracts are spread over the estimated duration of the Company’s involvement in the future development of the contract purpose.

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

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

Note 2.12.2 :Other income

Other income is recognized in accordance with IAS 20:

Grants:

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

Grants are recognized where there is a reasonable assurance that:

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

Grants are recognized under other income (see Note 15) as the associated expenses are committed and independently of the receipts, in line with the principle of linking expenses to income.

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

Research tax credit:

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

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

Note 2.13 : Research and development contracts

Note 2.13.1 :Service provider contracts

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

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

Note 2.13.2 :Research and development agreements

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

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

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

Note 2.14 : Lease agreements

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

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

Note 2.15 : Income tax

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

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

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

Note 2.16 : Segment information

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

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

Note 2.17 : Items of other comprehensive income

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

Note 3 : Intangible assets

Changes to intangible assets break down as follows:

In thousands of euros	01/01/2017	Increases	Decreases	06/30/2017
Acquisition cost				
Software	15	0	0	15
Intangible assets in progress	5,902	25	0	5,927
Gross intangible assets	**5,917**	**25**	**0**	**5,942**
Amortization				
Software	7	2	0	9
Intangible assets in progress	0	0	0	0
Amortization of intangible assets	**7**	**2**	**0**	**9**
Net total intangible assets	**5,911**	**23**	**0**	**5,933**

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

The annual impairment test was performed on this asset on December 31, 2016, and found no impairment loss.

In the first half of 2017, the Company signed an exclusive worldwide license agreement with the Transplantation and Immunology Research Center (CRTI), a research unit part of the French National Institute of Health and Medical Research (INSERM), for two patent families covering a new type of regulatory T cell (Treg) carrying the CD8 marker. The acquisition costs, i.e. €25 thousand, for these rights, the amount and maturity of which can be fixed definitely, were recognized as an asset. This intangible asset is recognized as in progress insofar as it has not satisfied the conditions for being put into service as at the date of this document.

Note 4 : Property, plant and equipment

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

In thousands of euros	01/01/2017	Increases	Decreases	06/30/2017
Acquisition cost				
Fixtures and fittings	844	11	(12)	843
Laboratory equipment	2,114	10	(8)	2,116
Office and IT equipment	306	4	(71)	240
Gross property, plant and equipment	**3,263**	**26**	**(91)**	**3,198**
Amortization				
Fixtures and fittings	709	20	(12)	717
Laboratory equipment	1,572	94	(5)	1,660
Office and IT equipment	247	14	(71)	190
Amortization of property, plant and equipment	**2,528**	**128**	**(88)**	**2,567**
Net total plant, property and equipment	**736**	**(102)**	**(3)**	**631**
Other property, plant and equipment under lease purchase agreements	63	221	0	284
Amortization of other property, plant and equipment under lease purchase agreements	()	(17)	0	(17)
Net total other property, plant and equipment under lease purchase agreements	**63**	**204**	**0**	**267**

The main investments in the first half of 2017 were purchases of laboratory equipment for the improvement and automation of the ASTrIA platform manufacturing process and the development of a manufacturing process for the ENTrIA platform.

Leases entered into by the Company only include laboratory equipment. These leases are entered into for a period of five years. Recognition of these leases is outlined in Note 2.4.1.

Note 5 : Financial assets

In thousands of euros	01/01/2017	Increases	Decreases	06/30/2017
Loans	5	0	0	5
Deposits and guarantees	89	0	0	90
Other long-term receivables	172	175	0	347
Liquidity contract	55	100	(105)	50
Total non-current financial assets	**322**	**275**	**(105)**	**492**

Non-current financial assets include the following items:

- A €5 thousand tax free construction loan in 2011;
- Security deposits in the amount of €90 thousand, primarily for commercial leases;
- Other long-term receivables for €347 thousand corresponding to the guarantee deductions relating to pre-financing of the Company’s 2016 and 2017 Research Tax Credit (see Note 7). The guarantee deductions are made up of the following:
    - an individual portion to cover the individual risk specific to the sum owed to the Company, returnable after the occurrence of one of these events, whichever happens first: (i) after repayment of the research tax credit by the French government (ii) after the tax inspection on said credit, after any adjustments are allocated, or (iii) at the end of the taxation limitation period for the credit concerned (December 31 of the third year following the date the CIR declaration is filed); and
    - a collective portion to cover the collective risk of the receivables recorded in the portfolio of the pre-financing fund, returnable upon closure of the pre-financing fund, after any allocation shared between the sellers from any adjustments in excess of the individual deductions from the companies subject to adjustment.
- The cash balance of the liquidity contract in place with Kepler Cheuvreux since August 2016, for €50 thousand. It should be noted that in the first half of 2017, the Company contributed an

additional €100 thousand to the liquidity contract. Under this liquidity contract, 80,787 treasury shares were recognized as a reduction in shareholders' equity as of June 30, 2016, compared to 27,943 shares as of December 31, 2016.

Note 6 : Trade receivables and related accounts

Trade receivables are as follows:

In thousands of euros	06/30/2017	12/31/2016
Trade receivables	7	4
Total Trade receivables	**7**	**4**

Note 7 : Other current assets

Other current assets break down as follows:

In thousands of euros	06/30/2017	12/31/2016
Receivables from suppliers, advances and downpaymen	1	3
Staff costs and related accounts	1	0
Grants receivable	94	94
Competitiveness and employment tax credit	24	47
Research tax credit	1,030	0
VAT	273	157
Other receivables	380	1,215
Prepaid expenses	786	761
Total other current assets	**2,590**	**2,277**

The €1,030 thousand in research tax credit corresponds to the provision of the research tax credit for the first half of 2017. As of June 30, 2017, the Company obtained a partial pre-financing for the future 2017 research tax credit (see Note 11.4).

In the course of 2016, the Company sold its 2016 and 2017 research tax (CIR) credits to Predirec Innovation 2020, a mutual securitization fund. In exchange, the Company benefits, subject to it meeting prior contractual conditions, from pre-financing lines for its 2016 and 2017 CIR. As of December 31, 2016, the Company had received €1.6 million in partial pre-financing of its 2016 CIR, following allocation of legal costs, financial costs and guarantee deductions. Accordingly, the transferred 2016 CIR was recognized in other receivables after deduction of the amounts already received under the pre-financing agreement; i.e. €0.9 million. In the first half of 2017, the Company obtained additional pre-financing for its 2016 CIR and thereby received another €0.8 million, following allocation of legal costs, financial costs and guarantee deductions.

Grants receivable correspond to the proportional measurement of grants for collaborative research projects as they are received.

Prepayments, primarily for operating expenses, including €422 thousand corresponding to the spread over time of research and development agreements according to the progress of the projects.

