



**Annual
Report
2015**

Advancing the
Promise of
Cell Therapy
to Treat
Heart Failure
and Cancer
diseases

www.celyad.com



Celyad
we care · we cure

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Key figures 2015

+ More than EUR
120
million raised to finance our clinical programs until and beyond 2017.

+ **90**
employees as of 31 December 2015

+ **Strong cash position of EUR**
108
million, as of 31 December 2015

+ A total of
240
patients enrolled in our European Phase III trial in cardiology.

+ **2015 Operational burn rate of EUR**
27
million

+ **1**
European Phase III clinical trial completed for our lead cardiology product candidate C-Cure®.

+ **1**
Phase I/IIa clinical trial launched in the US in our NKR-T immuno-oncology program.

Our Mission

Discovering transformative therapies that will restore patients' inner strength to fight disease.

Celyad discovers and develops landmark technologies aimed at treating severe pathologies with poor prognosis such as heart failure and cancer.

Our scientific expertise takes its inspiration from the natural reparative and immune mechanisms that are used by the body to fight disease.

+ *Driven by a passion to invent.*



Celyad at a **Glance**

Incorporated in 2007, Celyad is a Belgian biopharmaceutical company and leader in the discovery and development of engineered cell therapies with clinical programs in cardiovascular disease (C-Cure®) and immunoncology (NKR-T).

C-Cure®: First-in-class reparative cell therapy to treat ischemic heart failure

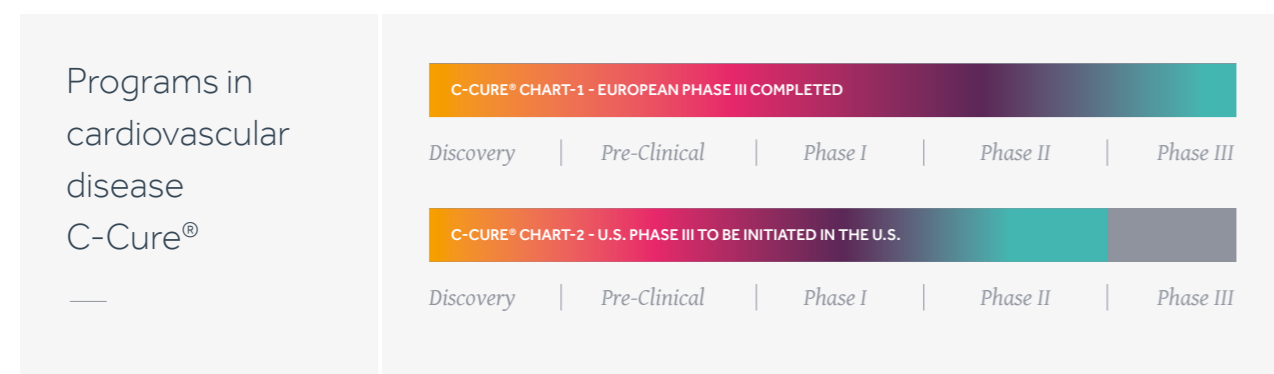
C-Cure® is Celyad's most advanced cell product candidate. It is based on a proprietary cell programming process, the Cardiopoiesis, originally created at Mayo Clinic (Rochester, MN, USA). C-Cure® aims to treat Ischemic Heart Failure, a severe and debilitating chronic disease that occurs after a myocardial infarction (heart attack) and affected 5.7 million patients in the U.S. in 2012 (according to the American Heart Association). This unique cell programming technology consists in harvesting a patient's own cells from bone marrow, in order to treat them with the cardiopoietic growth factors before reinjecting them into the heart where they will induce cardiac regeneration. C-Cure® was the subject of CHART-1, a European Phase III clinical trial completed in 2015 and for which full data readout is expected mid-2016. Celyad received Investigational New Drug (IND) clearance from the U.S. Food and Drug Administration (FDA) to initiate CHART-2, a Phase III clinical study in the U.S.

Mastering the administration of cell therapies into the heart with C-CathTM and Heart Access

Celyad is also involved in the development of medical devices used in cardiac surgery operations related to the mitral valve defect and aimed at maximizing the efficiency of regenerative therapeutics in the myocardium. C-CathTM is the lead medical device developed by the Company. This proprietary intra-myocardial delivery catheter is designed to reduce risk of myocardium perforation, increase needle stability and deliver enhanced fluid dynamics to improve retention. CathTM obtained CE mark in April 2012 and is

therefore available for clinical use worldwide and commercial use outside of the U.S. In December 2015, the U.S. FDA determined that the C-Cure®/C-CathTM combination safety profile obtained from the CHART-1 trial allows the initiation of the CHART-2 Heart Failure Clinical Trial in the U.S..

Celyad's Heart Access technology is designed to enable cardiologists to take a unique access route directly to the patient's left atrium. This medical device enables the deployment of catheters or other necessary instruments for use in the treatment of various indications such as mitral valve disorders and structural heart diseases, conditions often linked to heart failure.





Directing large-scale weaponized attack on cancer with NKR-T immunotherapy

Immuno-oncology represents a revolutionary approach to cancer treatment by teaching the immune-system how to identify and kill cancer cells. Celyad is currently developing the Natural Killer Receptor T-cells (NKR-T) program: a cell therapy arming T-cells with Natural Killer (NK) cell receptors which the ligands are expressed on many solid and hemaetological malignancies. This pioneering approach consists in collecting the patient's immune T-cells and to engineer them so that they express special chimeric receptors on their surface that will enable them to bind to specific ligands on cancer cells. Once they are infused back into the patient these engineered NKR T-Cells target and kill the cancer cells that have the ligands on their surfaces. The NKR T-Cell construct holds the potential to address 80% of cancers, including both

blood and solid tumor cancers such as lymphoma, colorectal, ovarian and melanoma (the ligands of the NKG2D receptor used in NKR-2 are expressed on most cancers). Celyad's NKR-T program is based on a proprietary technology of Dartmouth College (Hanover, NH, USA) and has received Investigational New Drug (IND) clearance from the U.S. Food and Drug Administration (FDA) for a Phase I/IIa study in patients suffering from Acute Myeloid Leukemia (AML) and Multiple Myeloma (MM), two types of blood cancer.

Celyad has also acquired another NK receptor based CAR, using the Nkp30 NK cell activating receptor. Nkp30 is therefore very similar to NKG2D although using a different set of ligands. B7H6 is a more traditional CAR based on an antibody and not a receptor of NK cells, but it is the ligand of NKP30 and is present also on many different cancers.

Differentiation and advantages of NKR-2 T-cells*:

- The NKG2D receptor binds to 8 different ligands that are generically expressed by a vast majority of cancer cells, both hemaetological and solid malignancies (around 80% of cancer types).
- NKR-2 targets and kills tumors as well as the blood vessels that feed them and also express the ligands of the NKG2D receptor.
- NKR-2 also targets and kills the inhibitory cells that are present in the tumor environment preventing the tumor from evading the immune system.
- NKR-2 induces adaptive auto-immune response thanks to the creation of a long term cell memory against the targeted tumor.

*Results observed in preclinical studies in multiple mouse models.

Programs in immuno-oncology NKR-T

AUTOLOGOUS



Programs in immuno-oncology NKR-T

ALLOGENEIC



Interview with the CEO & Chairman



Christian Homsy
— CHIEF EXECUTIVE OFFICER



Michel Lussier
— CHAIRMAN OF THE BOARD

Looking back at the year what have been the highlights of 2015?

Christian Homsy: When you look at the bigger picture, each year brings new milestones and challenges that are essential to the life of the Company. I have to say that 2015 has led the way to an impressive acceleration of our development. After the acquisition of Oncyte and the launch of our Phase I/IIa clinical trial in immuno-oncology, our initial public offering on Nasdaq has been one of our big moves. This operation allowed us to raise USD 100,1 million, ensuring the funding of all our clinical programs until the end of 2017.

Another remarkable event was the completion of CHART-1, our European Phase III clinical trial in cardiology designed to prove the efficacy of C-Cure®, our lead product candidate in cardiovascular disease. We are expecting the results of this trial in mid-2016.

In the field of immuno-oncology, we had the pleasure to obtain the very first U.S. patent covering allogeneic CAR T-cells modified to reduce immunogenicity. This fundamental IP is a great opportunity for us to maximize the significant

“Everything we do is about delivering treatments that will fundamentally change the lives of patients.”

— DR. CHRISTIAN HOMSY, CEO.

therapeutic potential of our allogeneic NKR-T technology platform. Concurrently, Celyad's Phase I/IIa clinical trial in immuno-oncology, progresses at a good pace. To date, no issues have been reported regarding the safety and feasibility of NKR-2 in the two first cohorts of cancer patients suffering from Acute Myeloid Leukemia (AML) or Multiple Myeloma (MM). These first results are encouraging and enable us to start the enrolment of patients for the third cohort.

Finally, we ended 2015 on a very positive note with the U.S. Food and Drug Administration (FDA) Investigational New Drug (IND) clearance for the clinical testing of C-Cure® cardiopoietic cells delivered via our proprietary intramyocardial injection catheter (C-Cath_{ez}TM) in the planned Phase III Heart Failure Trial (CHART-2) in the U.S.!

Michel Lussier: Celyad has set a solid foundation to support its growth in 2016 and beyond. Thanks to its latest technological acquisition and its introduction on Nasdaq, Celyad has definitely broadened its horizon, moving from a Belgian cell therapy company specialized in ischemic heart failure to a global player, with the means and competency to develop clinical programs both in cardiovascular disease and in immuno-oncology, across Europe, U.S. and Asia. This evolution

results from the great commitment that our team is demonstrating everyday to deliver first-in-class treatments to patients but also to make of Celyad a successful company.

CHART-1, the European Phase III clinical trial for C-Cure®, is now complete. What does it mean for the Company?

CH: C-Cure® is the first product candidate that Celyad has developed to such a late clinical stage. It took us 8 years to get there which is a great achievement that made possible thanks to the full dedication of our team and the constant support of our investors over the years. Now that we have completed enrollment of the Phase III trial, we are expecting the full data readout of the study in mid-2016. This is an important milestone for our cardiology franchise. Assuming the clinical outcomes meet the expectations of the regulatory authorities, we will start the application for the marketing authorization which should allow us to commercialize C-Cure® in Europe by the end of 2017. This should also lead to the launch of CHART-2, our Phase III trial in the U.S. for which we have received IND clearance from the U.S. FDA.



+

“The potential of our program in immuno-oncology is very significant and Celyad is just at the beginning of this adventure.”

— MICHEL LUSSIER, CHAIRMAN OF THE BOARD

ML: C-Cure® induces the heart to repair itself. This technology is unique and has proven to be efficacious in preclinical models first, then in first clinical study performed between 2009 and 2012. Our hope is that the Phase III results will demonstrate the clinical benefits millions of people have been waiting for, the patients in particular, who may experience a major improvement in their quality of life.

Since the acquisition of Oncyte in January 2015, things have moved fast for your immuno-oncology program. How is Celyad now positioned in this area?

CH: Things have moved fast but this is not surprising when you see how fast the CAR-T landscape is evolving. Our NKR-2 Phase I/IIa trial is progressing at a nice pace and we should be able to get the results of the first study by the end of the first semester 2016. Our approach is transcending the CAR T-Cell arena, since the NKG2D receptor targets 8 different

ligands that are expressed by around 80% of cancer type. This is one of the substantial competitive advantages of Celyad's NKR-T program positioning Celyad amongst the top global players of the field. We hope to take the lead being the first company to initiate several trials with NKR-2 in solid tumors.

ML: The potential of our program in immuno-oncology is very significant and Celyad is just at the beginning of this adventure. We have still many key assets to explore, whether by testing NKR-2 in both liquid and solid tumors through the autologous approach, or by activating our allogeneic platform which is now protected by a fundamental IP. The U.S. patent we received has potential broad applicability for development of TCR deficient CAR-T therapies. This could radically change the life expectancy of the affected patients and consequently the dynamics of the immune-oncology industry, making Celyad a leader at time of commercialization.

Celyad is increasing its presence in the U.S. What are your plans for 2016?

CH: In 2015, we laid the foundation of our global strategy. In 2016, we establish our presence in the Boston area where we will open a permanent office. We will also grow our global team with seasoned experts that will help us in raising our corporate visibility and reputation as well as reaching out to key local stakeholders likely to support our expansion. As for the clinical activities, we are hoping to complete our ongoing Phase I/IIa trial and expand in multiple indications over the next few months.

ML: The U.S. represents the premier market for biotech companies. From its proud Belgian origins, Celyad has grown over the years to become a strong European player and is now starting its U.S. operations. Our listing on the NASDAQ significantly increased our awareness among investors. We will now further strengthen our corporate reputation by broadening our reach to the other stakeholders such as clinicians, patients, payers and public authorities who are playing an active role in the development of novel therapies.

Key Highlights

2015

Celyad, well-positioned to become a global leader in cell therapy.

2015

JANUARY - Celyad enters into the immune-oncology field with the **acquisition of Oncyte CAR T-Cell portfolio from Celdara Medical**. Portfolio includes three autologous CAR-T cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications.

MARCH - Completion of a **EUR 32 million private placement** of ordinary shares to dedicated life sciences investors in U.S. and Europe.

Paediatric Investigation Plan waiver obtained from EMA on C-Cure® market registration.

APRIL - Enrolment of the first patient in Phase I/IIa clinical trial to assess the safety and feasibility of NKG2D CAR T-cells in cancer patients with haematological indications.

MAY - **Cardio 3 BioSciences becomes Celyad**

JUNE - Celyad raises **USD 100 million** gross proceeds with **Nasdaq Initial Public Offering**

JULY - **Dosing of the last CHART-1** (Congestive Heart failure Cardiopoietic Regenerative Therapy) **patient of the European Phase III clinical trial**, triggering the 9-month follow-up period. Full data **readout expected in mid-2016**.

AUGUST - New collaboration and distribution agreement with Hong-Kong based partner, Medisun International Limited ("Medisun"). This license agreement confirms Celyad's intention to expand the global footprint of its lead cardiac disease cell therapy candidate for the treatment of ischemic heart failure, C-Cure®.

NOVEMBER - Issuance of United States Patent No. 9,181,527 relating to allogeneic human primary T-Cells that are engineered to be T-Cell Receptor (TCR)-deficient and express a Chimeric Antigen Receptor (CAR).

Initiation of the certification by the EMA of the non-clinical data of C-Cure® aimed to prepare the submission of a Marketing Authorization Application.

Celyad renames its CAR T-Cell program into NKR-T program (NKG2D becoming NKR-2).

Completion of a 30-day safety follow-up of **first patient** cohort in **NKR-T Phase I/IIa trial** demonstrating the **absence of toxic response of NKR-2** in the first dose tested ever in human.

DECEMBER - Treatment of the first patient of the second cohort in NKR-2 Phase I/IIa trial

Publication of the CHART-1 trial design methods paper in the European Journal of Heart Failure.

U.S. Food and Drug Administration (FDA) authorized the Company's Investigational New Drug (IND) application to proceed thus allowing the **use of C-CathTM in CHART-2**.

All over 2015

Reinforcement of the Group management bodies with the recruitment of seasoned and highly experienced directors and senior managers.



Treating Heart Failure by engaging the heart's reparative mechanisms

Cardiovascular diseases, which are diseases of the heart and blood vessels, are the largest cause of mortality in the world.

One in five people over 40 will develop heart failure during his or her life¹

Approximately 5,7M heart failure patients in the U.S. alone in 2012²

50%
5 year survival rate for heart failure patients is 50%³

\$60B
Estimated indirect costs of heart failure in 2014 in the U.S.⁴

1M
Primary HF-related annually hospitalizations in the U.S. as of 2013

20%
Patients with stage IV heart failure have annual mortality rates of up to 20%

In Europe alone, 3.6 million people are diagnosed annually with heart failure⁵

Out of the 3.6 million people diagnosed with heart failure, **one in three will die** within a year of diagnosis⁶

According to the World Health Organization, in 2012, approximately 37% of all global deaths from non-communicable diseases were attributable to cardiovascular etiologies. Cardiac diseases can be broadly divided into diseases linked to impairment of blood flow to the heart muscle, or ischemic causes, and diseases linked to other causes, or non-ischemic causes, such as hypertension and metabolic disorders. If left untreated, cardiac diseases can lead to heart failure (HF), a condition in which the heart is unable to pump enough blood to meet the body's metabolic needs.

Ischemic Heart Failure

Heart failure (HF) is a very serious condition in which the heart cannot pump enough blood to meet the body's metabolic needs. As a natural evolution of most cardiac diseases, HF is very common, affecting 1% to 2% of the adult population in developed countries. Approximately 5.7 million patients were diagnosed with HF in the United States in 2012, according to the American Heart Association (AHA). The prevalence of HF is increasing due to an aging population and the increasing prevalence of major cardiovascular risk factors, such as obesity and diabetes. Population studies published in *Nature Reviews Cardiology* have estimated that one in five people over the age of 40 will develop HF during his or her lifetime. The long-term prognosis associated with

heart failure is dire, with approximately 50% mortality at five years following initial diagnosis, according to a 2014 report from the American Heart Association. HF patients vary in their symptoms from very mild, through shortness of breath during moderate exercise, and then shortness of breath during light exercise. In the most severe stages, patients are exhausted even at rest.

The most frequent etiology of HF arises from the effects of coronary disease in damaging the left ventricle, leading to what is known as ischemic cardiomyopathy. The effects of one or more episodes of damage (myocardial infarction) are to reduce the left ventricular ejection fraction, which is a measure of the percentage of blood leaving your heart each time it contracts. This process is of ten recurrent, resulting in a cumulative and invariably progressive deterioration of heart function. It is estimated that 62% to 70% (5) of advanced heart failure patients have an ischemic origin, 75% (6) of them have a reduced left ventricular ejection fraction. According to existing statistics (7), it is this population of patients whose lives are most impacted, by poor quality of life, frequent need of hospital care and the highest risk of death.

Today HF cannot be cured or repaired, and most of the current therapies only reduce the severity of symptoms.

1. McMurray, JJV et al, 2005, The Lancet, 365, pp 1877-1889
 2. Company estimates
 3. Go A.S. et al, Heart Diseases and Stroke Statistics 2013 Update. A Report From the American Heart Association.
 4. Voigt, J, et al. (2014). «A Reevaluation of the Costs of Heart Failure and Its Implications for Allocation of Health Resources in the United States.
 5. Packer M, Coats AJ, Fowler MB, et al. "Effect of carvedilol on survival in severe chronic heart failure." N Engl J Med 2001; 344:1651-1658.
 6. Lopez Sendon J. "The Heart Failure Epidemic." Medicographia 2010.

5. Laphor, European Journal of Cardio-thoracic Surgery 37 (2010) 357-361 R D S Watson BMJ 2000;320:2369
 6. Bursi F, Systolic and diastolic heart failure in the community. JAMA. 2006;296:2209-2216
 7. British National Audit 2014-2015, NICOR, accessed through internet (<https://www.ucl.ac.uk/nicor/audits/heartfailure/reports>)



“To date, there is no existing curative treatment for heart failure. C-Cure® is different from the therapeutic solutions that are currently available on the market since it aims at treating the cause of the disease and not its symptoms”.

Drug therapies in particular are aimed at relieving suffering and improving quality of life. While some medical devices (such as pacemakers and heart pumps) have improved the function of a damaged heart, no currently available heart failure treatment has demonstrated an ability to repair the scarred regions of a heart. As such, reparative therapies, that have the goal of rebuilding an organ that has become non-functional, when approved, would offer new hope to patients who otherwise have limited choices. Fortunately, of all the causes of weakening of the heart muscle, ischemic cardiomyopathy appears to be the most likely to respond to reparative therapy.

C-Cure®, a first-in-class cell-based reparative therapy to treat Heart Failure

THE CARDIPOIESIS PLATFORM

Celyad is developing the breakthrough proprietary Cardiopoiesis platform, which is based on fundamental research and proprietary technology from Mayo Clinic. This novel platform is designed to drive the differentiation of multipotent stem cells into new cardiac progenitor cells. While most organs (such as the skin and bone) have a greater or lesser capacity for self-repair of damage, the heart does not have this capacity: it does not harbour large quanti-

ties of cardiac stem cells (CSCs) it can use for self-repair and the CSCs that are present in the heart are in a dormant state. Fundamental research at Mayo Clinic uncovered the mechanisms in the embryo that make an embryonic stem cell become a heart cell. This led to the identification of a ‘Cardiopoietic’ combination of proteins signaling the transformation of generic adult stem cells from other tissues into cardiac progenitor cells. The Cardiopoiesis platform aims to replicate the normal processes of cardiac development in the embryo, without attempting to permanently or temporarily modify the genome of the cell. As such, the platform aims to recapitulate what nature does, while at the same time turning on every patient’s reparative potential. The platform is also highly versatile and could be applied to various stem cell sources.

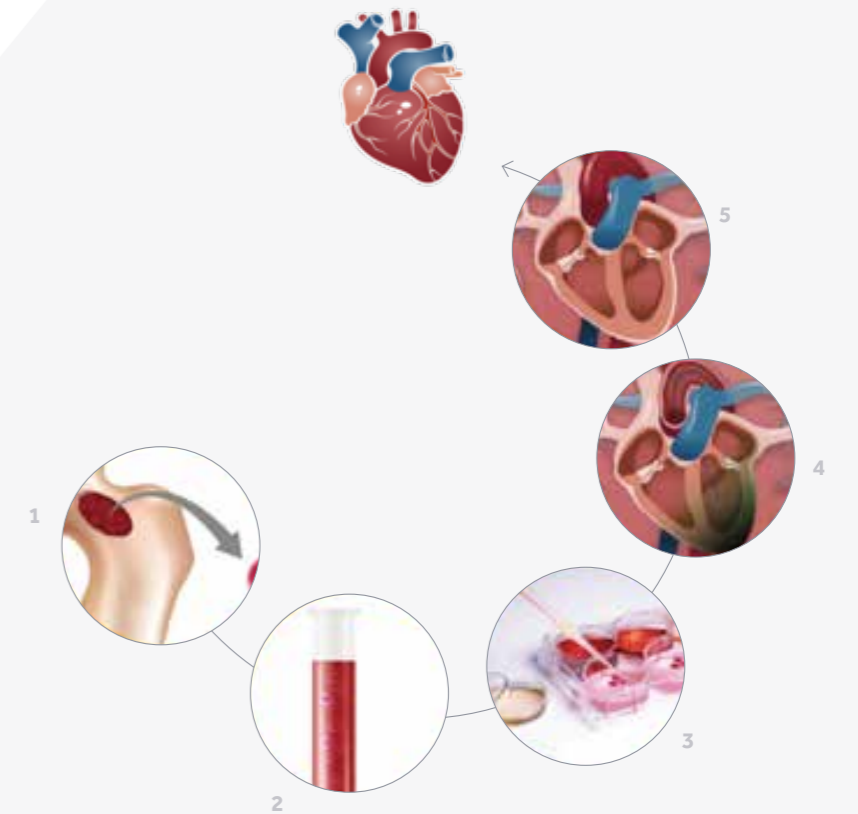
C-CURE®

C-Cure® is Celyad’s lead product candidate in cardiovascular disease and is based on the Cardiopoiesis platform. C-Cure® is being developed for ischemic HF and consists of a patient’s own cells harvested from bone marrow, treated with the Cardiopoietic growth factors and then re injected into the heart. It is designed to produce new cells that induce heart repair without carrying the risk of rejection.

C-Cure® has two modes of action:

- Directly through the proliferation, engraftment and terminal differentiation of the injected cells; and
- Indirectly through the beneficial effect of the factors excreted by the transplanted cells on the host’s own resident cardiac stem cells.

In using patients’ own (autologous) cells and a novel, highly effective catheter (C-Cath_{ez}TM) to administer them, the therapy was designed to generate the greatest impact.



1 Bone marrow drawn from the patient

2 Stem cells are selected and expanded

3 Stem cells are differentiated to become cardiopoietic cells, through the use of a proprietary combination of cytokines and growth factors

4 Cardiopoietic cells are injected back into the heart using C-Cath_{ez}TM

5 Introduction of functioning myocytes to induce repair

Directing a large-scale weaponized attack on cancer with NKR-T immunotherapy

Helping the immune system to identify and kill cancer cells thanks to specific T-cell receptors and Natural Killer (NK) cells.



Nearly 10% of new cancer diagnoses will be leukemia, lymphoma and multiple myeloma



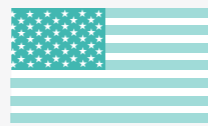
The five year survival rate of AML patients is roughly 25%



Every 3 min. one person is diagnosed, every 9 min. someone dies from blood cancer in U.S.

1.2M

1.2M people in U.S. are either living with or in remission from leukemia, lymphoma or myeloma



26,850 people in the U.S. are expected to be diagnosed with multiple myeloma/year



162,020 people in the U.S. are diagnosed with leukemia, lymphoma or myeloma



20,830 people in the U.S. are expected to be diagnosed with acute myeloid leukemia/year



U.S. Incidence rate of MM from 2007-2011 was 7.7/100,000 for men and 4.9/100,000 for women

Immunotherapy for cancer treatment

Immunotherapy is based on the premise that our immune system is capable of destroying abnormal cells such as cancer cells, but in some instances, the cancer cells develop mechanisms that allow them to evade the detection or the activity of our immune defenses. The therapies developed in immune-oncology attempt to restore and to activate the immune system ability to detect and destroy cancers.

Chimeric antigen receptor T-cells (CAR T-cells)

A central player in cancer immunotherapies is a type of white blood cell known as the T-cell which is equipped with cell killing mechanisms. In healthy subjects, T-cells identify and kill infected or abnormal cells, including cancer cells.

A Chimeric Antigen Receptor (CAR) is engineered by inserting, in the DNA of a T-cell, a sequence that will push the T-cell to express an antibody designed to recognize and bind an antigen present on the cancer cell.

To make this construction effective in killing cancer cells, another protein must be added inside the T-cell that will act as a signal that triggers cell killing once antibody/antigen binding has occurred. A T-cell combining the antibody that allows the recognition of the cancer cell and the signaling that allows it to destroy is a CAR-T cell.

In an attempt to render that CAR-T cell more potent, researchers have added other proteins, called co-stimulatory molecules, which are in charge of helping CAR-T cells survive for a longer period of time after they have been injected in the body, and/or push them to multiply.

The CAR manufacturing technology modifies T-cells outside the body. The steps are the following:

- (i) harvest cancer patient's white blood cells from a normal blood draw in a process called leukapheresis.
- (ii) selection of the T-cells from the white blood cells.
- (iii) transfer of the genes that code for the CAR in the DNA of the T-Cells (iii) multiply the CAR to reach a therapeutic dose
- (iv) infuse these CAR-T cells back into the patient.

Autologous and Allogeneic Approaches

In autologous CAR-T-cell-based therapy, the T-cells to be engineered originate from the patient that will be treated. The big advantage being that the patient's immune system does not reject the CAR-T cells obtained from their own T-cells, nor do the injected T-cell reject the patient normal tissues.

CAR-T cell-based therapies are currently autologous, but researchers are working to find other approaches that would allow donor cells to be used (allogeneic).





“What makes this technology unique is that, unlike the CAR T-cells that are developed by our competitors, NKR-2 T-cells are potentially able to identify and destroy cancer cells of both liquid and solid tumor, covering 80% of the cancers”.

Natural Killer Cells and the Innate Immunity

Natural Killer Cells (NK cells) are yet another type of white blood cell. They constitute the first line of defense against external aggression (viruses or bacteria) and against cancer. NK cells primary role seems to be surveillance, early detection and essentially to hold the line until T-cells and other immune cells can come to the rescue.

In order to recognize their targets, NK cells use receptors (proteins) present on their surface that recognize specific targets, called ligands, expressed by cells under stress. NK cells have both activating receptors, such as NKG2D, or NKp30, and inhibiting receptors.

Celyad’s NKR-T cell platform

The Celyad T-cell immunotherapy approach is unique and builds on work conducted by Professor Charles Sentman and his team at Dartmouth College (Hanover, NH).

Sentman had the idea of copying the NK activating receptors (for example NKG2D or Nkp30) and insert them in a T-cell very much like other CAR approaches. Instead of inserting a gene that codes for an antibody, Sentman inserted genes that coded for the NKG2D or the Nkp30 receptors.

In order to provide the intracellular signaling from killing the attacked cell once the receptor binds to its ligands, Sentman used the same intracellular signaling construct as what is used in other CARs (a portion of the CD3 protein). Hence, a new CAR platform was invented, named NKR-T, meaning NK Receptor T cell.

NKR-T uses also a co-stimulatory domain to increase the potency of the cell, but instead of inserting a gene coding for CD28 or 4-1-BB like other CAR-T, NK receptor naturally use a co-stimulatory molecule already present in T-cell, called DAP 10 making the overall CAR construct much simpler.

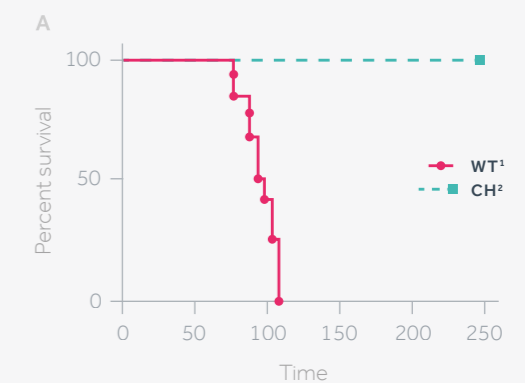
NKR-2 preclinical evidences from *in vivo* animal studies

In figure A, a first group of mice were injected with ovarian tumor cells and then treated with unmodified NKR-2 T-cells, also called wild-type NKR-2 T-cells (dark blue color). A second group of mice (light-blue color) was injected with the same ovarian tumor cells as the first group, but they were treated with engineered NKR-2 T-cells, i.e lymphocyte T-cells on which a Natural Killer (NK) cell has been added to express the NKG2D receptor on their surfaces. In the control group treated with wild-type NKR-2 T-cells all animals developed tumors and died. In the group of mice treated with NKR-2 T-cells, all animals survived for a long-term period without developing any tumors.

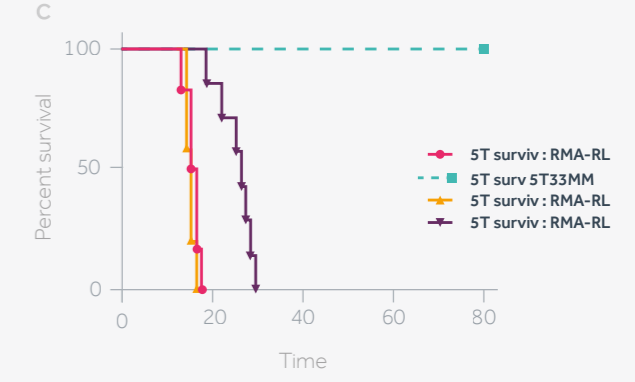
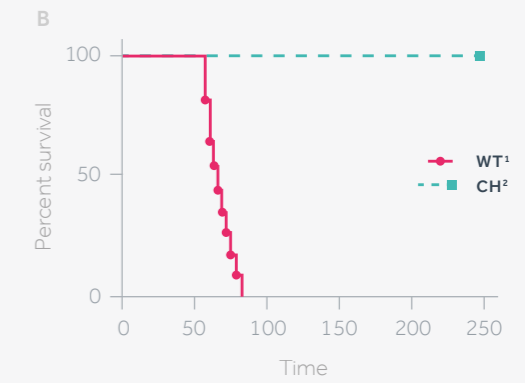
This data indicates that NKR-2 T-cells treatment results in long-term tumor free survival in animal models.

In addition to the ovarian cancer model, NKR-2 T-cells have also demonstrated efficacy in other cancer models such as multiple myeloma, lymphoma, melanoma and colon cancer. In a following experiment shown by Figure C, we have used survivor animals (light blue color) of the previous experiment (Figure B) to re-challenge with the same multiple myeloma tumor cells or with a different tumor cells. Survivor animals that were re-challenged with the same multiple myeloma tumor cells showed resistance and did not develop any tumor, whereas survivors that were re-challenged with a different tumor cells developed tumors and died. Control naïve animals developed tumors and died in response to both tumors cells. These data showed that NKR-2 T-cells are capable of inducing durable anti-tumor immunity in preclinical models.

