



Press release

TxCell implements a new financing contract of up to €20 million in nominal value through convertible notes with warrants (OCABSA)

- **First drawdown of €5 million in nominal value to strengthen short-term cash position**
- **Financing subject to the approval of TxCell's shareholders EGM on August 1st, 2016**

Valbonne, France, June 17, 2016 – TxCell SA (the “Company” – FR0010127662 – TXCL), a biotechnology company developing innovative, personalized cellular immunotherapies using regulatory T cells (Treg) to treat severe chronic inflammatory and autoimmune diseases, today announces the implementation of a new financing contract through the issuance of notes convertible into shares (the “Notes” or “OCA”) with share subscription warrants attached (the “Warrants” or “BSA”) (together the “Notes With Warrants” or “OCABSA”), allowing a potential fundraising of up to €20 million (with an additional potential €10 million should all warrants be exercised).

This financing is secured by YA II CD, LTD (the **Investor**), an investment fund managed by the US management firm Yorkville Advisors Global LP, and aims to strengthen TxCell's financial position. The tranches will be at TxCell's sole discretion, subject to certain conditions⁽¹⁾.

The effective implementation of this financing is subject to the approval of TxCell's shareholders, through an Extraordinary General Meeting (**EGM**) to be convened on August 1st, 2016. Subject to the shareholder approval, the Investor has agreed, as per the contract signed on June 17, 2016, to subscribe to Notes With Warrants for an amount of €5 million in nominal value shortly after the EGM approval.

“The Notes With Warrants proposed by Yorkville represent the most appropriate financing option for TxCell in the current market conditions,” said Raphael Flipo, Chief Financial Officer of TxCell. “The first short-term drawdown, which has already been agreed with Yorkville for a total amount of €5 million in two tranches, will enable TxCell to ensure the financing of its non-clinical research activities over the next 12 months. However, this first drawdown does not cover in full our financing needs, in particular the financing of the Phase IIb clinical study for Ovasave® in Crohn's disease, CATS29, which should cost approximately €15 million over two years. We are therefore looking into several financing options to fund the Company's clinical programs.”

Objective of the transaction

This financing aims at strengthening TxCell's cash position and at providing TxCell with resources to finance its current expenses over the next 12 months, it being specified that TxCell does not plan to request in the near future any drawdown of the equity line implemented with Société Générale in December 2015, and not used to this date.

Legal framework of the transaction

Subject to the approval of TxCell's EGM convened on August 1st, 2016, TxCell's Board of Directors will issue 200 warrants (the "**Tranche Warrants**") giving access to Notes With Warrants (OCABSA).

30 Tranche Warrants will be exercised immediately upon issuance by the Investor, and 20 Tranche Warrants will be exercised after 3 months, together resulting in a drawdown of €5 million in nominal value (plus €2.5 million should the attached warrants be exercised).

Altogether, taking into account the remaining 150 Tranche Warrants, the maximum issuance could thus reach a total equity contribution of €30 million: €20 million resulting from the conversion of all the Notes into shares and €10 million resulting from all the attached warrants being exercised.

It being specified that the Tranche Warrants have been fully subscribed by YA II CD, LDT, an investment fund managed by the US management firm Yorkville Advisors Global LP, within an issuance reserved to a designated person.

The terms and conditions of this transaction, the main characteristics of each financial instrument, and TxCell's and the Investor's obligations are detailed as an appendix to the present press release.

As the case may be, this issuance may give rise to the filing of a prospectus with the AMF.

Indicative timetable

- August 1st, 2016: TxCell EGM to vote on the resolution authorizing the issuance of Notes With Warrants reserved to the Investor.
- August 3rd, 2016, at the latest: TxCell's Board of Directors to formally issue Tranche Warrants for the benefit of the Investor and drawdown of first tranche of €3 million.
- November 3rd, 2016 : drawdown of second tranche of €2 million.

TxCell will issue a press release upon issuance of the 200 Tranche Warrants.

Forthcoming financial events

- July 27, 2016 (post market): Second quarter 2016 revenue and cash position.

- September 27, 2016 (post market): Half-year 2016 financial results.