Note 8 : Financial instruments recorded on the statement of financial position and net profit/(loss) impact

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

As of 06/30/2017 (in thousands of euros)	Note	Carrying amount	Fair value by result (1)	Loans and receivables	Liabilities at amortized cost
Financial assets	5	492		492	
Trade receivables	6	7		7	
Other current assets	7	2,590		2,590	
Cash and cash equivalents	9	8,680	8,680		
Total financial instrument assets		**11,768**	**8,680**	**3,088**	**0**
Financial debt - non current	11	1,897	0		1,897
Financial debt - current	11	2,711	2,373		338
Trade and other payables	14	1,112			1,112
Other current liabilities	14	4,766			4,766
Total financial instrument liabilities		**10,485**	**2,373**	**0**	**8,112**

(1) The fair value level of the instruments is presented in Note 8.

At December 31, 2016, the accounting standards applicable to financial instruments were applied as follows:

As of 12/31/2016 (in thousands of euros)	Note	Carrying amount	Fair value by result	Loans and receivables	Liabilities at amortized cost
Financial assets	5	322		322	
Trade receivables	6	4		4	
Other current assets	7	2,277		2,277	
Cash and cash equivalents	9	3,482	3,482		
Total financial instrument assets		**6,085**	**3,482**	**2,602**	**0**
Financial debt - non current	11	3,650	2,164		1,486
Financial debt - current	11	1,575	1,406		169
Trade and other payables	14	893			893
Other current liabilities	14	5,358			5,358
Total financial instrument liabilities		**11,475**	**3,570**	**0**	**7,905**

Note 8.1 : Measurement of fair value

Note 8.1.1 : Levels of fair value

As of 06/30/2017 (in thousands of euros)	Fair value by result			Total
	Level 1 (1)	Level 2 (2)	Level 3 (3)	
Cash and cash equivalents	8,680	0	0	8,680
Total financial instrument assets at fair value	**8,680**	**0**	**0**	**8,680**
Financial debt - non current	0	0	0	0
Financial debt - current	0	2,373	0	2,373
Total financial instrument liabilities at fair value	**0**	**2,373**	**0**	**2,373**

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

Note 8.1.2 :Transfers between levels of fair value

No assets were transferred to a different level of fair value in the first half of 2017.

Note 9 : Cash and cash equivalents

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

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

Cash and cash equivalents break down as follows:

In thousands of euros	06/30/2017	12/31/2016
Cash	361	474
Cash equivalents	8,319	3,008
Total cash and cash equivalents	**8,680**	**3,482**

Note 10 : Capital

Note 10.1 : Issued capital

As at June 30, 2017, the share capital was €4,4049,202.80. It is divided into 20,246,014 shares, subscribed and fully paid up, with a par value of €0.20.

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

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

Changes over the period (in thousands of euros)	Number of shares	Capital (in thousands of euros)	Par value (in euros)	Issue premium per share (in euros)
12/31/2016	**13,873,252**	**2,775**		
02/24/2017 - Capital increase through the issue of new shares with warrants attached	5,549,300	1,110	0.20	1.80
03/31/2017 - Exercise of listed warrants	1,956	0	0.20	2.40
04/30/2017 - Exercise of listed warrants	66	0	0.20	2.40
05/02/2017 - Vesting of free shares	120,372	24	0.20	0.00
05/23/2017 - Conversion of convertible bonds	299,401	60	0.20	1.47
05/31/2017 - Conversion of convertible bonds	299,401	60	0.20	1.47
05/31/2017 - Exercise of listed warrants	15	0	0.20	2.40
06/14/2017 - Conversion of convertible bonds	101,522	20	0.20	1.77
06/30/2017 - Exercise of listed warrants	729	0	0.20	2.40
06/30/2017	**20,246,014**	**4,049**		

At its meeting of January 20, 2017, the board of directors decided to increase the share capital by a nominal amount of €1,109,860.00, by issuing 5,549,300 new shares with warrants (ABSAs) at a par value of €2.00 including the share premium, through a capital increase with preferential subscription rights for the gross sum of €11,098,600, including share premium, i.e. a capital increase of €1,109,860.00 in nominal value. This capital increase was noted by decision of the Chief Executive Officer, Mr. Stéphane Boissel, on February 24, 2017, the day of settlement and delivery of the new shares.

At its meeting of May 17, 2017, the board of directors noted that 114,206 shares of the free shares granted to Company employees vested on May 2, 2016. Accordingly, at that same meeting, the board of directors allocated 120,372 new shares on May 2, 2017. This figure factors in the arithmetic correction set by the board at its meeting of February 21, 2017 to take account of the capital increase with preferential subscription rights carried out in February 2017, i.e. a capital increase of €24,074.40 in nominal value.

In the first half of 2017, 3,688 share warrants (BSAs) issued under the capital increase with preferential subscription rights of February 2017 were exercised and resulted in the issue of a total number of 2,766 shares with a par value of €0.20 each, i.e. a capital increase of €553.20 in nominal value.

In the first half of 2017, under a standby equity facility (see Note 10.3.4.2), the Company recorded capital increases as a result of the conversion of 12 OCAs, which resulted in the issue of 700,324 ordinary shares each with a par value of €0.20, i.e. a capital increase of €140,064.80 in nominal value.

Note 10.2 : Treasury shares

Pursuant to the liquidity contract with Kepler Cheuvreux in place since August 2016, the Company held 80,787 treasury shares as of June 30, 2017, compared with 27,943 treasury shares as of December 31, 2016. These treasury shares were recognized as a reduction in shareholders' equity in the financial statements established pursuant to IFRS standards, for a total amount of €250 thousand on June 30, 2017, compared to €145 thousand on December 31, 2016.

Note 10.3 : Securities giving access to the share capital

As of June 30, 2017, the securities giving access to the Company's capital broke down as follows:

Note 10.3.1 :Stock option subscription plans

Description of the plan	2014 T1 Options	2014 T2 Options	SB 2015 Options	2015 Options	TOTAL
Date of meeting	03/07/2014	03/07/2014	03/07/2014	03/07/2014	-
Date of the board of directors' decision	03/07/2014	03/07/2014	04/27/2015	04/27/2015	-
Total number of stock options authorized	2,400,000	2,400,000	2,400,000	2,400,000	-
Total number of stock options attributed	203,211	720,000	300,000	137,968	**1,361,179**
including number of stock options for corporate officers	*0*	*455,000*	*300,000*	*10,000*	***765,000***
Corporate officers in exercice concerned:					
Stéphane Boissel (3)	-	-	300,000	-	**300,000**
Number of non-corporate-officer beneficiaries	20	30	0	64	
Option exercise start date	(1)	(2)	(3)	(2)	-
Option expiry date	03/07/2024	03/07/2024	04/27/2025	04/27/2025	-
Subscription price	5.58 €	5.58 €	5.56 €	5.56 €	-
Exercise methods (4)	(1)	(2)	(3)	(2)	-
Total number of options subscribed	203,211	716,400	300,000	137,968	**1,357,579**
Stock options outstanding at December 31, 2016	**153,043**	**341,001 (6)**	**300,000**	**64,154**	**858,198**
Number of canceled or voided stock options during the period	5,500	73,467	-	29,156	**108,123**
Number of shares subscribed during the period	-	-	-	-	-
Stock options outstanding at June 30, 2017	**147,543**	**267,534**	**300,000**	**34,998**	**750,075**
Total number of shares that can be subscribed by exercising the stock options outstanding at June 30, 2017 (5)	155,511	281,981	316,200	36,888	**790,580**