- 1. Wild-type NKG2D T-cells (n=12)
- 2. CAR-NKG2D T-cells (n=12)



NKR-2 T-CELLS INDUCE DURABLE ANTI-TUMOR IMMUNITY



Clinical development of NKR-2

Autologous NKR-2 is currently being evaluated clinically in a first-in-human Phase I/IIa dose-escalation study (ClinicalTrials.gov NCT02203825) at the Dana-Farber Cancer Institute (Boston, MA), to assess safety and feasibility in relapsed or refractory Acute Myeloid Leukemia (AML) and Multiple Myeloma (MM) patients (two blood related cancers, together constituting more than 50% of all blood cancers). No safety issues have been observed so far and trial results are expected throughout 2016. The broad reach of this technology allows Celyad to plan for a large clinical program testing the activity of this compound in many different cancer indications.

Differentiation and potential advantages of NKR-2 T-cells*:

- The NKG2D receptor binds to 8 different ligands that are generically expressed by a vast majority of cancer cells, both hemaetological and solid malignancies (around 80% of cancer types).
- NKR-2 targets and kills tumors as well as the blood vessels that feed them and also express the ligands of the NKG2D receptor.
- NKR-2 also targets and kills the inhibitory cells that are present in the tumor environment preventing the tumor from evading the immune system.
- NKR-2 induces adaptive auto-immune response thanks to the creation of a long term cell memory against the targeted tumor.

Other developments of the Celyad platform:

Celyad has acquired another NK receptor based CAR, using the Nkp30 NK cell activating receptor. Nkp30 is therefore

very similar to NKG2D although using a different set of ligands. B7H6 is a more traditional antibody based CAR (using an antibody and not a receptor of NK cells), but it is the ligand of NKP30 and is present also on many different cancers.

Our allogeneic platform

The complexity of the allogeneic approach is that T-cells from the donor would be recognized as "foreign" by the patient that receives them and the patient immune system will be activated to reject these donor CAR-T cells. This reaction is called "Host versus Graft Disease" (HvGD).

In addition, as the injected cells are part of the donor immune system, they will also recognize the patient normal tissues as "foreign". The injected CAR-T cells will therefore reject or attack the patient normal tissues and induced a disease called the "Graft versus Host Disease" (GvHD). Those two reactions (GvHD and HvGD) render allogeneic therapies ineffective or even dangerous if performed without modifications.

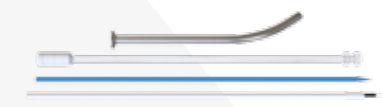
The mechanism responsible for one part of the rejection (GvHD) is mostly driven by a protein naturally present at the surface of the T-cell called the T-cell Receptor (TCR). One approach to prevent GvHD is to silence this TCR on the donor cells. This can be done by removing the gene that codes for the TCR in the T-cell that will be used (Gene Editing techniques), or by inserting a gene that codes for a fake non functional TCR. This could reduce or eliminate the GvHD issue.

Celyad currently has pre-clinical studies underway to develop allogeneic cancer therapies by using a TCR Inhibitory Molecule, or "TIMTM", in combination with a next generation CAR construct that incorporates a Natural Killer Receptor, or "NKR". This proprietary process results in a TCR-deficient NKR T-Cell aimed at eliciting no or a greatly reduced graft-versus-host-disease (GVHD) response.

Medical Device

C-CATH_{ez}TM

Celyad has developed a proprietary technology aimed at maximizing the delivery efficiency of reparative therapeutics to the heart. C-Cath_{ez}TM is a safe and effective an intra-myocardial delivery catheter, designed to reduce the risk of myocardium perforation, increase needle stability during injection and enhance fluid dynamics to improve retention. C-Cath_{ez}TM obtained CE mark in April 2012 and is therefore available for clinical use worldwide and commercial use in CE Mark jurisdictions.



Heart Access sheath



Mitral valve neo-chordae



Closure device

Heart Access Technology

Celyad's Heart Access technology is designed to enable cardiologists to take a unique access route directly to the patient's left atrium, enabling the deployment of catheters or other necessary instruments for use in the treatment of various indications such as mitral valve disorders and structural heart diseases, conditions often linked to heart failure.

Celyad's heart access technology comprises a number of instruments which allow for quick, user friendly and easy trans-thoracic access to the heart.

Watch C-Cath_{ez}TM video on our website:

<https://youtu.be/b4TA-3Pokpc>

Watch Heart Access video on our website

<https://youtu.be/GQ4QCvH8Pbk>

*Results observed in preclinical studies in multiple mouse models.



We combine talent and commitment to engineer the remarkable

Every second counts, this is what drives us every day in our work

Celyad unites men and women who are constantly pushing back the limits of science and technology to deliver disease changing treatments to patients. Our ambition is to use our unique expertise in cell therapy engineering to treat patients suffering from some of the major diseases of the 21st century. Our daily work is driven by the patients' urgent need to receive the solution that will change their lives.

Our people are our most precious asset

Celyad's team is fully committed and actively contributes to the expansion and the leadership of the Company. To develop best-in-class cell therapies, we have to attract and retain the best talent. This is why we strive to create an exciting culture and working environment that will help them realize their full potential. Respect, trust, passion, ownership and integrity are some of our team core values.

"What is exciting about working at Celyad is that we are developing cutting-edge therapeutic approaches. Elaborating new treatments is very challenging from an intellectual point of view. But my greatest satisfaction is to know that all the effort I put in my work will potentially help patients who had no other option to get better and enjoy life again".

— JOSÉ ZEFU KIMPALOU, PRODUCT SPECIALIST & CLINICAL LOGISTICS SUPERVISOR AT CELYAD SINCE 2013.

"Innovation and real team spirit is a very motivating combination. It pushes me to break out my comfort zone and to always think out of the box, which is enriching both my personal and professional development".

— JOYCE MEULEMANS, CLINICAL MANAGER AT CELYAD SINCE 2015.

«The projects I am working on are aimed to ensure the traceability as well as a good stock management of the raw materials that are used in the manufacturing process. My objective is to deliver a product that was made according the highest quality standards and to send it on time for the treatment of the patients. I like to think that I bring my contribution to their well-being».

— MATHIEU COECKELBERGH, LOGISTICS TECHNICIAN AT CELYAD SINCE 2015.

“We have appointed a Chief Human Resources Officer, which is a newly created position at Celyad, to drive the evolution of our internal organization while ensuring the well-being of all our employees. In 2016, we will move to another building with greater capabilities to fit the working environment to the size of our team”.

— CHRISTIAN HOMSY, CEO OF CELYAD.

Celyad, a fast-growing company

Over the past two years, Celyad has been building the foundations to face the challenge of its clinical and operational development. Between 2013 and 2015, the number of employees doubled and required the reinforcement of the Human Resources department as well as bigger facilities.

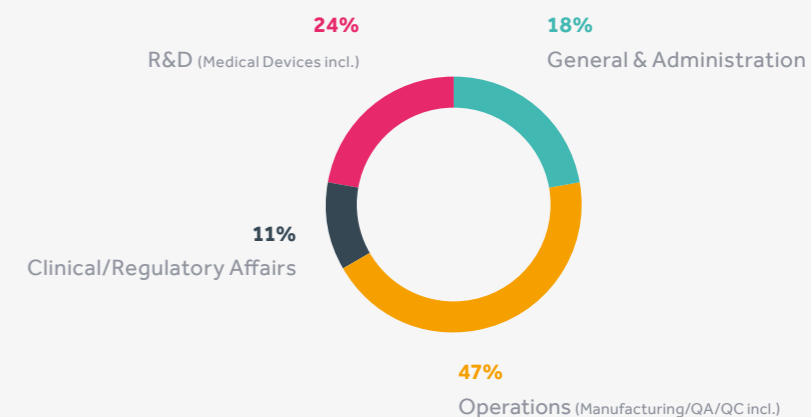


Number of employees
(as of 31 December 2015)



Scientific staff represents 82% of the total staff of the Company (as of 31 December 2015)

Split by Department



Our Executive Management Team

The Board of Directors of the Company has established an Executive Management Team, which is an advisory committee to the Board of Directors, and which therefore does not constitute a management committee under Article 524bis of the BCC. As of end of March 2016, the Executive Management Team consists of:



Christian Homsey
— CEO



Patrick Jeanmart
— CFO, INVESTOR RELATIONS



Pierre Brynaert
— CHIEF HUMAN RESOURCES OFFICER



Dieter Hauwaerts
— VP OPERATIONS



Jean-Pierre Latere
— VP REGENERATIVE MEDICINE & MEDICAL DEVICES



Frédéric Lehmann
— VP IMMUNO-ONCOLOGY



Richard Mountfield
— VP GLOBAL REGULATORY AFFAIRS



Georges Rawadi
— VP BUSINESS DEVELOPMENT



Peter de Waele
— VP RESEARCH & DEVELOPMENT

Corporate Governance

Our board of directors

The Board of Directors currently consists of eleven members, one of which is an executive director (as a member of the Executive Management Team) and ten of which are non-executive directors, including the chairman and four independent directors, appointed at the Shareholders Meeting of the Company. The Board's composition reflects a diverse and complementary range of experience, nationalities and cultures, ensuring that the interests of all shareholders are taken into account. Members of the Board of Directors are chosen for their skills, their integrity and their independence of mind.

THE MEMBERS OF THE BOARD ARE:

- **Michel Lussier**, Chairman
- **Christian Homsey** (permanent representative of LSS Consulting SPRL), Executive director
- **Chris Buyse**, Independent director
- **Rudy Dekeyser**, Independent director
- **Serge Goblet**, Non-executive director
- **Debasish Roychowdhury**, Independent director

- **Chris De Jonghe**, Non-executive director
- **Hanspeter Spek**, Independent director
- **Danny Wong**, Non-executive director
- **TOLEFI SA**, represented by Serge Goblet
- **William Wijns**, Non-executive director*

Our board Committee

The Board of Directors has set-up a Nomination and Remuneration Committee. This Committee is composed of four non-executive directors, respectively, Chris Buyse, Hanspeter Spek, Rudy Dekeyser and Michel Lussier.

The Committee is chaired by Michel Lussier.

In March 2015, the board nominated an Audit Committee within the Board of Directors. The audit committee consists of three members, all non-executive and independent directors: Chris Buyse, Rudy Dekeyser and Chris De Jonghe. The Committee is chaired by Chris Buyse. Previously, the audit function was carried out by the entire Board of Directors.

* William Wijns resigned from the Board of Celyad on April, 1st 2016.

“Celyad has a strong cash position to secure the funding of all its development programs until the end of 2017 and beyond.”

— PATRICK JEANMART - CHIEF FINANCIAL OFFICER.



Information for Shareholders

Interview with Patrick Jeanmart, Chief Financial Officer



the NASDAQ by issuance of American Depositary Shares and ordinary shares to institutional investors in the U.S. and Europe, respectively.

Can you outline Celyad's current financial position and outlook?

Celyad has a strong cash position with EUR 108 million as of 31 December 2015. Based on its current scope of activities in cardiovascular disease and immunology and its operational burn rate (EUR 27 million as of 31 December 2015), the Company estimates to have sufficient financial resources to secure the funding of all its pre-clinical and clinical development programs until end of 2017.

What are the main event catalysts for 2016?

We will have two catalysts mid-2016 with the publication of clinical data from CHART-1 European Phase III trial and NKR-2 Phase I/IIa trial. This year is going to be very important for the Company and its shareholders.

What were the key financial achievements of Celyad in 2015?

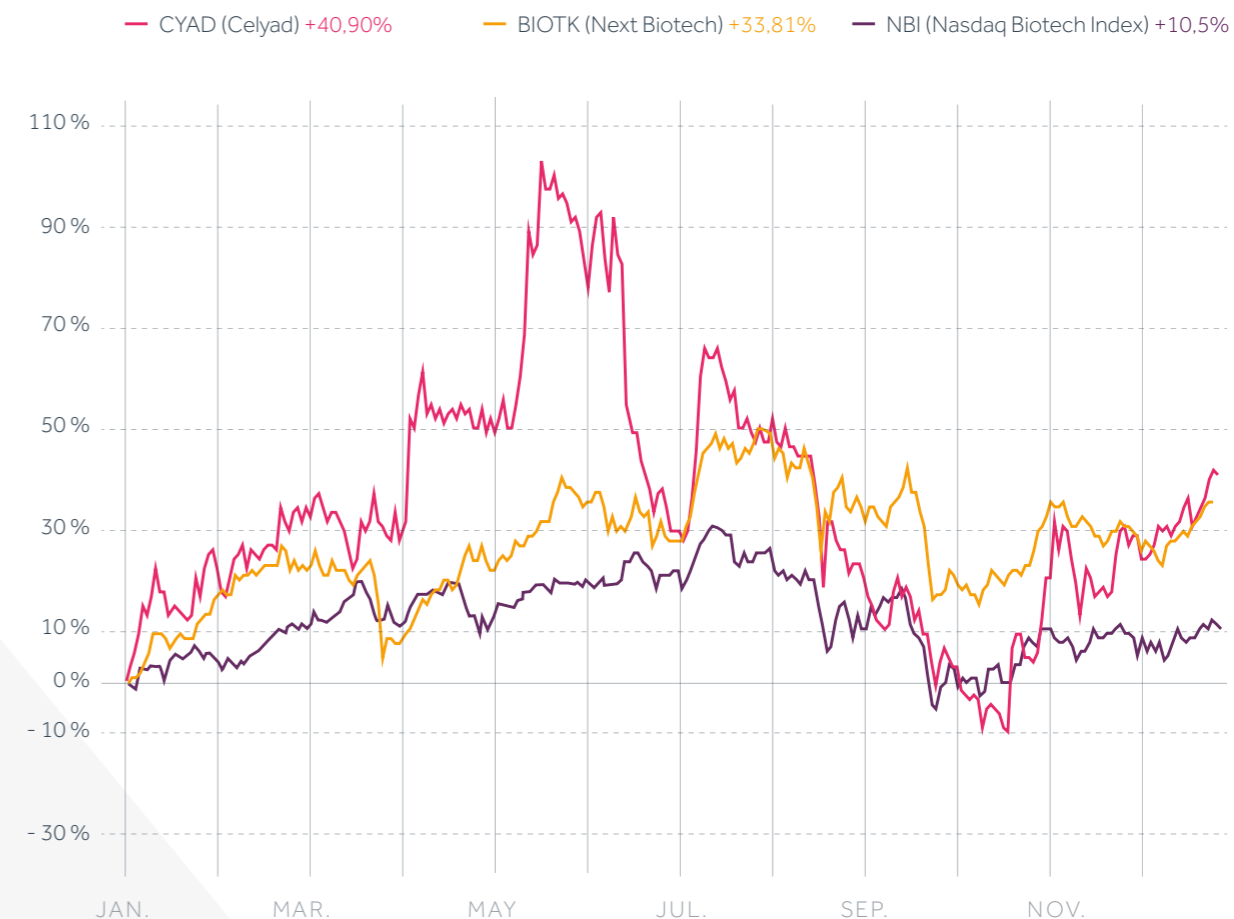
In 2015, Celyad built the foundations for great accomplishments in the near future by realizing significant strategic, operational and financial milestones. On a financing side, we raised more than EUR 120 million through the completion of a EUR 32 million gross proceeds private placement of ordinary shares to institutional investors in the U.S. and Europe. We also completed a USD 100 million gross proceeds IPO on

2016 financial calendar

All communication will be made before market opening.

- 2016**
- 9 MAY**
General Assembly
- 19 MAY**
Q1 2016 Business Update
- 25 AUGUST**
Financial results first half year 2016
- 18 NOVEMBER**
Q3 2016 Business Update

Celyad's stock performance in 2015



Source: Euronext & Nasdaq [Closing Cotation Celyad & Biotech on Euronext, NBI on Nasdaq, Variation vs Index 100 on 2nd January 2015]

Analyst coverage

Europe

Broker	Analyst
Kempen & Co www.kempenresearch.nl	Sachin Soni
Kempen & Co www.kempenresearch.nl	Mark Pospisilik
Invest Securities www.invest-securities.com	Martial Descoutures
Portzamparc, groupe BNP Paribas www.portzamparc.fr	Arnaud Guerin
Edison Group www.edisongroup.com	John Savin
Petercam www.petercam.com	Roderick Verhelst
Bryan Garnier www.bryangarnier.com	Hugo Solvet

USA

Broker	Analyst
UBS www.ubs.com	Andrew Peters
Piper Jaffray www.piperjaffray.com	Edward Tenthoff
LifeSci Capital www.lifescicapital.com	Jerry Isaacson
LakeStreet Capital Market www.lakestreetcapitalmarkets.com	Bruce Jackson

Financial services

Financial services for the shares of the Company are provided by BNP Paribas Security Services.

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Glossary

Acute Myeloid Leukemia (AML)

AML is a type of cancer that affects the blood and bone marrow. It is characterized by an overproduction of certain immature white blood cells, called myeloblasts or leukaemic blasts

Autologous cells

Cells that are from the same donor as the recipient.

Cardiac Progenitor Cells (CPCs)

A cardioprogenitor cell is a cellular phenotype with the capacity to yield myocardial tissue and blood vessels upon differentiation.

Cardiac Stem Cells (CSCs)

Cells that can give rise to all of the major cell types in the human heart.

Cardiopoiesis

Process to drive stem cells towards the cardiac lineage.

CAR T-Cell

A CAR-T cell is a T lymphocyte (a type of white blood cells) in which a DNA construct, coding for a receptor, has been introduced artificially. The result of this engineered cell is that the T lymphocyte express the CAR (Chimeric Antigen Receptor) on its surface and is able to recognize a specific target through new engrafted receptor.

Heart Failure (HF)

Heart Failure is a condition in which the heart has been damaged and cannot pump enough blood to meet the body's metabolic needs. HF can be of ischemic or non-ischemic origin:

- Ischemic Origin (Coronary Artery Disease);
- Non-ischemic Origin;
- Hypertension: high blood pressure;
- Other conditions such as heart valve disease, congenital heart defect, endocarditis (infection of the heart valves) and/or myocarditis (infection of the heart muscle).

The failing heart keeps working but not as efficiently as it should. HF patients cannot exercise because they become short of breath and tired. In the most severe forms, even slight exercises like walking a short distance are impossible.

In vivo (experiments)

Experiments done in animal living systems.

Left Ventricular Ejection Fraction (LVEF)

The fraction of blood pumped out of the left ventricle with each heart beat.

Ligand

A ligand is molecule, as an antibody, hormone, or drug, that binds to a receptor.

Multiple Myeloma (MM)

MM is a cancer of plasma cells. Plasma cells are mature B lymphocytes, a type of white blood cell, that help to fight infection by producing special proteins called antibodies or immunoglobulins. In myeloma, large numbers of abnormal plasma cells called myeloma cells are made in the bone marrow.

NK cell or Natural Killer cell

NK cells are lymphocytes of the innate immune system, which can eliminate targets directly and destroy cells (e.g upon viral infection, or tumor cells)

Stem cells

Stem cells are primal cells. Stem cells retain the ability to renew themselves by division and can differentiate into a diverse range of specialised cell types. Stem cells can be found in adult tissues (adult stem cells), embryos (embryonic stem cells or ESCs) or umbilical cord blood.

TCR

TCR is a molecule found on the surface of T lymphocytes (or T cells) that is responsible for recognizing antigens bound to major histocompatibility complex (MHC) molecules.

Publication References

Oncology

1. Barber, A. et al., J. Immunol (2009) 183(4):2365-72;
2. Barber, A. et al., J. Immunol (2009) 183(11):6939-47;
3. Barber, A. et al., J. Immunol (2008) 180(1):72-8;
4. Barber A. et al., Exp. Hematol. (2008) 36(10):1318-28;
5. Barber, A. et al., Gene Ther. (2011) 18(5): 509-516 Cardiovascular disease
1. Bartunek J, Behfar A, Dolatabadi D, Vanderheyden M, Ostojic M, Dens J, El Nakadi B, Banovic M, Beleslin B, Vrolix M, Legrand V, Vrints C, Vanoverschelde JL, Crespo-Diaz R, Homys C, Tendera M, Waldman S, Wijns W, Terzic A. Cardiopoietic stem cell therapy in heart failure: the C-CURE (Cardiopoietic stem Cell therapy in heart failURE) multicenter randomized trial with lineage-specified biologics. J Am Coll Cardiol. 2013;61(23):2329-38.
2. Behfar A, Latere JP, Bartunek J, Homys C, Daro D, Crespo-Dia R, Stalboerger P, Steenwinckel V, Seron A, Redfield M, Terzic A. Optimized Delivery System Achieves Enhanced Endomyocardial Stem Cell Retention. Circ Cardiovasc Interv. 2013;6(6):710-8.



CELYAD AND THE STOCK EXCHANGE

The Company is listed on Euronext Paris and Brussels since July 2013 and on Nasdaq since June 2015.

Mnemo: CYAD

ISIN:BE0974260896

PEA and PEA PME Eligibility.

Total outstanding shares: 9,313,603 (as of 31 December 2015)

MORE INFORMATION ON:

www.celyad.com

MORE INFORMATION FOR SHAREHOLDERS ON:

www.celyad.com/investors.htm?lng=en

CONTACT:

investors@celyad.com



FINANCIAL REPORT

2015

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ANNUAL FINANCIAL REPORT 2015

This Annual Financial Report contains all required information as per the Belgian Company Code.

LANGUAGE OF THE ANNUAL FINANCIAL REPORT 2015

Celyad publishes its Annual Report in French, according to Belgian law. The Company also provides an English Translation. In case of differences in interpretation, the French version will prevail.

AVAILABILITY OF THE ANNUAL FINANCIAL REPORT 2015

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

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Tel: +32 10 394100
E-mail: investors@celyad.com

An electronic version of this Report is available on the Company website.

<http://www.celyad.com/en/financial-reports>

FORWARD LOOKING STATEMENTS

In addition to historical facts or statements of current condition, this annual report contains forward-looking statements, including statements about the potential safety and feasibility of NKR-2 T-cell therapy and C-Cure and the clinical potential of the Company's technology platform generally and the timing of future clinical trials, which reflect our current expectations and projections about future events, and involve certain known and unknown risks, uncertainties and assumptions that could cause actual results or events to differ materially from those expressed or implied by the forward-looking statements.

In particular it should be noted that the 30-day safety data described in the release are preliminary in nature and the Phase 1 trial is not completed. There is limited data concerning safety and feasibility of NKR-2 T-cell therapy. These data may not continue for these subjects or be repeated or observed in ongoing or future studies involving our NKR-2 T-cell therapy, C-Cure or other product candidates. It is possible that safety issues or adverse events may arise in the future.

These forward-looking statements are further qualified by important factors, which could cause actual results to differ materially from those in the forward-looking statements, including risks associated with conducting clinical trials; the risk that safety, bioactivity, feasibility and/or efficacy demonstrated in earlier clinical or pre-clinical studies may not be replicated in subsequent studies; risk associated with the timely submission and approval of anticipated regulatory filings; the successful initiation and completion of clinical trials, including Phase III clinical trials for C-Cure® and Phase I clinical trial for NKR-2 T-cell; risks associated with the satisfaction of regulatory and other requirements; risks associated with the actions of regulatory bodies and other governmental authorities; risks associated with obtaining, maintaining and protecting intellectual property, our ability to enforce our patents against infringers and defend our patent portfolio against challenges from third parties; risks associated with competition from others developing products for similar uses; risks associated with our ability to manage operating expenses; and risks associated with our ability to obtain additional funding to support our business activities and establish and maintain strategic business alliances and business initiatives. A further list and description of these risks, uncertainties and other risks can be found in the Company's Securities and Exchange Commission filings and reports, including in the Company's prospectus filed with the SEC on June 19, 2015 and future filings and reports by the Company. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. The Company expressly disclaims any obligation to update any such forward-looking statements in this document to reflect any change in its expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, unless required by law or regulation. C3BS-CQR-1, C-Cure®, NKR-2 T-cell, OnCyte, Celyad®, Cardio3 BioSciences,

C3BS-CQR-1, C-Cure, NKR-2 T-cell, OnCyte, Celyad, Cardio3 BioSciences, C-CATHez, CHART-1, CHART-2, and their associated logos, are signs internationally protected under applicable Intellectual Property Laws. Mayo Clinic holds equity in Celyad as a result of intellectual property licensed to the Company.

1. REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2015

Dear Shareholders,

We are glad to present you our report relating to Celyad consolidated financial statements as of 31 December 2015 prepared in accordance with International Financing Reporting Standards (IFRS) as endorsed by the European Union. The companies included in the consolidated financial statements are Celyad SA, Celyad Inc, Oncyte LLC and CorQuest Medical Inc.

1.1 Highlights of 2015

2015 was another transformational year for Celyad. In 2015, Celyad built indeed the foundations for great accomplishments in the near future by realizing significant strategic, operational and financial milestones.

The acquisition of Oncyte LLC in January 2015 and its portfolio of clinical and preclinical assets in immuno-oncology positioned Celyad as an important international cell therapy player, moving from a Belgian cell therapy company specialized in ischemic heart failure to a US and European group that has the potential to develop clinical programs both in cardiovascular disease and in immuno-oncology, across Europe, U.S. and Asia.

On an operational side, we completed the enrolment and the dosing of the last patient of our CHART-1 European phase III trial. We also received authorization from the U.S. FDA for clinical testing of C-Cure®, allowing the initiation of CHART-2 Phase III clinical trial in the U.S with the use of our proprietary catheter C-Cathez™.

On a financing side, we raised more than EUR 120 million (gross proceeds) through a private placement and an Initial Public Offering on Nasdaq, respectively closed in March and June 2015. Based on its current scope of activities, the Company estimates its cash position is sufficient to secure the funding of all our preclinical and clinical development programs until end of 2017.

Here are the operational and financial highlights identified by the Board:

Operational highlights

Clinical Developments in Cardiology – C-Cure®

- Recommendation from the Data Safety Monitoring Board, or DSMB, to not discontinue the CHART-1 Phase III trial for C-Cure® based on its review of unblinded safety and efficacy data from treated and control patients. The DSMB determined that the data did not support discontinuation of the trial on the basis of futility. Furthermore, the DSMB recommended continuation of the trial with no protocol changes.
- Completion of patient enrollment and dosing in the CHART-1 clinical trial for C-Cure® conducted in Europe and Israel, triggering the 9-month follow-up period. Top line data of CHART-1 will be disclosed in June 2016.
- European Medicines Agency (EMA) delivered product-specific pediatric waiver for C-Cure® for the treatment of ischemic heart failure.
- Initiation of the certification by the EMA of the non-clinical data of C-Cure® aimed to prepare the submission of a marketing-authorization application.
- U.S. Food and Drug Administration (FDA) authorized the Company's Investigational New Drug (IND) application to proceed thus allowing the clinical testing of C-Cure® cardiopoietic cells delivered by Celyad's proprietary catheter C-Cathez™ in U.S. Phase III trial, CHART-2.

Clinical Developments in Oncology

- Celyad enters into the immune-oncology field with the acquisition of Oncyte LLC CAR T-Cell portfolio from Celdara Medical. Portfolio includes three autologous CAR T-Cell cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications
- Issuance of the US Patent 9,181,527 relating to allogeneic human primary T-Cells that are engineered to be T-Cell Receptor (TCR)-deficient and express a Chimeric Antigen Receptor (CAR). This patent significantly strengthens Celyad's intellectual property portfolio.
- Completion of the 30-day safety follow-up of first cohort in NKR-T Phase I/IIa trial demonstrating the absence of toxic response of NKR-T in the first dose tested ever in human.
- Infusion and 30 day-safety follow-up of the first patient of the second cohort in NKR-T-cell Phase I/IIa trial conducted at the Dana Farber Cancer Institute in Boston, USA.

Corporate and financial highlights

Corporate

- Change of corporate name and branding to reflect investment and diversification strategy - Cardio3 BioSciences became Celyad on 5 May 2015.
- New collaboration and distribution agreement with Hong-Kong based partner, Medisun International Limited ("Medisun"). Under the terms of the new license agreement, Celyad will conduct all clinical development and undertake any regulatory steps necessary for market approval in China, Hong-Kong, Taiwan and Macau (collectively "Greater China"). With a minimum of €20 million, these activities will be funded by Medisun.
- Appointment of numerous seasoned senior executives and director to strengthen the Group managing bodies to support the Group's ambitions to become a global leader in specialty therapeutics and reinforce its position in both cardiology and oncology

Finance

- Completion of a €32 million gross proceeds private placement of ordinary shares to institutional investors in the U.S. and Europe.
- Completion of a \$100 million gross proceeds IPO on the NASDAQ by issuance of American Depositary Shares and ordinary shares to institutional investors in the U.S. and Europe, respectively.
- Cash of €108 million as of 31 December 2015.

1.2 Significant events post balance sheet date

The following significant event occurred post 31 December 2015:

- In January 2016, employees, consultants and directors accepted in total 286,300 warrants offered in November 2015. These warrants are part of the 466,000 warrants issued by the Board of Directors held on 28 October 2015, pursuant to the warrants plan which was approved by the Extraordinary Shareholders Meeting held on 5 November 2015. These warrants will be vested over 2016, 2017 and 2018 and may become exercisable as early as January 2019.

1.3 Operating review

We are a leader in engineered cell therapy treatments with clinical programs initially targeting indications in cardiovascular disease and oncology. Our lead drug product candidate in cardiovascular disease is C-Cure, an autologous cell therapy for the treatment of patients with ischemic heart failure, or HF. Our lead drug product candidate in oncology is NKR-2, an autologous chimeric antigen receptor T-lymphocyte, or CAR T-cell, therapy using an innate occurring natural killer receptor that recognizes ligands present on both liquid and solid tumors.

All of our current clinical stage product candidates are autologous cell therapy treatments. In autologous procedures, a patient's cells are harvested, selected, reprogrammed and expanded, and then infused back into the same patient. A benefit of autologous therapies is that autologous cells are not recognized as foreign by patients' immune systems. We believe that we are well situated to effectively advance autologous cell therapy treatments for cancer and other indications as a result of the expertise and know-how that we have acquired through our development of C-Cure.

We are also developing an allogeneic approach in oncology, using the US-patented technology invented at Dartmouth College and acquired from Celdara Medical. Our allogeneic platform is based on engineered TCR Inhibitory Molecules (TIMs) allowing the T-cells of donors to persist when injected into patients. This promising platform is currently in preclinical development.

We believe that there are numerous operational synergies between our product platforms, including that, prior to commercialization, our existing pilot manufacturing plant can accommodate both of our cell therapy programs without significant capital expenditure.

Cardiovascular platform

CHART-1 in follow-up phase

At the end of March 2015, the Data Safety Monitoring Board, or DSMB, an independent committee comprised of international experts conducted an interim futility analysis on all patient data available end of February 2015. The DSMB reviewed unblinded safety and efficacy data from CHART-1 patients in the two arms of the trial (treated and control) and determined that the data did not support discontinuation of the trial on the basis of futility. Furthermore, the DSMB recommended the continuation of the trial with no changes to the protocol.

The last patient of our CHART-1 phase III clinical trial in Europe and Israel was dosed on 31 July 2015. This last important operational milestone triggered the 9-month follow-up of the patient, leading to a trial data readout expected in the middle of 2016. It also demonstrates our ability to manage and execute an engineered cell therapy supply chain across multiple sites and countries and thus not only serves our clinical development objectives but builds a core competency for future commercialization activities.

Earlier in 2015, we received a Pediatric Investigation Plan (PIP) waiver from the European Medicines Agency (EMA) for C-Cure® across all subsets of the pediatric population for the treatment of ischemic heart failure. As part of the regulatory process for the registration of new medicines with the EMA, pharmaceutical companies are required to provide a Pediatric Investigation Plan (PIP) outlining the sponsor's strategy for investigation of the new medicinal product in the pediatric population. In some instances, a waiver from developing a PIP for certain conditions may be granted by the Agency. EMA delivered the waiver to Celyad, hence all clinical trials will be restricted to the adult population.