About TxCell – www.txcell.com

TxCell is a publicly listed biotechnology company that develops platforms for innovative, personalized T cell immunotherapies for the treatment of severe chronic inflammatory and autoimmune diseases with high unmet medical need. TxCell is the only clinical stage cellular therapy company dedicated to the science of regulatory T lymphocytes (Tregs). Tregs are a recently discovered T cell population for which anti-inflammatory properties have been demonstrated. Ovasave®, TxCell's lead product candidate, is currently in a phase IIb clinical trial in refractory Crohn's disease patients. Col-Treg, its second product candidate, is in preclinical development for the treatment of autoimmune uveitis. Based in Sophia-Antipolis, France, TxCell is listed on Euronext Paris and currently has 50 employees.

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Characteristics and terms of the financing plan by issuance of Notes With Warrants

Legal framework of the transaction

In accordance with the provisions of article L. 225-138 of the French commercial code and subject to the approval of the extraordinary general shareholders' meeting to be convened on August 1st, 2016, the Board of Directors will decide on August 3rd, 2016 at the latest, the free issuance of 200 Tranche Warrants, which may result in the issuance of a maximum of 200 Notes With Warrants representing an aggregate principal amount of €20 million in nominal value, with cancellation of the shareholders' preferential subscription right to the benefit of YA II CD, LTD, a fund managed by Yorkville Advisors Global LP.

Subject to the satisfaction of certain conditions, 30 Tranche Warrants will be exercised immediately by the Investor and 20 Tranche Warrants will be exercised 3 months after, together resulting in a drawdown of €5 million in nominal value (plus €2.5 million should all the attached Warrants be exercised).

The supplemental 150 Tranche Warrants could lead to an additional issuance representing an aggregate principal amount of €15 million in nominal value (plus €7.5 million should all the attached Warrants be exercised) in several tranches.

Main characteristics of the Tranche Warrants

The Tranche Warrants have a 36-month term. If required so by the Company (the "**Request**") and subject to the satisfaction of certain conditions⁽¹⁾, the Tranche Warrants holders shall subscribe to one new Note With Warrants for each Tranche Warrant exercised. The Company may require the exercise of the Tranche Warrants to enable the issuance of Notes with Warrants in several tranches for a minimum nominal amount of €1 million and a maximum nominal amount of €5 million each.

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

Main characteristics of the Notes

The Notes have a nominal value of €100,000 each and will be issued at 98% of such nominal value. They do not bear interest and will have a maturity of 14 months as from issuance date. On maturity or in case of default⁽²⁾, any unconverted Notes shall be redeemed by the Company.

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

$$N = V_n / P$$

"**N**" corresponding to the number of new TxCell ordinary shares to be issued upon conversion of one Note;

"**V_n**" corresponding to the amount of debt represented by the Note (nominal value of one Note);

"**P**" corresponding to 93% of the lowest daily volume weighted average price of a TxCell share (as reported by Bloomberg) over the ten (10) trading days immediately preceding the date of the conversion request of the applicable Note, it being specified that the trading days during which the

relevant Note holder will have sold TxCell shares will be excluded. P shall in any case not be lower than the nominal value of a TxCell share, i.e. €0.20 as of today.

The Notes, which shall be transferable under certain conditions, will not be subject to a request for admission to trading on the regulated market of Euronext in Paris and will therefore not be listed.

Main characteristics of the Warrants attached to the Notes

The number of Warrants attached to a tranche of Notes is calculated so that in case of exercise of all the Warrants, the resulting capital increase equals 50% of the nominal amount of the corresponding tranche of Notes.

The Warrants are immediately detached from the Notes. The Warrants, which shall be freely transferable, will not be subject to a request for admission to trading on the regulated market of Euronext in Paris and will therefore not be listed.

They can be exercised for a period of 5 years from their issuance (the "**Exercise Period**").

Each Warrant will give the right to its holder, during the Exercise Period, to subscribe to one new Company share (subject to certain potential adjustments⁽³⁾).

The strike price of the Warrants is equal to 115% of the lowest daily volume weighted average price of a TxCell share over the ten (10) trading days immediately preceding the date of exercise of the Tranche Warrants giving rise to the issuance of the Notes from which the aforesaid Warrants are attached.

On an indicative basis, based on the closing price of TxCell's shares on June 16, 2016 (i.e., €4.29), the theoretical value of a Warrant works out between €0.76 and €1.50, depending on the volatility adopted (i.e., between 25% and 45%). The theoretical value of a Warrant is obtained by using the Black & Scholes method based on the following assumptions :

- Maturity: 5 years,
- Risk free interest: 0.424%,
- Dividend payment rate: 0%.

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

The new shares issued upon conversion of Notes or exercise of Warrants will carry immediate and current dividend rights ("*jouissance courante*"). They will carry the same rights as those attached to the existing ordinary shares of the Company and will be admitted to trading on the regulated market of Euronext in Paris under the same listing line (ISIN FR0012452746).