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

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

(3) Mr. Stéphane Boissel was appointed Chief Executive Officer of the Company by the board of directors on April 27, 2015. The SB 2015 Options can be exercised by a third at the end of each year from their allocation by the board of directors. They are subject to performance conditions, the fulfillment of which will be established by the board of directors, provided that Stéphane Boissel remains a corporate officer of the Company or one of its affiliates. Should he leave the Company, Stéphane Boissel has, from the time he ceases to be an eligible beneficiary, six months to exercise the SB 2015 Options that would be exercisable at the date of leaving, after which the Options are void.

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

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

Note 10.3.2 :Warrant (BSA) plans

As of June 30, 2017, the warrants plans allocated to the Company's employees and corporate officers and members of its Scientific Advisory Board (SAB) break down as follows:

Description of the plan	BSA 03-14	BSA 05-14	BSA 03-15	BSA 05-16	BSA 09-16	BSA 03-17	TOTAL
Date of meeting	03/07/2014	03/07/2014	03/07/2014	04/21/2016	04/21/2016	04/21/2016	-
Date of the board of directors' decision	03/07/2014	05/22/2014	03/30/2015	05/02/2016	09/21/2016	03/08/2017	-
Number of warrants authorized	2,400,000	2,400,000	2,400,000	500,000	500,000	500,000	-
Number of warrants issued	260,000	20,000	70,000	40,000	210,000	50,000	**650,000**
Number of warrants subscribed	260,000	20,000	70,000	30,000	210,000	50,000	**640,000**
including those which can be subscribed by corporate officers	*260,000*	*20,000*	*70,000*	-	*200,000*	*40,000*	**590,000**
Corporate officers in exercice concerned:							
François Meyer	260,000	-	50,000	-	200,000	-	**510,000**
Marie-Yvonne Landel Meunier	-	20,000	-	-	-	20,000	**40,000**
David Horn Solomon	-	-	20,000	-	-	20,000	**40,000**
Number of non-corporate-officer beneficiaries	-	-	-	-	1	1	-
Warrant exercise start date	(2)	(3)	(4) (5)	(6)	(7) (8)	(9)	-
Warrant expiry date	03/07/2024	05/22/2024	03/30/2025	05/02/2026	09/21/2026	03/08/2027	-
Warrant issue price	0.28 €	0.30 €	0.30 €	0.28 €	0.18 €	0.09 €	-
Warrant strike price	5.58 €	5.94 €	5.97 €	5.57 €	3.59 €	1.84 €	-
Exercise methods (1)	(2)	(3)	(4) (5)	(6)	(7) (8)	(9)	-
Number of warrants outstanding at December 31, 2016	**260,000**	**20,000**	**70,000**	**30,000**	**210,000**	**0**	**590,000**
Number of shares subscribed during the period	-	-	-	-	-	-	-
Number of warrants voided or canceled during the period	-	-	-	-	-	-	-
Number of warrants outstanding at June 30, 2017	**260,000**	**20,000**	**70,000**	**30,000**	**210,000**	**50,000**	**640,000**
Total number of shares that can be subscribed by exercising the warrants outstanding at June 30, 2017 (10)	274,040	21,080	73,780	31,620	221,340	50,000	**671,860**

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

(2) The 03-14 BSAs granted to François Meyer are exercisable on the following schedule: (i) 200,000 03-14 BSAs are exercisable from the time they are subscribed, and (ii) 20,000 additional 03-14 BSAs are exercisable at the end of each one-year period from the date they were granted by the board of directors, provided in both cases that at the time of exercise the beneficiary is a corporate officer or contracted consultant of the Company.

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

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

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

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

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

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

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

(9) At its meeting of March 8, 2017, the board of directors allocated 50,000 BSAs, including 10,000 to a clinical advisor of the Company, 20,000 to Marie-Yvonne Landel-Meunier and 20,000 to David Horn Solomon. The 03-17 BSAs can be exercised by a third at the end of each one-year period from their grant date by the board of directors, provided that on the exercise date, the beneficiary (i) is a member or observer of the board of directors of the Company or one of its affiliates, or (ii) has entered into a service provider or consultant contract with the Company or one of its affiliates, or (iii) is a member of any committee set up by the board of directors.

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

As part of the capital increase of February 2017, 5,549,300 listed warrants were detached from the new shares issued. Anytime up until February 26, 2018, 4 warrants gave the right to 3 new TxCell shares at a subscription price of €2.60 per new share issued upon the exercise of the warrants. As of June 30, 2017, 3,688 BSAs had been exercised, resulting in the issue of 2,766 shares, i.e. an overall subscription amounting to €7,191.60 including the share premium. Therefore, 5,546,534 listed warrants were still outstanding as of June 30, 2017.

Note 10.3.3 :Free share plans (AGA)

Description of the plan	2016 AGA employees (without performance conditions)	2016 AGA employees (with performance conditions)	2016 AGA management (with performance conditions)	AGA 2017	TOTAL
Date of meeting	21/04/2016	21/04/2016	21/04/2016	21/04/2016	-
Date of the board of directors' decision	02/05/2016	02/05/2016	02/05/2016	08/03/2017	-
Number of free shares authorized	750,000	750,000	750,000	750,000	-
Number of free shares allocated	130,000	320,000	150,000	137,000	**737,000**
including those allocated to corporate officers	-	-	*150,000*	*80,000*	***230,000***
Corporate officers in exercice concerned:					
Stéphane Boissel	-	-	150,000	80,000	**230,000**
Date of share acquisition (5)	(1)	(1)	(2)	(4)	-
End date of retention period	(3)	(3)	(3)	(4)	-
Number of shares vested in 2016	-	-	-	-	-
Number of voided or canceled free shares at Dec. 31, 2016	37,350	120,000	-	-	**157,350**
Free shares outstanding at December 31, 2016	**92,650**	**200,000**	**150,000**	**0**	**442,650**
Number of shares vested over the period	30,873	33,333	50,000	-	**114,206**
Number of voided or canceled free shares during the period	3,668	100,000	-	600	**104,268**
Free shares outstanding at June 30, 2017	**58,109**	**66,667**	**100,000**	**136,400**	**361,176**
Total number of shares that can be issued upon vesting of free shares (6)	61,248	70,267	105,400	136,400	**373,315**

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

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

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

(4) Following the achievement of the performance conditions set out in his management contract, at its meeting of March 8, 2017, the board of directors allocated 80,000 AGA 2017 free shares to Stéphane

Boissel, which will vest after a one year-period starting from their grant date by the board of directors, subject to continued employment in the Company.

