



Press release

TxCell renegotiates OCABSA financing option to extend cash runway

- Existing OCABSA financing program renegotiated to reduce cost of capital for TxCell and dilution for shareholders
- €15 million guaranteed in monthly installments now at TxCell's sole discretion¹
- Cash runway extended¹ even if listed cash warrants are not fully exercised by February 26, 2018

Valbonne, France, October 25, 2017, 5.45pm CEST – TxCell SA (FR0010127662 – TXCL) (the “Company”), a developer of cellular immunotherapies based on regulatory T cells (Tregs) for inflammation, autoimmunity and transplantation, today announces it has signed an amendment to its contract with Yorkville Advisors Global LP. The updated agreement modifies the existing optional financing contract through the issuance of notes convertible into shares with share subscription warrants attached (together the Notes with Warrants or OCABSA). This contract was originally signed in June 2016, as described in the TxCell press release dated June 17, 2016.

The main amendments to the optional financing deal with Yorkville are as follows:

- Total financing: up to €15 million (existing balance unchanged)
- Monthly tranches now at the sole option of TxCell
- The discount applicable to the notes conversion has been reduced to 5% of the reference share price, decreased from 7%
- The number of shares issued upon exercise of the warrants attached to a tranche of notes has been reduced to 25% of the tranche nominal value, decreased from 50%.
- The exercise premium for the warrants has been increased to 30% of the reference share price, up from 15%, with a €3 floor price.

Additional information and details on the amended contract are available at the end of this press release.

TxCell intends to use this optional financing program primarily in the event that the listed cash warrants issued as part of the February 2017 capital increase are not fully exercised by holders at maturity (February 26, 2018).

“Renegotiating the OCABSA program provides TxCell with a secured financing option beyond the maturity of the listed warrants issued in February 2017,” said Raphaël Flipo, CFO of TxCell. *“The renegotiated terms have a number of advantages for both TxCell and its shareholders.*

Firstly, the program's cost has been reduced and compares rather favorably with the other financing options we have considered. Secondly, its use is entirely at TxCell's discretion. Among other things, this allows for a better control on its dilutive impact."

"TxCell has now demonstrated very encouraging signals of activity with our breakthrough CAR-Treg technology. Recently, TxCell obtained a new proof-of-concept in its transplantation program with the University of British Columbia, one of our research partners. We look forward to presenting new data in the near future with our additional CAR-Treg programs that are targeting other diseases," said Stéphane Boissel, CEO of TxCell. "In addition to security, this improved OCABSA program would represent a temporary solution that can be used on a monthly basis as TxCell actively works towards securing a longer-term financing with acceptable terms. These options include a strategic partnership and/or a fund raising which will be considered if the market capitalization increases."

About TxCell – www.txcell.com

TxCell 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).

Based in Sophia-Antipolis, France, TxCell is listed on Euronext Paris and currently has 46 employees.

Upcoming events

Financial and business conferences

Nov 6-9	BIO-Europe	Berlin (DE)
Nov 9	5 th Annual European Advanced Therapies Investor Day	London (UK)
Nov 14	Inv€\$tival Showcase	London (UK)
Nov 15-16	Jefferies 2017 Global Healthcare Conference	London (UK)
Nov 23-24	Actionaria and TxCell Shareholder Meeting	Paris (FR)
Dec 19	Invest Securities BioMed Event	Paris (FR)

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Forward-Looking Statements – TxCeIl

This press release contains certain forward-looking statements relating to the business of TxCeIl, which shall not be considered *per se* as historical facts, including TxCeIl's ability to develop, market, commercialize and achieve market acceptance for specific products, estimates for future performance and estimates regarding anticipated operating losses, future revenues, capital requirements, needs for additional financing. In addition, even if the actual results or development of TxCeIl are consistent with the forward-looking statements contained in this press release, those results or developments of TxCeIl may not be indicative of their in the future.

In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "anticipates," "believes," "intends," "estimates," "aims," "targets," or similar words. Although the management of TxCeIl believes that these forward-looking statements are reasonably made, they are based largely on the current expectations of TxCeIl as of the date of this press release and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the expectations of TxCeIl could be affected by, among other things, uncertainties involved in the development of the Company's products, which may not succeed, or in the delivery of TxCeIl's products marketing authorizations by the relevant regulatory authorities and, in general, any factor that could affect TxCeIl capacity to commercialize the products it develops, as well as, any other risk and uncertainties developed or identified in any public documents filed by TxCeIl with the AMF, included those listed in chapter 4 "Risk factors" of the 2016 *document de référence* (registration document) approved by the AMF on April 26, 2017 under number R.17-024. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this press release will in fact be realized. Notwithstanding the compliance with article 223-1 of the General Regulation of the AMF (the information disclosed must be "accurate, precise and fairly presented"), TxCeIl is providing the information in these materials as of this press release, and disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Characteristics and terms of the amended Notes With Warrants program

Legal framework of the transaction

The Company and YA II CD, LTD (the “**Investor**”), an investment fund managed by the US management firm Yorkville Advisors Global LP, have signed an agreement (the “**Agreement**”) on June 17, 2016 to implement a financing program 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**”). This was announced in the TxCell press release dated June 17, 2016.