CHART-2 – Combination of C-Cure and C-Cath approved by the FDA

In January 2014, the U.S. Food and Drug Administration (FDA) authorized the Group's Investigational New Drug (IND) application for clinical testing of C-Cure® as a treatment targeting heart failure using the MyoStar™ injection catheter. CHART-2, the Group's second Phase III clinical trial to be conducted in the United States, is intended to assess the efficacy of C-Cure®. In September 2014, Celyad submitted an amendment to the protocol to the FDA for the CHART-2 study which included the use of our proprietary injection catheter C-Cathez™ alongside C-Cure® in the Phase III trial.

In December 2015, U.S. Food and Drug Administration (FDA) approved the clinical testing of C-Cure® cardiopoietic cells delivered by our proprietary catheter C-Cathez™ in a U.S. Phase III trial. This second phase III trial should be initiated during the first part of 2016.

Immuno-oncology platform

In January 2015, we announced the acquisition of OnCyte LLC, the oncology division of privately-held U.S. biotechnology company Celdara Medical, LLC, and its portfolio of immuno-oncology product candidates. The acquisition marked Celyad's entry into the field of immuno-oncology, representing a significant step towards our strategic objective of becoming leader in engineered cell therapies. The Chimeric Antigen Receptor (CAR) technology developed by OnCyte uses human Natural Killer cell (NK cell) receptors that we believe have the potential to target blood cancers and solid tumors via a human natural receptor that targets ligands present on numerous cancer cell types. The research underlying this technology was originally conducted by Dartmouth College Professor Charles Sentman, and has been published in numerous peer-reviewed publications.

The patients of first cohort the dose escalation Phase I clinical trial evaluating the Company's lead CAR T-cell therapy, NKG2D CAR T-cell, were recruited and dosed. The first patient of the second cohort was dosed in December 2015 and no treatment related safety signals were observed during the 21-day follow-up period. The Phase I trial is a dose escalation trial evaluating the safety and feasibility of a CAR T-cell therapy in blood cancer patients with acute myeloid leukemia (AML) or multiple myeloma (MM).

We remain focused on recruiting and completing the readout in the Phase I dosing trial by mid-2016.

On the manufacturing side, the technology transfer to our Belgian production facility is completed, and we have initiated the optimization of the production process with the cell characterization and cryopreservation.

In October, the U.S. Patent and Trademark Office (USPTO) issued Patent No. 9,181,527 ("US Patent 9,181,527") relating to allogeneic human primary T-Cells that are engineered to be T-Cell Receptor (TCR)-deficient and express a Chimeric Antigen Receptor (CAR). This patent significantly strengthens Celyad's patent portfolio in the CAR T-Cell field and its leadership in engineered cell therapy since the granted product claims are not limited to specific CARs or specific methods of generating allogeneic CAR T-Cells, such as genome editing or genetic engineering. The patented products are applicable for use in treating various human disease conditions such as cancer, chronic infectious diseases, and autoimmunity. Allogeneic technology has the potential to broaden the therapeutic applications of CAR T-Cell immunotherapies by enabling the development and manufacturing of "off-the-shelf" treatments.

Strengthening of operational capabilities with additions to the team

All along 2015, we strengthened the management teams to support the Group in its ambitions to become a global leader in specialty therapeutics and reinforce its position in both cardiology and oncology with the appointment of Dr. Frédéric Lehmann as Vice President Immuno-Oncology; Steve Buckanavage as Vice President Global Marketing; Dieter Hauwaerts as Vice President Operations; Dr. Jean-Pierre Latere as Vice President Regenerative Medicine and Medical Device and Pierre Brynaert as Chief Human Resources Officer.

We also appointed Debasish Roychowdhury as new independent non-executive director. Dr. Roychowdhury is a medical oncologist with over 15 years of comprehensive pharmaceutical industry experience and 14 years of patient care and academic research.

1.4 Financial review of the year ending 31 December 2015

1.4.1 Analysis of the consolidated statement of the comprehensive loss

The following table includes information relating to the Group's statement of comprehensive income for the years ended 31 December 2015 and 2014.

(€'000)	For the 12 months period ended 31 December	
	2015	2014
Revenue	3	146
Cost of Sales	(1)	(115)
Gross profit	2	31
Research and Development expenses	(22,766)	(15,865)
General and administrative expenses	(7,230)	(5,016)
Other operating income	322	4,413
Operating Loss	(29,672)	(16,437)
Financial income	542	277
Financial expenses	(236)	(41)
Share of Loss of investment accounted for using the equity method	252	(252)
Loss before taxes	(29,114)	(16,453)
Income taxes	-	-
Loss for the year	(29,114)	(16,453)
Losses per share (in €) ^[1]	(3.43)	(2.44)
Basic and diluted	(3.43)	(2.44)
Other comprehensive Income		
Items that will not be reclassified to profit and loss	16	(154)
Remeasurements of post employment benefit obligations, net of	16	(154)
Items that may be subsequently reclassified to profit or loss	485	(10)
Currency translation differences	485	(10)
Other comprehensive loss for the year, net of tax	501	(164)
Total comprehensive loss for the year	(28,613)	(16,617)
Total Comprehensive loss for the year attributable to Equity	(28,613)	(16,617)

[1] Basic and diluted net loss per share is the same in these periods because outstanding warrants would be anti-dilutive due to our net loss in these periods.

In 2015, the total revenue generated with C-Cath_{ez} amounted to €3k compared to €146k in 2014. There are no recurring sales generated yet by this device.

The Research and Development expenses are an aggregate of manufacturing, clinical, quality and regulatory expenses and other research and development expenses, which are aggregated and presented as a single line in our consolidated financial statements.

Overall, the research and development expenses increased in 2015 by €6.9 million. As detailed here below, this increase is mostly associated with the CHART-1 clinical trial.

The manufacturing expenses increased by €1.3 million in 2015 (€6.4 million) as compared to 2014 (€5.1 million). In 2015, most of the manufacturing expenses were related to the production of the clinical lots of C-Cure CHART-1 trial, and the industrialisation of the C-Cure production process.

All Clinical, Quality and Regulatory expenses (10.5 million in 2015 compared to €7.8 million in 2014) are related to the CHART-1 clinical trial. The significant increase of these expenses in 2015 (€2.7 million) resulted from the increase of the number of enrolled patients which nearly doubled (182 patients in 2015 versus 108 in 2014) leading to an increase of about €1.5 million of CHART 1 costs. Another amount of €1.2 million has been dedicated to the preparation of the CHART 2 trial, the second phase III trial of C-Cure to be started in 2016 in the US. The clinical costs associated to the Phase 1 trial of NKR-2 are limited (€0.2 million) as most of these costs are supported by contract by the former owner of the technology platform, Celdara Medical LLC.

Clinical, quality and regulatory expenses are expected to grow in the near future with the initiation of CHART-2 and the further development of NKR-2. In total, clinical & regulatory expenses for CHART 2 and NKR-2 amounted to €1.6 million in 2015.

In 2015, research and development expenses amounted to €5.9 million, an increase of €2.9 million compared to 2014. This increase resulted primarily to the finalization of pre-clinical package of the future market authorization filing of C-Cure (€+0.8 million), to the preclinical work associated to the Corquest platform (€+0.5 million) and to the development of the NKR-T cell technology platform (€+1.3 million). The preclinical development expenses of the NKR-T platform are expected to increase significantly in the future periods.

General and administrative expenses increased by €2.2 million at €7.2 million in 2015 as compared to €5.0 million in 2014, this increase relates primarily to the strengthening of the management bodies of the Group, and other support functions such as market access, legal, accounting and investor relations. The P&L impact of the share-based payments associated with the Group warrant plans granted to new employees, members of the executive management team and directors amounted to €0.8 million (was €1.5 million in 2014).

Other operating income and expenses are primarily related to the non-dilutive funding received from the Walloon Region and the European FP7 funding programs. In 2015, the net amount of the other operating income and expenses decreased by €4.1 million. This variance resulted mainly from the lower proceeds received from RCA and FP7 contracts (€2.8 million) and the deconsolidation of Cardio3 BioSciences Asia (€0.6 million). Funding received and notification of funding from RCA and FP7 contracts amounted to €0.6 million in 2015.

The 2015 financial income & charges cover interest received on cash deposits, currency exchange rates differences and bank charges. Interest income on short term deposits increased from 2014 to 2015 to €0.4 million, reflecting the increase of our average cash position over the periods, primarily resulting from our mid-year initial public offering on the Nasdaq, partially compensated by the decrease of the interest rates.

At year end 2015, the loss from operations before financial results and taxes (EBIT) amounted to €29.7 million versus €16.4 million in 2014. The net loss for the period was €29.1 million versus a net loss of €16.5 million for same period in 2014.

1.4.2 Analysis of the consolidated statement of financial position

The table below sets forth the balance sheet as of 31 December 2015 and 31 December 2014.

(€'000)	As of 31 December	
	2015	2014
NON-CURRENT ASSETS	50,105	11,041
Intangible assets	48,789	10,266
Property, Plant and Equipment	1,136	598
Investment accounted for using the equity method	0	68
Other non-current assets	180	109
CURRENT ASSETS	109,419	32,935
Trade and Other Receivables	549	830
Grand receivables	104	1,009
Other current assets	1,254	792
Short term investment	7,338	2,671
Cash and cash equivalents	100,175	27,633
TOTAL ASSETS	159,525	43,976
EQUITY	111,473	26,684
Share Capital	32,571	24,615
Share premium	158,010	53,302
Other reserves	21,205	19,982
Retained loss	(100,313)	(71,215)
NON-CURRENT LIABILITIES	36,562	11,239
Finance leases	427	279
Advances repayable	10,484	10,778
Contingent liabilities	25,529	0
Other non-current liabilities	121	182
CURRENT LIABILITIES	11,490	6,053
Finance leases	248	134
Advances repayable	898	777
Trade payables	8,576	4,042
Other current liabilities	1,768	1,100
TOTAL EQUITY AND LIABILITIES	159,525	43,976

In 2015, the changes in the consolidated statement of financial position of the Group resulted mainly from three transactions occurred in the first half of the year, being the acquisition of 100% of the membership interests of Oncyte LLC in January, the private placement and the IPO respectively conducted in March and June 2015.

As a consequence of these transactions, the intangible assets (goodwill and in-process research and development) increase by €38.5 million and the net cash position of the Group (including short term investments) increased by €77.2 million. As of 31 December 2015 Celyad had €107.5 million in cash and cash equivalent and short term investments compared to €30.3 million at 31 December 2014.

Over the course of 2015, the capital and the share premium of Celyad SA increased by €112.7 million, resulting from the contribution in kind of the shares of Oncyte LLC, the contribution in cash of the private placement and the IPO, and the exercise of Company warrants. On 31 December 2015, the share capital of Celyad amounted to €32.6 million represented by 9,313,603 shares.

We have not incurred any bank debt over 2015, and financed part of our capital expenditures with 3-years maturity finance leases.

We do not capitalize our research and development expenses until marketing authorization. As of end of 2015, all clinical, research and development expenses related to the development of C-Cure are accounted for as operating expenses.

1.5 Personnel

At the end of 2015, the Group had 82 employees (FTE) and 6 senior managers under management services agreement.

1.6 Environment

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

1.7 Risks and uncertainties

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

1.8 Going concern

The Group is pursuing a strategy to develop therapies to treat unmet medical needs in both cardiology and oncology. Since June 2013, the Group is conducting CHART-1, an international Phase III clinical trial in heart failure with C-Cure, its most advanced therapy. The Group will initiate CHART-2 during the first semester of 2016, a Phase III trial with C-Cure in the US. Also, since April 2015, Celyad is conducting a Phase I clinical trial with NKR-2, its lead product in oncology. Management has prepared detailed budgets and cash flow forecasts for the years 2016 and 2017. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of selected research programs and products candidates.

Based on its current scope of activities, the Group estimates its cash position as of 31 December 2015 (including short term investments) is sufficient to cover its cash requirements until end of 2017, therefore until the readout of the C-Cure CHART-1 trial expected mid 2016 and the outcome of the NKR-T Phase 1 trial. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the continuity over the next 12 months of the Group's business and hence it is appropriate to prepare the financial statements on a going concern basis.

1.9 Event occurred after the end of the financial year

In January 2016, employees, consultants and directors accepted in total 285,550 warrants offered in November 2015. These warrants are part of the 466,000 warrants issued by the Board of Directors held on 28 October 2015. These warrants will be vested over 2016, 2017 and 2018 and may become exercisable as early as January 2019.

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

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

1.11 Other

Issuance of personnel warrants

At the Extraordinary Shareholders Meeting of 5 November 2015, a plan of 466,000 warrants was approved. These warrants were issued by the Board of Directors on 28 October 2015. Warrants were and will be offered to Group's employees, non-employees and directors in several tranches. As of 31 December 2015, none of these warrants were effectively granted as the acceptance period of the first tranche has ended on 5 January 2016. As of the date of this report, out of the warrants offered, 285,550 warrants were accepted by the beneficiaries and 180,450 remaining warrants available for further distribution on the date hereof.

The 466,000 warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the grant. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2019.

2. CORPORATE GOVERNANCE

2.1 General

This section summarises the rules and principles on the basis of which the corporate governance of the Company has been organised pursuant to Belgian Company law, the Company's articles of association and the Company's corporate governance charter approved by the Board of Directors of 17 June 2013, as amended by resolution of the Board of Directors of 12 June 2015.

The Company's corporate governance charter has been adopted in accordance with the Belgian Corporate Governance Code ('CGC'), which is available on the following website: <http://www.corporategovernancecommittee.be/en/about-2009-code/2009-belgian-code-corporate-governance>. The charter is available on the Company's website (www.celyad.com) under Investors/Corporate Governance tab. We will present in this section an abstract of the charter.

The Board of Directors intends to comply with the provisions of the CGC, but believes that the size of the Company justifies certain deviations. These deviations are further detailed here after.

The Company's CGC includes the following specific chapters:

- Structure and organization
- Shareholder structure
- The Board, terms of reference
- Board committees
- Executive Management Team
- Rules preventing market abuse – Dealing Code
- Code of Ethics and Business Conduct

2.2 Board of Directors

2.1. Composition of the Board of Directors

As provided by Article 521 of the Belgian Company Code, the Company is managed by a Board of Directors acting as a collegiate body. The Board of Directors' role is to pursue the long-term success of the Company by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors should decide on the Company's values and strategy, its risk preference and key policies. The Board of Directors should ensure that the necessary leadership, financial and human resources are in place for the Company to meet its objectives.

The Company has opted for a one-tier governance structure. As provided by Article 522 of the Belgian Company Code, the Board of Directors is the ultimate decision-making body in the Company, except with respect to those areas that are reserved by law or by the Company's articles of association to the Shareholders Meeting.

The Company's articles of association state that the number of directors of the Company, who may be natural persons or legal entities and who need not be shareholders, must be at least 5. At least half of the members of the Board of Directors must be non-executive directors and at least three of them must be independent directors.

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

The Chairman of the Board of Directors shall have a casting vote on matters submitted to the Board of Directors in the event of a tied vote, save if the Board of Directors is composed of two members.

At the date of this Report, the Board of Directors consists of 11 members, one of which is an executive director (as a member of the Executive Management Team) and 10 of which are non-executive directors, including four independent directors. In accordance with Art 96, §2 6° of the Belgian Company Code (hereafter "BCC"), it is the willingness of the Company to aim for, in a reasonable timeframe, that a third of the Board member are of different sex, and actions were, are and will be taken in the short future to reach that objective.

Name	Position	Term ^[1]	Business Address	Board Committee Membership
Michel Lussier	Chairman	2016	3661 Valley Centre Dr. San Diego CA 92130, USA	Member of the Nomination and Remuneration Committee
LSS Consulting SPRL represented by its permanent representative Christian Homsy	Executive director	2016	Chaussée de Louvain 574A, 1380 Lasne, Belgium	
William Wijns	Non-executive	2016	Moorselbaan 219,	

	director		9300 Aalst, Belgium	
Serge Goblet	Non-executive director	2016	Chaussée de Waterloo 1589D, 1180 Brussels, Belgium	
Chris Buyse ^[2]	Independent director	2016	Baillet Latourlei 119A, 2930 Brasschaat, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Rudy Dekeyser ^[3]	Independent director	2016	Klein Nazareth 12, 98401 De Pinte, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Jean-Mark Heynderickx ^[4]	Independent director	2015	Chemin des Luis, 113 1936 Verbier Switzerland	
Debasish Roychowdhury ^[5]	Independent director	2019	79 Laconia Street Lexington MA 02420 USA	
Chris De Jonghe	Non-executive director	2017	Jan Davidlaan 50, 2630 Aartselaar, Belgium	Member of the Audit Committee
Hanspeter Spek	Independent director	2018	Square Latour Maubourg, 75007 Paris, France	Member of the Nomination and Remuneration Committee
Danny Wong	Non-executive director	2018	25/F Octa Tower, 8 Lam Chak Street, Kowloon Bay, Hong Kong	
TOLEFI SA represented by its permanent representative Serge Goblet	Non-executive director	2018	27 Drève de Carloo 1180 Bruxelles, Belgium	

[1] The term of the mandate of the director will expire immediately after the Annual Shareholders Meeting held in the year set forth next to the director's name, except Debasish Roychowdhury which mandate shall expire on 30 January 2019.

[2] Chris Buyse succeeded on 22 September 2015 to Pienter-Jan BVBA represented by Chris Buyse.

[3] Rudy Dekeyser succeeded on 22 September 2015 to R.A.D. Life Science BVBA represented by Rudy Dekeyser.

[4] Jean-Mark Heynderickx resigned on 21 August 2015.

[5] Debasish Roychowdhury succeeded on 21 August 2015 to Jean-Mark Heynderickx.

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

Michel Lussier has served as Chairman of the board of directors of the Company since 2007 and is also a co-founder of the Company. Mr. Lussier was also the Chairman of the board of directors and co-founder of the Company's predecessor entity, Cardio3 SA, until 2008. Mr. Lussier recently founded Medpole Ltd, the North American satellite of MedPole SA, a European incubator for medical technology start-up companies located in Belgium, and serves as the Chief Executive Officer for the group. In this capacity, he is a managing director of Fjord Ventures, a Laguna Hills, California based medical technology accelerator / incubator. Since May 2014, Mr. Lussier has served as the Chief Executive Officer of Metronom Health Inc, an early stage medical device company created by Fjord Ventures, developing a continuous glucose monitoring system. Prior to that, from 2002 to 2013, he worked for Volcano Corporation, where he served in a number of positions, most recently as President, Clinical and Scientific Affairs from 2012 to 2013, and prior to that from 2007 to 2012, Group President, Advanced Imaging Systems, Global Clinical & Scientific Affairs and General Management of Europe, Africa and the Middle East. Mr. Lussier obtained a Bachelor of Sciences degree in Electrical Engineering and Master's degree in Biomedical Engineering at the University of Montreal. He also holds an MBA from INSEAD (European Institute of Business Administration), France. In addition to serving on our board of directors, he also serves on the boards of directors of several early stage medical devices companies.

Christian Homsy (permanent representative of LSS consulting SPRL), has served as a member of the board of directors of the Company since 2007 and has been Chief Executive Officer (CEO) of Celyad since its foundation. Christian Homsy obtained his Medical Doctorate at the University of Louvain and holds an MBA from the IMD in Lausanne (Switzerland). Christian gained his business experience in senior research and development, marketing, business development and sales

positions at Guidant Corporation, a leading medical device company active in the treatment of cardiovascular disease. He was also founder of Guidant Institute for Therapy Development, a landmark facility for physician and health care professionals' education that gained international recognition and praise. Before joining Celyad, Christian Homsy was General Manager of Medpole, a European incubator dedicated to initiating the European operations for start-up companies in the medical device or biotechnology fields. He also holds a director mandate in Medpole SA.

William Wijns has served as a member of the board of directors of the Company since 2007 and is also a co-founder of the Company. Since 1994, Dr. Wijns has been the co-Director of the Cardiovascular Center Aalst and active as an interventional cardiologist. More recently, he has been involved with the clinical applications of non-invasive coronary angiography with the use of multislice computed tomography as well as innovative therapies for cardiovascular diseases, including heart failure. He has authored 500 publications in peer-reviewed journals and holds several positions in national and international professional and scientific organizations. He is currently Deputy Editor of the European Heart Journal (impact factor 14,723). Dr. Wijns previously worked at the Thorax Center in Rotterdam, where he was actively involved with the first applications of nuclear cardiology, thrombolysis and coronary dilatation, and the University of Louvain in Brussels, where he directed the cardiac PET program and became Clinical Professor of Cardiology. His research there focused on the regulation of coronary blood flow and cardiac metabolism in ischemic heart disease. Dr. Wijns graduated in 1976 from the University of Louvain in Belgium where he trained as a cardiologist until 1981. In the past five years, he has held board memberships in the European Society of Cardiology and the World Heart Federation. He is currently Chairman of PCR, co-Director of Africa PCR and EuroPCR, the official congress of the European Association of Percutaneous Cardiovascular Interventions.

Serge Goblet (permanent representative of Tolefi SA) has served as a member of the board of directors of the Company since 2008. He holds a Master Degree in Business and Consular Sciences from ICHEC, Belgium and has many years of international experience as director in Belgian and foreign companies. He is the managing director of TOLEFI SA, a Belgian holding company and holds director mandates in subsidiaries of TOLEFI. Serge has two voting rights at our board of directors, one in his own name and one on behalf of TOLEFI, as a permanent representative

Chris Buyse has served as a member of the board of directors of the Company since 2008. He brings more than 25 years of international financial expertise and experience in introducing best financial management practices. He is currently Managing Director of FUND+, a fund that invests in innovative Belgian Life Sciences companies, Between August 2006 and June 2014, Mr. Buyse served as the Chief Financial Officer and board member of ThromboGenics NV, a leading biotech company that is listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was the Chief Financial Officer of the Belgian biotech company CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign he was financial manager of WorldCom/MCI Belux, a European subsidiary of one of the world's largest telecommunication companies and he was also the Chief Financial Officer and interim Chief Executive Officer of Keyware Technologies. Mr. Buyse holds a master degree in applied economic sciences from the University of Antwerp and an MBA from Vlerick School of Management in Gent. He currently serves, in his own name or as permanent representative of a management company, as member of the board of directors of the following publicly and privately held companies: Bone Therapeutics SA, Orgenesis Inc. Iteos SA, Bioxodes SA, Bio Incubator NV, Immo David NV, Pinnacle Investments SA, CreaBuild NV, Sofia BVBA, Pienter-Jan BVBA, Life Sciences Research Partners VZW (a shareholder of the Company) and Keyware Technologies NV.

Rudy Dekeyser has served as a member of the board of directors of the Company since 2007. Since 2012 Rudy is managing partner of the LSP Health Economics Fund, a private equity fund investing in late stage European and North American health care companies. Prior to joining LSP, Rudy has been managing director of VIB (Flanders Institute for Biotechnology), where he was also responsible for the intellectual property portfolio, business development and new venture activities. He obtained a Ph.D. in molecular biology at the University Ghent. He holds non-executive director positions in Curetis AG, Sequana Medical AG and Remynd NV, and held non-executive director positions in Devgen NV, CropDesign NV, Ablynx NV, Actogenix NV, Pronota NV, Flandersbio VZW, Bioincubator Leuven NV and Multiplicom NV. He is a co-founder of ASTP (the European associations of technology transfer managers) and Chairman of EMBLEM (EMBL's business arm). Rudy has been advisor to several seed and venture capital funds and to multiple regional and international committees on innovation.

Debasish Roychowdhury has served as a member of the board of directors of the Company since 2015. Debasish is a medical oncologist with over 15 years of comprehensive pharmaceutical industry experience and 14 years of patient care and academic research. In the pharmaceutical industry, Debasish held multiple positions of growing responsibility respectively at Eli Lilly, GSK and Sanofi, with direct therapeutic area experience mostly in oncology and hematology. Based in Boston, Massachusetts, Debasish is now using his extensive experience and global network to advise companies, organizations, and institutions in the biomedical field.

Chris De Jonghe Chris De Jonghe has served as a member of the board of directors of the Company since 2013. She is Head of Life Sciences & Care at PMV (ParticipatieMaatschappij Vlaanderen). She was first Licensing manager then Business development manager at VIB (Flanders' Institute for Biotechnology), before joining PMV initially as Senior investment manager in January 2013. Since August 2013 she joined the Group Management Committee, responsible for daily management at PMV. She obtained a PhD in Biochemistry and a Bachelor degree in Laws at the University of Antwerp. She is member of the board of directors of Agrosavfe NV, Confo Therapeutics NV, eSaturnus NV, Fast Forward Pharmaceuticals BV, Vesalius Biocapital I Sicar and Vesalius Biocapital II Sicar. She is member of Flanders'Bio and IFB network.

Hanspeter Spek has served as a member of the board of directors of the Company since 2014. He started his career at Pfizer where, over more than 10 years and after a thorough comprehensive training in commercial general management, he held positions of increasing responsibility. Hanspeter then joined Sanofi as Marketing Director and rose through the organization to become the Executive Vice President International in 2000. When Sanofi and Aventis merged in 2004, he took on the responsibility of Executive Vice President Operations. In 2009, he was nominated President Global Operations. Hanspeter retired from Sanofi in mid-2013. He has since joined Advent International, Boston, as an Operating Partner for Healthcare and serves as Board Member of Genpact, New York.

Danny Wong has served as a member of the board of directors of the Company since 2014. Since May 2007, Mr. Wong has served as an executive director of the National Investments Fund Limited, and was appointed chairman in June 2007. As the executive director and chairman of National Investments Fund Limited, he is responsible for the strategic development of National Investments Fund Limited. Prior to that from 2001 to 2005, he was the executive director of Sun Hung Kai International Limited, where he was in charge of investment banking and responsible for the public listing of companies, as well as fundraising for private and public companies. Recently, Mr. Wong established Medisun Holdings Limited, a group of companies which commits to the stem cell regenerative bio-medical industry. He holds a Bachelor degree in Economics and Accounting from China Central University of Finance and Economics.

2.2.2. Committees within the Board of Directors

2.2.2.1. General

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

2.2.2.2. Audit Committee

"Large" listed companies (as defined in Article 526bis, § 3 of the Belgian Company Code) are legally obliged to establish an audit committee within their board of directors. Although the Company does not currently qualify as a "large" company, the board of directors has on 6 March 2015, established an audit committee. The audit committee consists of 3 members: Chris Buyse, Rudy Dekeyser and Chris De Jonghe.

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

The audit committee's duties and responsibilities to carry out its purposes include, among others: the financial reporting, internal controls and risk management, and the internal and external audit process. These tasks are further described in the audit committee charter as set out in the corporate governance charter and in Article 526bis of the Belgian Company Code.

Until its establishment, in accordance with Article 562bis of the Belgian Company Code, the audit function was therefore carried out by the entire Board of Directors.

For purposes of these tasks, Chris Buyse had been identified as the director having the necessary expertise in accounting and audit matters.

2.2.2.3. Nomination and Remuneration Committee

"Large" listed companies (as defined in Article 526quater, § 4 of the Belgian Company Code) are legally obliged to establish a remuneration committee within their board of directors. Although the Company does not currently qualify as a "large"

company, the Board of Directors has voluntarily set up a remuneration committee. As the remuneration committee also performs the task of a nomination committee, it is called the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee will consist of not less than three directors, or such greater number as determined by the Board of Directors at any time. All members must be non-executive directors and at least a majority of its members must be independent in accordance with Article 526ter of the Belgian Company Code.

The Nomination and Remuneration Committee must have the necessary expertise as regards the remuneration policy, and this condition is fulfilled if at least one member has had a higher education and has had at least three years of experience in personnel management or in the field of remunerating directors and managers.

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

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

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

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

- preparing the remuneration report (which is to be included in the Board of Director's corporate governance statement); and
- explaining its remuneration report at the Annual General Shareholders Meeting.

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

The following directors are currently member of the Nomination and Remuneration Committee: Michel Lussier (Chairman), Chris Buyse, Rudy Dekeyser and Hanspeter Spek.

2.2.3. Meetings of the Board and the committees

In 2015, the Board held 8 regular meetings and 6 meetings by telephone conference to discuss and decide on specific matters.

Board and committee – Dates and Attendance

Board of Directors (H1)	5 Jan	21 Jan	18 Feb	25 Feb	6 Mar	20 Mar	27 Mar	12 Jun
M. Lussier	Present	Repres	Present	Repres.	Present	Present	Present	Repres.
LSS Consulting SPRL	Present	Present	Present	Present	Present	Present	Present	Present
S. Goblet	Exc.	Exc.	Exc.	Exc.	Exc.	Exc.	Present	Present
W. Wijns	Exc.	Exc.	Exc.	Exc.	Present	Exc.	Exc.	Repres.
J.-M. Heynderickx	Present	Repres	Present	Present	Present	Present	Exc.	Present
Pieter-Jan BVBA	Exc.	Present	Present	Exc.	Present	Present	Present	Repres.
R. Dekeyser	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R.A.D. Life Sciences BVBA	Present	Repres	Present	Repres.	Present	Present	Present	Present
Ch. De Jonghe	Present	Present	Present	Repres.	Present	Present	Present	Present

Chris Buysel	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Hanspeter Spek	Present	Exc.	Repres.	Exc.	Present	Present	Present	Repres.
Danny Wong	Exc.	Exc.	Exc.	Exc.	Exc.	Exc.	Exc.	Exc.
TOLEFI SA	Exc.	Exc.	Repres.	Repres.	Exc.	Exc.	Present	Present
D. Roychowdhury	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Board of Directors (H2)	1 Jul	3 Aug	21 Aug	22 Sep	28 Oct	11 Dec
M. Lussier	Present	Present	Present	Present	Present	Present
LSS Consulting SPRL	Present	Present	Present	Repres.	Present	Present
S. Goblet	Present	Present	Exc.	Present	Present	Present
W. Wijns	Exc.	Exc.	Exc.	Exc.	Repres.	Present
J.-M. Heynderickx	Repres.	Exc.	Exc.	N/A	N/A	N/A
Pienter-Jan BVBA	Present	Present	Repres.	Present	N/A	N/A
R. Dekeyser	N/A	N/A	N/A	Exc.	Repres.	Present
R.A.D. Life Sciences BVBA	Present	Present	Present	Exc.	N/A	N/A
Ch. De Jonghe	Exc.	Present	Present	Present	Repres.	Present
Chris Buyse	N/A	N/A	N/A	N/A	Repres.	Present
Hanspeter Spek	Present	Present	Present	Present	Repres.	Present
Danny Wong	Exc.	Exc.	Exc.	Exc.	Repres.	Exc.
TOLEFI SA	Present	Present	Exc.	Present	Present	Present
D. Roychowdhury	N/A	N/A	N/A	Exc.	Repres.	Present

R.A.D. Life Sciences BVBA replaced by Rudy Dekeyser on 22 September 2015.
Pienter-Jan BVBA replaced by Chris Buyse on 22 September 2015.
Jean-Marc Heynderickx replaced by Debasish Rowchodhury on 21 August 2015.

Nomination and Remuneration Committee	27 Feb	13 Mar	27 Mar	21 Apr	27 Apr	2 Jun	8 Oct
M. Lussier	Present	Present	Present	Present	Present	Present	Present
Pienter-Jan BVBA	Present	Present	Present	Present	Present	Present	N/A
Chris Buyse	N/A	N/A	N/A	N/A	N/A	N/A	Present
Rudy Dekeyser	N/A	N/A	N/A	N/A	N/A	N/A	Present
R.A.D. Life Sciences BVBA	Present	Present	Present	Present	Present	Present	N/A
Hanspeter Spek	Present	Present	Present	Present	Present	Present	Present
LSS Consulting SPRL	Invited	Invited	Invited	Invited	Invited	Invited	Invited

R.A.D. Life Sciences BVBA replaced by Rudy Dekeyser on 22 September 2015.
Pienter-Jan BVBA replaced by Chris Buyse on 22 September 2015.

Audit Committee	11 Mar	16 Mar	20 Aug	29 Oct	8 Dec
Ch. Buyse	Present	Present	Present	Present	Present
R. Dekeyser	Present	Present	Present	Present	Present
Ch. De Jonghe	Present	Present	Present	Present	Present
P. Jeanmart	Invited	Invited	Invited	Invited	Invited

2.3 Executive Management Team

The Executive Management Team consists of the "Chief Executive Officer" (CEO, who is the chairman of the Executive Management team), the "Chief Financial Officer" (CFO), the "Vice President Research and Development", the "Chief Human Resources Officer", the "Vice President Business Development", the "Vice President Immuno-oncolgy", the "Vice President Operations", the "Vice President Medical Devices" and "Vice President Regulatory Affairs".