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

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

(6) The number of Options factors in, if applicable, the conversion rate set by the board of directors at its meeting of February 21, 2017 as part of the capital increase of February 24, 2017, in order to protect the interests of share warrant, stock option and free shareholders.

Note 10.3.4 :Other dilutive instruments

Note 10.3.4.1 PACEO® optional equity line financing

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

On January 25, 2016 the Company obtained the AMF's approval No. 16-036 on the prospectus required to set up the optional equity financing line (PACEO) with Société Générale signed on December 22, 2015. On January 27, 2016, Société Générale therefore subscribed for 1,150,000 share warrants for an overall price of €115. The exercise period of these share warrants will end on January 26, 2018.

As of June 30, 2017, none of this equity financing line has been drawn down, and therefore 1,150,000 share warrants are still outstanding. The Company is under no obligation to draw on this line and has a contractual commitment not to do so for as long as all the bonds convertible into shares (OCA) already issued to YA II CD have not been converted or exercised (see Note 10.3.4.2).

Note 10.3.4.2 OCA issue credit line with attached share warrants

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

In 2016, the Company issued 50 OCA to YA II CD Ltd for an overall nominal value of €5 million, from which 686,350 BSA share warrants have been detached. These will generate additional Company equity of €2.5 million if they are fully exercised. At June 30, 2017, 29 bonds convertible into shares (OCA) had been converted and no BSA share warrants had been exercised by YA II CD. The Company is under no obligation to draw on this line.

a. Bonds convertible into shares (OCA)

The features of the OCA issued by the Company at June 30, 2017 are as follows:

Description of the plan	OCA 08-16	OCA 11-16	TOTAL
Date of meeting	08/01/2016	08/01/2016	-
Date of the board of directors' decision	08/03/2016	11/03/2016	-
Number of convertible bonds authorized	200	200	-
Number of convertible bonds issued	30	20	50
Number of convertible bonds subscribed	30	20	50
Total number of shares that can be subscribed:	(1)	(1)	-
including those which can be subscribed by corporate officers	-	-	-
Number of non-corporate-officer beneficiaries	1	1	-
Nominal value of one convertible bond	100,000	100,000	-
Interest rate of convertible bonds	(3)	(3)	-
Maturity date of convertible bonds	10/03/2017	01/03/2018	-
Conversion methods	(1)	(1)	-
Number of outstanding bonds as at December 31, 2016	**13**	**20**	**33**
Total number of convertible bonds converted over the period	12	0	12
Total number of convertible bonds reimbursed during the period	0	0	0
Number of outstanding bonds as at June 30, 2017	**1**	**20**	**21**
Total number of shares that can be subscribed by conversion of convertible bonds outstanding as at June 30, 2017	57,471 (2)	1,149,425 (2)	1,206,896 (2)

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

N = Vn / P, where:

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

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

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

(2) By way of illustration, based on 93% of the lowest weighted average prices over the ten trading days prior to June 30, 2017, i.e. €1.74, the total conversion of the 1 08-16 OCA and 20 11-16 OCAs issued and not converted would represent a theoretical issue of 1,206,896 new shares.

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

b. Share warrants (BSA)

The features of the BSA detached from the 50 OCA issued at June 30, 2017 are as follows:

Description of the plan	**BSA OCA 08-16**	**BSA OCA 11-16**	**TOTAL**
Date of meeting	08/01/2016	08/01/2016	-
Date de décision du conseil d'administration	08/03/2016	11/03/2016	-
Number of warrants authorized	50,000,000	50,000,000	-
Number of warrants issued	349,650	336,700	**686,350**
Number of warrants subscribed	349,650	336,700	**686,350**
Total number of shares that can be subscribed:	349,650	336,700	**686,350**
including those which can be subscribed by corporate officers	-	-	-
Number of non-corporate-officer beneficiaries	1	1	-
Warrant exercise start date	08/03/2016	11/03/2016	-
Warrant expiry date	08/03/2021	11/03/2021	-
Warrant issue price	0.00 €	0.00 €	-
Warrant strike price	4.29 €	2.97 €	-
Exercise methods	(1)	(1)	-
Number of warrants outstanding at December 31, 2016	**349,650**	**336,700**	**686,350**
Number of shares subscribed during the period	-	-	-
Number of warrants voided or canceled during the period	-	-	-
Number of warrants outstanding at June 30, 2017	**349,650**	**336,700**	**686,350**
Total number of shares that can be subscribed by exercising the warrants outstanding at June 30, 2017	352,097	339,056	**691,153**

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

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

The impact of share-based payments on overall profit is described in Note 18.

Note 11 : Loans and financial payables

In thousands of euros	06/30/2017	12/31/2016
Financial debt - non current	1,897	3,650
Debts related to finance leases - non-current	212	51
Total non current financial payables	**2,108**	**3,700**
Financial debt - current	2,711	1,575
Debts related to finance leases - current	56	12
Other current financial liabilities	0	0
Total current financial payables	**2,767**	**1,587**
Total financial payables	**4,875**	**5,288**

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

In thousands of euros	Gross amount	one year at most	Over one year and 5 year at most	Over 5 years
Zero Interest Innovation Loan	1,662	338	1,324	0
Convertible bonds	2,373	2,373	0	0
RTC pre-financing	573	0	573	0
Total loans and financial payables	**4,607**	**2,711**	**1,897**	**0**
Finance leases	268	56	212	0
Debts related to finance leases	**268**	**56**	**212**	**0**
Total financial payables	**4,875**	**2,767**	**2,108**	**0**

Note 11.1 : Leasing

Leases entered into by the Company only include laboratory equipment. These leases are entered into for a period of five years.

Note 11.2 : Zero-interest innovation loan

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

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

Note 11.3 : Bond issue

In 2016, the Company issued 50 OCAs to YA II CD Ltd (see paragraph 2 of Note 10.3.4) for an overall nominal value of €5 million, from which 686,350 BSAs have been detached. These will generate additional Company equity of €2.5 million if they are fully exercised. As of June 30, 2017, 29 OCAs had been converted and no BSAs had been exercised by YA II CD. Maturities for the bonds convertible into shares (OCA) can be found in Note 10.3.4.2.1.

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

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

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

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

Bonds convertible into shares (OCA) not converted at year-end are revalued at fair value through the income statement under other financial expenses, using the average volume-weighted TxCell share price for the last ten trading days prior to year-end. This is a level 2 measurement (see Note 8.1).

In the first half of 2017, financial expenses recorded for the OCAs amounted to €189 thousand.

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

Note 11.4 : Research tax credit pre-financing

In the first half-year, the Company obtained a partial pre-financing for its 2017 research tax credit in the amount of €573 thousand.