The Company will update on its website (www.txcell.com) a table of the outstanding Tranche Warrants, Notes, Warrants and number of shares.

Theoretical impact on the Notes With Warrants issue (based on the lowest daily volume weighted average price of a TxCell share preceding June 17, 2016, i.e., €4.38

For illustration purpose, the impact of the issuance of the first drawdown (for a global nominal amount of €5 million) and of all the Notes With Warrants (for a total nominal amount of €30 million) would be as follows:

- Impact of the issuance of the shareholders' equity per share (on the basis of the shareholders' equity as set out in the annual accounts as of December 31, 2015, established in accordance

with International Financial Reporting Standards (IFRS) and of the number of shares composing the Company's share capital as of June 17, 2016, (i.e. 13,002,577 shares):

	Shareholders' equity per share as of December 31, 2016 (in euros)			
	Non-diluted basis		Diluted basis ⁽¹⁾	
	1 st tranche	Total tranches	1 st tranche	Total tranches
Before issuance	0.89		1.50	
After issuance of 1,228,501 (1 st tranche) or of 4,914,004 (Total tranches) new shares resulting from the conversion of the Notes	1.17	1.76	1.68	2.10
After issuance of 496,031 (1 st tranche) or of 1,984,126 (Total tranches) new shares resulting from the exercise of the Warrants	1.04	1.44	1.61	1.89
After issuance of 1,724,532 (1 st tranche) or of 6,898,130 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	1.30	2.09	1.78	2.36

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

	Shareholder's stake (in %)			
	Non-diluted basis		Diluted basis ^(a)	
	1 st tranche	Total tranches	1 st tranche	Total tranches
Before issuance	1.00		0.81	
After issuance of 1,228,501 (1 st tranche) or of 4,914,004 (Total tranches) new shares resulting from the conversion of the Notes	0.91	0.73	0.75	0.62
After issuance of 496,031 (1 st tranche) or of 1,984,126 (Total tranches) new shares resulting from the exercise of the Warrants	0.96	0.87	0.78	0.72
After issuance of 1,724,532 (1 st tranche) or of 6,898,130 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	0.88	0.65	0.73	0.57

Investor's Commitments

Up to the latest of both dates between (i) the end of the 36 months commitment period and (ii) the conversion and/or the reimbursement of all outstanding Notes, the Investor has committed to hold, at any time, no more than 4.99% of the number of shares of the Company (unless otherwise agreed by the Company), and not to ask for a seat on the Company's Board of Directors.

Notes

(1) Terms of the Request

- no material adverse change has occurred;

(a) supposing the exercise of all 390,002 Warrants and 965,745 Notes issued and allocated by the Company, whether exercisable or not, giving the right to subscribe to 390,000 and 965,745 shares respectively, the free allocation of 600,000 new shares and the exercise of the 1,150,000 warrants related to the PACEO equity line (on which no drawdown has been made) giving the right to subscribe to 1,150,000 new shares.

- the closing price of the TxCell share on the day preceding the Request is superior or equal to €2.80 (not applicable for the first €5 million drawdown);
- the average daily trading volume on the TxCell share is superior or equal to 20,000 during the 10 days preceding the Request (not applicable for the first €5 million drawdown);
- no case of default case or event that may lead to a case of default unless solved, exists at the day of the Request;
- no suspension of the quotation of the Company shares (other than an intraday suspension decided by Euronext) has intervened during the 90 days preceding and including the day of the Request;
- the Company is not unable to issue new shares due to a demand from the AMF to establish a prospectus relating to the listing of the new shares on the regulated market of Euronext in Paris;
- the Company has a number of authorized and outstanding shares equal to at least (i) 2 times the number of shares to be issued upon conversion of the Notes outstanding and to be issued (based on the conversion price applicable at the date of the Request) plus (ii) the number of shares to be issued upon exercise of the Warrants outstanding and to be issued.

(2) The cases of **default** include in particular the delisting of the TxCell shares and certain cases of change of control of the Company.

(3) The cases of **potential adjustments** include, in particular, the issuance of securities with preferential subscription rights, the incorporation to the capital of reserves, profits or premiums , benefits or premiums via an increase in the nominal value of shares, the free allocation of shares to the shareholders, the stock split or reverse stock split or any absorption, merger, demerger transaction entered into by the Company with one or several other companies.