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

Each member of the Executive Management Team has been made individually responsible for certain aspects of the day-to-day management of the Company and its business (in the case of the CEO, by way of delegation by the Board of Directors; in the case of the CFO, by way of delegation by the CEO). The further tasks for which the Executive Management Team is responsible are described in greater detail in the terms of reference of the Executive Management Team as set out in the Company's corporate governance charter.

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

The remuneration, duration and conditions of dismissal of Executive Management Team members will be governed by the agreement entered into between the Company and each member of the Executive Management Team in respect of their function within the Company.

In accordance with provision 7.17 of the CGC, all agreements with members of the Executive Management Team entered into on or after 1 July 2009 must refer to the criteria to be taken into account when determining variable remuneration and will contain specific provisions relating to early termination. In principle, the Executive Management Team meets every month. Additional meetings may be convened at any time by the Chairman of the Executive Management Team or at the request of two of its members. The Executive Management Team will constitute a quorum when all members have been invited and the majority of the members are present or represented at the meeting. Absent members may grant a power of attorney to another member of the Executive Management Team. Members may attend the meeting physically or by telephone or video conference. The absent members must be notified of the discussions in their absence by the Chairman (or the Company Secretary, if the Executive Management Team has appointed a Company Secretary from among its members).

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

The current members of the Executive Management Team are listed in the table below.

Name	Function	Year of birth
LSS Consulting SPRL, represented by Christian Homsy	Chief Executive Officer	1958
PaJe SPRL, represented by Patrick Jeanmart	Chief Financial Officer	1972
Cyenus Group SPRL, represented by Pierre Brynaert	Chief Human Resources Officer	1955
Advanced Therapies Consulting Ltd., represented by Peter de Waele	Vice President Research & Development	1957
Georges Rawadi	Vice President Business Development	1967
Dieter Hauwaerts	Vice President Operations	1973
Richard Mountfield	Vice President Regulatory Affairs	1968
KNC SPRL, represented by Jean-Pierre Latere	Vice President Medical Devices	1975
ImXense SPRL, represented by Frederic Lehmann	Vice President Immuno-oncolgy	1964

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

Christian Homsy (representative of LSS Consulting SPRL), CEO – reference is made to section "2.1. Composition of the Board of Directors".

Patrick Jeanmart (representative of PaJe SPRL), has served as the Chief Financial Officer of the Company since September 2007. Prior to joining the Company, Mr. Jeanmart worked for IBA Group (Ion Beam Applications, Belgium) for six years where he held a number of senior financial management positions within the corporate organization and several IBA subsidiaries located in Belgium, Italy, UK and the U.S. Between January 2004 and 2007, he acted as Vice President of Finance of IBA Molecular. He also holds the position of Chief Financial Officer at Medpole SA and at Biological Manufacturing Services SA. Mr. Jeanmart obtained a Master in Economics from the University of Namur, Belgium.

Pierre Brynaert (representative of Cyneus Group SPRL), has served as the Chief Human Resources Officer since January 2016. Pierre is responsible for driving the evolution of our internal organization and ensuring the well-being of all our employees. Brynaert brings over 25 years of significant Human Resources Senior Leadership roles in the Healthcare Industry, both large multinational corporations and smaller entrepreneurial entities (Astra Zeneca; Novartis, EV3). Before joining Celyad, Brynaert worked as Human Resources Director EMEA, LATAM & Asia Pacific for Volcano Corporation (part of Philips Healthcare IGT), a leading company active in Intravascular imaging for coronary and peripheral applications, and physiology. He holds a Master of Science in Applied Economy (ICHEC BRUSSELS, Belgium) as well as a Certified Teacher Degree. He also followed a Senior Executive MBA at IMD Lausanne, Switzerland.

Peter de Waele (representative of Advanced Therapies Consulting Ltd), has been the Vice President Research and Development of the Company since November 2010. He is the author and co-author of several peer reviewed scientific publications, and the inventor of several patents and patent applications. He has been a consultant to the pharmaceutical and biotech industry since 2006, with a particular focus on adult stem cell product development for different therapeutic indications. Until 2006, Dr. De Waele worked as Chief Operating Officer at XCELLentis NV, a biotech company developing stem cell based therapies and medical devices for wound healing. Before founding XCELLentis in 2001, he held several senior management positions at Innogenetics NV. As Chief Therapeutics Officer of Innogenetics and as Chief Operating Officer of XCELLentis he was responsible for several multicenter international clinical trials with recombinant vaccines and cell derived advanced medical products. Moreover, Dr. De Waele serves as the Managing Director at Advanced Therapies Consulting Limited. He is also consultant for regulatory affairs, quality assurance and quality control and research & development for Esperite N.V. (formerly Cryo-Save Group N.V.) as well as acting as Responsible Person for the Dutch tissue bank Stichting Cryo-Save. He obtained his Master of Science in Biochemistry and Physiology at Ghent University, Belgium and holds a doctoral degree in Molecular Biology at the department of Molecular Biology headed by Professor Walter Fiers at the same university, where he was assistant professor until 1986.

Georges Rawadi, has served as Vice President Business Development since June 2014. Prior to joining the Company, Dr. Rawadi served as Vice President Business Development with Collectis. He previously held business development management positions at Galapagos, ProStrakan France and Sanofi-Aventis France, and conducted consultancy assignments in Business Development and Alliance Management. His work included all aspects and stages of business development, driving several projects from target identification and negotiation to closing deals. He holds a Ph.D. in Microbiology from the Pierre et Marie Curie University (France), and a Masters in Management and Strategy in the Health Industry from the ESSEC Business School.

Dieter Hauwaerts, has served as the Vice President Operations since November 2015. Dieter is responsible for all development, manufacturing and supply chain activities in EU and US. Prior to joining Celyad, he worked as Director Manufacturing for TiGenix (Belgium) where he was part of the team obtaining first approval of an ATMP in Europe, and headed construction of a state-of-the-art commercial cell therapy facility. Before, he also held various positions in the quality and supply chain organization of Janssen Pharmaceutica (Belgium) and conducted research on microbial genetics at the University of Leuven. Dieter holds an MSc in chemical engineering from the University of Leuven, Belgium

Richard Mountfield, has served as the Vice President Regulatory Affairs since February 2016. Richard is a pharmaceutical professional with extensive Regulatory Affairs (preclinical, clinical, registration, and post-marketing) & Drug Development experience including leadership, management and project roles. Prior to joining Celyad he held positions in Europe and the US for a number of top 20 Pharmaceutical companies (Novo Nordisk, Roche, Boehringer Ingelheim and Novartis). He has been responsible for global regulatory strategy and submissions across a number of therapeutic areas. Most recently he was the global regulatory lead responsible for developing and implementing approvable strategies for a large multi-indication oncology program within Novartis. Richard holds a PhD in Biochemistry from Aberystwyth University.

Jean-Pierre Latere (representative of KNC SPRL), has served as the Vice President Medical Devices since January 2016. Jean-Pierre is responsible for building and leading the Company's Regenerative Medicine and Medical Device Franchise. He

started his career as a Research Associate at the Michigan State University in the US. Following that assignment, he moved to the Johnson & Johnson group where he held various positions, from Scientist to Senior Scientist. He then joined Celyad in 2008 as Project Manager Delivery System and left the company in 2012 in the position of Senior Director Business Development. Prior to joining Celyad, Jean-Pierre served as Beauty Care and Healthcare Market Global Leader at Dow Corning. Jean-Pierre holds a PhD in Chemistry from the University of Liège, Belgium.

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

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

2.4.1. General

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

2.4.2. Conflicts of interest of directors

Article 523 of the Belgian Company Code provides for a special procedure within the Board of Directors in the event of a possible personal financial conflict of interest of one or more directors with one or more decisions or transactions to be adopted by the Board of Directors. In the event of a conflict of interest, the director concerned must inform his or her fellow directors of his or her conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director may not participate in the deliberation and voting by the Board of Directors on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements made by the conflicted director, as well as a description by the Board of Directors of the conflicting interests and the nature of the relevant decision or transaction to be adopted. The minutes must also contain a justification by the Board of Directors for the decision or transaction adopted, and a description of the financial consequences thereof for the company. The relevant minutes must be included in the (statutory) annual report of the Board of Directors.

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

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

2.4.3. Existing conflicts of interest of members of the Board of Directors and of the Executive Management Team

Currently, as far as the Company is aware, none of the directors nor the members of the Executive Management Team have a conflict of interest within the meaning of Article 523 of the Belgian Company Code that has not been disclosed to the Board of Directors. Other than potential conflicts arising in respect of compensation-related matters, the Company does not foresee any other potential conflicts of interest in the near future.

In 2015, certain members of the Board declared a conflict of interest. The following declarations were made in that respect:

Extract from the minute of the Board of Directors of 18 February 2015:

(a) Preliminary statement in accordance with art. 523 §1 al. 1 of the Belgian Company Code

As indicated above, by email of 16 February 2015, Danny Wong indicated the following to all other directors:

"I note it is assumed that I have to declare a conflict of interest (I suppose, on account of my being the Chairman of the Board of Directors of Medisun Holdings Limited). Accordingly, I will refrain from joining the meeting."

The proposed decision relates indeed to an agreement between the Company and Medisun International Limited (Medisun), which creates an opposed interest in accordance with art. 523 §1 al. 1 of the Belgian Company Code (BCC).

(b) Deliberation

The Chairman referred to the discussion that took place during the board meeting held on 6 February 2015, regarding a possible extension of the deadline by which Medisun is required to make an offer to shareholders under article 3 of the Investment Agreement.

After discussion, all members of the Board who were present or represented decided that the Company should agree to postpone such deadline, and to give until the end of September 2015 for Medisun to comply with its obligations said article 3 of the Investment Agreement. Danny Wong was not present and did not participate to the deliberation and decision, in accordance with art. 523, §1, al. 4 BCC.

A power of attorney was given to LSS Consulting SPRL, represented by its permanent representative, Christian Homsy, CEO, to do everything that is necessary or useful for the implementation of the above mentioned decision, including signing any amendment agreement with Medisun on behalf of the Company.

(c) Statements made in accordance with art. 523 §1 al. 2 BCC :

- The nature of the relevant transaction is an extension of the deadline foreseen in article 3 of the Investment Agreement entered into on 16 June 2014 between the Company and Medisun

- The justification of the decision is that the Company acknowledges that Medisun has not been in a position to perform its obligation during the entire period during which it was supposed to do so, and is prepared to extend the corresponding deadline as a result therefrom

- The transaction has no direct patrimonial consequences on the Company

Extract from the minute of the Board of Directors of 3 August 2015:

(a) Preliminary statement in accordance with art. 523 §1 al. 1 of the Belgian Company Code

The proposed decision relates to agreements entered into between the Company and Medisun International Limited (Medisun), which creates an opposed interest in accordance with art. 523 §1 al. 1 of the Belgian Company Code (BCC) since Danny Wong is the sole director of Medisun.

(b) Deliberation and decision

The Chairman and the CEO summarized the present situation regarding the relationship with Medisun:

- The timing foreseen in the Subscription and Joint Venture Agreement signed on 16 June 2014 between the Company and Medisun (the JV Agreement) has not been complied with, and the first patient for the clinical trials in the territories (Greater China) as provided and defined in the JV Agreement have not been enrolled within 12 months from the date of the JV Agreement.

- Provided this delay is not caused by the Company, this gives the Company the right to terminate the JV Agreement and the related license agreement covering the clinical trials (the License Agreement) entered into on 3 July 2014 between the Company and Cardio3 Biosciences Asia Holdings Ltd (Cardio3 Asia). The Company considers that the delay is in no way attributable to any of its own actions, but Medisun disputes that. The management of the Company has indicated to Medisun that it is considering terminating the JV Agreement and the License Agreement, as they are entitled to do, and that they will recommend such action at today's meeting of the Board, if no amicable solution is found.

- Medisun also considers that the Company has breached certain warranties included in the investment agreement entered into between the Company and Medisun on 16 June 2014 (the Investment Agreement), and the Company denies that.

- Numerous email communications have been exchanged between the Company and Medisun about the issues above, and a meeting took place on 29 July 2015 in Hong Kong between the Chairman and the CEO on behalf of the Company, and Danny Wong and other Medisun representatives.

- At that meeting, the participants agreed to resolve their differences and to recommend entering into :

- a deed of mutual termination (the Deed of Termination), whereby the JV Agreement and the License Agreement would be terminated, any claims would be waived under the Investment Agreement, and the shares in Cardio3 Asia held by the Company would be transferred for nominal consideration of USD 1 to Medisun.

- a non-binding memorandum of understanding (the MoU) that would be signed between the Company and Medisun, providing that they would negotiate within the coming weeks a new commercialization license agreement, whereby the clinical trials in Greater China would be conducted by the Company but their financial cost borne by Medisun (subject to modalities to be agreed), and Cardio3 Asia (held entirely by Medisun) would obtain a commercialization license under revised terms once the relevant marketing authorizations would have been obtained.

- Subsequently to that meeting, negotiations took place and the wording of the Deed of Termination and of the MoU have been agreed by both parties, subject to agreement by the Board of the Company.

After deliberation, the Board unanimously approved the entering into the Deed of Termination and the MoU by the Company. The Board also approved that, in the event that Medisun would not confirm its approval of the terms of such documents, the Company would immediately send a notice of unilateral termination of the JV Agreement and of the Licence Agreement.

Danny Wong was not present and did not participate to the deliberation and decision, in accordance with art. 523, §1, al. 4 BCC.

A power of attorney was given to LSS Consulting SPRL, represented by its permanent representative, Christian Homsy, CEO, to do everything that is necessary or useful for the implementation of the above mentioned decision, including signing the Deed of Termination, the MoU, any amendment thereto, and any additional document (including share transfer documentation) relating to the implementation of such decisions.

(c) Statements made in accordance with art. 523 §1 al. 2 BCC :

- The nature of the relevant transaction is to terminate the existing JV Agreement and License Agreement, to sell for USD 1 the shares held by the Company in Cardio3 Asia, and to enter into a non-binding memorandum of understanding setting out the terms of future collaboration with Medisun

- The justification of the decision is that the collaboration between the Company and Medisun as anticipated in these documents has not been successful, and that this decision allows the parties to terminate their existing relationship and to start on a new basis, without outstanding claims against each other

- The transaction has no direct patrimonial consequences on the Company]

Extract from the minute of the Board of Directors of 21 August 2015:

Statement in accordance with art. 523 §1 al. 1 of the Belgian Company Code

The proposed decision relates to the agreement to be entered into between the Company and C3BS Asia, a company that is now fully owned by Medisun. This creates a conflict of interests in accordance with article 523 §1 al. 1 of the Belgian Company Code (BCC), since Danny Wong is a director of Medisun.

The objective of the relevant transaction is to re-calibrate the roles and responsibilities in collaboration with Medisun with similar economic effects, but that would correct some of the issues encountered in the previous process. The Company would take over the conduct of the trials.

The justification of the decision is that the collaboration between the Company and Medisun as anticipated in the Collaboration and Commercialization License Agreement should allow the Company to expand its business in the relevant territories in Greater China, while limiting the upfront investment to do so (as the clinical trials will be reimbursed by C3BS Asia).

In general, the transaction has no direct patrimonial consequences on the Company beyond those the Company had under the previous agreements with Medisun.

Deliberation and decision

Mr Lap-tak Hui did not participate in the deliberations regarding the entry into the Collaboration and Commercialization License Agreement. Danny Wong was not present at the Board meeting and did not participate in the deliberations and decision in accordance with article 523, §1, al. 4 of the BCC.

The directors discussed the terms of the Collaboration and Commercialization License Agreement and mainly the right to sub-license (expressing a preference for prior approval by the Company, not to be unreasonably withheld) and the amount of the break fee (expressing a preference for a lower amount which is linked to the net sales and/or the investment made by C3BS Asia).

After deliberation, the Board unanimously approved that the Company enter into the Collaboration and Commercialization License Agreement.

A power of attorney was given to LSS Consulting SPRL, represented by its permanent representative, Christian Homsy, CEO, to do everything that is necessary or useful for the implementation of the above mentioned decision, including negotiation, finalization and execution of the Collaboration and Commercialization License Agreement and any additional document relating to the implementation of such decisions.

Extract from the minute of the Board of Directors of 25 November 2015:

"1/ LSS Consulting SPRL, represented by its permanent representative Christian Homsy, Michel Lussier, Hanspeter Spek, William Wijns, Chris Buyse and Rudy Dekeyser declared that they have a potential conflict of interest as defined in Article 523 of the Companies Code with the decisions to be taken in items 2/ to 5/ below. Consequently, they are not participating in the deliberations nor in the voting on these items.

The Board of Directors believes that variable compensation is an important element of a long-term human resources incentive policy for executive directors, and that the choice of ambitious objectives in line with the Company's strategic choices is essential for aligning the interests of the executive directors with those of the Company. The Board of Directors believes that an incentive compensation through the granting of Warrants is also justified for non-executive directors in order to attract and retain non-executive directors possessing the expertise, the knowledge and the necessary competencies expected in leading biotech companies.

The financial consequences for the Company resulting from the decisions to be taken are a function of the strike price of the Warrants and of the number of Warrants offered to the directors. The price will be, as indicated in the 2015 Warrants plan, the lowest of either (i) the average closing price of the shares of the Company during the thirty days preceding the date of the offer of the Warrants to their beneficiaries or (ii) the last closing price preceding the

date of the offer of the Warrants, without being able to be less than the average closing price of the shares of the Company during the thirty days preceding that of their issuance.

In view of the above-mentioned arguments, the Board of Directors believes that the decisions to be taken are being taken within the framework of the Company's corporate interest.

In accordance with article 523 of the Companies Code, the Statutory Auditor of the Company shall be informed of these conflict-of-interest situations.

After having deliberated, the Board of Directors adopted the following resolutions:

2/ Reading and approval of the 2015 Warrants plan.

The Board of Directors dispenses the Chairman from the obligation of giving a reading of the 2015 Warrants plan.

Each director present or represented acknowledges having read said plan, which will be filed with the Office of the Clerk of the Commercial Court at the same time as an extract of the present deed.

Having been put to a vote, this resolution is unanimously adopted by the directors participating in the deliberations, it being understood that the "change of control" clause provided for by the 2015 Warrants plan, by virtue of which the Warrants become immediately exercisable within fifteen days following the announcement by the FSMA of a tender offer bearing on the shares of the company, remains subject to the suspensive condition of the approval by the general meeting that must be held around 5 November 2015 in accordance with article 556 of the Companies Code.

3/ Reading and approval of the special report of the Board of Directors established in accordance with articles 583, 596 and 598 of the Companies Code

The Board of Directors dispenses the Chairman from the obligation of giving a reading of the report of the Board of Directors established in accordance with articles 583, 596 and 598 of the Companies Code concerning the issuance of Warrants, with elimination of the preferential subscription right, to the benefit (i) of certain members of the personnel of the Company and (ii) of the following service providers and directors (if applicable represented by their management company): Christian Homsy, Patrick Jeanmart, Pierre Brynaert, Frédéric Lehmann, Michel Lussier, Hanspeter Spek, Debasish Roychowdhury, Rudy Dekeyser, William Wijns, Chris Buyse, Vincent Brichard, Bernard Cornet, Peter Dewaele and André Graindorge.

Each director present or represented acknowledges having read this report which was attached to the convocation and which will be filed with the Office of the Clerk of the Commercial Court at the same time as an extract of the present deed.

4/ Reading of the report of the Statutory Auditor on the proposed elimination of the preferential subscription right in accordance with articles 596 and 598 of the Companies Code.

The Board of Directors dispenses the Chairman from the obligation of giving a reading of the report of the Statutory Auditor on the proposal to eliminate the preferential subscription right in accordance with articles 596 and 598 of the Companies Code.

The report of the Statutory Auditor established on 28 October 2015 concludes in its terms:

"The Board of Directors of Celyad SA informs all of the shareholders of the issuance of 466,000 warrants making it possible to subscribe to 466,000 shares to be issued. These warrants shall be reserved to certain employees of the company, service providers and to directors of the company (the Selected Participants). In this context, the Board of Directors therefore proposes to eliminate the preferential subscription right of the shareholders of the company.

On the basis of the information obtained and verifications performed, we believe that:

° the Board of Directors complied with the prescriptions of articles 596 and 598 of the Companies Code;

° the proposal to eliminate the preference right in favour of certain employees and certain directors and consultants forms the object of a detailed report established by the Board of Directors bearing, inter alia, on the issue price and the financial consequences of the transaction for the shareholders;

° subject to what is specified in the following section, the financial and accounting information contained in the report of the Board of Directors is accurate and sufficient to inform the general meeting called upon to vote on this proposal.

Given that the strike price of the warrants to be issued will be set by the Board of Directors only at the time of the granting of the warrants to the Selected Participants, the financial consequences for the shareholders cannot be entirely determined at the present time, notably with respect to the portion of each share in the equity capital of the Company. Nevertheless, the terms for setting the strike price of the warrants proposed by the Board of Directors are in accordance with article 43 of the Act of 26 March 1999 and article 598 of the Companies Code.

This report is intended exclusively to inform the Board of Directors within the framework of the prescriptions of articles 596 and 598 of the Companies Code and taking into account article 7 of the Company's coordinated articles of association relating to the authorised capital. This report cannot be used for other purposes.

Liège, 28 October 2015. The Statutory Auditor

PwC Reviseurs d'entreprises scrl, Represented by Patrick Mortroux, Company Auditor."

Each director present or represented acknowledges having read this report, which will be filed with the Office of the Clerk of the Commercial Court at the same time as an extract of the present deed.

5/ Issuance of 466,000 Warrants within the framework of the authorised capital with elimination of the preferential subscription right of the existing shareholders. Decision to increase the capital under the suspensive condition of the granting, the acceptance and the exercise of the Warrants.

A. The Board of Directors takes the decision in principle to increase the capital of the Company within the framework of the authorised capital in accordance with article 7 of the articles of association, by way of the issuance of a maximum of four hundred and sixty-six thousand (466,000) Warrants, for an amount that is equal to the value representing the capital of the shares of the Company applicable at the time of the issuance of the shares following the exercise of the Warrants, under the suspensive condition, and in so far as, the Warrants shall be subscribed and exercised.

The Board decides that the Warrants must be exercised at the strike price as indicated in the report of the Board of Directors referred to above.

This strike price shall be allocated to the "capital" item for an amount equal to the accounting par value of the shares of the Company applicable at the time of the issuance of the share upon the exercise of the Warrant. Any amount exceeding the accounting par value shall be allocated to the "issue premium" account and shall constitute the third parties guarantee, which can only be reduced or cancelled by decision of the general meeting of shareholders, taken in accordance with the rules applicable for amending the articles of association. The terms and conditions of the Warrants are set forth in the special report of the Board of Directors referred to in item 2/ of the agenda.

Having been put to a vote, this resolution is unanimously adopted by the directors participating in the deliberations.

B. Subject to the suspensive condition of the granting, the acceptance and the exercise of the Warrants: (i) the Board of Directors decides to increase the capital of the Company, within the framework of the authorised capital in accordance with article 7 of the articles of association, for a maximum amount of one million six hundred and thirty-one thousand euros (1,631,000€), and (ii) decides to equalise the value representing the capital of the (new and existing) shares of the Company.

Having been put to a vote, this resolution is unanimously adopted by the directors participating in the deliberations.

C. Elimination of the preference right

The Board of Directors decides to eliminate, in the company interest, the preference right of the shareholders within the framework of the issuance of the Warrants to the benefit (i) of certain members of the personnel of the Company and (ii) of the following service providers and directors (if applicable represented by their management company): Christian Homsy, Patrick Jeanmart, Pierre Brynaert, Frédéric Lehmann, Michel Lussier, Hanspeter Spek, Debasish Roychowdhury, Rudy Dekeyser, William Wijns, Chris Buyse, Vincent Brichard, Bernard Cornet, Peter Dewaele and André Graindorge, it being understood that the granting of Warrants to the non-executive directors remains subject to the suspensive condition of the approval by the general meeting that must be held around 5 November 2015 in accordance with article 554 of the Companies Code.

While awaiting the realisation of the above suspensive condition and the acceptance of the Warrants by the beneficiaries of the 2015 Warrant plan, the Warrants shall be allocated to a "pool", and this solely with a view to their later allocation by the Board of Directors or the appointments and compensation committee to their beneficiaries in accordance with the 2015 Warrants plan.

Having been put to a vote, this resolution is unanimously adopted by the directors participating in the deliberations.

6/ Powers given to the appointments and compensation committee of the Company to determine the number of Warrants to be offered to each beneficiary, and to do everything necessary or useful for the offer of the Warrants and the realisation of their issuance.

The Board of Directors gives power of attorney to the appointments and compensation committee of the Company, with right of substitution, to determine the number of the Warrants to be offered to each beneficiary and to do everything necessary or useful for offering and granting the Warrants.

This power of attorney includes, inter alia, the following powers:

- Offering the Warrants to the beneficiaries by way of an offer letter in accordance with the decision concerning the number of Warrants that will be offered to each person mentioned above ; and

- Receiving the written acceptance of the offer of the Warrants (which include a power of attorney for subscribing to the Warrants).

Having been put to a vote, this resolution is unanimously adopted."

2.4.4. Related Party Transactions

Service Agreement with Biological Manufacturing Services SA

In April 2011, the Company entered into an agreement for the provision of services for production of cardiac cells with Biological Manufacturing Services SA, or BMS, a service provider in the biotechnology sector that operates clean rooms on its site located at Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium. Under this agreement, BMS provides the Company with support, services and provision of assets for the production our products, including making clean rooms available to the Company for its exclusive use. TOLEFI SA, of which Serge Goblet is the managing director, owns 50% of BMS. Patrick Jeanmart, the company's Chief Financial Officer, also holds the position of CFO at BMS. Per contract, the lease agreement will end on 30 September 2017. The total annual services fee paid by us to BMS was €299,000 in 2015 and in 2014.

2.4.5. Transactions with affiliates

Article 524 of the Belgian Company Code provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure will apply to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It will also apply to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company.

Prior to any such decision or transaction, the Board of Directors of the Company must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Company. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Company that is manifestly illegitimate in view of the Company's policy. If the committee determines that the decision or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Company, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set out in the committee's advice. The Board of Directors must then take a decision, taking into account the opinion of the committee. Any deviation from the committee's advice must be explained. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote. The committee's advice and the decision of the Board of Directors must be communicated to the Company's Statutory Auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the Statutory Auditor must be included in the (statutory) annual report of the Board of Directors.

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

2.4.6. Market abuse regulations

On 17 June 2013, the Board of the Company defined specific rules to prevent the illegal use of inside information by board members, shareholders, managers and employees or the appearance of such use ("the Market Abuse Policy"). The Market Abuse Policy has been amended by resolution of the Board of Directors on 12 June 2015.

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

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

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

2.5 Corporate Governance Charter

The Company's Board of Directors intends to comply with the CGC, but believes that the following deviations from its provisions are justified in view of the Company's particular situation:

- Provision 7.7 CGC: the non-executive directors receive fixed remuneration in consideration of their membership of the Board of Directors and their attendance at committee meetings of which they are members. In principle, they will not receive any performance related remuneration, nor will any options or warrants be granted to them in their capacity as a director. However, since July 2013, on the advice of the Nomination and Remuneration Committee, the Company has granted 55.000 warrants to non-executive directors, as in the board of directors' reasonable opinion, granting warrants provides additional possibilities to attract or retain competent non-executive directors and to offer them an attractive additional remuneration without the consequence that this additional remuneration weighs on our financial results. Furthermore, the grant of warrants is a commonly used method in the sector in which we operate. Without this possibility, the Company would be subject to a considerable disadvantage compared to competitors who do offer warrants to their non-executive directors. The board of directors is of the opinion that the grant of options or warrants has no negative impact on the functioning of the non-executive directors.
- Provision 4.6 CGC: Jean-Marc Heynderickx was appointed as a director on 31 January 2013 for a duration of 6 years, which is in excess of the maximum duration of 4 years for a director's mandate provided by the CGC. This appointment was done at a time when the CGC was not applicable to the Company. In the future, the Company will ensure that no director's mandate will exceed the maximum duration of 4 years as provided by the CGC.

In accordance with the CGC, the Board of Directors of the Company will review its corporate governance charter from time to time and make such changes as it deems necessary and appropriate. The charter, together with the Company's articles of association, is available on the Company's website (www.celyad.com) and could be obtained free of charge at the registered office of the Company.

2.6 Remuneration report

2.6.1. Remuneration policy

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

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

- each member of the Executive Management Team is entitled to a basic fixed compensation designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- the Company pays each member of the Executive Management Team a variable compensation, dependent on specified individual, team and/or Company objectives which, in accordance with Article 520bis of the Belgian Company Code, are pre-determined in an explicit decision by the Board of Directors. Such variable compensation is based on the Company's performance and the individual performance of the Manager. The performance criteria are set and approved by the Board at the beginning of each calendar year.
- each member of the Executive Management Team currently participates in, and/or in the future may be offered the possibility to participate in, a stock based incentive scheme, in accordance with the recommendations set by the Nomination and Remuneration Committee, after the recommendation by the CEO to such committee (except in respect of his own remuneration) and after (in respect of future stock based incentive schemes) prior shareholder approval of the scheme itself by way of a resolution at the annual shareholders' meeting;
- each member of the Executive Management Team is entitled to a number of fringe benefits (to the exception, however, of those managers engaged on the basis of service agreements), which may include participating in a defined contribution pension or retirement scheme, disability insurance and life insurance, a company car, and/or a lump-sum expense allowance according to general Company policy.

In accordance with provision 7.18 of the CGC, any contractual arrangement entered into on or after 1 July 2009 regarding the remuneration of the CEO, any other member of the Executive Management Team, should specify that the amount of severance pay awarded in the event of early termination does not exceed 12 months' base and variable remuneration. Any such agreement (entered into on or after 1 July 2009) should also specify that the severance package does not take into account the variable remuneration and be limited to 12 months' base remuneration in the event that the departing CEO or any other member of the Executive Management Team did not meet the performance criteria referred to in the agreement.

The remuneration of the members of the Board of Directors. None of the other directors receive any remuneration in consideration for their membership of the Board of Directors.

The Nomination and Remuneration Committee recommends the level of remuneration for non-executive directors, subject to approval by the Board of Directors and, subsequently, by the Shareholders Meeting.

The Nomination and Remuneration Committee benchmarks directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various committees.

On the advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders Meeting to grant options or warrants in order to attract or retain non-executive directors with the most relevant skills, knowledge and expertise. Insofar as this grant of options or warrants comprises variable remuneration under Article 554 of

the Belgian Company Code, this remuneration shall be submitted for approval to the next annual general shareholders meeting.

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

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

Additionally, any agreement, entered into or extended as from 3 May 2010, between the Company and a non-executive director, which would provide for a variable remuneration, is subject to the same approval requirements as the ones applicable to the granting to Leading Persons of a severance package exceeding 12 or, as the case may be, 18 months.

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

2.6.2. Director's remuneration

The non-executive directors receive fixed remuneration in consideration for their membership of the Board of Directors and their attendance at the committee meetings of which they are members.

On 5 November 2015, the Extraordinary Shareholders Meeting approved a new remuneration and compensation scheme for the chairman, the independent directors and non-executive directors. The new scheme is applicable as from November 2015. The 2015 total compensation is then a mix between the old scheme (prorated over 10 months) and the new scheme (prorated over 2 months). The new remuneration package is made up of a fixed annual fee of €40,000 for the chairman and €30,000 for the other independent directors. The fee is supplemented with a fixed annual fee of €10,000 for membership of each committee of the Board of Directors, to be increased by €5,000 in case the relevant director chairs the Nomination and Remuneration Committee or the Audit Committee.

Apart from the above remuneration for non-executive directors, all directors will be entitled to company warrants and a reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

As of 31 December 2015, there are no loans outstanding from the Company to any member of the Board of Directors.