Note 12 : Other non-current liabilities

Other non-current liabilities corresponded to the over-one-year portion of the staggering of the zero-interest innovation loan grant.

Note 13 : Provisions

In thousands of euros	01/01/2017	Expenses	Reversals used	Reversals not used	06/30/2017
Provisions for risks	0	0	0	0	0
Provisions for expenses	55	0	(36)	(5)	14
Total current provisions	**55**	**0**	**(36)**	**(5)**	**14**

The provisions for expenses as of June 30, 2017 correspond to:

- €7 thousand in provisions for restructuring, corresponding to the expected residual cost in 2017 and 2018 following the change to the Company’s production strategy (2015) and clinical development strategy (2016). This provision was subject to a €41 thousand reversal over the fiscal year, of which €5 thousand was unused; and
- a retirement benefits provision of €8 thousand, compared to €7 thousand as of December 31, 2016. In application of the IAS 19 standard, the impact on income was a €1 thousand charge for 2017. The actuarial differences relating to the variation in the discount rate and other assumptions are recognized as other items of comprehensive income (see Note 2.12.2), constituting income of €1 thousand as of June 30, 2017. The assumptions used to calculate retirement indemnities for the Company’s employees, defined in the collective bargaining agreement for the pharmaceutical industry, are as follows:

Valuation date	06/30/2017	12/31/2016
Retirement method	*For all employees:* voluntary departure at 67 years	*For all employees:* voluntary departure at 67 years
Rate of social security charges	49,00%	49,00%
Discount rate	1,16%	1,810%
	Indice Bloomberg : F66710Y IND Euros Composite Zéro coupon yield AA)	Indice Bloomberg : F66710Y IND Euros Composite Zéro coupon yield AA)
Life table	TGH05 - TGF05	TGH05 - TGF05
Rate of increase in salaries (inflation included)	1,5%	1,5%
Turnover rate	14%	14%

Note 14 : Trade payables and other current liabilities

Note 14.1 : Trade payables and related accounts

In thousands of euros	06/30/2017	12/31/2016
Trade payables	1,112	893
Total	**1,112**	**893**

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

Note 14.2 : Other current liabilities

In thousands of euros	06/30/2017	12/31/2016
Social security payables	692	1,028
Tax payables	44	40
Deferred income	32	276
Other payables	35	70
Fixed asset suppliers	3,964	3,944
Total other current liabilities	**4,766**	**5,358**

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

Deferred revenue is all from operating grants.

The balance of the fixed assets suppliers' item of €4 million concerns the repurchase of rights over Ovasave® from Trizell. The initial debt of €6 million was partially paid by a €2 million payment when the termination agreement was signed on December 2, 2015. The balance is due on December 2, 2017 for €2 million and on December 2, 2018 for €2 million.

Note 15 : Revenue and other income

En K€	06/30/2017	06/30/2016
Business revenue	0	0
Revenue	**0**	**0**
Grants	159	106
Research tax credit	1,030	1,315
Other income	103	1
Other income	**1,292**	**1,422**
Revenue and other income	**1,292**	**1,422**

As expected, the Company did not generate any revenues in 2017.

Other income primarily comprises:

- grants in the amount of €159 thousand; and
- a research tax credit estimate for the first half of 2017 of €1,030 thousand, compared to €1,315 thousand for the first half of 2016.

Note 16 : Staff costs

In thousands of euros	06/30/2017	06/30/2016
Salaries	1,598	1,671
Social security expenses	723	763
Expense arising from share-based payments	587	372
Retirement benefits	1	2
Total staff costs	**2,910**	**2,809**

Changes to Salaries and social security expenses are explained in Note 17 below.

Changes in the average headcount were as follows:

Category	06/30/2017	06/30/2016
VP	6	6
Directors	6	6
Managers and Scientists	14	16
Technicians and workers	19	20
Average headcount	**45**	**48**

The expenses relating to share-based payments are described in Note 18.

Note 17 : Breakdown of expenses by function

Note 17.1 : Research and development

In the first half of 2017, research and development costs were mainly attributable to:

- manufacturing process development programs for the improvement of the ASTrIA process and the development of an ENTrIA process; and
- ENTrIA CAR-Treg research programs, conducted in-house as part of research and development agreements for the generation of preclinical proof-of-concept data.

Research and development costs break down as follows:

R&D (in thousands of euros)	06/30/2017	06/30/2016
Purchase of raw materials	572	715
Scientific fees, studies and other expenses	1,551	2,858
Salaries and social security expenses	1,674	1,780
Depreciation, amortization and provisions	91	268
Retirement benefits	1	2
Total research and development expenses	**3,890**	**5,624**

The decrease in Raw material purchases and Amortization, depreciation and provisions are primarily due to the closure of the Besançon site in 2016.

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

In thousands of euros	06/30/2017	06/30/2016
Cost of acquiring patents	267	337
Fees and studies	1,035	2,023
Other	250	497
Total studies, scientific fees and other expenses	**1,551**	**2,858**

The decrease in Fees and studies was mainly due to final termination of Ovasave® Phase IIb clinical study in 2016 and therefore of the activities subcontracted to CROs and CMOs.

The decrease in Other R&D expenses is mainly due to the closure of the Besançon site in 2016.

The 5.9% decrease in Salaries and social security expenses was achieved on the back of restructuring operations covering the clinical and production staff as part of the Company's change in strategy. However, this decline was partially offset by reinforcements to research staff, namely with the creation of two special teams dedicated to process development and cell engineering.

Note 17.2 : General and administrative expenses

General and administrative expenses are presented as follows:

G&A (in thousands of euros)	06/30/2017	06/30/2016
Rent, fees and other expenses	1,175	1,859
Salaries and social security expenses	647	655
Depreciation, amortization and provisions	15	(5)
Retirement benefits	0	0
Total general and administrative expenses	**1,837**	**2,509**

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

In thousands of euros	06/30/2017	06/30/2016
Property leases	191	179
Fees	341	988
Other	643	693
Total rent, fees and other expenses	**1,175**	**1,859**

The decrease in Fees was primarily attributable to non-recurring legal consultancy fees recognized in the first half of 2016, especially for collaboration and license agreements signed during this period.