As per the terms of the Agreement, making use of the delegation of authority granted to it under the first resolution of the extraordinary general shareholders' meeting convened on August 1st, 2016, and in accordance with the provisions of article L. 225-138 of the French commercial code, the Board of Directors decided on August 3rd, 2016 the free issuance of 200 warrants (the “**Tranche Warrants**”) giving access to Notes With Warrants (OCABSA). Tranche Warrants with a nominal value of €100,000 each, all subscribed by the Investor. These 200 Tranche Warrants 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 the Investor.

A first tranche of €3 million was issued on August 3rd, 2016, through the exercise of 30 Tranche Warrants. A second tranche of €2 million was issued on November 3rd, 2016, through the exercise of 20 Tranche Warrants. As of October 25, 2017, 43 out of the 50 issued Notes had already been converted.

On October 25, 2017, the Company and the Investor signed an amendment (the “**Amendment**”) to the existing Agreement, to modify certain terms related to the remaining 150 Tranche Warrants, which could lead to an additional issuance of Notes With Warrants representing an aggregate principal amount of €15 million in nominal value in several tranches.

Pursuant to the terms of the Amendment and as allowed by the Agreement, the Tranche Warrants, the 7 unconverted Notes and the 686,350 Warrants issued as part of the previous tranches, as well as all rights and obligations as per the Agreement, are being transferred by YA II CD, LTD to YA II PN, LTD, another fund managed by Yorkville Advisors Global LP.

The issuance of the 200 Tranche Warrants gave rise to the filing of a prospectus approved by the AMF under number 16-356 and dated July 27, 2016. This prospectus is available on the AMF website (www.amf-france.org), as well as on TxCell's website (www.txcell.com) in the Investors > Documentation > Annual Reports section.

The terms of the Agreement as amended by the Amendment are set out below.

Main characteristics of the Tranche Warrants

The Tranche Warrants have a 36-month term, i.e. until August 3, 2019. If required so by the Company (the “**Request**”) and subject to the satisfaction of certain conditions¹, 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 monthly tranches from January 2018. The maximum nominal amount for each tranche is €1.8 million for the first tranche and €1.2 million for the following tranches. The maximum total amount is €15 million overall.

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 default², 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;

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

"P" corresponding to 95% (93% in the original Agreement) 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 25% (50% in the original Agreement) 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 adjustments³).

The strike price of the Warrants is equal to the highest of €3 and 130% (115% without minimum price in the original Agreement) 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 October 24, 2017 (i.e., €1.66), the theoretical value of a Warrant works out between €0.10 and €0.38, 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: 0.865%,
- 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 FR0010127662).

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 October 25, 2017, i.e., €1.64

For illustration purpose, the impact of the issuance of the first drawdown (for a nominal amount of €1.8 million) and of all the Notes With Warrants (for a total nominal amount of €15 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 half-year accounts as of June 30, 2017, established in accordance with International Financial Reporting Standards (IFRS) and of the number of shares composing the Company's share capital as of October 25, 2017, (i.e. 21,279,996 shares):

	Shareholders' equity per share as of June 30, 2017 (in euros)			
	Non-diluted basis		Diluted basis ⁽¹⁾	
	1 st tranche	Total tranches	1 st tranche	Total tranches
Before issuance	0.37		0.97	
After issuance of 1,161,290 (1 st tranche) or of 9,677,419 (Total tranches) new shares resulting from the conversion of the Notes	0.43	0.74	1.00	1.12
After issuance of 150,000 (1 st tranche) or of 1,250,000 (Total tranches) new shares resulting from the exercise of the Warrants	0.39	0.51	0.99	1.06
After issuance of 1,311,290 (1 st tranche) or of 10,927,419 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	0.45	0.83	1.01	1.18

(a) supposing the exercise of all 5,543,812 listed warrants issued in February 2017, 1,340,390 warrants and 643,216 stock options issued and allocated by the Company, whether exercisable or not, giving the right to subscribe to 4,157,859, 1,363,013 and 677,951 shares respectively, the free allocation of 552,763 new shares and the conversion of 7 outstanding Notes into 460,526 new shares, based on the lowest daily volume weighted average price of a TxCell share (excluding the PACEO equity line on which company TxCell has committed not to drawdown).

- 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		0.75	
After issuance of 1,161,290 (1 st tranche) or of 9,677,419 (Total tranches) new shares resulting from the conversion of the Notes	0.95	0.69	0.72	0.56
After issuance of 150,000 (1 st tranche) or of 1,250,000 (Total tranches) new shares resulting from the exercise of the Warrants	0,99	0,94	0.75	0.72
After issuance of 1,311,290 (1 st tranche) or of 10,927,419 (Total tranches) new shares resulting from the conversion of the Notes and from the exercise of the Warrants	0.94	0.66	0.72	0.54

As a reminder, a table providing the up-to-date status of Tranche Warrants, Note and Warrants is available on the Company's website (www.txcell.com) in the Investors > Documentation > Convertible bonds with warrants attached (OCABSA) section.

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.

Commitment fees

The Company has agreed to pay a commitment fee in cash for an amount equal to 2% of the financing program balance as guaranteed by the Investor (*compared to 5% to be paid in shares in the original Agreement*).

Notes

(1) Subject to the satisfaction of certain conditions listed below:

- no material adverse change has occurred;
- the closing price of the TxCell share on the day preceding the Request is superior or equal to 120% of the nominal price of the TxCell share, i.e. €0.24 (compared to €2.80 in the original Agreement);
- 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

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(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.