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

On an individual basis, the following amounts have been paid over the course of 2015:

Name	Fees earned (€)
Michel Lussier	16,667
William Wijns	7,500
Debasish Roychowdhury	11,250
Pieter-Jan BVBA, represented by its permanent representative Chris Buyse	18,750
Chris Buyse	6,250
R.A.D. Life Sciences BVBA represented by its permanent representative Rudy Dekeyser	22,500
Total	112,084

2.6.3. Remuneration of the CEO

In accordance with Article 96, §3 of the Belgian Company Code, this remuneration report includes the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis. In the financial year 2015 Celyad paid 579k€ of remuneration in respect of the CEO, Mr Christian Homsy. This includes:

- a fixed remuneration of €388k;
- a variable component of €191k.

The CEO participates in different warrant plans set in place by the Company and approved by its shareholders:

- under Warrant plan of May 2010: 200 warrants at an exercise price of €22.44 per share vested over a period of 3 years;
- under Warrant plan of January 2013: 80,000 warrants at an exercise price of €4.52 per share vested over a period of 1 years. These warrants were exercised in 2014;
- under Warrant plan of May 2013: 112,000 warrants at an exercise price of €2.64 per share vested over a period of 3 years.

The CEO was not granted warrants in 2015, neither exercised Company warrants in 2015.

2.6.4. Remuneration of the Executive Management Team

In addition to the CEO, the composition of the Executive Management Team as of 31 December 2015 is:

- PaJe SPRL, represented by Patrick Jeanmart, CFO
- Advanced Therapies Consulting Ltd, represented by Peter de Waele, Vice President Research & Development
- Georges Rawadi, Vice President Business Development
- Dieter Hauwaerts, Vice President Operations
- ImXense, represented by Frédéric Lehmann, Vice President Immuno-Oncology

The CFO, VP Research & Development and VP Immuno-oncology are engaged on the basis of a service agreement, all of which can be terminated at any time, subject to certain pre-agreed notice periods, which may, at the discretion of the Company, be replaced by a corresponding compensatory payment. The VP Business Development and the VP Operations are engaged on the basis of employment agreements.

The total fees paid to the members of the Executive Management Team (excluding the CEO) was €1.0 million in 2015 (full company costs but excluding VAT and stock based compensation) as further detailed in sections of the notes to the financial statements.

This includes:

- a fixed remuneration of €763k;
- a variable component of €276k.

Out of the fixed compensation, the amounts paid by the Group on behalf of the members of the EMT for a group insurance and other advantages in kind amounted to €15k.

Over the course of 2015, 5,000 warrants were offered and accepted by members of the EMT at an exercise price of €33.49.

As of 31 December 2015, the EMT holds 75,025 warrants. The exercise prices vary from 2.64€ to 39.22€. Vesting schemes are over 1 and 3 years.

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

2.7.1. Risk Management

Risk management is embedded in our strategy and is of crucial importance for achieving the objectives set by the Board of Directors. The Board is responsible for the assessing the risks associated with the activities of the company and for the evaluation of the internal audit systems. The Board relies partially on the Executive Management Team (EMT) to perform this assessment.

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

- the Company's organization and values and the legal environment surrounding the activities of the Company;
- risk analysis;
- audit activities performed by Quality Assurance and Finance departments;
- controls, supervision and corrective actions and measures.

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

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

2.7.2. Organization and values

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

The organization encompasses the following elements:

- Company's value: "We Care, We Cure" is our creed, not only for our patients, but also for our employees. Passion, pro-activity, open-minded, commitment, trust and integrity are the essential traits of character of our all employees.
- Employees and consultants: All our employees and consultants are required to manage the Company means with due diligence, integrity and to act with the necessary common sense.
- Board of Directors, including the Remuneration and Nomination Committee and the Audit Committee. See section 5 for further information on the functioning of the Board and its Committees
- Independent non-executive directors: Celyad is supported by several independent directors. Their expertise and experience contribute to the Company's effective management.
- Chief Executive Officer, in charge of the day-to-day management, supported by the other member of the Executive Management Team.

- The team: so far, the Company has been able to attract and retain motivated and dedicated qualified employees.
- Internal set of procedures: The Company set up a SOP manual which regulate all regulated activities within the Company.
- External environment: The Company operates in a highly regulated environment (GMP, GCP, etc). Compliance with all these external rules and guidelines is of critical importance to the Company.

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

2.7.3. Risks analysis

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

Celyad divides its objectives into four categories:

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

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

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

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

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

2.7.4. Risks related to our financial position and need for additional capital

Celyad has incurred net losses in each period since our inception and anticipate that we will continue to incur net losses in the future.

The Company is not profitable and has incurred losses in each period since its inception. For the years ended 31 December 2015 and 2014, the Company incurred a loss for the year of €29.1 million and €16.5 million, respectively. As of 31 December 2015, the Company had a retained loss of €100.3 million. The Company expects these losses to increase as it continues to incur significant research and development and other expenses related to its ongoing operations, continues to advance its drug product candidates through pre-clinical studies and clinical trials, seek regulatory approvals for its drug product candidates, scale-up manufacturing capabilities and hire additional personnel to support the development of its drug product candidates and to enhance our operational, financial and information management systems.

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

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

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

Its prior losses and expected future losses have had and will continue to have an adverse effect on its stockholders' equity and working capital. Further, the net losses the Company incurs may fluctuate significantly from quarter to quarter and year

to year, such that a period to period comparison of its results of operations may not be a good indication of its future performance.

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

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

As of 31 December 2015, the Company had €100.2 million in cash and €7.3 million in short term investments. The Company believes that such proceeds will be sufficient to fund its operations for at least the next 24 months. However, changing circumstances may cause it to increase its spending significantly faster than it currently anticipates, and the Company may need to spend more money than currently expected because of circumstances beyond its control. The Company may require additional capital for the further development and commercialization of its drug product candidates and may need to raise additional funds sooner if the Company chooses to expand more rapidly than it presently anticipates.

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

Raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our drug product candidates or technologies.

The Company may seek additional funding through a combination of equity offerings, debt financings, collaborations and/or licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the shareholders will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a shareholder. The incurrence of indebtedness and/or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt and/or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of the Shares to decline. In the event that we enter into collaborations and/or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug product candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

2.7.3.2. Risk related to product development, regulatory approval and commercialization

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

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

- delays in raising, or inability to raise, sufficient capital to fund the planned clinical trials;
- delays in reaching a consensus with regulatory agencies on trial design;
- identifying, recruiting and training suitable clinical investigators;
- delays in reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, and clinical trial sites;
- delays in obtaining required Investigational Review Board, or IRB, approval at each clinical trial site;
- delays in recruiting suitable patients to participate in our clinical trials;
- delays due to changing standard of care for the diseases we are studying;
- adding new clinical trial sites;
- imposition of a clinical hold by regulatory agencies, after an inspection of our clinical trial operations or trial sites;

- failure by our CROs, other third parties or us to adhere to clinical trial requirements;
- catastrophic loss of drug product candidates due to shipping delays or delays in customs in connection with delivery to foreign countries for use in clinical trials;
- failure to perform in accordance with the FDA's good clinical practices, or GCPs, or applicable regulatory guidelines in other countries;
- delays in the testing, validation, manufacturing and delivery of our drug product candidates to the clinical sites;
- delays in having patients complete participation in a trial or return for post-treatment follow-up;
- clinical trial sites or patients dropping out of a trial;
- occurrence of serious adverse events associated with the drug product candidate that are viewed to outweigh its potential benefits; or
- changes in regulatory requirements and guidance that require amending or submitting new clinical protocols.

Any inability to successfully complete pre-clinical and clinical development could result in additional costs to us or impair our ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. Clinical trial delays could also shorten any periods during which we may have the exclusive right to commercialize our drug product candidates or allow our competitors to bring products to market before we do, which could impair our ability to successfully commercialize our drug product candidates and may harm our business and results of operations.

If the results of our clinical trials are inconclusive or if there are safety concerns or adverse events associated with our drug product candidates, we may:

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

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

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

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

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

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

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

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

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

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

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

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

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

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

Clinical testing is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. Although drug product candidates may demonstrate promising results in early clinical (human) trials and pre-clinical (animal) studies, they may not prove to be effective in subsequent clinical trials. For example, testing on animals may occur under different conditions than testing in humans and therefore the results of animal studies may not accurately predict human experience. Likewise, early clinical trials may not be predictive of eventual safety or effectiveness results in larger-scale pivotal clinical trials. The results of pre-clinical studies and previous clinical trials as well as data from any interim analysis of ongoing clinical trials of our drug product candidates, as well as studies and trials of other products with similar mechanisms of action to our drug product candidates, may not be predictive of the results of ongoing or future clinical trials. For example, the positive results generated in our Phase 2 clinical trial of C-Cure for the treatment of patients with ischemic HF do not ensure that our ongoing Phase 3 clinical trial of C-Cure for the treatment of patients with ischemic HF in Europe and Israel, or CHART-1, will demonstrate similar results or observations. Drug product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through pre-clinical studies and earlier clinical trials. In addition to the safety and efficacy traits of any drug product candidate, clinical trial failures may result from a multitude of factors including flaws in trial design, dose selection, placebo

effect and patient enrollment criteria. Based upon negative or inconclusive results, we or our collaborators may decide, or regulators may require us, to conduct additional clinical trials or pre-clinical studies. In addition, data obtained from trials and studies are susceptible to varying interpretations, and regulators may not interpret our data as favorably as we do, which may delay, limit or prevent regulatory approval.

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

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing, and distribution of drug products, including biologics, are subject to extensive regulation by the FDA, EMA and other comparable regulatory authorities. We are not permitted to market any biological drug product in the United States until we receive a Biologics License Application, or BLA, from the FDA or a marketing authorization application, or MAA, from the EMA. We have not previously submitted a BLA to the FDA, MAA to the EMA, or similar approval filings to comparable foreign authorities. A BLA must include extensive pre-clinical and clinical data and supporting information to establish that the drug product candidate is safe, pure, and potent for each desired indication. The BLA must also include significant information regarding the chemistry, manufacturing, and controls for the product, and the manufacturing facilities must complete a successful pre-license inspection. We expect the nature of our drug product candidates to create further challenges in obtaining regulatory approval. For example, the FDA and EMA have limited experience with commercial development of genetically modified T-cell therapies for cancer. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support licensure. The opinion of the Advisory Committee, although not binding, may have a significant impact on our ability to obtain licensure of the drug product candidates based on the completed clinical trials. Accordingly, the regulatory approval pathway for our drug product candidates may be uncertain, complex, expensive, and lengthy, and approval may not be obtained.

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

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

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

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

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

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

- relative convenience and ease of administration, including as compared to alternative treatments and competitive therapies; and
- the effectiveness of our sales and marketing efforts.

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

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

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

Our drug product candidates are biologics and the process of manufacturing our products is complex, highly-regulated and subject to multiple risks. The manufacture of our drug product candidates involves complex processes, including harvesting cells from patients, selecting and expanding certain cell types, engineering or reprogramming the cells in a certain manner to create either cardiopoietic cells or CAR T-cells, expanding the cell population to obtain the desired dose, and ultimately infusing the cells back into a patient's body. As a result of the complexities, the cost to manufacture our drug product candidates, is higher than traditional small molecule chemical compounds, and the manufacturing process is less reliable and is more difficult to reproduce. Our manufacturing process is susceptible to product loss or failure due to logistical issues associated with the collection of blood cells, or starting material, from the patient, shipping such material to the manufacturing site, shipping the final product back to the patient, and infusing the patient with the product, manufacturing issues associated with the differences in patient starting materials, interruptions in the manufacturing process, contamination, equipment or reagent failure, improper installation or operation of equipment, vendor or operator error, inconsistency in cell growth, and variability in product characteristics. Even minor deviations from normal manufacturing processes could result in reduced production yields, product defects, and other supply disruptions. Because our drug product candidates are manufactured for each particular patient, we are required to maintain a chain of identity with respect to materials as they move from the patient to the manufacturing facility, through the manufacturing process, and back to the patient. Maintaining such a chain of identity is difficult and complex, and failure to do so could result in adverse patient outcomes, loss of product, or regulatory action including withdrawal of our products from the market. Further, as drug product candidates are developed through pre-clinical to late stage clinical trials towards approval and commercialization, it is common that various aspects of the development program, such as manufacturing methods, are altered along the way in an effort to optimize processes and results. Such changes carry the risk that they will not achieve these intended objectives, and any of these changes could cause our drug product candidates to perform differently and affect the results of ongoing clinical trials or other future clinical trials.

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

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

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

The international pharmaceutical and medical technology industry is highly regulated by government bodies (hereinafter the "Competent Authorities") that impose substantial requirements covering nearly all aspects of the Company's activities

notably on research and development, manufacturing, pre-clinical tests, clinical trials, labelling, marketing, sales, storage, record keeping, promotion and pricing of its research programmes and product candidates. Compliance with standards laid down by local Competent Authorities is required in each country where the Company, or any of its partners or licensees, conducts said activities in whole or in part. The Competent Authorities notably include the European Medicine Agency ("EMA") in the European Union and the Food and Drug Administration ("FDA") in the United States.

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

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

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

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

Clinical trials can be delayed for a variety of reasons, including, but not limited to, delays in obtaining regulatory approval to commence a trial, in reaching agreement on acceptable terms with prospective contract research organisations (CROs) and contract manufacturing organisations (CMOs) and clinical trial sites, in obtaining ethics committee approval, in recruiting suitable patients to participate in a trial, in having patients complete a trial or return for follow-up, in adding new sites or in obtaining sufficient supplies of clinical trial materials or clinical sites dropping out of a trial and in the availability to the Company of appropriate clinical trial insurances. Such delays could result in increased costs and delay or jeopardise the Company's ability to obtain regulatory approval and commence product sales as currently contemplated. Many factors affect patient enrolment, including, but not limited to, the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is investigating and whether the clinical trial design involves comparison to placebo or standard of care. If the Company experiences lower than expected enrolment in the trials, the trials may not be completed as envisaged or may become more expensive to complete. The Company and its collaborative partners are, or may become subject to, numerous ongoing regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. The costs of compliance with applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing authorisation of its products, delays, suspension or withdrawal of approvals, licence revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's or its collaborative partners' costs or delay the development and commercialisation of its product candidates.

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

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

The future commercial success of the Company's product candidates will depend on the degree of market acceptance of its products among physicians, patients, healthcare payers and the medical community.

The Company's product candidates are at varying stages of development and the Company may never have a product that is commercially successful. Celyad has to date no product authorised for marketing yet. Its lead product candidate, C-Cure®, is in clinical-stage development. Whilst C-Cure® showed some positive clinical trial results, it will require further clinical investigation, regulatory review, significant marketing efforts and substantial investment before it can provide the Company with any significant revenues. Due to the inherent risk in the development of pharmaceutical and medical device products, it is probable that not all of the product candidates in Celyad' portfolio will successfully complete development and be marketed.

The Company does not expect to be able to market any of its products for a number of years. Furthermore, when available on the market physicians may not prescribe the Company's products, which would prevent the Company from generating significant revenues or becoming profitable. Market acceptance of the Company's future products by physicians, patients and healthcare payers will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to:

- The wording of the product label;
- Acceptance by physicians, patients and healthcare payers of each product as safe, effective and cost-effective;
- Relative convenience, ease of use, ease of administration and other perceived advantages over alternative products;
- Prevalence and severity of adverse events;
- Limitations, precautions or warnings listed in the summary of product characteristics, patient information leaflet, package labeling or instructions for use;
- The cost of treatment with the Company's products in relation to alternative treatments;
- The extent to which products are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations;
- Whether products are designated in the label and/or under physician treatment guidelines and/or under reimbursement guidelines as a first-line therapy, or as a second-line, or third-line or last-line therapy; and

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

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

- Price controls imposed by many states;
- The increasing reimbursement limitations of some products under budgetary policies;
- The heightened difficulty in obtaining and maintaining a satisfactory reimbursement rate for medicines.

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

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

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

The regulatory clearance process is expensive and time consuming and the timing of marketing is difficult to predict. Once marketed, products may be subject to post-authorisation safety studies or other pharmaco-vigilance or device vigilance

activities or may be subject to limitations on their uses or may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective, or when used in a larger population that may be different from the trial population studied prior to market introduction of the product.

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

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

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

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

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

2.7.3.3. Risks related to our reliance on third parties

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

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

Furthermore, when the research and development programs partially financed by the Company enter in "exploitation phase", the Company has to start reimbursing the funding received. The Company may not be able to reimburse such funding under the terms of the agreements or such reimbursement may jeopardize the funding of its clinical and scientific activities.

The Company has committed (i) to start, within three years as from the completion of its IPO, the establishment of a significant operational site located in the Flemish region of Belgium, which site must become the Company's major effective commercial production site within six years as from the completion of its IPO and (ii) to maintain its headquarters and registered office in the Walloon Region and all existing activities of the Company including but not limited to production for clinical use, clinical, R&D, sales, marketing and administration will continue to be performed and developed in the Walloon Region, which restricts the Company's ability to determine the most convenient or cost-effective location of its premises.

The above commitments are binding contractual undertakings of the Company. If the Company would not respect its contractual undertakings, the Company could be held liable for breach of contract.

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

The Company is and expects to continue to be dependent on collaborations with partners relating to the development and commercialisation of its existing and future research programmes and product candidates. The Company currently has collaborative research relationships with the Mayo Foundation for Medical Research and Education ("Mayo Clinic") and Cardiovascular Centre Aalst. The Company had, has and will continue to have discussions on potential partnering opportunities with various pharmaceutical and medical device companies. If the Company fails to enter into or maintain collaborative agreements on reasonable terms or at all, the Company's ability to develop its existing or future research programmes and product candidates could be delayed, the commercial potential of its products could change and its costs of development and commercialisation could increase.

The Company's dependence on collaborative partners subjects it to a number of risks, including, but not limited to, the following:

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

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

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

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

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

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

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

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

with them on acceptable terms or at all. Accordingly, the Company may experience delays in receiving key raw materials to support clinical or commercial manufacturing.

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

2.7.3.4. Risk related to the Company's intellectual property

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

The Company's success will depend in part on the ability of the Company to obtain, maintain and enforce its patents and other intellectual property rights. The Company's research programmes and product candidates are covered by several patent application families, which are either licensed to the Company or owned by the Company. Out of the numerous patent applications filed by the Company, only two national patents have been granted in Belgium and three national patents have been granted in the US, while the other patent applications are still pending. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against patent offices and other third-party challenges to their validity, scope and/or enforceability. The Company cannot guarantee that it is or has been the first to conceive an invention and to file a patent or a patent application, notably given the fact that patent applications are not published in most countries before an 18-months period from the date of the filing. Moreover, the Company may have no or limited control over the effectiveness of its licensors in preventing the misappropriation of their patents and intellectual property. Because patent law in the biopharmaceutical industry is highly uncertain, there can be no assurance that the technologies used in the Company's research programmes and product candidates are patentable, that patents will be granted to the Company or its licensors under pending or future applications, or that patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that patents granted to the Company or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, hence enabling competitors to circumvent or use them and depriving the Company from the protection it may expect against competitors. If the Company or its licensors do not obtain patents in respect of their technologies or if the patents of the Company or its licensors are invalidated (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology.

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

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

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

As far as the Company is aware, its intellectual property has not been challenged otherwise than by patent offices in the normal course of examination of its patent applications or misappropriated (to the exception, however, of the C-Cure® trademark for which the Company has received a "cease and desist" request letter from SMB SA limited to the Benelux market in the event it would be authorized by EMA to use this trademark for an approved pharmaceutical product. In view of the therapeutic connotations of the word "C-Cure", the Company is however not likely to be authorized by EMA to use this mark to identify its products or services).

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

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

In parallel with the development of the Company's own intellectual property, patent literature related to heart repair in general and, more specifically, patents of competing companies, are regularly evaluated, in order to avoid infringement and

to explore the space of patentable subject matter. To date, no patent infringement claims have been made against Celyad nor by Celyad against third parties.

There can be no assurance that the Company's efforts to search for existing proprietary rights before embarking on a research and development programme with respect to a particular product candidate, method, process or technology will uncover all relevant third party rights relating to such product, method, process or technology.

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

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

The Company is dependent on patents, know-how, and proprietary technology, both its own and licensed from others. Any termination of these licenses could result in the loss of significant rights and could harm its ability to commercialize its drug product candidates. Disputes may also arise between the Company and its licensors regarding intellectual property subject to a license agreement, including those relating to:

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

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

We could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of our drug product candidates.

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

We currently have issued patents and patent applications directed to our drug product candidates and medical devices, and we anticipate that we will file additional patent applications in several jurisdictions, including several European Union countries and the United States, as appropriate. However, we cannot predict:

- if and when any patents will issue from patent applications;
- the degree and range of protection any issued patents will afford us against competitors, including whether third parties will find ways to invalidate or otherwise circumvent our patents;
- whether others will apply for or obtain patents claiming aspects similar to those covered by our patents and patent applications; or

- whether we will need to initiate litigation or administrative proceedings to defend our patent rights, which may be costly whether we win or lose.

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

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

European patent EP2432482, entitled "Pharmaceutical composition for the treatment of heart diseases", was granted by the European Patent Office ("EPO") on April 15, 2015. The granted claims relate to compositions comprising specific cells committed to the generation of heart tissue. A notice of opposition to this patent was filed at the EPO on January 15, 2016. The opposition requests revocation of the patent in its entirety.

US Patent No. 9,181,527, entitled "T cell receptor-deficient T cell compositions," was issued by the USPTO on November 10, 2015. The issued claims relate to isolated primary human T cells that have been specifically modified. A request for *ex parte* re-examination of claim 1 of the issued patent was filed at the USPTO on February 10, 2016 by a third party. Within three months of the filing date of the request for reexamination, the USPTO will issue an order granting or denying reexamination. An order granting reexamination is not a determination of claim patentability and the third party requester would have only limited participation rights in an *ex parte* re-examination proceeding. Each claim of a patent is enforceable during a re-examination proceeding and would be presumed valid in any litigation. Furthermore, no amendment or cancellation of a claim made during a reexamination proceeding is effective until a reexamination certificate is issued.

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

We may not be able to protect our intellectual property rights throughout the world.

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

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

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

Competitors may infringe our patents or the patents of our licensors. To cease such infringement or unauthorized use, we may be required to file patent infringement claims, which can be expensive and time-consuming. In addition, in an infringement proceeding or a declaratory judgment action against us, a court may decide that one or more of our patents is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that

our patents do not cover the technology in question. An adverse result in any litigation or defense proceeding could put one or more of our patents at risk of being invalidated, held unenforceable, interpreted narrowly, or amended such that they do not cover our drug product candidates. Such results could also put our pending patent applications at risk of not issuing. Defense of these claims, regardless of their merit, would involve substantial litigation expense and would be a substantial diversion of employee resources from our business. Interference or derivation proceedings provoked by third parties may be necessary to determine the priority of inventions with respect to, or the correct inventorship of, our patents or patent applications or those of our licensors. An unfavorable outcome could result in a loss of our current patent rights and could require us to cease using the related technology or to attempt to license rights to it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms. Litigation, interference, or derivation proceedings may result in a decision adverse to our interests and, even if we are successful, may result in substantial costs and distract our management and other employees.

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

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

If we or one of our licensing partners initiate legal proceedings against a third party to enforce a patent covering one of our drug product candidates, the defendant could counterclaim that the patent covering our drug product candidate is invalid or unenforceable. Third parties may also raise similar claims before administrative bodies, even outside the context of litigation. Such mechanisms include opposition or derivation proceedings. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our drug product candidates. The outcome following legal assertions of invalidity and unenforceability is unpredictable. With respect to the validity of our patents, for example, we cannot be certain that there is no invalidating prior art of which we, our patent counsel, and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our drug product candidates. Such a loss of patent protection could have a material adverse impact on our business.

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

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

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

Maintenance of high standards of manufacturing in accordance with Good Manufacturing Practices and other manufacturing regulations.

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

The Company relies on a single manufacturing facility.

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

Company would have to bear the additional cost of any disruption. For these reasons, a significant disruptive event of the manufacturing facility could have drastic consequences, including placing the financial stability of the Company at risk.

The Company will need increased manufacturing capacity.

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

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

Its ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon its ability to attract, motivate and retain highly qualified managerial, scientific and medical personnel. The Company is highly dependent on members of our executive committee, particularly its chief executive officer, Christian Homsy, and its scientific and medical personnel. The loss of the services of any members of its executive committee, other key employees, and other scientific and medical advisors, and its inability to find suitable replacements, could result in delays in product development and harm its business.

Competition for skilled personnel in the biotechnology and pharmaceutical industries is intense and the turnover rate can be high, which may limit the Company's ability to hire and retain highly qualified personnel on acceptable terms or at all.

To induce valuable employees to remain within the Company, in addition to salary and cash incentives, the Company has provided warrants that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in its share price that are beyond its control, and may at any time be insufficient to counteract more lucrative offers from other companies. The Company does not maintain "key man" insurance policies on the lives of all of these individuals or the lives of any of its other employees.

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

Given its stage in development, the Company has never marketed a product and has therefore limited experience in the fields of sales, marketing and distribution of therapies. The Company has currently no marketing nor sales capacity and intends to set up its own marketing and contract sales force when the C-Cure CHART-1 primary endpoint data will be available. As a consequence, the Company will have to acquire marketing skills and develop its own sales and marketing infrastructure and would need to incur additional expenses, mobilize management resources, implement new skills and take the time necessary to set up the appropriate organization and structure to market the relevant product(s), in accordance with applicable laws.

While several managers of the Company have commercialized and launched high technology medical products there can be no assurance that the existing limited experience would be sufficient to effectively commercialize any or all of the Company's product candidates. The Company may not be able to attract qualified sales and marketing personnel on acceptable terms in the future and therefore may experience constraints that will impede the achievement of its commercial objectives. Such events could have a material adverse effect on the Company's business, prospects, financial situation, earnings and growth.

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

As of December 31, 2015 the Company had 82 employees and six senior managers under management services agreements, most of whom are full-time. As the Company's drug product candidates move into later stage clinical development and towards commercialization, the Company must add a significant number of additional managerial, operational, sales, marketing, financial, and other personnel. Future growth will impose significant added responsibilities on members of management, including:

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

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

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

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

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

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

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

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

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

We have limited accounting personnel and other resources to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting.

Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation, testing and any required remediation.

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

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

- fluctuations in foreign currency exchange rates;
- potentially adverse and/or unexpected tax consequences, including penalties due to the failure of tax planning or due to the challenge by tax authorities on the basis of transfer pricing and liabilities imposed from inconsistent enforcement;
- potential changes to the accounting standards, which may influence our financial situation and results;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- reduced protection of, or significant difficulties in enforcing, intellectual property rights in certain countries;
- difficulties in attracting and retaining qualified personnel;
- restrictions imposed by local labor practices and laws on the Company's business and operations, including unilateral cancellation or modification of contracts; and

- rapid changes in global government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events, and potential failure in confidence of the Company's suppliers or customers due to such changes or events; and tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers.

2.7.5. Audit activities

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

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

In order to properly manage identified risks, Celyad set the following audit measures:

- access and security systems at the premises and offices;
- establishment, under the supervision of the Quality Assurance department, of a set of procedures covering all activities of the Company;
- weekly modifications and updates of the existing procedures;
- development of electronic approval system in the existing ERP system;
- implementation of extra controls in the existing ERP system;
- development of a monthly financial reporting tool which allow a close monitoring of the financial information and KPI's.
- Start of an Internal Control project with Deloitte.
- Recrutement of an Internal Auditor

2.7.6. Controls, supervision and correctives actions

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

Until the establishment of the audit committee early 2015, the responsibilities of the Audit Committee were supported by the Board of Directors. All supervision activities were performed by the Board of Directors and the Executive Management Team. It was their responsibility to monitor the effectiveness of the internal audit and risk analysis. At its establishment, all these tasks have been transferred to the audit committee.

The executive team supervises the implementation of internal audit and risk management, taking into consideration the recommendations of the audit committee.

The EMT is also in charge of proposing the audit committee corrective actions when identified.

External audit

On May 5 2014, the Annual Shareholder's Meeting of Celyad SA engaged PricewaterhouseCoopers Reviseurs d'Entreprises scrl, represented by Patrick Mortroux, or PwC as its new external financial auditor. This mission includes the auditing of the statutory annual accounts, the consolidated annual accounts of Celyad SA and its subsidiaries if any.

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

3. SHARES AND SHAREHOLDERS

3.1. Capital increase and issuance of shares

On 1st January 2015, the share capital of Celyad was represented by 7,040,387 shares. In 2015, there were several capital increases resulting in the issuance of a total of 2,273,216 new shares. As of 31 December 2015, the share capital of Celyad amounted to €32.6 million and was represented by 9,313,603 shares.

The capital increases occurred in 2015 were of the following natures:

- Contribution in cash; the Company conducted two fund raising in 2015 to further finance the development of its activities in both oncology and cardiology, resulting in the issuance of a total of 2,173,380 new shares, respectively 713,380 in March and 1,460,000 in June 2015;
- Contribution in kind; 40% of the purchase price of Oncyte LLC (corresponding to \$4.0 million) was paid in shares of Celyad, resulting in January with the issuance of 93,087 new shares.;
- Exercise of warrants respectively in January, April and August resulting in the issuance of 6,749 new shares

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

All shares are issued and fully paid up and are of the same class. Each share (i) entitles its holder to one vote at the Shareholders' Meetings; (ii) represents an identical fraction of the capital and has the same rights and obligations and participates equally in the profit of Celyad SA; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or warrants in proportion to the part of the share capital represented by the shares already held.

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

In the context of the Initial Public Offering (IPO) made on the Nasdaq on 19 June 2015, the Company issued 1,460,000 new shares. Out of these 1,460,000 new shares, 1,168,000 shares were offered in the form of American Depositary Shares (ADS) to US investors. As of 31 December 2015, there were 592,377 ADS outstanding.

3.2 Changes in share capital

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

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

3.3 Anti-takeover provisions under Belgian laws

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

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

□ Capital Structure

The share capital of the Company is represented by ordinary shares.

Based on the transparency notifications received by the Company, the shareholders owning 5% or more of the Company's shares on 31 December 2015 were TOLEFI SA (2,267,844 shares), PMV-TINA Comm. VA (428,071 shares), MEDISUN Ltd (568,180 shares), and SRIW SA and its subsidiaries Sofipole SA (together 400,000 shares). All shares are ordinary shares.

□ Legal or statutory restrictions to the transfer of shares

The articles of association of the Company do not contain any restriction on the transfer of the shares.

- Holders of securities with special control rights

Not applicable to the Company.

- Control mechanisms in case of an employee shareholding system

Not applicable to the Company.

- Legal or statutory restrictions to the exercise of voting rights

The articles of association of the Company do not contain any restriction on voting rights.

- Shareholder agreements known to the Company and engendering restrictions to the transfer of shares and/or the exercise of voting rights

The Company is not aware of the existence of any other shareholders' agreements between its shareholders.

- Appointment and replacement of directors

PMV is entitled to put forward candidates for the office of director, for as long as PMV or one of its affiliated companies holds at least 75% of the 570,571 shares jointly held by PMV and its affiliated companies at the time of the public takeover bid completed on 9 July 2013.

Sofipôle is entitled to put forward candidates for the office of director, for as long as Sofipôle or one of its affiliated companies holds at least 75% of the 661,172 shares jointly held by Sofipôle and its affiliated companies at the time of the public takeover bid completed on 9 July 2013.

Each of PMV and Sofipôle (each a Reference Shareholder) must inform the Board of Directors of the identity of the candidates it puts forward for the office of director at least six weeks prior to the shareholders' meeting during which the directors will be appointed.

Each Reference Shareholder is entitled to replace the director it has put forward by a person chosen on the basis of a list of at least two candidates proposed to the Board of Directors by the Reference Shareholder (or by a member of its group, as designated by the Reference Shareholder), subject to the same information requirements to the Board of Directors concerning the identity of the candidates at least six weeks prior to the shareholders' meeting during which the replacement director will be appointed.

If a Reference Shareholder entitled to put forward candidates for the office of director, does not present a list of candidates, the shareholders' meeting may either appoint, at its sole discretion, a director in order to fill the position for which no list of candidates has been presented, and its term of office will last until the Reference Shareholder in question presents a list of candidates for this position, or choose not to appoint a director.