Note 18 : Share-based payments

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

Note 18.1 : Conditions of allotment and exercise

The following table shows the number of free shares and options acquired and exercisable, whilst the details of the plans can be found in Note 10.3:

No. of rights acquired and exercisable on	06/30/2017	12/31/2017	06/30/2018	12/31/2018	06/30/2019	12/31/2019	06/30/2020
Sub-total BSA	386,466	491,866	533,125	585,825	602,492	655,192	671,860
BSA 03-14	274,040	274,040	274,040	274,040	274,040	274,040	274,040
BSA 03-15	49,186	49,186	73,780	73,780	73,780	73,780	73,780
BSA 04-11	0	0	0	0	0	0	0
BSA 05-14	21,080	21,080	21,080	21,080	21,080	21,080	21,080
BSA 05-16	31,620	31,620	31,620	31,620	31,620	31,620	31,620
BSA 09-16 *	10,540	115,940	115,940	168,640	168,640	221,340	221,340
Sub-total Options	674,456	674,456	790,580	790,580	790,580	790,580	790,580
2104 T1 Options	155,511	155,511	155,511	155,511	155,511	155,511	155,511
2104 T2 Options	281,981	281,981	281,981	281,981	281,981	281,981	281,981
2015 Options	26,164	26,164	36,888	36,888	36,888	36,888	36,888
SB 2015 Options (1)	210,800	210,800	316,200	316,200	316,200	316,200	316,200
Sub-total AGA	0	0	236,850	236,850	364,314	364,314	373,315
AGA 2016 employees (1)	0	0	65,752	65,752	131,515	131,515	131,515
AGA 2016 management (1)	0	0	52,700	52,700	105,400	105,400	105,400
AGA 2017	0	0	118,398	118,398	127,399	127,399	136,400
Total	**1,060,922**	**1,166,322**	**1,560,555**	**1,613,255**	**1,757,386**	**1,810,086**	**1,835,755**

(1) Some of these instruments are subject to performance conditions (see Note 10.3)

Note 18.2 : Fair value measurement of allotted equity instruments

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

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

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

Description of the plan (in thousand of euros)	BSA 03-17	
Date of award	03/08/2017	
Price on the allocation date (in €)	2.04	(1)
Strike price (in €)	1.84	
Average maturity used	5.72	
Average risk free rate used	-0.12%	
Number of valued options	50,000	
Volatility	45%	
Subscription price of plan	4,500	
Probabilized value of the plan before discount	**30**	
Non-transferability discount		
Probabilized value of the plan	**30**	

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

The parameters used for estimates and the valuation of new free share grant plans are as follows:

Description of the plan (in thousand of euros)	AGA 2017
Date of award	03/08/2017
Price on the allocation date (in €)	1.76
Vesting period	1 to 3 years
Free share value	1.76
Free share value after discount	(1)
Vesting hypothesis	100.00%
Number of valued instruments	137,000
Probabilized value of the plan before discount	**211**
Non-transferability discount	0
Probabilized value of the plan	**211**

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

The annual charges recognized are shown below:

Periods (in thousands of euros)	2014 T2 Options	BSA 03-14	BSA 05-14	BSA 03-15	BSA 05-16	BSA 05-16	BSA 03-17	2015 Options	SB 2015 Options	AGA 2016 employees	AGA 2016 management	AGA 2017	TOTAL
06/30/2017	(11)	12	5	23		18	1	2	77	195	203	62	587
06/30/2016	17	9	4	26	47			39	117	96	17		372

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

Note 19 : Other operating income and expenses

Other operating income and expenses recognized in 2016 correspond to the cost of restructuring following the changes to the Company's manufacturing strategy in 2015 and clinical development strategy in 2016.

Note 20 : Financial income and expenses

Financial income and expense (in thousands of euros)	06/30/2017	06/30/2016
Foreign exchange gains	2	19
Other financial income	0	0
Sub-total other financial income	**2**	**19**
Gains on cash and cash equivalents	0	0
Interest on cash and cash equivalents	0	3
Sub-total income from cash and cash equivalents	**0**	**3**
Total financial income	**2**	**22**
Financial interests on leases	(1)	0
Contractual interest on bonds	0	0
Financial interests	(43)	0
Sub-total cost of gross financial debt	**(44)**	**0**
Foreign exchange losses	(5)	(3)
Other financial expense	(218)	(26)
Sub-total other financial expense	**(222)**	**(29)**
Total financial expense	**(266)**	**(29)**
Total financial income and expense	**(265)**	**(8)**

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

Other financial expenses amounted to €218 thousand and mainly corresponded to:

- €7 thousand in accretion of finance flows linked to the zero-interest innovation loan (see Note 11);
- €19 thousand in accretion of the trade payable assets (see Note 14.2); and
- €189 thousand from the fair value recognition through profit and loss of the bond issues (see Note 11.3).

These financial expenses are due to IFRS adjustments and have no impact on the Company's cash position.

Note 21 : Tax charge

Based on current legislation, as of December 31, 2016, the Company has tax losses amounting to €82.7 million which can be carried forward indefinitely.

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

Net deferred tax assets from timing differences have not been recognized on the grounds of prudence, in accordance with the principles described in Note 2.15.

Note 22 : Commitments

Note 22.1 : Obligations arising from operating leases

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

Future rent and charges as of June 30, 2017 break down as follows:

- one year at most: €147 thousand
- due between one and five years: €0

The Company contracted a short-term lease with SAS Genbiotech under the commercial lease regime effective February 1, 2016. The lease was agreed for a period of two years (from February 1, 2016 to January 31, 2018) for an annual rent of €209 thousand excluding tax the first year and €198 thousand excluding tax the second year. In case of early termination of the lease, the Company will continue to be liable to SAS Genbiotech for the remaining rents due from the termination date to the end of the lease with a monthly 5% discount as of January 31, 2017.

Future rent and charges as of June 30, 2017 break down as follows:

- one year at most: €116 thousand
- due between one and five years: €0

The amount of rent recognized in expenses during the period ended on June 30, 2017 totaled €174 thousand for the two rental contracts.

Note 22.2 : Obligations under the termination agreement with Trizell

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

- a fixed €6 million, of which the Company has already paid €2 million, on the date signature on December 2, 2015. Of the balance already recognized as of December 31, 2015, €2 million is due on December 2, 2017 and €2 million is due on December 2, 2018; and
- a conditional €9 million on the future revenue generated by Ovasave®, which will be recognized if the contractual conditions are met.

Note 22.3 : Obligations relating to the sale of the research tax credit

In the course of 2016, the Company sold its 2016 and 2017 research tax credits to Predirec Innovation 2020, a mutual securitization fund. In exchange, the Company benefits, subject to it meeting prior contractual conditions, from pre-financing lines for its 2016 and 2017 CIR.

Note 22.4 : Obligations under the bond-issue and equity line financing

Under the BEOCABSA issue contract of June 17, 2016, the Company made a contractual commitment not to draw on the PACEO® optional equity line financing for as long as all bonds convertible into shares (OCA) already issued to YA II CD have not been converted or redeemed (see Note 10.3.4.2).

As a result of the capital increase recorded on February 24, 2017, the Company is contractually committed not to draw upon the PACEO® optional equity line financing, or to issue any new OCAs until December 31, 2017.

Note 22.5 : Obligations pursuant to intellectual property contracts

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

Note 22.5.1 :Obligations pursuant to contracts for the purchase of rights over licenses

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

Note 22.5.2 :Obligations pursuant to contracts for options over licenses

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

Note 22.5.3 :Obligations resulting from joint ownership of intellectual property rights

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

Note 23 : Related party transactions

Note 23.1 : Compensation and director's attendance fees for executive corporate officers and members of the board of directors

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

In thousands of euros	06/30/2017	2016 Financial year	06/30/2016
Salaries and other short-term benefits	310	592	329
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year	151	210	169
Directors’ attendance fees	35	70	35
Total	**496**	**871**	**532**

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

In thousands of euros	06/30/2017		2016 Financial year		06/30/2016	
Name	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)
François Meyer – Chairman of the board of directors						
Fixed compensation (4)	130	130	107	107	42	42
Variable compensation (5)	11	10	10	0	0	0
Exceptional compensation	0	0	0	0	0	0
Director's attendance fees	0	0	0	0	0	0
Benefits in kind	0	0	0	0	0	0
Total	**141**	**140**	**118**	**107**	**42**	**42**
Stéphane Boissel – Chief Executive Officer						
Fixed compensation (6)	150	150	275	275	138	138
Variable compensation (7)	12	93	93	17	50	17
Exceptional compensation	0	0	0	0	0	0
Director's attendance fees	0	0	0	0	0	0
Benefits in kind (8)	7	0	14	14	7	7
Total	**168**	**243**	**381**	**305**	**194**	**161**
Eric Pottier – Deputy Chief Executive Officer (5)						
Fixed compensation (9)	0	0	43	43	43	43
Variable compensation (10)	0	0	0	0	0	0
Exceptional compensation (11)	0	0	49	49	49	49
Director's attendance fees	0	0	0	0	0	0
Benefits in kind (12)	0	0	0	0	0	0
Total	**0**	**0**	**93**	**93**	**93**	**93**
Total	**310**	**383**	**592**	**505**	**329**	**295**

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

(2) During the fiscal year.

(3) Mr. Eric Pottier was hired as Vice President for the Supply Chain on January 14, 2013 and was appointed Deputy Chief Executive Officer of the Company by the board of directors on January 22, 2013, a position which he resigned from on February 2, 2016. Mr. Eric Pottier was dismissed on economic grounds on March 17, 2016 in connection with the shutdown of the Besançon facility.

(4) At its meeting of September 6, 2013, the board of directors set François Meyer's gross annual compensation at €60 thousand, for his role as Chairman, as well as his General Management support function. The board of directors meeting held on February 10, 2015 revalued and revised the apportionment of François Meyer's compensation to make a distinction between his compensation as Chairman of the board of directors (€60 thousand gross per year) and the compensation for his specific mission (€24 thousand gross per year) effective February 1, 2015. At its meeting of September 21, 2016, the Board of directors reviewed the specific assistance mission to General Management for Mr. François Meyer, and decided to entrust to him the specific role of Head of Research which involves managing the Company's entire research division and its programs. For this task, the fixed compensation paid to Mr. François Meyer was increased, with effect from August 1, 2016, to €80 thousand gross per year, along with variable annual compensation of 30% of said specific compensation according to the attainment of corporate targets set yearly by the Board of directors. At its meeting on March 8, 2017, the board of directors, acting on the recommendation of the Nomination and Compensation Committee in light of the skills and involvement required, raised the fixed annual compensation paid to Mr. François Meyer to €200 thousand as from January 1, 2017, it being specified that the additional 30% in variable compensation will ultimately be based on the Company targets for 70% and on François Meyer's personal targets for 30%, as set by the Board of directors on an annual basis.

(5) At its meeting of March 8, 2017, the board of directors, on the proposal of the Nomination and Compensation Committee, decided to set the variable compensation paid to Mr. François Meyer at €10,275 for the 2016 fiscal year in consideration of the attainment of corporate and individual targets. As of June 30, 2017, François Meyer's variable compensation was estimated at €11 thousand, based on assumptions formulated by management.

(6) The Company entered into a management agreement with Stéphane Boissel following his appointment as the Company's Chief Executive Officer by the board of directors of April 27, 2015, with a view to determining the main terms and conditions of his work as the CEO. The signature of said management contract was authorized by the Board at its meeting of April 27, 2015. In his position, Mr. Stéphane

Boissel will receive (i) fixed annual compensation of €275,000, (ii) variable compensation of up to 30% of the said fixed compensation, based on the attainment of targets set annually by the Company's board of directors and (iii) benefits in kind consisting of the payment of his business expenses, unemployment insurance and health and welfare protection, and a supplementary pension. Following the achievement of his performance conditions set out in his management agreement, at its meeting of March 8, 2017, the board of directors raised Stéphane Boissel's gross fixed annual compensation to €300,000 as from January 1, 2017.

(7) At its meeting of February 3, 2016, the board of directors, on the proposal of the Nomination and Compensation Committee, set at 20% the percentage of attainment to date of the targets set in Stéphane Boissel's management contract, which represent €16,500 in variable compensation for 2015; a substantial part of this variable compensation will be measured by June 30, 2017 at the very latest, in accordance with the management agreement amended by a rider dated September 21, 2016, duly authorized by the board of directors at its meeting held on the same day. At its meeting on March 8, 2017, the board of directors, on the proposal of the Nomination and Compensation Committee, set at €66,000 the variable compensation supplement paid to Stéphane Boissel for 2015 and set his variable compensation for 2016 at €26,813. As of June 30, 2017, Stéphane Boissel's variable compensation was estimated at €12 thousand, based on assumptions formulated by management.

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

(9) Mr. Eric Pottier did not receive any compensation as Deputy Chief Executive Officer. He was remunerated only for his position as Vice President for the Supply Chain and Qualified Pharmacist (pharmacien responsable).

(10) The board of director's meeting of January 22, 2014 set Eric Pottier's variable compensation for 2014 at a maximum of €25 thousand, conditional on attaining 50% of the corporate targets and 50% of his personal targets, as defined and reviewed annually on a proposal by the Nomination and Compensation Committee. The achievement of the 2014 targets was confirmed by the board of directors of February 10, 2015. No variable compensation was paid to Eric Pottier for the 2015 fiscal year.

(11) Mr. Eric Pottier received a severance package during the 2016 fiscal year, in view of his departure, the amount of which is in line with the recommendations of the MiddleNext Code.

(12) Eric Pottier's Benefits in kind involve the provision of a vehicle.