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

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

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

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

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

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

Appointments are generally made for a maximum term of four years. Outgoing directors will be eligible for re-election. However, when an independent director has served on the Board for three consecutive terms, he is not eligible for a fourth term, as he cannot be an independent director of the Company for more than twelve years. Before proposing any director for re-election, the Board should take into account the evaluations made by the Nomination & Remuneration Committee. The

mandates of those directors who are not re-appointed for a new term will terminate immediately after the shareholders' meeting which decides on any re-appointment or appointment.

The directors may be revoked by the shareholders' meeting at any time.

If at any time a vacancy is created on the board of directors, the remaining directors may temporarily appoint a director to the board to fill the vacancy. Any director so appointed will hold office for the remainder of the term of appointment of the director that it replaces.

The definitive appointment of the replacing director is added to the agenda of the following shareholders' meeting.

▫ **Amendment of the articles of association**

Pursuant to the Belgian Company Code, any amendment to the articles of association such as an increase or decrease in the capital of the Company, and certain other matters such as the approval of the dissolution, merger or de-merger may only be authorized with the approval of at least 75% of the votes validly cast at an Extraordinary General Shareholders' Meeting where at least 50% of the Company's share capital is present or represented. If the attendance quorum of 50% is not met, a new Extraordinary General Shareholders' Meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

▫ **Powers of the Board of Directors**

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

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

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

In accordance with Articles 603 and following of the Belgian Company Code and with the articles of association, the Extraordinary General Shareholders' Meeting of Celyad SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association. This authorization was given on 9 July 2013 and is valid for a period of five years starting on 26 July 2013, i.e. until 26 July 2018. As of the date of this report, the outstanding amount of the authorized capital is €9,396.390.41.

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

▫ **Agreements on severance pay**

Reference is made to section 6 of chapter 2.

3.4 Financial service

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

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

Bank Degroof Petercam SA is acting as liquidity provider under a brokerage contract.

4. CONSOLIDATED FINANCIAL STATEMENTS

4.1. Responsibility statement

We hereby certify that, to the best of our knowledge, the consolidated financial statements as of 31 December 2015, prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and loss of the Group and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and the performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors,

Michel Lussier
Chairman

LSS Consulting SPRL, represented by its
permanent representative Christian Homsy
CEO

4.2 Statutory auditor's report on the consolidated accounts for the year ended 31 December 2015

To the Shareholders of
Celyad SA

STATUTORY AUDITOR'S REPORT ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Celyad SA ("the Company") and its subsidiaries (jointly "the group") for the year ended December 31, 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to 000' EUR 159.525 and the consolidated statement of comprehensive loss shows a loss for the year of 000' EUR 28.613.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and consolidated financial position as at 31 December 2015 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, 7 April 2016

The Statutory Auditor
PwC Reviseurs d'Entreprises scrl
Represented by

Patrick Mortroux
Certified Auditor

4.3 Consolidated financial statements as of 31 December 2015 and 2014 under IFRS

4.3.1. Consolidated statement of financial position

(€'000)	Notes	For the year ended 31 December	
		2015	2014
NON-CURRENT ASSETS		50,105	11,041
Intangible assets	5.06	48,789	10,266
Property, Plant and Equipment	5.07	1,136	598
Investment accounted for using the equity method	5.13	-	68
Other non-current assets	5.8	180	109
CURRENT ASSETS		109,419	32,935
Trade and Other Receivables	5.9	549	830
Grants receivables	5.9	104	1,009
Other current assets	5.9	1,254	792
Short term investments	5.10	7,338	2,671
Cash and cash equivalents	5.11	100,175	27,633
TOTAL ASSETS		159,525	43,976
EQUITY		111,473	26,684
Share Capital	5.15	32,571	24,615
Share premium	5.15	158,010	53,302
Other reserves	5.23	21,205	19,982
Retained loss		(100,313)	(71,215)
NON-CURRENT LIABILITIES		36,562	11,239
Finance leases		427	279
Advances repayable	5.18	10,484	10,778
Contingent liabilities		25,529	
Post employment benefits	5.17	121	182
CURRENT LIABILITIES		11,490	6,053
Finance leases		248	134
Advances repayable	5.18	898	777
Trade payables	5.19	8,576	4,042
Other current liabilities	5.19	1,768	1,100
TOTAL EQUITY AND LIABILITIES		159,525	43,976

4.3.2. Consolidated statement of comprehensive loss

(€'000)	Notes	For the year ended 31 December	
		2015	2014
Revenue		3	146
Cost of sales		(1)	(115)
Gross profit		2	31
Research and Development expenses	5.26	(22,766)	(15,865)
General administrative expenses	5.27	(7,230)	(5,016)
Other operating income	5.28	322	4,413
Operating Loss		(29,672)	(16,437)
Financial income	5.30	542	277
Financial expenses	5.30	(236)	(41)
Share of Loss of investments accounted for using the equity method	5.13	252	(252)
Loss before taxes		(29,114)	(16,453)
Income taxes	5.22	-	-
Loss for the year [2]		(29,114)	(16,453)
Basic and diluted loss per share (in €)	5.31	(3.43)	(2.44)
Other comprehensive loss			
Items that will not be reclassified to profit and loss		16	(154)
Remeasurements of post employment benefit obligations, net of tax		16	(154)
Items that may be subsequently reclassified to profit or loss		485	(10)
Currency translation differences		485	(10)
Other comprehensive loss for the year, net of tax		501	(164)
Total comprehensive loss for the year		(28,613)	(16,617)
Total comprehensive loss for the year attributable to Equity Holders [1]		(28,613)	(16,617)

[1] For 2015 and 2014, the Group does not have any non-controlling interests and the losses for the year are fully attributable to owners of the parent.

4.3.3. Consolidated statement of changes in equity

(€'000)	Share capital (Note 4.15)	Share premium (Note 4.15)	Other reserves (Note 4.23)	Retained loss	Total Equity
Balance as of 1st January 2014	22.138	30.474	18.894	(54.608)	16.898
Capital increase in cash	1.989	23.011		-	25.000
Exercise of warrants	488	500		-	988
Contribution in kind convertible loans					
Share-based payments	-	429	1.098	-	1.527
Transaction costs associated with capital increases	-	(1.112)		-	(1.112)
Total transactions with owners, recognized directly in equity	2.477	22.828	1.098	-	26.403
Loss for the year	-	-		(16.453)	(16.453)
Currency Translation differences			(10)		(10)
Remeasurements of defined benefit obligation				(154)	(154)
Total comprehensive loss for the year			(10)	(16.607)	(16.617)
Balance as of 31 December 2014	24.615	53.302	19.982	(71.215)	26.684
Capital increase in cash	7,607	112,104			119,711
Capital increase (Acquisition Oncyte)	326	3,126			3,452
Exercise of warrants	23	196			219
Share-based payments		59	736		795
Transaction costs associated with capital increases		(10,776)	0		(10,776)
Total transactions with owners, recognized directly in equity	7,956	104,709	736	0	113,401
Loss for the year				(29,114)	(29,114)
Currency Translation differences			487		487
Remeasurements of defined benefit obligation				16	16
Total comprehensive gain/(loss) for the year			546	(29,098)	(28,611)
Balance as of 31 December 2015	32,571	158,010	21,205	(100,313)	111,473

4.3.4. Consolidated statement of Cash flows

(€'000)	Notes	For the year ended 31 December	
		2015	2014
Cash Flow from operating activities			
Net Loss for the year		(29,114)	(16,453)
Non-cash adjustments			
Depreciation	5.7	273	193
Amortisation	5.6	760	677
Post Employment Benefit	5.17	(45)	28
Share of loss in company consol. under equity method	5.13	-	252
Deconsolidation of. CELYAD Asia Ltd.	5.13	60	(312)
Change in fair value valuation of RCA's		(84)	
Reversal provision for reimbursement RCAs	5.28	-	(507)
Proceeds of grants and advances	5.28	(1,647)	(2,418)
Currency translation adjustment		(21)	
Share-based payments	5.16	795	1,098
Change in working capital			
Trade receivables, other receivables		653	(2,048)
Trade payables, other payable and accruals		1,066	2,076
Net cash (used in)/from operations		(27,303)	(17,414)
Cash Flow from investing activities			
Acquisitions of Property, Plant & Equipment	5.7	(811)	(590)
Acquisitions of Intangible assets	5.6	(27)	(50)
Acquisition of short term investment	5.10	(5,000)	-
Proceeds from Short Term Investments		333	372
Acquisition of Corquest Medical Inc	5.14	-	(1,500)
Acquisition of Oncyte LLC	5.14	(5,186)	-
Net cash used in investing activities		(10,691)	(1,768)
Cash flows from financing activities			
Proceeds from borrowings		451	444
Repayments of finance leases		(188)	(138)
Proceeds from issuance of shares and exercise of warrants	5.16	109,154	25,305
Proceeds from RCAs & other grants	5.28	1,647	2,418
Repayment of advances		(529)	(272)
Net cash from financing activities		110,535	27,757
Net cash and cash equivalents at beginning of the period		27,633	19,058
Change in net cash and cash equivalents		72,542	8,575
Net cash and cash equivalents at the end of the period		100,175	27,633

5. Notes to the consolidated financial statements

5.1 General information

Celyad SA ("the Company") and its subsidiaries (together, "the Group") is a clinical-stage biopharmaceutical group focused on engineered cell therapy treatments with clinical programs initially targeting indications in cardiovascular disease and oncology. It seeks to address diseases with high unmet medical needs such as heart failure and cancer. Celyad is currently developing several therapeutic therapies based on two distinct technology platforms, in cardiology and oncology respectively. The group has three fully owned subsidiaries in the United States, Celyad Inc, Corquest Medical Inc and OnCyte LLC. OnCyte LLC. was acquired in January 2015.

Celyad SA was incorporated on July 24, 2007 under the name "Cardio3 BioSciences". Celyad is a limited liability company ("Société Anonyme") governed by Belgian law with its registered office at Axis Parc, Rue Edouard Belin 12, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115). The Company's ordinary shares are listed on NYSE Euronext Brussels and NYSE Euronext Paris regulated markets and the Company's ADS are listed on the NASDAQ Global Market under the ticker symbol CYAD.

These consolidated financial statements of Celyad for the twelve months ended 31 December 2015 (the 'Period') include Celyad SA and its subsidiaries. These statements were approved by the Board of Directors on 18 March 2016. These statements were audited by PwC Reviseurs d'Entreprise SCCRL, the statutory auditor of the Company.

5.2 Summary of significant accounting policies

The significant accounting policies used for preparing the consolidated financial statements are explained here below.

5.2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements have been approved for issue by the Board of Directors of Celyad on 18 March 2016.

The consolidated financial statements are presented in euro and all values are presented in thousands (€000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, are areas where assumptions and estimates are significant to the financial statements. They are disclosed in Note 4.4.

Going concern

The Group is pursuing a strategy to develop certain products and obtain approval from the authorities to commercialise those products. Since June 2013, the Group is conducting international Phase III clinical trials in heart failure with C-Cure, its most advanced therapy, and has initiated in April 2015 a Phase I clinical trial with NKR-2, its lead product in oncology. Management has prepared detailed budgets and cash flow forecasts for the years 2016 and 2017. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of selected research programs and products candidates.

Based on its current scope of activities, the Group estimates its current cash position (including short term investments) is sufficient to cover its cash requirements until end of 2017.

After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the continuity over the next 12 months of the Group's business and hence it is appropriate to prepare the financial statements on a going concern basis.

Changes to accounting standards and interpretations

The following interpretation and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2015:

- ✓ IFRIC 21 'Levies', effective for annual periods beginning on or after 17 June 2014. IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. IFRIC 21 addresses what the obligating event is and when a liability should be recognised.
- ✓ 'Annual improvements (2011-2013 cycle)' are effective for annual periods beginning on or after 1 January 2015. The amendments clarify IFRS 1 (where a new version of a standard is not yet mandatory but is available for early adoption, a first-time adopter can use either the old or the new version under IFRS 1), the scope of IFRS 3 (the

standard does not apply to the accounting for the formation of any joint arrangement under IFRS 11), portfolio exception in IFRS 13 and the interrelationship of IFRS 3 'Business Combinations' and IAS 40 'Investment Property'.

The following amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 1 January 2015:

- ✓ Amendment to IAS 19 'Employee benefits', effective for annual periods beginning on or after 1 February 2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.
- ✓ 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after 1 February 2015. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method-proportionate restatement of accumulated depreciation' and IAS 24 'Key management personnel'.
- ✓ 'Annual improvements (2012-2014 cycle)' with amendments to 4 standards, effective for annual periods beginning on or after 1 January 2016. The amendments include IFRS 5, 'Non-current assets held for sale and discontinued operations', IAS 19, 'Employee benefits', IFRS 7, 'Financial instruments: disclosures' and IAS 34, 'Interim financial reporting'.
- ✓ Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation, effective for annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.
- ✓ Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.
- ✓ Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.
- ✓ Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 1 January 2016. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- ✓ Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2015 and have not been endorsed by the European Union:

- ✓ IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.
- ✓ IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 1 January 2016. It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.
- ✓ IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018, subject to EU endorsement.

- ✓ Amendment to IFRS 9 'financial instruments' on general hedge accounting, effective for annual periods beginning on or after 1 January 2018. The amendment incorporates the new general hedge accounting model which will allow reporters to reflect risk management activities in the financial statements more closely as it provides more opportunities to apply hedge accounting. These amendments also impact IAS 39 and introduce new disclosure requirements for hedge accounting, thereby impacting IFRS 7, irrespective of the fact whether hedge accounting requirements under IFRS 9 or IAS 39 are used.
- ✓ Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- ✓ Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 28, 'Investments in associates and joint ventures', effective for annual periods beginning on or after 1 January 2016. These narrow-scope amendments introduce clarifications to the requirements when accounting for investment entities.

5.2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the Group at the date of the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related

assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

5.2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

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

Group companies

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

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

5.2.4 Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied in the ordinary course of the Group activities, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue from the sale of goods is recognized when:

- The significant risks and rewards of the ownership of goods are transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For 2015 and 2014, the only revenues generated by the Group are associated with C-Cath_{ez}, its proprietary catheter, and are marginal compared to its operating expenses.

5.2.5 Other operating income

5.2.5.1 Government Grant

The Group's current operating income is primarily generated from (i) government grants received from the European Commission under the Seventh Framework Program ("FP7") and other authorities and (ii) government grants received from the Regional government ("Walloon Region" or "Region") in the form of recoverable cash advances (RCAs).

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

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

Recoverable cash advances (RCAs)

As explained above, the Group receives grants from the Regional government in the form of recoverable cash advances (RCAs).

RCAs are dedicated to support specific development programs. All RCA contracts, in essence, consist of three phases, i.e., the "research phase", the "decision phase" and the "exploitation phase". During the research phase, the Group receives funds from the Region based on statements of expenses.

The RCAs are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

At the end of the research phase, the Group should within a period of six months decide whether or not to exploit the results of the research phase (decision phase). The exploitation phase may have a duration of up to 10 years. In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently refundable and the company applies the recognition criteria of IAS 37 related to liability recognition, with any amounts being recognized as a reduction of other operating income in the income statement.

When the Group does not exploit (or does not continue to exploit) the results under an RCA, it has to notify the Region of this decision. This decision is of the sole responsibility of the Group. The RCA associated to the decision does not become refundable (respectively is no longer refundable as of the calendar year after such decision), and the rights related to such results will be transferred to the Region. Also when the Group decides to renounce to its rights to patents which may result from the research, title to such patents will be transferred to the Region.

Other government grants

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

As per 31 December 2015, all grants received are not associated to any conditions. As per contract, grants are paid upon submission by the Group of statement of expenses. The Company incurs project expenses first and asks for partial refunding according to the terms of the contracts.

The government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

5.2.6 Intangible assets

Intangible assets acquired from third parties are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs (when conditions are met), are not capitalised. Expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible assets is assessed as finite. They are amortised over the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement of in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Goodwill

A goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is measured as a residual at the acquisition date, as the excess of the fair value of the consideration transferred and the assets and liabilities recognised (in accordance with IFRS 3).

Goodwill has an indefinite useful life and is tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets)

In process research and development costs

The In-process research and development costs ("IPRD") are capitalized as an indefinite-lived intangible asset until project has been completed or abandoned. IPRD is measured at fair value at the date of acquisition and that fair value becomes the new historical cost for future subsequent amortization.

The IPRD is not eligible for the revaluation model under IAS 38 "Intangible assets" because it is not traded on an active market, which is the requirement under IAS 38 for an intangible asset to avail of the revaluation model. Therefore, the IPRD cannot be subsequently revalued at fair value.

Subsequent R&D expenditure can be capitalized as part of the IPRD only to the extent that IPRD is in development stage, i.e. when such expenditure meets the recognition criteria of IAS 38. Assuming that under Celyad, development stage is reached when the intangible asset nears regulatory approval in Phase III, any R&D expenditure between the acquisition date and the development stage should be treated as part of research phase and expensed in the income statement.

Research and development costs

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

- 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. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

For the industry in which the Group operates, the life science industry, criteria a) and d) tend to be the most difficult to achieve. Experience shows that in the Biotechnology sector technical feasibility of completing the project is met when such project completes successfully Phase III of its development. For medical devices this is usually met at the moment of CE marking.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development has been completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Research & Development expenses. During the period of development, the asset is tested for impairment annually.

As per 31 December 2015, only the development costs of C-Cathez are capitalized and amortized over a period of 17 years which corresponds to the period over which the intellectual property is protected.

Patents, Licences and Trademarks

Payments related to the acquisition of technology rights are capitalised as intangible assets when the two following criteria are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Licences for the use of intellectual property are granted for a period corresponding to the intellectual property of the assets licensed. Amortisation is calculated on a straight-line basis over this useful life.

Patents and licences are assessed for impairment whenever there is an indication these assets may be impaired. Indication of impairment is related to the value of the patent demonstrated by the pre-clinical and clinical results of the technology.

Software

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

5.2.7 Property, plant and equipment

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

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

- Land and buildings: 15 to 20 years
- Plant and equipment: 5 to 15 years
- Laboratory equipment: 3 to 5 years
- Furniture: 3 to 10 years
- Leasehold improvements: 3 to 10 years (based on duration of office building lease)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if applicable.

5.2.8 Leases

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

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

The Group has performed sale and leaseback transactions. If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the transaction results in an operating lease and the transaction occurred at fair value, any profit or loss is recognised immediately.

5.2.9 Impairment of non-financial assets

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

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

The Group has four cash-generating units which consist of the development and commercialization activities on its the following products, C-Cure, C-Cath_{ez}, Heart-Xs and NKR-T. Indicators of impairment used by the Group are the pre-clinical and clinical results obtained with the technology.

5.2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

5.2.11 Financial assets

5.2.11 Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "cash and cash equivalents", "short-term deposits", "trade and other receivables" and "Deposits".

5.2.11.2 Initial recognition and measurement

All financial assets are recognised initially at fair value plus directly attributable transaction costs.

5.2.11.3 Subsequent measurement

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

5.2.11.4 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

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

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

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

5.2.12 Financial liabilities

5.2.12.1 Classification

The Group's financial liabilities include contingent consideration trade and other payables, bank overdrafts and loans and borrowings. The Group classifies its financial liabilities in the following category: financial liabilities measured at amortised cost using the effective interest method.

5.2.12.2 Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

5.2.12.3 Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Contingent consideration

The contingent consideration is recognized and measured at fair value at the acquisition date and classified as a long term liability. After initial recognition, contingent consideration arrangements that are classified as liabilities are re-measured at fair value with changes in fair value recognized in the income statement in accordance with IFRS 3 and IAS 39. Therefore, contingent payments will not be eligible for capitalization but will simply reduce the contingent consideration liability.

Details regarding the valuation of the contingent consideration are disclosed in Note 4.14.2.

Trade payables and other payables

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

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the income statement.

5.2.12.4 Derecognition

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

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

5.2.13 Provisions

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

We also refer to Note 4.2.5.1.1. on Recoverable cash advances (RCAs) where it is explained that recoverable cash advances received from the Regional government are accounted for in accordance with IAS 37 as from the moment these become contingently refundable.

5.2.13.1 Employee benefits

Defined contribution plan

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plans is classified as a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions per employee into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits they are entitled to under the existing schemes.

However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods).

Prior to 2014, the Group did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by the insurance company was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, in 2014 Celyad has decided to measure and account for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return because of the higher financial risk related to these plans than in the past. The prior year financial statements were not revised due to such effect not being material.

The Group has calculated the provision for employee benefit pension plans with the assistance of an independent third-party actuarial firm. The calculation is based on the projected unit credit method.

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

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

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

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

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

Short term benefits

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

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

Share-based payments

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

Measurement

The cost of equity-settled share-based payments is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details are given in the Note 4.16.

Recognition

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

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

Modification

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

Cancellation

An equity-settled award can be cancelled with the departure of a beneficiary before the end of the vesting period, or cancelled and replaced by a new equity settled award. Where an equity-settled award is cancelled, the previously recognised expenses is offset directly in the equity of the Group and credited against the retained earnings. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

5.2.14 Taxes

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses (except if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction other than a business combination and that, at the time of the transaction affects neither accounting nor taxable profit or loss), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority or either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

5.2.15 Earnings (loss) per share

The basic net profit/(loss) per share is calculated based on the weighted average number of shares outstanding during the period.

The diluted net profit/(loss) per share is calculated based on the weighted average number of shares outstanding including the dilutive effect of potentially dilutive ordinary shares such as warrants and convertible debts. Potentially dilutive ordinary shares should be included in diluted earnings (loss) per share when and only when their conversion to ordinary shares would decrease the net profit per share (or increase net loss per share).

5.3 Risk Management

Financial risk factors

Interest rate risk

The interest rate risk is very limited as the Group has only a limited amount of finance leases and no outstanding loans. So far, because of the materiality of the exposure, the Group did not enter into any interest hedging arrangements.

Credit risk

Seen the limited amount of trade receivables due to the fact that sales to third parties are not significant, credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions. The Group only works with national reputable commercial banks and financial institutions.

Foreign exchange risk

The Group is exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. Moreover, the Group has also investments in foreign operations, whose net assets are exposed to foreign currency translation risk (USD). So far, because of the materiality of the exposure, the Group did not enter into any currency hedging arrangements. No sensitivity has been performed on the foreign exchange risk as up till now this risk is still considered as immaterial by the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposit and finance leases.

The Group is exposed to liabilities and contingent liabilities as a result of the RCAs it has received from the Walloon Government. Out of the RCAs contracted as of 31 December 2015, €18,5 million has been effectively paid out.

In 2016 and 2017, the Group will have to make an exploitation decision on the remaining RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional liability of €5,2 million based on the contractual values.

We refer to Note 4.20 for an analysis of the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Capital management

The Group's objectives when managing capital are to safeguard Celyad's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an adequate structure to limit to costs of capital.

5.4 Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made judgments and has used estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Advances received from the Walloon Region: recognition of a contingent liability

Advances received from the Walloon Region only become contingently reimbursable if the Company notifies the Region of its decision to exploit the outcome of the research program funded with the advances received. At the end of this research phase, the Group should, within a period of six months, decide whether or not to exploit the results of the research programs ('decision phase'). In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently repayable to the Walloon Region and the Company determines its liability under IAS 37. When a contingent liability is recognised, estimates are required to determine the discount rate used to calculate the present value of those contingent liabilities as well as the determination of the estimated cash flows.

The reimbursements of the RCAs to the Walloon Region consist of two elements, i.e., sales-dependent reimbursements (a percentage of sales) and sales-independent reimbursements (an annual lump-sum). For more information we refer to Note 4.18.

Consolidation

The Group periodically undertakes transactions that may involve obtaining control, joint control or significant influence of other companies. In July 2014 Celyad together with Medisun International incorporated Cardio3 Biosciences Asia Ltd ("C3BS Asia"). An assessment was completed to decide if Celyad had obtained control or joint control of the new company. The agreement stipulates that:

- Celyad acquired 40% of the share capital of C3BS Asia in return for an outlicense for the development of C-Cure in Greater China.
- Medisun acquired 60% of shares for HK\$ 5 million. They will make additional cash contribution for additional shares over the next 3 years to fund the research.
- The JV agreement stipulates that unanimous consent is required from both parties to the agreements over relevant activities, for example approving budgets and business plans; declaring dividends; borrowing money, apply for registration of IP etc.
- The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements.

Based on the above, the Group has assessed there is joint control and that C3BS Asia is a joint venture.

On 21 August 2015, Celyad and Medisun entered into a new collaboration and distribution agreement. This agreement supersedes and cancels all previous agreements executed in June 2014. Pursuant to the terms of this new agreement, the JV agreement was terminated and Celyad sold all of its shares of C3BS Asia to Medisun for €1. Consequently, C3BS Asia was deconsolidated in the Group financial statements at year end 2015.

Business combinations

In respect of acquired businesses by the Group, significant judgement is made to determine whether these acquisitions are to be considered as an asset deal or as a business combination. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant. Moreover, management judgement is particularly involved in the recognition and fair value measurement of the acquired assets, liabilities, contingent liabilities and contingent consideration. In making this assessment management considers the underlying economic substance of the items concerned in addition to the contractual terms. For more information, we refer to Note 4.14.

Contingent consideration provisions

The Group makes provision for the estimated fair value of contingent consideration arrangements arising from business combinations (see Note 4.14). The estimated amounts are the expected payments, determined by considering the possible scenarios of forecast sales and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario, which is then discounted to a net present value. The estimates could change substantially over time as new facts emerge and each scenario develops.

Deferred Tax Assets

Deferred tax assets for unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 4.22.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 4.16.

5.5 Operating segment information

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the Group, has been identified as the Board of Directors that makes strategic decisions.

As per 31 December 2014 the Group was operating in one operating segment.

With the acquisition of Oncyte LLC and its new technology platform, the management and the CODM have determined that as from 2015, there are two operating segments, respectively the cardiology segment, regrouping the Cardiopoiesis platform, the Corquest platform and C-Cathez, and the immuno-oncology segment regrouping all assets developed based on the platform acquired from Oncyte LLC.

Although the Group is currently active in Europe, the US and Asia, no geographical financial information is currently available given the fact that the core operations are currently still in a study phase.

No disaggregated information on product level or geographical level or any other level is currently existing and hence also not considered by the Board for assessing performance or allocating resources.

As per 31 December 2015, all of the Group non-current assets are located in Belgium, except (i) the Corquest intellectual property, valued at €1,5 million which is located in the US and (ii) the goodwill and IPRD of Oncyte also located in the US.

During 2015, marginal revenues were generated from external customers. All revenues generated relate to sales of C-Cathez to a limited number of customers located in the US.

€ '000	For the year at end of 2015			
	Cardiology	Immuno-oncology	Corporate	Group Total
Revenue	3			3
Cost of Sales	(1)			(1)
Gross Profit	2	-	-	2
Research & Development expenses	(20,634)	(2,132)		(22,766)
General & Administrative expenses	-	-	(7,230)	(7,230)
Other operating Income & Charges	218	104		322
Operating Profit (Loss)	(20,414)	(2,028)	(7,230)	(29,672)
Net Financial Charges	-	-	306	306
Share of Loss of investments accounted for using the equity method	-	-	252	252
Profit (Loss) before taxes	(20,414)	(2,028)	(6,672)	(29,114)
Income Taxes	-	-	-	-
Profit (Loss) for the year 2015	(20,414)	(2,028)	(6,672)	(29,114)

5.6 Intangible assets

The intangible assets are broken down as follow:

(€'000)	Goodwill	In-process research and development	Development costs	Patents, licences, trademarks	Software	Total
Cost:						
At 1 January 2014			1,007	11,844	110	12,961
Additions			50	-	-	50
Acquisition of Corquest Inc			-	1,493	-	1,493
At 31 December 2014			1,057	13,337	110	14,504
Additions			27			27
Acquisition of Oncyte LLC	1,003	38,254				39,257
Divestiture					(3)	(3)
At 31 December 2015	1,003	38,254	1,084	13,337	107	53,785
Accumulated amortisation						
At 1 January 2014			(82)	(3,431)	(48)	(3,561)
Amortisation charge (note 4.24)			(64)	(592)	(21)	(677)
At 31 December 2014			(146)	(4,023)	(69)	(4,238)
Amortisation charge (note 4.24)	-	-	(66)	(675)	(19)	(760)
Divestiture					3	3
At 31 December 2015	-	-	(212)	(4,698)	(85)	(4,995)
Net book value						
Cost			1,057	13,337	110	14,504
Accumulated amortisation			(146)	(4,023)	(69)	(4,238)
As at 31 December 2014			911	9,314	41	10,266
Cost	1,003	38,254	1,084	13,337	107	53,785
Accumulated amortisation	-	-	(213)	(4,698)	(85)	(4,995)
As at 31 December 2015	1,003	38,254	871	8,639	22	48,789

The capitalised development costs relate to the development of C-Cathez. Since May 2012 and the CE marking of C-Cathez, the development costs of C-Cathez are capitalized and depreciated over the estimate residual intellectual property protection as of the CE marking (15 years and 16 years respectively in 2014 and 2013). No other development costs have been capitalised up till now. All C-Cure related development costs have been assessed as not being eligible for capitalisation and have therefore been recognised in the income statement as research and development expenses.

Goodwill, In-process R&D Patents, Licences and Trademarks relate to the following items:

- Goodwill and In-process research and development resulted from the purchase price allocation exercise performed after the acquisition of Oncyte LLC (cfr. Note 4.14.2)
- A licence, granted in August 2007 by Mayo Clinic (for an amount of k€9,500) upon the Group's inception and an extension to the licensed field of use, granted on 29 October 2010 for a total amount of k€2,344. The licence and its extension are amortised straight line over a period of 20 years.
- Patents acquired upon the acquisition of CorQuest LLC in November 2014. The fair value of these intellectual rights was estimated at k€1,492 (cfr. Note 4.14.1). These patents are amortised over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012.

Management has not identified any impairment indicators in relation to the intangible assets as mentioned above. Therefore no impairment exercise was performed and hence no impairment losses were recognized.

5.7 Property, plant and equipment

(€'000)	Equipment	Furnitures	Leasehold	Total
Cost:				
At 1 January 2014	1,374	176	566	2,116
Additions	566	-	24	590
Disposals	(39)	(9)	-	(48)

(€'000)	Equipment	Furnitures	Leasehold	Total
At 31 December 2014	1,901	167	590	2,658
Additions	486	0	325	811
Disposals	(12)	(17)	0	(29)
At 31 December 2015	2,375	150	915	3,440
Accumulated depreciation:				
At 1 January 2014	(1,171)	(166)	(536)	(1,873)
Depreciation charge (note 4.24)	(175)	(1)	(11)	(187)
Disposals	-	-	-	-
At 31 December 2014	(1,346)	(167)	(547)	(2,060)
Depreciation charge (note 4.24)	(255)		(18)	(273)
Disposals	12	17		29
At 31 December 2015	(1,589)	(150)	(565)	(2,304)
Net book value				
Cost	1,901	167	590	2,658
Accumulated depreciation	(1,346)	(167)	(547)	(2,060)
As at 31 December 2014	555	-	43	598
Cost	2,375	150	915	3,440
Accumulated depreciation	(1,589)	(150)	(565)	(2,304)
As at 31 December 2015	786	0	350	1,136

Property, Plant and Equipment is mainly composed of office furniture, leasehold improvements, and laboratory machinery and equipment.

Finance leases

Lease contracts considered as finance lease relate to some contracts with financial institutions and relate to laboratory and office equipment. All finance leases have a maturity of three years. A key common feature is that they include an option to purchase the leased asset at the end of the three-year-lease term. The carrying value of plant and equipment held under finance leases at 31 December 2015 was €670k (31 December 2014 was €423k). The carrying value corresponds to the net investment in finance lease at the end of period and includes the purchase option price.

5.8 Non current financial assets

(€'000)	As of 31 December	
	2015	2014
Deposits	180	109
Total	180	109

The non-current financial assets are composed of security deposits paid to the lessors of the building leased by the Group and to Social Security Contribution.

5.9 Trade receivable, advances and other current assets

(€'000)	As of 31 December	
	2015	2014
Trade receivable		
Trade receivable	62	31
Advance deposits	288	701
Other receivables	199	98
Total Trade and Other receivables	549	830
Grants and Recoverable Cash Advances	104	1,009
Prepaid expenses	544	212
VAT receivable	273	388
Other receivables	437	191
Total Other current assets	1,254	792

As of 31 December 2015, other receivables mainly relate to advance deposits made to the CHART-2 clinical vendors.

Grants and Recoverable Cash Advances refer to amounts due by the Walloon Region and are related to Recoverable Cash Advances and grants agreements.

Impairment of receivables is assessed on an individual basis at the end of each accounting year.

As per 31 December 2015 and 31 December 2014, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currencies and no impairments were recorded.

5.10 Short term investments

(€'000)	As of 31 December	
	2015	2014
Short term investments	7,338	2,671
Total	7,338	2,671

Amounts recorded as short term investments in the current assets correspond to short term deposits with fixed interest rates. Short-term deposits are made for variable periods depending on the short term cash requirements of the Group. Interest is calculated at the respective short-term deposit rates.

5.11 Cash and cash equivalents

(€'000)	As of 31 December	
	2015	2014
Cash at bank and on hand	100,175	27,633
Total	100,175	27,633

Cash at banks earn interest at floating rates based on daily bank deposit rates.

The credit quality of cash and cash equivalents and short-term deposit balances may be categorised between A- and A+ based on Standard and Poor's rating at 31 December 2015.

5.12 Subsidiaries fully consolidated

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Celyad Inc	USA	Biopharma	100%	100%	0%
Oncyte LLC	USA	Biopharma	100%	100%	0%
CorQuest Inc	USA	Medical Device	100%	100%	0%

Cardio3 Inc was incorporated in 2011 to support clinical and regulatory activities of the Group in the US. Cardio3 Inc was renamed in Celyad Inc in 2015. It has little activities and shows a net loss for the year ended 31 December 2015 and 31 December 2014 of respectively \$1,144K and \$71K.

Corquest Inc was acquired on 5 November 2014. Corquest Inc. is developing Heart XS, a new access route to the left atrium. Oncyte LLC was acquired on 21 January 2015. Oncyte LLC is the company holding the CAR T-Cell portfolio of clinical-stage immuno-oncology assets. Further details on the acquisition are disclosed in Note 4.14.1.

5.13 Investment in joint venture

Name	Country of Incorporation and Place of Business	Nature of Business	Ownership interests (%)	Nature of relationship	Measurement method
Cardio3 Biosciences Asia Ltd	Hong-Kong	Pharmaceuticals	0%	Note 1	Equity Method

Note 1: Cardio3 BioSciences Asia Ltd was a joint venture created in July 2014 with Medisun International, a financial partner and shareholder of the Group. The joint venture aimed to initiate the clinical development of C-Cure and further commercialize C-Cure in Greater China. Until August 2015, the Group owned 40% of the shares of Cardio3 BioSciences Asia Ltd. The Group had no commitments relating to its joint venture and there are no contingent liabilities relating to the Group's interest in the joint venture.

Pursuant the terms of the new license agreement executed in August 2015, Celyad SA sold all of its shares on Cardio3 BioSciences Asia to Medisun for €1. Cardio3 BioSciences Asia was deconsolidated from the Group financial statements as of 30 June 2015.

(€'000)	2015
At 1 January	68
Incorporation of JV	(312)
Share of (loss) for the period	252
FX adjustment	(8)
At 31 December	-

5.14 Business Combinations

5.14.1 Corquest Medical, Inc.

On 5 November 2014 the Group acquired a 100% interest in CorQuest Medical, Inc. ('CorQuest'), a US private company based in Miami (Florida), through a single cash payment of €1.5 million. With this acquisition, the Group intended to strengthen its Medical Device division. The CorQuest technology platform is fully complementary with Celyad' C-Cathez® and C-Cure® programs.

Although no workforce was transferred, this transaction was considered as a business combination since the Group acquired inputs and processes in the form of intellectual property and will be able to progress this intellectual property further through the appropriate clinical and regulatory approval processes with the aim of obtaining CE mark approval in 2017 which would allow commercialisation in Europe. In order to guarantee the transfer of knowledge an exclusive consultancy agreement was concluded with one of the sellers.

The following table summarises the consideration paid for Corquest as well as the fair value of assets acquired at the acquisition date.

Consideration at 05 November 2014 (€'000)	
Cash	1,500
Total consideration transferred	1,500
Recognised amounts of identifiable assets acquired (€'000)	
Licences & Patents	1,493
Trade and Other Receivables	7
Total identifiable net assets	1,500

This acquisition has been subject to a Purchase Price Allocation process which consists in booking, at "fair value", all the assets and liabilities of a target company acquired in the consolidated balance sheet of the acquiring company. The acquired assets and liabilities have been valued at fair value by an independent firm.

The "Licences and Patents" of CorQuest can be considered as its only significant asset. It has been valued using a Risk-Adjusted Net Present Value ("rNPV") method. Patents acquired are depreciated over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012.

There were no revenues contributed by Corquest Medical, Inc in the consolidated statement of comprehensive loss. Since 5 November 2014 all expenses associated to the development of the assets acquired were incurred by celyad SA.

5.14.2 Oncyte LLC

On 21 January 2015, the Company acquired 100% of the share capital of Oncyte LLC from Celdara Medical LLC in exchange for a cash consideration of \$11 million (of which \$6 million paid upfront and \$5 million when first cohort of NKR-2 trial is completed) and 93,087 new shares of Celyad for a total value of \$4 million, or (€3,451,680). The fair value of the 93,087 ordinary shares issued as part of the consideration paid for Oncyte LLC was based on a share price of €37.08, the share price at the acquisition.

Oncyte LLC is the company holding the CAR T-Cell portfolio of clinical-stage immuno-oncology assets. The portfolio includes three autologous CAR T-Cell cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications. CAR T-Cell immuno-oncology represents one of the most promising cancer treatment areas today.

Although no workforce is transferred, this transaction is considered as a business combination since the Group will be able to produce outputs based on the inputs acquired and processes transferred in the form of intellectual property. The transfer of knowledge to the Group is guaranteed by the conclusion of a service agreement between the Group and the seller.

The Company initially fair valued the assets and liabilities in its 2014 annual report at €44.9 million. This fair value was taken out of a report drafted by an independant valuation expert based on assumptions and a business plan provided by the

Company. Since then, the Company reassessed the said assumptions and adjusted the business plan. Based on these new assumptions, the independent expert provided the Company with a final fair value of the assets and liabilities acquired.

The following table summarises the consideration paid for Oncyte LLC, the fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration ('000)	USD	EUR
Cash upfront paid on 21 January 2015	6,000	5,186
Equity instruments (93,087 ordinary shares)	4,000	3,452
Deferred cash payment	5,000	4,576
Contingent Consideration	27,896	25,529
CTA	-	514
Total consideration transferred	42,896	39,257
Recognised amounts of identifiable assets acquired and liabilities assumed ('000)	USD	EUR
Goodwill	1,096	1,003
In-Process Research and Development	41,800	38,254
Total identifiable net assets	42,896	39,257

This acquisition has been subject to a Purchase Price Allocation, process which consists in booking, at "fair value", all the assets and liabilities of a target company acquired in the consolidated balance sheet of the acquiring company. The acquired assets and liabilities have been valued at fair value by the Group with the assistance of an independent third-party valuation firm.

The sales price also includes a contingent consideration payment, the potential remaining part of the purchase price, based on future outcome of the research and development and potential future sales that are estimated, through a risk-adjusted Net Present Value, at \$27.9 million, considering the impact of the discount and the probability of success (€25.5 million). For the successful development of the most advanced product CM-CS1, the seller could receive up to \$45 million in development and regulatory milestones until market approval. The seller will be eligible to additional payments on the other products upon achievement of development and regulatory milestones totalling up to \$36.5 million per product. In addition, the seller will receive up to \$80 million in sales milestones when net sales will exceed \$1 billion and royalties ranging from 5 to 8%.

No deferred taxes have been taken up in the overview of fair value of assets acquired and liabilities assumed since the company elected for IRS Section 338 which lead to creating a tax deductible depreciation in the US Tax books.

The group had no contingent consideration financial liabilities at 31 December 2014 and there were no transactions in contingent consideration during the year ended 31 December 2014. Therefore, comparative information is not applicable. Except the contingent consideration resulting from the business combination mentioned above, the carrying amount of all other financial assets and financial liabilities is a reasonable approximation of the fair value. There were no changes in valuation techniques during the period.

The following table presents the group's financial assets and liabilities that are measured at fair value at 31 December 2015:

(€'000)	Level I	Level II	Level III	Total
Assets				
-	-	-	-	-
Total Assets	-	-	-	-
Liabilities				
Contingent consideration	-	-	25,529	25,529
Total Liabilities	-	-	25,529	25,529

Fair value measurements using significant unobservable inputs (Level 3):

(€'000)	Contingent consideration in a business combination
Opening balance at 1st January 2015	-
Acquisition of OnCyte LLC	25,529
Closing balance at 31 December 2015	25,529

Sensitivity analysis performed on the main assumptions driving the fair value of the contingent consideration:

	Discount rate				
	15,5%	16,5%	17,5%	18,5%	19,5%
Cont. consideration (MUSD)	31,42	29,59	27,90	26,32	24,86
Impact (%)	6%	6%	-	-6%	-6%

	Sales				
	80%	90%	100%	110%	120%
Cont. consideration (MUSD)	24,76	26,33	27,90	30,04	32,00
Impact (%)	-6%	-6%	-	8%	7%

	Probabilities				
	98%	99%	100%	101%	102%
Cont. consideration (MUSD)	26,05	26,96	27,90	28,86	29,85
Impact (%)	-3%	-3%	-	3%	3%

5.15 Share Capital

The number of shares issued is expressed in units.

	As of 31 December	
	2015	2014
Number of ordinary shares	9,313,603	7,040,387
Share Capital (€'000)	32,571	24,615
Total number of issued and outstanding shares	9,313,603	7,040,387
Total share capital (€'000)	32,571	24,615

As of 31 December 2015, the share capital amounts to €32,571k represented by 9,313,603 fully authorized and subscribed and paid-up shares with a nominal value of €3.50. This number does not include warrants issued by the Company and granted to certain directors, employees and non-employees of the Company.

History of the capital of the Company

The Company has been incorporated on 24 July 2007 with a share capital of €62,500 by the issuance of 409,375 class A shares. On 31 August 2007, the Company has issued 261,732 class A shares to Mayo Clinic by way of a contribution in kind of the upfront fee that was due upon execution of the Mayo Licence for a total amount of €9,500,000.

Round B Investors have participated in a capital increase of the Company by way of a contribution in kind of a convertible loan (€2,387,049) and a contribution in cash (€4,849,624 of which €1,949,624 uncalled) on 23 December 2008; 204,652 class B shares have been issued at the occasion of that capital increase. Since then, the capital is divided in 875,759 shares, of which 671,107 are class A shares and 204,652 are class B shares.

On 29 October 2010, the Company closed its third financing round resulting in a capital increase totalling €12,100,809. The capital increase can be detailed as follows:

- capital increase in cash by certain existing investors for a total amount of €2,609,320.48 by the issuance of 73,793 class B shares at a price of €35.36 per share;
- capital increase in cash by certain existing investors for a total amount of €471,240 by the issuance of 21,000 class B shares at a price of €22.44 per share;
- capital increase in cash by certain new investors for a total amount of €399,921.60 by the issuance of 9,048 class B shares at a price of €44.20 per share;
- exercise of 12,300 warrants ("Warrants A") granted to the Round C investors with total proceeds of €276,012 and issuance of 12,300 class B shares. The exercise price was €22.44 per Warrant A;

- contribution in kind by means of conversion of the loan C for a total amount of €3,255,524.48 (accrued interest included) by the issuance of 92,068 class B shares at a conversion price of €35.36 per share;
- contribution in kind by means of conversion of the loan D for a total amount of €2,018,879.20 (accrued interest included) by the issuance of 57,095 class B shares at a conversion price of €35.36 per share. The loan D is a convertible loan granted by certain investors to the Company on 14 October 2010 for a nominal amount of €2,010,000.
- contribution in kind of a payable towards Mayo Foundation for Medical Education and Research for a total amount of €3,069,911 by the issuance of 69,455 class B shares at a price of €44.20 per share. The payable towards Mayo Clinic was related to (i) research undertaken by Mayo Clinic in the years 2009 and 2010, (ii) delivery of certain materials, (iii) expansion of the Mayo Clinical Technology Licence Contract by way the Second Amendment dated 18 October 2010.

On 5 May 2011, pursuant the decision of the Extraordinary General Meeting, the capital was reduced by an amount of €18,925,474 equivalent to the outstanding net loss as of 31 December 2010.

On 31 May 2013, the Company closed its fourth financing round, the 'Round D financing'. The convertible loans E, F, G and H previously recorded as financial debt were converted in shares which led to an increase in equity for a total amount of €28,645k of which € 5,026k is accounted for as capital and € 6,988k as share premium. The remainder (€ 16,613k) is accounted for as other reserves. Furthermore, a contribution in cash by existing shareholders of the Company led to an increase in share capital and issue premium by an amount of €7,000k.

At the Extraordinary Shareholders Meeting of 11 June 2013 all existing classes of shares of the Company have been converted into ordinary shares. Preferred shares have been converted at a 1 for 1 ratio and subsequently.

On 5 July 2013, the Company completed its Initial Public Offering. The Company issued 1,381,500 new shares at €16.65 per shares, corresponding to a total of €23,002k.

On 15 July 2013, the over-allotment option was fully exercised for a total amount of €3,450k corresponding to 207,225 new shares. The total IPO proceeds amounted to €26,452k and the capital and the share premium of the Company increased accordingly. The costs relating to the capital increases performed in 2013 amounted to €2.8 million and are presented in deduction of share premium.

On 11 June 2013, the Extraordinary General Shareholders' Meeting of Celyad SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association. This authorization is valid for a period of five years starting on 26 July 2013 and until 26 July 2018. The Board of Directors may increase the share capital of the Company within the framework of the authorized capital for an amount of up to €21,413k.

Over the course of 2014, the capital of the Company was increased in June 2014 by way of a capital increase of €25,000k represented by 568,180 new shares fully subscribed by Medisun International Limited.

In 2014, the capital of the Company was also increased by way of exercise of Company warrants. Over four different exercise periods, 139,415 warrants were exercised resulting in the issuance of 139,415 new shares. The capital and the share premium of the Company were therefore increased respectively by €488k and €500k.

In January 2015, the shares of Oncyte LLC were contributed to the capital of the Company, resulting in a capital increase of €3,452k and the issuance of 93,087 new shares.

In 2015, the Company conducted two fund raising. A private placement was closed in March resulting in a capital increase of €31,745k represented by 713,380 new shares. The Company also completed an IPO on Nasdaq in June, resulting in a capital increase of €87,965k represented by 1,460,000 new shares.

Also in 2015, the capital of the Company was also increased by way of exercise of Company warrants. Over three different exercise periods, 6,749 warrants were exercised resulting in the issuance of 6,749 new shares. The capital and the share premium of the Company were therefore increased respectively by €23k and €196k.

As of 31 December 2015 all shares issued have been fully paid.

The following share issuances occurred since the incorporation of the Company:

Category	Transaction date	Description	# of shares	Par value (in €)
Class A shares	24 July 2007	Company incorporation	409,375	0.15
Class A shares	31 August 2007	Contribution in kind (upfront fee Mayo Licence)	261,732	36.30
Class B shares	23 December 2008	Capital increase (Round B)	137,150	35.36
Class B shares	23 December 2008	Contribution in kind (Loan B)	67,502	35.36
Class B shares	28 October 2010	Contribution in cash	21,000	22.44
Class B shares	28 October 2010	Contribution in kind (Loan C)	92,068	35.36
Class B shares	28 October 2010	Contribution in kind (Loan D)	57,095	35.36
Class B shares	28 October 2010	Contribution in cash	73,793	35.36
Class B shares	28 October 2010	Exercise of warrants	12,300	22.44
Class B shares	28 October 2010	Contribution in kind (Mayo receivable)	69,455	44.20

Class B shares	28 October 2010	Contribution in cash	9,048	44.20
Class B shares	31 May 2013	Contribution in kind (Loan E)	118,365	38.39
Class B shares	31 May 2013	Contribution in kind (Loan F)	56,936	38.39
Class B shares	31 May 2013	Contribution in kind (Loan G)	654,301	4.52
Class B shares	31 May 2013	Contribution in kind (Loan H)	75,755	30.71
Class B shares	31 May 2013	Contribution in cash	219,016	31.96
Class B shares	4 June 2013	Conversion of warrants	2,409,176	0.01
Ordinary shares	11 June 2013	Conversion of Class A and Class B shares in ordinary shares	4,744,067	-
Ordinary shares	5 July 2013	Initial Public Offering	1,381,500	16.65
Ordinary shares	15 July 2013	Exercise of over-allotment option	207,225	16.65
Ordinary shares	31 January 2014	Exercise of warrants issued in September 2008	5,966	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in May 2010	333	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in January 2013	120,000	4.52
Ordinary shares	30 April 2014	Exercise of warrants issued in September 2008	2,366	22.44
Ordinary shares	16 June 2014	Capital increase	284,090	44.00
Ordinary shares	30 June 2014	Capital increase	284,090	44.00
Ordinary shares	4 August 2014	Exercise of warrants issued in September 2008	5,000	22.44
Ordinary shares	4 August 2014	Exercise of warrants issued in October 2010	750	35.36
Ordinary shares	3 November 2014	Exercise of warrants issued in September 2008	5,000	22.44
Ordinary shares	21 January 2015	Contribution in kind (Oncyte LLC)	93,087	37.08
Ordinary shares	7 February 2015	Exercise of warrant issued in May 2010	333	22.44
Ordinary shares	3 March 2015	Capital increase	713,380	44.50
Ordinary shares	11 May 2015	Exercise of warrant issued in May 2010	500	22.44
Ordinary shares	24 June 2015	Capital increase	1,460,000	60.25
Ordinary shares	4 August 2015	Exercise of warrant issued in May 2010	666	22.44
Ordinary shares	4 August 2015	Exercise of warrant issued in October 2010	5,250	35.36

(€000)					
Date	Nature of the transactions	Share Capital	Share premium	Number of shares	Nominal value
	Balance as of January 1st, 2014	22,138	30,474	6,332,792	55,465
	Issue of shares related to exercise of warrants	488	500	139,415	988
	Capital increase by issuance of ordinary common shares (after deduction of transaction costs)	1,989	21,899	568,180	25,000
	Share based payments	-	429	-	429
	Balance as of December 31, 2014	24,615	53,302	7,040,387	81,882

(€000)					
Date	Nature of the transactions	Share Capital	Share premium	Number of shares	Nominal value
	Balance as of January 1, 2015	24,615	53,302	7,040,387	81,882
	Issue of shares related to exercise of warrants	23	196	6,749	219
	Contribution in kind of shares of Oncyte LLC (after deduction of transaction costs)	326	3,126	93,087	3,363
	Capital increase by issuance of ordinary common shares (after deduction of transaction costs)	7,607	101,327	2,173,380	119,710
	Share based payments	-	59	-	59
	Balance as of December 31, 2015	32,571	158,010	9,313,603	205,233

As of 1 January 2014, the company had 6,332,792 shares. The total number of shares issued and outstanding as of 31 December 2015 and 2014 respectively totals 9,313,603 and 7,040,387, and are ordinary common shares.

5.16 Share based payments

The Company operates an equity-based compensation plan, whereby warrants are granted to directors, management and selected employees and non-employees. The warrants are accounted for as equity-settled share-based payment plans since the Company has no legal or constructive obligation to repurchase or settle the warrants in cash.

Each warrant gives the beneficiaries the right to subscribe to one common share of the Company. The warrants are granted for free and have an exercise price equal to the fair market price of the underlying shares at the date of the grant, as determined by the Board of Directors of the Company.

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	2015		2014	
	Weighted average exercise price (in €)	Number of warrants	Weighted average exercise price (in €)	Number of warrants
Outstanding as of 1 January	9.57	296,930	5.32	404,961
Granted	35.68	45,400	35.79	49,000
Forfeited	32.87	16,251	2.64	15,950
Exercised	32.49	6,749	7.09	139,415
Expired	-	-	22.44	1,666
At 31 December	11.61	319,330	9.57	296,930

Warrants exercised in 2015 resulted in the issuance of 6,749 shares being issued at a weighted average price of € 32.49 each.

Warrants outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Vesting date	Expiry date	Number of warrants outstanding as of 31 December, 2015	Number of warrants outstanding as of 31 December, 2014	Exercise price per share
05 May 2010 (warrants B)	05 May 2010	31 Dec 2016	5,000	5,000	35.36
05 May 2010 (warrants C)	05 May 2013	31 Dec 2016	799	2,298	22.44
29 Oct 2010	29 Oct 2013	31 Dec 2020	1,632	6,882	35.36
06 May 2013	06 May 2016	31 Dec 2023	232,100	233,750	2.64
05 May 2014	05 May 2017	31 Dec 2024	79,799	49,000	36.37
			319,330	296,930	

Warrants issued on 5 May 2014

At the Extraordinary Shareholders Meeting of 5 May 2014, a plan of 100,000 warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in five different tranches. Out of the warrants offered, 94,400 warrants were accepted by the beneficiaries and 79,799 warrants are outstanding on the date hereof.

The 100,000 warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2018. The exercise price of the different tranches ranges from €33.49 to €45.05. Warrants not exercised within 10 years after issue become null and void.

The fair value of the warrants has been determined at grant date based on the Black-Scholes formula. The variables, used in this model, are:

	Warrants issued on					
	05 May 2010 (warrants B)	05 May 2010 (warrants C)	29 October 2010	31 January 2013	6 May 2013	5 May 2014 ¹
Number of warrants issued	5,000	30,000	79,500	140,000	266,241	100,000
Number of warrants granted	5,000	21,700	61,050	120,000	253,150	94,400
Number of warrants not fully vested as of 31 December 2015	-	2,298	6,882	-	233,750	79,799
Value of shares	22.44	22.44	35.36	4.52	14.99	35.79
Exercise price (in €)	35.36	22.44	35.36	4.52	2.64	35.79 ⁴
Expected dividend yield	-	-	-	-	-	-
Expected share value volatility	35.60%*	35.60%*	35.60%*	35.60%*	39.55%*	67.73% ²
Risk-free interest rate	3.31%	3.31%	3.21%	2.30%	2.06%	1.09%
Fair value (in €)	5.72	9.05	9.00	2.22	12.44	26.16 ³
Weighted average remaining contractual life	1.42	1.42	5.78	8.09	8.35	9.35

(*) Expected volatility has been determined based on the benchmark of peer companies

(1) Warrants issued on 5 May 2014 are offered in several tranches, in May 2014, September 2014, December 2014, January 2015 and May 2015. Assumptions on each tranche are disclosed in the following notes

(2) The volatility has been determined based on the stock price evolution post IPO: 67.73% in May 2014, 60.84% in September 2014 and 58.17% in December 2014.

(3) The fair value of the five tranches are €26.16 in May 2014, €26.75 in September 2014, €22.56 in December 2014, €22.15 in January 2015 and €23.73 in April 2015.

(4) The value of shares and exercise price of the five tranches are €35.79 in May 2014, €39.22 in September 2014, €34.10 in December 2014, €33.49 in January 2015 and €45.05 in April 2015.

The total net expense recognised in the income statement for the outstanding warrants totals € 796k for 2015 (2014: € 1,527k).

5.17 Post-employment benefits

(€000)	As of 31 December	
	2015	2014
Pension obligations	121	182
Total	121	182

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plan is a defined contribution plan. However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandebroucke"), all Belgian defined contribution plans have to be accounted for under IFRS as defined benefit plans because of the minimum guaranteed returns on these plans.

Prior to 2014, the Group did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by the insurance company was sufficient to cover the minimum guaranteed return. Since 2014 and as a result of continuous low interest rates offered by the European financial markets, Celyad is at year end measuring and accounting for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return because of the higher financial risk related to these plans than in the past. The prior year financial statements were not revised due to such effect not being material.

The contributions to the plan are determined as a percentage of the yearly salary. There are no employee contributions. The benefit also includes a death in service benefit.

The amounts recognised in the balance sheet are determined as follows:

(€'000)	As of 31 December	
	2015	2014
Present value of funded obligations	1,212	1,073
Fair value of plan assets	(1,091)	(891)
Deficit of funded plans	121	182
Total deficit of defined benefit pension plans	121	182
Liability in the balance sheet	121	182

The movement in the defined benefit liability over the year is as follows:

(€'000)	Present value of obligation	Fair value of plan assets	Total
As of 1 January 2014	738	727	11
Current service cost	190		190
Interest expense / (income)	26	28	(2)
Remeasurements	139	(15)	154
Employer contributions		171	(171)
As of 1 January 2015	1,073	891	182
Current service cost	159		159
Interest expense/(income)	24	20	4
	1,256	911	345
Remeasurements			
- return on plan assets, excluding amounts included in interest expense/(income)		(2)	(2)
- (Gain)/loss from change in financial assumptions	(57)		(57)
- Experience (gains)/losses	44		44
	(13)	(2)	(15)
Employer contributions:		209	(209)
Benefits Paid	(31)	(31)	-
At 31 December 2015	1,212	1,089	121

The income statement charge included in operating profit for post-employment benefits amount to:

(€'000)	2015	2014
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(€'000)	2015	2014
Current service cost	159	190
Interest expense on DBO	24	26
Interest (income) on plan assets	(20)	(28)
Total defined benefit costs at 31 December 2015	163	188

The re-measurements included in other comprehensive loss amount to:

(€'000)	2015	2014
Effect of changes in financial assumptions	(57)	177
Effect of experience adjustments	43	(38)
Return on plan assets	(2)	15
Balance at 31 December 2015	(16)	154

Plan assets relate all to qualifying insurance policies. The significant actuarial assumptions as per 31 December 2015 were as follows:

Demographic assumptions:

- Mortality tables: mortality rates-5 year for the men and 5 year for the women
- Withdrawal rate: 5% each year

Economic assumptions:

- Yearly inflation rate: 1,75%
- Yearly salary raise: 1,5% (above inflation)
- Yearly discount rate: 2,40%

If the discount rate would decrease/increase with 0,5%, the defined benefit obligation would increase resp. decrease with 5% and 6%.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in discount rate: a decrease in discount rate will increase plan liabilities;
- Inflation risk: the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The investment positions are managed by the insurance company within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes.

Expected contributions to pension benefit plans for the year ending 31 December 2016 are k€215.

5.18 Advances repayable

(€'000)	2015	2014
Total Non-Current portion as of 1 st January	10,778	12,072
Total Non-Current portion at 31 December	10,484	10,778
Total Current portion as of 1 st January	777	429
Total Current portion at 31 December	898	777

The Group receives government support in the form of recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Group. These advances are recognised in the income statement as other operating income over the period in which the Group recognises the expenses for which the advances are intended to compensate.

The advances received only become contingently reimbursable if certain conditions are met. Assessing if these conditions are met (or not) can only reasonably be performed at the end of the 'research phase'. At the end of this research phase, the Group should, within a period of six months, decide whether or not to exploit the results of the research programs ('decision

phase'). In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently refundable to the Walloon Region and the company applies the recognition criteria of IAS 37 related to liability recognition, with any amounts being recognized as a reduction of other operating income in the income statement.

The total estimated amount to be reimbursed as per 31 December 2015 includes the sales-independent reimbursements as well as the sales-dependent reimbursements and interests (if applicable) if the reimbursement of these amounts is probable. The contingent liability is discounted using a discount rate made up of two components: a risk free rate reflecting the maturity of the advances repayable and the spread reflecting the Company credit risk.

The amounts recorded under 'Current Advances Repayable' correspond to the sales-independent amounts estimated to be repaid to the Region in the next 12 months period. Non-current Advances repayable are the sum of the estimated sales-independent and sales-dependent reimbursements discounted using a discount rate of 12.5%.

For 2015 no new advances were recognized as contingently repayable.

In 2014, the Company notified the Region of its decision to not exploit the outcome of two RCAs related to the industrialization of the C-Cure production process in bioreactors (Agreement n°5914 and 6548), resulting in a decrease of estimated amounts to be reimbursed of €0.5 million. In 2015, no notification has been made to the Wallon Region. In January 2016, the Company contracted a new RCA with the Region. The contract n°7502 amounts to €2 million.

Reference is made to the table below which shows (i) the year for which amounts under those agreements have been received and initially recognised in the income statement as other operating income and (ii) a description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances.

As per 31 December 2015, the Company has received a total of €18,430k in recoverable cash advances out of a total contractual amount of €23,200k. Taking into account the unused amounts of the terminated contracts, the residual amount to receive out of the existing contracts amounts to €3,858k and should be received over 2016 and beyond depending on the progress of the different programs partially funded by the Region.

(in €'000)		Amounts received for the years ended 31 December				Amounts yet to receive	
Contract number	Project	Contractual amount	Previous years	2014	2015	Total	2016 and beyond
5160	C-Cure	2,920	2,920	-		2,920	-
5731	C-Cure	3,400	3,400	-		3,400	-
5914	C-Cure	700	687	-		687	-
5915	C-Cath _{ez}	910	910	-		910	-
5951	Industrialization	1,470	866	-		866	604
6003	C-Cure	1,729	1,715	-		1,715	-
6230	C-Cure	1,084	1,084	-		1,084	-
6363	C-Cure	1,140	1,126	-		1,126	-
6548	Industrialization	660	541	-		541	-
6633	C-Cath _{ez}	1,020	1,020	-		1,020	-
6646	Proteins	1,200	450	-		450	0
7027	C-Cath _{ez}	2,500	625	1,607		2,232	268
7246	Pre-clinical C-Cure	2,467	0	0	1,480	1,480	987
7502	CAR-T Cell	2,000	0	0	0	0	2,000
Total		23,200	15,343	1,607	1,480	18,430	3,858

(in €'000)				As of 31 December 2015		
Contract number	Contractual amount	Total received	To receive in 2016 and beyond	Status	Contingent liability recognized (before discounting)	Amount reimbursed (cumulative)
5160	2,920	2,920	-	Exploitation	2,920	-
5731	3,400	3,400	-	Exploitation	3,400	-
5914	700	687	-	Abandoned	-	180
5915	910	910	-	Exploitation	910	250
5951	1,470	866	604	Research	-	-
6003	1,729	1,715	-	Exploitation	1,715	-
6230	1,084	1,083	-	Exploitation	1,084	-
6363	1,140	1,126	-	Exploitation	1,126	667
6548	660	541	-	Abandoned	-	-
6633	1,020	1,020	-	Exploitation	1,020	65
6646	1,200	450	750	Research	-	-
7027	2,500	2,232	268	Research	-	-
7246	2,467	1,480	987	Research	-	-
7502	2,000			Research	-	-
	23,200	18,430	3,858		12,175	1,162

The contracts 5160, 5731, 5914, 5915 and 5951 have the following specific characteristics:

- funding by the Region covers 70% of the budgeted project costs;
- certain activities have to be performed within the Region;
- in case of an outlicensing agreement or a sale to a third party, Celyad will have to pay 10% of the price received (excl. of VAT) to the Region;
- sales-independent reimbursements, sales-dependent reimbursements, and amounts due in case of an outlicensing agreement or a sale to a third party, are, in the aggregate, capped at 100% of the principal amount paid out by the Region;
- sales-dependent reimbursements payable in any given year can be set-off against sales-independent reimbursements already paid out during that year;
- the amount of sales-independent reimbursement and sales-dependant reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Walloon Region to proceed thereto.

The other contracts have the following specific characteristics:

- funding by the Region covers 60% of the budgeted project costs;
- certain activities have to be performed within the European Union;
- sales-independent reimbursements represent in the aggregate 30% of the principal amount;
- sales-dependent reimbursements range between 50% and 200% (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made + 100 basis points) accrue as of the 1st day of the exploitation phase;
- the amount of sales-independent reimbursement and sales-dependant reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Region to proceed thereto.
- sales-independent reimbursements and sales-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- in case of bankruptcy, the research results obtained by the Company under those contracts are expressed to be assumed by the Region by operation of law.