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

In thousands of euros	06/30/2017		2016 Financial year		06/30/2016	
Name	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)
François Meyer – Chairman of the board of directors						
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	0	N/A	46	N/A	0	N/A
Total	**0**	**N/A**	**46**	**N/A**	**0**	**N/A**
Stéphane Boissel – Chief Executive Officer (4)						
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	127	N/A	164	N/A	169	N/A
Total	**127**	**N/A**	**164**	**N/A**	**169**	**N/A**
Marie Yvonne Landel Meunier – Independent member						
Coût probabilisé des plans d'instruments donnant accès au capital de la Société, attribués au cours de l'exercice (3)	13	N/A	0	N/A	0	N/A
Total	**13**	**N/A**	**0**	**N/A**	**0**	**N/A**
David Horn Solomon – Independent member						
Probabilized cost of instruments giving acces to the capital of the Company allocated during the financial year (3)	11	N/A	0	N/A	0	N/A
Total	**11**	**N/A**	**0**	**N/A**	**0**	**N/A**
Total	**151**	**N/A**	**210**	**N/A**	**169**	**N/A**

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

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

Directors' fees break down as follows:

In thousands of euros	06/30/2017		2016 Financial year		06/30/2016	
Name	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)	Amount owed(1)	Amount due(2)
Marie-Yvonne Landel Meunier – Independent member						
Director's attendance fees	18	35	35	35	18	35
Total	**18**	**35**	**35**	**35**	**18**	**35**
David Horn Solomon – Independent member						
Director's attendance fees	18	35	35	35	18	35
Total	**18**	**35**	**35**	**35**	**18**	**35**
Total	**35**	**70**	**70**	**70**	**35**	**70**

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

Note 23.2 : Miscellaneous

As of June 30, 2017, to the Company's knowledge, there was no management and/or financial link between its main suppliers and the members of its board of directors.

Note 24 : Earnings per share

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

Net earnings par share	30/06/2017	31/12/2016	30/06/2016
Net profit / (loss) (in thousands of euros)	(5,286)	(13,570)	(7,084)
Weighted average number of shares in circulation	17,898,002	13,062,729	12,905,690
Basic earnings par share (in euros)	**(0.30)**	**(1.04)**	**(0.55)**

Diluted earnings per share are calculated by dividing the net profit (loss) attributable to the Company's shareholders by the following:

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

The instruments giving deferred access to the share capital (share warrants, stock options and free share grants) are considered to be anti-dilutive as they result in higher earnings per share. As a result, diluted and basic earnings per share are identical.

Diluted earnings per share	30/06/2017	31/12/2016	30/06/2016
Net profit / (loss) (in thousands of euros)	(5,286)	(13,570)	(7,084)
Weighted average number of potential shares *	54,892,146	15,049,088	14,562,331

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

Note 25 : Financial risk management

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

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

Note 25.1 : Liquidity risk

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

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

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

The Company has never resorted to bank loans, but has received a zero-interest innovation loan from Bpifrance Financement. The Company has also set up a reserved issue of convertible bonds with warrants (OCABSA) to YA II CD Ltd (see Note 10.3.4.2). The bonds convertible into shares (OCA) have a maturity of 14 months as of their issue. Once matured, non-converted bonds must be redeemed by the Company. They must also be redeemed at the request of the bond bearer in the event that the bond terms are not adhered to, or in the event of default.

As of June 30, 2017, the Company had €8.7 million in cash, after factoring in the €0.6 million received in partial pre-financing of the 2017 Research Tax Credit.

Given the growth plan and the operational spending incurred, this cash position will enable the Company to continue in business until January 2018. Additional financial resources will therefore be necessary.

As part of its capital increase of February 2017, the Company issued 5,549,300 BSAs with a 1-year maturity. The additional income of €10.8 million from the potential exercise before February 26, 2018, of all the BSAs issued would enable to cover the Company's working capital requirement until the regulatory approval (expected by the end of 2018) for the first CAR-Treg clinical trial on humans.

Otherwise, the Company can call on, provided it meets the contractual terms and conditions (please refer to the prospectus corresponding to each case):

- an optional convertible-bond financing line with YA II CD Ltd giving the Company the option to issue to YA II CD Ltd, over a period of 36 months from August 3, 2016, and subject to contractual terms and conditions, bonds convertible into shares for a maximum nominal amount of 20 million euros plus up to an additional 10 million euros if all attached share warrants are exercised. A prospectus regarding this transaction was made available to the public and was approved by the AMF on July 27, 2016 (approval number 16-356). On August 3, 2016 and November 3, 2016, the Company issued (i) a total of 50 OCAs (29 of which had been converted as of June 30, 2017) for a total gross nominal amount of €5 million and (ii) 686,350 BSAs attached to the OCAs for a potential amount of €2.5 million if the BSAs are exercised. Accordingly, as of June 30, 2017, there remained 150 share warrants corresponding to a nominal amount of €15 million that could be supplemented by an additional €7.5 million if all the BSAs are exercised. The Company has committed not to make any drawdowns in 2017;

- a PACEO optional equity financing line with Société Générale relating to 1,150,000 new shares to be issued over a period of 24 months as of January 27, 2016 on exercise of share warrants subject to a certain number of contractual conditions set in advance. The transaction was the subject of a prospectus rendered available to the public and approved by the AMF under number 16-036 dated January 25, 2016. At the date of the Document de Référence, no drawdown on this PACEO optional equity line had been made, and the Company has no immediate plans to request a drawdown. The Company has committed not to draw down any funds for as long as any of the convertible bonds already issued remain unconverted or unredeemed. The Company has also committed not to make any new drawdowns in 2017.

To pursue its growth plan, the Company is also assessing various additional funding sources, in particular with existing shareholders and/or new investors in the prospect, among others, of capital increases, or via potential business partners by entering into development agreements regarding products developed by the Company. Ultimately, in the event the Company was not able to obtain the additional capital required, expenses of certain programs could be deferred.

Note 25.2 : Foreign exchange rate risk

As of June 30, 2017, the Company does not consider itself exposed to a foreign exchange rate risk as only a small part of its supplies are obtained outside the Eurozone and invoiced in foreign currency, mainly in American dollars, Canadian dollars, pounds sterling, and Swiss francs.

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

However, the Company cannot rule out the possibility that a significant increase in its business could leave it more exposed to currency risk. Should this occur, the Company would put in place an appropriate policy to hedge this risk. For the period ended on June 30, 2017, the Company considers that a 10% variation in exchange rates in either direction would not have a material impact.

Note 25.3 : Credit risk

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

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

Note 25.4 : Interest rate risk

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

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

- Zero-interest innovation loan taken out on November 28, 2014 for €1.7 million with Bpifrance Financement. This loan bears no interest (see Note 11.2);
- Optional convertible-bond line financing with YA II CD Ltd, an investment fund managed by the US management company Yorkville Advisors Global LP. During the 2016 fiscal year, the Company drew on two tranches by issuing 30 OCAs for €3 million on August 3, 2016 and 20 OCAs for €2 million on November 3, 2016. The bonds convertible into shares do not pay interest (except in cases of default) and have a maturity of 14 months as of their issue date. As of June 30, 2017, the principal represented €2.1 million (see Note 10.3.4.2 and Note 11.3).

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

Note 26 : Events subsequent to the reporting period

The following events occurred after the closing date:

- On August 9, 2017, 3 OCAs were converted and resulted in the issue of 186,334 shares with a par value of €0.20 each ;

  On September 2017, 2 OCAs were converted and resulted in the issue of 129,870 shares with a par value of €0.20 each.