The table below summarizes, in addition to the specific characteristics described above, certain terms and conditions for the recoverable cash advances:

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement	Turnover-independent reimbursement	Interest rate accrual	Amounts due in case of licensing (per year) resp. Sale
(€'000)						
5160	01/05/05-30/04/08	70%	0.18%	Consolidated with 6363	N/A	N/A
5731	01/05/08-31/10/09	70%	0.18%	Consolidated with 6363	N/A	N/A
5914	01/09/08-30/06/11	70%	5.00%	30 in 2012 and 70 each year after	N/A	10% with a minimum of 100/Y

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement	Turnover-independent reimbursement	Interest rate accrual	Amounts due in case of licensing (per year) resp. Sale
(€'000)						
5915	01/08/08-30/04/11	70%	5.00%	40 in 2012 and 70 each year after	N/A	10% with a minimum of 100/Y
5951	01/09/08-31/12/14	70%	5.00%	100 in 2014 and 150 each year after	N/A	10% with a minimum of 200/Y
6003	01/01/09-30/09/11	60%	0.18%	Consolidated with 6363	N/A	N/A
6230	01/01/10-31/03/12	60%	0.18%	Consolidated with 6363	N/A	N/A
6363	01/03/10-30/06/12	60%	0.18%	From 103 to 514 starting in 2013 until 30% of advance is reached	Starting on 01/01/13	N/A
6548	01/01/11-31/03/13	60%	0.01%	From 15 to 29 starting in 2014 until 30% of advance is reached	Starting on 01/10/13	N/A
6633	01/05/11-30/11/12	60%	0.27%	From 10 to 51 starting in 2013 until 30% of advance is reached	Starting on 01/06/13	N/A
6646	01/05/11-30/06/15	60%	0.01%	From 12 to 60 starting in 2015 until 30% of advance is reached	Starting on 01/01/16	N/A
7027	01/11/12-31/10/14	50%	0.33%	From 25 to 125 starting in 2015 until 30% of advance is reached	Starting on 01/01/15	N/A
7246	01/01/14-31/12/16	50%	0,05%	From 30 to 148 K€ starting in 2017 until 30% of advance is reached.	Starting in 2017	N/A
7502	01/12/15-30/11/18	45%	0.19%	From 20 to 50K€ starting in 2019 until 30% is reached.	Starting 2019	N/A

In 2016, the Company will have to make exploitation decisions on the following RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional contingent liability of €5.2 million (maximum undiscounted amount). This amount is determined based on the contractual amount.

5.19 Trade payables and other current liabilities

(€'000)	As of 31 December	
	2015	2014
Total trade payables	8,576	4,042
Other current liabilities		
Social security	301	242
Payroll accruals and taxes	1,300	825
Other current liabilities	167	33
Total other current liabilities	1,768	1,100

Trade payables (composed of supplier's invoices and accruals for supplier's invoices not yet received at closing) are non-interest bearing and are normally settled on a 60-day terms. The increase of the trade payables as of December 31 2015 resulted mainly from the accrual of the deferred payment owned to Celdara Medica, paid in January 2016 (cfr Note 4.14.2).

Other current liabilities are non-interest bearing and have an average term of six months. Fair value equals approximately the carrying amount of the trade payables and other current liabilities.

The Other current liabilities include the short term debts to employees and social welfare and tax agencies.

No discounting was performed to the extent that the amounts do not present payments terms longer than one year at the end of each fiscal year presented.

5.20 Maturity analysis of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities as of 31 December 2014:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2014				

(€'000)	Total	Less than one year	One to five years	More than five years
Financial leases	425	140	285	-
Trade payables and other current liabilities	5,142	5,142	-	-
Total financial liabilities	5,567	5,282	285	-

Financial liabilities posted as of 31 December 2015:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2015				
Financial leases	675	248	427	-
Trade payables and other current liabilities	10,344	10,344	-	-
Total financial liabilities	11,019	10,592	427	-

5.21 Financial instruments by category

As of 31 December 2014		
(€'000)	Loans and receivables	Total
Assets as per balance sheet		
Deposits	109	109
Trade and other receivables	830	830
Other current assets	1,801	1,801
Short term investment	2,671	2,671
Cash and cash equivalents	27,633	27,633
Total	33,044	33,044

For the financial assets as mentioned above, the carrying amount as per 31 December 2014 is a reasonable approximation of their fair value.

As of 31 December 2014		
(€'000)	Financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Finance lease liabilities	413	413
Trade payables and other current liabilities	5,142	5,142
Total	5,555	5,555

For the financial liabilities as mentioned above the carrying amount as per 31 December 2014 is a reasonable approximation of their fair value.

As of 31 December 2015		
(€'000)	Loans and receivables	Total
Assets as per balance sheet		
Deposits	180	180
Trade and other receivables	549	549
Other current assets	1,358	1,358
Short term investment	7,338	7,338
Cash and cash equivalents	100,175	100,175
Total	109,600	109,600

For the financial assets as mentioned above, the carrying amount as per 31 December 2015 is a reasonable approximation of their fair value.

As of 31 December 2015		
(€'000)	Financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Finance lease liabilities	675	675
Trade payables and other current liabilities	10,344	10,344
Total	11,019	11,019

For the financial liabilities as mentioned above the carrying amount as per 31 December 2015 is a reasonable approximation of their fair value.

5.22 Deferred taxes

The following table shows the reconciliation between the effective and theoretical tax expense at the theoretical standard Belgian tax rate of 33.99% (excluding additional contributions):

(€'000)	For the year ended 31 December	
	2015	2014
Loss before taxes	(29,114)	(16,453)
Theoretical group tax rate	33.99%	33.99%
Theoretical tax gain	9,896	5,592
Increase/decrease in tax expense arising from:		
Permanent differences ⁽¹⁾	3,663	378
Share-based compensation	(498)	(519)
CELYAD Asia	(21)	21
Capitalization of R&D costs	(6,112)	(4,634)
Depreciation of Mayo license	(75)	(42)
Recoverable cash advances	(371)	794
Other temporary differences	15	(10)
Non recognition of deferred tax assets related to statutory tax losses	(6,576)	(1,806)
Non taxable statutory losses	79	226
Effective tax gain / (expense)	0	0
Effective tax rate	-%	-%

(1) The significant balance of permanent differences is mainly affected by transaction costs on capital increases occurred in 2015 and 2014. These transaction costs are booked in equity and are subject to a tax deduction

Unrecognized deferred tax assets:

(€'000)	For the year ended 31 December	
	2015	2014
Net loss carried forward	(63,863)	(44,504)
Opening temporary differences	(32,485)	(20,883)
Amortization of intangibles	19	118
Recoverable cash advances	(1,093)	2,336
Capitalization of development costs	(18,220)	(13,873)
Post employment benefits	62	(183)
Total temporary differences of the period	(19,232)	(11,602)
Accumulated temporary differences	(51,717)	(32,485)
Total IFRS tax losses carried forward and		
Deductible temporary difference (net)	(115,580)	(76,989)
Unrecognised deferred tax assets	39,286	26,169

The Group has unused tax losses carried forward that are available indefinitely for offset against future taxable profits of the Group. In addition to the net loss carried forward, the Group can benefit from additional tax benefits (notional interest deduction) which can be carry-forward for a period of 7 years.

(€'000)	As of 31 December	
	2015	2014
Notional interest	(1,861)	(1,861)

The Group has a history of losses and significant uncertainty exists surrounding the Group's ability to realise taxable profits in the near future. Therefore, the Group did not recognise any deferred tax assets in respect of these losses, unless sufficient taxable temporary differences were available by which these deferred tax assets can be offset.

The table below present the accumulated deferred tax assets and liabilities as per end of the periods.

(€'000)	As of 31 December	
	2015	2014
Deferred tax assets	43,549	30,074

(€'000)	As of 31 December	
Deferred tax liabilities	(4,263)	(3,905)
Unrecognized deferred tax assets	39,286	26,169

The statutory tax rate is 33.99%. It should be noted that the Group has obtained on 14 October 2009 a tax ruling issued by the Belgian tax authorities by whom the Group is allowed to exempt 80% of all future revenues originated from patents and licences registered in the books of the Group. The tax ruling has no expiration date and will be applicable until the patents will fall in the public domain.

5.23 Other reserves

(€'000)	Note	Share based payment reserve	Convertible loan	Translation	Total
Balance as of 1st January 2014		2,264	16,631	0	18,985
Vested share-based payments	4.16	1,098		(10)	1,088
Restatement share-based payments	4.36	0			0
Balance as of 31 December 2014		3,362	16,631	-10	19,983
Vested share-based payments	4.16	736			736
Exercise of warrants					
Currency Translation differences subsidiaries				485	485
Currency Translation differences joint venture	4.13				
Balance as of 31 December 2015		4,098	16,631	475	21,205

5.24 Depreciation and amortisation

(€'000)	For the year ended 31 December	
	2015	2014
Depreciation of property, plant and equipment	273	187
Amortisation of intangible assets	760	677
Total depreciation and amortisation	1,033	864

5.25 Employee benefit expenses

(€'000)	For the year ended 31 December	
	2015	2014
Salaries, wages and bonuses	5,181	3,113
Executive Management team compensation	1,843	1,448
Share based payments	796	1,527
Social security	1,280	889
Post employment benefits	202	188
Hospitalisation insurance	40	30
Other benefit expenses	0	3
Total Employee expenses	9,342	7,198

Headcount	For the year ended 31 December	
	2015	2014
Research & Development	72,5	65,8
General and administrative staff	15,8	8,9
Total Headcount	88,3	74,7

5.26 Research and Development expenses

The following expenses are aggregated and presented under the caption 'Research and development expenses' in the consolidated statement of comprehensive loss:

- Manufacturing expenses;
- Clinical, Quality and Regulatory expenses;
- Other research and development expenses.

5.26.1 Manufacturing expenses

(€'000)	For the year ended 31 December	
	2015	2014
Employee expenses	2,173	1,501
Contractor fees	575	332
C-Cure industrialization project	642	70
Raw materials	1,334	2,060
Rent & utilities	1,045	582
Other manufacturing costs	613	591
Total Manufacturing expenses	6,382	5,136

5.26.2 Clinical, quality and regulatory expenses

	2015	2014
Employee expenses	2,054	1,780
Study cost	6,723	4,924
IP filing & maintenance fees	763	351
Travel & living	168	249
Consulting fees	772	436
Other costs	7	12
Total Clinical, quality and regulatory expenses	10,486	7,752

5.26.3 Other research and development expenses

(€'000)	For the year ended 31 December	
	2015	2014
Employee expenses	1,558	954
Mayo research Project	0	751
Pre-clinical studies	2,023	274
Delivery systems	200	51
Other costs	241	120
R&D consultant fees	871	13
Capitalization C-Cath _{ez} development costs	(27)	(50)
Subtotal	4,866	2,113
Depreciation and amortization	1,033	864
Total Research and development expenses	5,899	2,977

5.27 General and administrative expenses

(€'000)	For the year ended 31 December	
	2015	2014
Employee expenses	2,761	1,408
Share-based payment	796	1,528
Rent	617	315
Communication & Marketing	891	394
Consulting fees	1,511	741
Travel & Living	509	399
Post employment benefits	(45)	28
Other	190	203
Total General and administration	7,230	5,016

5.28 Other operating income and expenses

Other operating income are mainly related to government grants received. For the government grants received in the form of recoverable cash advances (RCAs) we refer to note 4.18 for more information.

(€'000)	For the year ended 31 December	
	2015	2014
Recoverable cash advances (RCAs)	222	2,791
Subsidies	412	636
Reversal provision for reimbursement RCA	-	507
Additional provision for reimbursement RCA	-	-
Realized gain on contribution IP into joint venture	(312)	312
Other	-	167
Total Operating Income	322	4,413

5.29 Operating leases

The Group has entered into various leasing contracts for the purpose of renting buildings and equipment. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease expenses amounts to €830k in 2015 and €709k in 2014.

Future minimum rentals payable under non-cancellable operating leases as of 31 December are detailed as follows:

(€'000)	As of 31 December	
	2015	2014
Within one year	817	751
After one year but no more than five years	818	767
More than five years	124	165
Total Operating leases	1,759	1,683

5.29.1 Finance income and expense

(€'000)	For the year ended 31 December	
	2015	2014
Interest shareholders loans	0	-
Interest finance leases	10	6
Interest on overdrafts and other finance costs	34	16
Fair value convertible loans	0	-
Exchange Differences	192	19
Finance expenses	236	41
Interest income bank account	352	277
Exchange Differences	190	-
Finance income	542	277

5.30 Loss per share

The loss per share is calculated by dividing loss for the year by the weighted average number of ordinary shares outstanding during the period. As the Group is incurring net losses, outstanding warrants have an anti-dilutive effect. As such, there is no difference between the basic and the diluted earnings per share. In case the warrants would be included in the calculation of the loss per share, this would decrease the loss per share.

(€'000)	As of 31 December	
	2015	2014
Loss of the year attributable to Equity Holders	(29,114)	(16,453)
Weighted average number of shares outstanding	8,481,583	6,750,383
Earnings per share (non-fully diluted)	(3.43)	(2.44)

5.31 Contingent assets and liabilities

As mentioned in note 4.18, the Group has to reimburse certain government grants received in the form of recoverable cash advances under certain conditions. For more information we refer to note 4.18.

In 2015, the Group will have to make exploitation decisions on the remaining RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional contingent liability of €5.2 million (maximum undiscounted amount).

5.32 Commitments

5.32.1 Mayo Foundation for Medical Education and Research

Based on the terms of the second amendment of the licence agreement dated 18 October 2010, the Company is committed to the following payments:

Undirected research grants

The Company will fund research in the Field at Mayo Clinic of \$1,000,000 per year for four years beginning in or after 2015, as soon as the Company has had both a first commercial sale of a Licensed Product and a positive cash flow from operations in the previous financial year. The Company will have an exclusive right of first negotiation to acquire an exclusive license to inventions that are the direct result of work carried out under these grants. In case the Company exercises its option to negotiate, but no agreement is reached within a certain period, then Mayo Clinic during the following nine-month period cannot enter into a licence with a third party.

Royalties

The Company will pay a 2% royalty (on net commercial sales by itself or its sub-licensees) to Mayo Clinic, for all of the products that absent the Mayo Licence would infringe a valid claim of a Licensed Patent (each, a "Licensed Product"), during a royalty period (on a Licensed Product-by-Licensed Product basis) beginning on the date of first commercial sale of such Licensed Product and ending on the earlier of: (i) 15 years from first commercial sale; (ii) the date on which such Licensed Product is no longer covered by a valid claim of a Licensed Patent in the territories in which it is sold; (iii) or termination of the Mayo Licence.

Currently no liability has been accounted for by the Group for these variable payments to Mayo Foundation.

5.32.2 Corquest Inc

Based on the terms of the Share Purchase Agreement dated 5 November 2014, former shareholders of Corquest Inc will be entitled to an earn-out payment based on the net revenues generated by the Company, which revenues should be generated from the selling or divesting, in all or in part, of Proprietary Intellectual Property Rights of the Company to a third party.

As from the 5 November 2014 date until the tenth anniversary of the Agreement, former shareholders of Corquest Inc are entitled to:

- an Earn-Out royalty of 2% if Net Revenue are below or equal to 10 million euro
- or an Earn-Out royalty of 4% if Net Revenue are higher than 10 million euro

5.33 Oncyte LLC-Celdara Milestones

Based on the terms of the Share Purchase Agreement dated 21 January 2015, Celdara Medical LLC, former owner of Oncyte LLC, will be entitled to development and regulatory milestones, sales milestones and royalties based on the net sales generated by the Company.

On the lead program NKR-2, Celdara Medical will be entitled to the following development and regulatory milestones;

- \$5 million when the first patient of the second cohort of the Phase I trial is enrolled
- \$6 million when dosing the first patient of a Phase II trial
- \$9 million when dosing the first patient of a Phase III trial
- \$11 million when filing of the first regulatory approval of NKR-2
- \$14 million when NKR-2 is approved for commercialization in the US

On the other preclinical products

- \$1.5 million when a filing of an IND to the FDA
- \$4 million when dosing the first patient of a Phase II trial
- \$6 million when dosing the first patient of a Phase III trial
- \$10 million when filing of the first regulatory approval of NKR-2
- \$15 million when NKR-2 is approved for commercialization in the US

Sales milestones will also be due to Celdara Medical and are dependent of cumulative net sales of products developed out of the Oncyte platform:

- \$15 million when first time cumulative worldwide net sales equal to or exceed \$250 million
- \$25 million when first time cumulative worldwide net sales equal to or exceed \$500 million
- \$40 million when first time cumulative worldwide net sales equal to or exceed \$1 billion

Company will make annual royalty payments to Celdara Medical on net sales of each product sold by the Company, its affiliates and sublicensees at the applicable rate set forth below:

- 5% of the net sales if cumulative worldwide annual net sales are less or equal to \$250 million

- 6% of the net sales if cumulative worldwide annual net sales are greater than \$250 million and less or equal to \$500 million
- 7% of the net sales if cumulative worldwide annual net sales are greater than \$500 million and less or equal to \$1 billion
- 8% of the net sales if cumulative worldwide annual net sales are greater than \$1 billion

5.34 Related-party transactions

5.34.1 Remuneration of key management

Key management consists of the members of the Executive Management Team and the entities controlled by any of them.

	As of 31 December	
	2015	2014
Number of EMT members	6	6

(€'000)	For the years ended 31 December	
	2015	2014
Short term employee benefits ^[1]	309	270
Post employee benefits	6	3
Share-based compensation	561	976
Other employment costs ^[2]	4	2
Management fees	1,299	1,239
Total benefits	2,179	2,490

[1] Include salaries, social security, bonuses, lunch vouchers

[2] Such as Company cars

	As of 31 December	
	2015	2014
Number of warrants granted	5,000	17,500
Number of warrants lapsed	10,000	-
Cumulative outstanding warrants	187,225	192,225
Exercised warrants	-	120,000
Outstanding payables (in '000€)	537	363

5.34.2 Transactions with non-executive directors

(€'000)	For the year ended 31 December	
	2015	2014
Share-based compensation	51	46
Management fees	89	54
Total benefits	140	100

	As of 31 December	
	2015	2014
Number of warrants granted	-	5,000
Number of warrants lapsed	-	-
Number of exercised warrants	5,000	10,000
Cumulative outstanding warrants	7,904	12,904
Outstanding payables (in '000€)	80	-
Shares owned	3,443,065	3,639,710

5.34.3 Transactions with shareholders

(€'000)	For the years ended 31 December	
	2015	2014
Rent ^[1]	299	299
Other	-	-
Total	299	299

[1] Relate to lease paid to Biological Manufacturing Services, company controlled by Tolefi SA

(€'000)	As of 31 December	
	2015	2014
Outstanding payables	39	76

5.35 Events after the balance sheet date

5.35.1 New warrant plan

In January 2016, employees, consultants and directors accepted in total 285,550 warrants offered in November 2015. These warrants are part of the 466,000 warrants issued by the Board of Directors held on 28 October 2015. These warrants will be vested over 2016, 2017 and 2018 and may become exercisable as early as January 2019.

5.36 Statutory accounts as of 31 December 2015 and 2014 according to Belgian GAAP

This section contains selected financial information, consisting of the balance sheet, income statement and certain notes, as derived from the statutory financial statements of Celyad SA as of and for the year ended 31 December 2015 (including comparative information as of and for the year ended 31 December 2014). These financial statements were prepared in accordance with the applicable accounting framework in Belgium and with the legal and regulatory requirements applicable to the financial statements in Belgium and are filed with the National Bank of Belgium. **These statutory financial statements were approved by the Shareholders' Meeting on 9 May 2016 and the statutory auditor has issued an unqualified audit opinion with respect to these statutory financial statements. The full set of the statutory financial statements is available on the website of the National Bank of Belgium (www.nbb.be).**

5.36.1 Balance Sheet

(in €)	2015	2014
ASSETS		
FIXED ASSETS	65,644,136	34,277,813
II. Intangible fixed assets	49,612,925	32,063,115
III. Tangible fixed assets	1,130,119	597,879
Land and buildings		
Installations machinery and equipment	58,954	92,714
Furniture and vehicles	50,896	39,338
Leasing and similar rights	669,670	422,556
Other fixed assets	59,168	43,271
Fixed assets under construction and advance payments	291,431	
IV. Financial fixed assets	14,901,092	1,616,819
CURRENT ASSETS	110,422,698	31,978,104
VI. Stocks and contracts in progress		
Goods purchase for resale		
VII. Amounts receivable within one year	6,900,548	1,576,108
Trade debtors	541,768	822,621
Others amounts receivable	6,358,780	753,488
VIII. Investment	7,377,565	2,670,881
IX. Cash at bank and in hand	95,536,139	27,519,341
X. Deferred charges and accrued income	648,445	211,774
TOTAL ASSETS	176,066,834	66,255,918
CAPITAL AND RESERVES	163,595,699	58,886,870
I. Capital	32,570,837	24,614,581
Issued capital	32,570,837	24,614,581
Uncalled capital (-)		
II. Share Premium	172,262,517	56,837,406
V. Accumulated profits (losses)	(41,237,655)	(22,565,116)
PROVISIONS AND DEFERRED TAXES		
VII.A. Provisions for liabilities and charges		
CREDITORS	12,471,135	7,369,047
VIII. Amounts payable after more than one year	1,231,098	1,194,164
Financial debts	1,231,098	1,194,164
Credit institutions; leasing and other similar obligations	426,898	279,164
Other financial loans	804,200	915,000
Other debts		
IX. Amounts payable within one year	11,198,011	6,157,393
Current portion of amounts payable after one year	1,013,304	1,044,087
Trade debts	8,576,296	4,042,178
Suppliers	8,576,296	4,042,178
Taxes; remunerations and social security costs	1,601,285	1,066,638
Taxes	96,641	50,322
Remunerations and social security costs	1,504,644	1,016,316
Other amounts payable	7,126	4,490
X. Accrued charges and deferred income	42,026	17,490
TOTAL LIABILITIES	176,066,834	66,255,918

5.36.2 Income statement

(in €)	2015	2014
Operating income	21,187,765	18,076,333
Turnover	3,000	146,400
Capitalization of development costs	18,246,661	13,923,201
Other operating income	2,938,104	4,006,733
Operating charges	(40,086,685)	(22,815,033)
Direct Material	(1,705,521)	(1,828,972)
Services and other goods	(29,825,595)	(14,041,733)
Remuneration; social security and pensions	(7,195,582)	(4,994,571)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(968,882)	(986,893)
Provisions for liabilities and charges (appropriations -; use and write-backs (+))	(391,105)	(653,908)
Other operating charges (-)	(391,105)	(653,908)
Operating profit (loss)	(18,898,920)	(4,738,700)
Financial income	585,999	278,766
Income from current assets	351,853	276,622
Other financial income	234,146	2,144
Financial charges (-)	(371,465)	(135,222)
Interest on financial debts	(9,810)	(6,076)
Other financial charges	(361,655)	(129,146)
Profit (loss) on ordinary activities before taxes (-)	(18,684,387)	(4,595,156)
Extraordinary income	25	-
Other extraordinary income	25	-
Extraordinary charges (-)	(60)	(731)
Other extraordinary charges	(60)	(731)
Profit (Loss) for the period before taxes (-)	(18,684,422)	(4,595,887)
Income taxes (-) (+)	11,883	-
Profit (loss) for the period available for appropriation	(18,672,539)	(4,595,887)

5.36.3 Notes

Statement of intangibles assets

(in €)	2015	2014
Acquisition value at the end of the preceding period	44,271,971	30,348,770
Movements during the period		
Acquisitions, included produced fixed assets	18,246,661	13,923,201
Sale, transfer and withdraw	(2,664)	
Acquisition value at the end of the period	62,515,968	44,271,971
Depreciation and amounts written down at end of the preceding period	12,208,856	11,414,665
Movements during the period		
Recorded	696,851	794,191
Sale, transfer and withdraw	(2,664)	
Depreciation and amounts written down at the end of the period	12,903,043	12,208,856
Net book value at the end of the period	49,612,925	32,063,115

Statement of tangible fixed assets

(in €)	2015	2014
LAND AND BUILDINGS		
Acquisition value at the end of the preceding period	-	-
Movements during the period		
Acquisitions, included produced fixed assets	-	-
Acquisition value at the end of the period	-	-
Depreciation and amounts written down at end of the preceding period	-	-
Movements during the period		
Recorded	-	-
Depreciation and amounts written down at end of the period	-	-
Net book value at the end of the period		
INSTALLATIONS, MACHINERY & EQUIPMENT		
Acquisition value at the end of the preceding period	737,558	682,442
Movements during the period		
Acquisitions, included produced fixed assets		88,255
Sale, transfer and withdraw	124,936	(33,138)
Acquisition value at the end of the period	862,494	737,558
Depreciation and amounts written down at end of the preceding period	644,844	632,462
Movements during the period		
Recorded	33,756	15,976
Sale, transfer and withdraw	124,939	(3,594)
Depreciation and amounts written down at end of the period	803,539	644,844
Net book value at the end of the period	58,955	92,714
FURNITURE AND VEHICLES		
Acquisition value at the end of the preceding period	833,219	801,3
Movements during the period		
Acquisitions, included produced fixed assets	28,824	45,000
Sale, transfer and withdraw	298,382	(13,105)
Acquisition value at the end of the period	1,160,425	833,219
Depreciation and amounts written down at end of the preceding period	793,881	776,492
Movements during the period		
Recorded	54,360	7,014
Sale, transfer and withdraw	261,288	10,375
Depreciation and amounts written down at end of the period	1,109,529	793,881
Net book value at the end of the period	50,896	39,338
LEASING AND OTHER SIMILAR RIGHT		
Acquisition value at the end of the preceding period	811,794	380,892
Movements during the period		
Acquisitions, included produced fixed assets	450,562	443,770

(in €)	2015	2014
Sale, transfer and withdraw	(452,244)	(12,868)
Acquisition value at the end of the period Sale, transfer and withdraw	810,111	811,794
Depreciation and amounts written down at end of the preceding	389,238	243,380
Movements during the period Recorded	166,132	158,254
Sale, transfer and withdraw	(414,929)	(12,396)
Depreciation and amounts written down at end of the period	140,441	389,238
Net book value at the end of the period	669,670	422,556
Whereof:		
Land and buildings		
Installation, machinery & equipment	669,670	422,556
Furniture and vehicles		
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	90,428	66,587
Movements during the period		
Acquisitions, included produced fixed assets	33,678	23,841
Acquisition value at the end of the period	124,106	90,428
Depreciation and amounts written down at end of the preceding period	47,157	35,699
Movements during the period		
Recorded	17,782	11,458
Movements during the period		
Depreciation and amounts written down at end of the period Recorded	64,939	47,157
Net book value at the end of the period	59,168	43,271
FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS		
Acquisition value at the end of the preceding period		
Movements during the period		
Acquisitions, included produced fixed assets	291,431	-
Acquisition value at the end of the period	291,431	-
Depreciation and amounts written down at end of the preceding period		
Movements during the period		
Recorded		
Movements during the period		
Depreciation and amounts written down at end of the period Recorded		
Net book value at the end of the period	291,431	

Other investments and deposits

(in €)	2015	2014
Other Investments and deposits		
Acquisition value at the end of the preceding period	109,335	132,632
Movements during the period		
Additions	70,379	1,670
Reimbursements (-)		24,967
Net book value at the end of the period	179,714	109,335

Investment and deferred charges and accrued income assets

(in €)	2015	2014
short-term investment	7,337,565	2,670,881
More than one year		
Net book value at the end of the period	7,337,565	2,670,881

Statement of capital 2015

(in €)	Amounts	Number of shares
Issued capital	32,570,837	
Structure of the capital		
Different categories of shares		
Registered		-

(in €)	Amounts	Number of shares
<i>Dematerialized</i>		9,313,603
Unpaid capital	Uncalled capital	
Uncalled capital		XXXXXXXXXXXXXXXX
Capital called, but unpaid	XXXXXXXXXXXXXXXX	
Shareholders having yet to pay up in full	XXXXXXXXXXXXXXXX	
Authorised unissued capital	9,396,390	

Statement of capital 2014

(in €)	Amounts	Number of shares
Issued capital	24,614,581	
Structure of the capital		
Different categories of shares		
<i>Registered</i>		
<i>Dematerialized</i>		
Unpaid capital		7,040,387
Uncalled capital		XXXXXXXXXX
Capital called, but unpaid	XXXXXXXXXX	
Shareholders having yet to pay up in full	XXXXXXXXXX	
Authorised unissued capital	16,251,456	

Statement of amounts payable

(in €)	2015	2014
Analysis of amounts payable after more than one year		
Current portion of amounts initially payable after more than one year	1,231,098	1,194,164
Amounts payable expiring over five year		-
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	426,898	279,164
Other debts (loans)	804,200	915,000
Other debt	1,225	589
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	96,641	50,322
Remuneration and social security		
Other amounts payable related to remuneration and social security	1,504,645	1,016,316

Operating results

(in €)	2015	2014
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	2,731,154	3,206,209
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	80	77
Average number of employees calculated in full-time equivalents	82.6	59.5
Number of actual worked hours	139,226	101,618
Personnel costs		
Remuneration and direct social benefits	4,724,684	3,133,015
Employer's social security contributions	1,546,585	1,052,439
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	675,574	617,647
Pensions	248,739	191,470
Impairment of trade receivables	-	308,956
Provisions for risks and charges		
Addition		
Use of and withdrawal		
Other operating charges		
Taxes related to operations	2,044	1,355
Other charges	389,061	652,553
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date		
Average number calculated as full-time equivalents	0.1	0.6
Number of actual worked hours	152	1,131
Charges to the enterprise	4,846	46,243

Financial results

(in €)	2015	2014
Interest charges	9,810	6,076
Valuation allowance on current assets		
Other financial charges	361,655	129,146

Income tax

(in €)	2015	2014
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	63,862,540	44,503,983

The total amount of value added tax and taxes borne by third parties

(in €)	2015	2014
The total amount of value added tax and taxes borne by third parties		
The total amount of value added tax charged		
To the enterprise (deductible)	5,872,840	3,028,728
By the enterprise	7,474,666	1,741,617
Amounts retained on behalf of third parties		
Payroll withholding taxes	1,386,870	955,530

Financial relationship with Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

(in €)	2015	2014
To directors and managers	497,240	423,200

Financial relationship with auditors

(in €)	2015	2014
Auditor's fees	139,500	35,000
Fees for exceptional services or special missions executed in the company by people who are linked to		
Other Auditor's missions	537,482	8,104

5.36.4 Summary of valuation rules

Valuation rules are determined by the Board of Directors in accordance with Chapter II of the Royal Decree of 8 October 1976 related to the annual accounts of companies.

Formation expenses are booked as intangible fixed assets and amortised over 5 years. Intangible fixed assets acquired from a third party or acquired through a contribution in kind are recorded at the acquisition value. Intangible fixed assets not acquired from a third party are valued at their cost of production in such a way that they do not exceed a prudent estimation of their future economical use or their future return.

Intangible assets developed internally are capitalized when perspectives of future return are probable and clearly identified. Clinical development expenses are capitalized when authorization to start a phase III trial of the related program is obtained. Development expenses of a medical device are capitalized when the device is CE marked.

These intangible fixed assets are – in principle – amortised prorata temporis over 5 years starting the year of the first revenue generation associated with the related asset. Furniture and fixtures are depreciated over 3, 5 or 10 years depending on the economical life of the assets.

An impairment test is performed each year at year end on all tangible and intangible assets. Exceptional depreciation or amortization expenses may result from such impairment analysis.

Financial fixed assets are booked at acquisition value. A write-off is accounted for when the financial fixed asset is permanently impaired. There is no inventory.

Direct materials purchased are directly expensed taken into account their short lifetime. Amounts receivable are booked as asset at nominal value. Amounts receivable in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income. Amounts receivable are written-off when their realizable value is estimated to be lower than their carrying value.

Bank deposits are valued at their acquisition value. Cash and cash equivalent are valued at nominal value. When the nominal value includes interests, these latter are accounted for through the balance sheet caption "deferred charges and accrued income". A write-off is accounted for when their realizable value is estimated to be lower than their carrying value. Amount payables are booked at nominal value. Amount payables in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income.

Recoverable cash advances contracted with the Region are booked as off balance sheet when Company notifies the Region of its decision to exploit the outcome of the research and development program partially financed by the Region. A debt will be recognized the first year of revenue recognition for an amount equivalent to the funding received from the Region. Classification between long term and short term is determined based on perspectives of revenue generation and reviewed on a yearly basis.

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