Celyad

Annual Report 2017

Bringing breakthrough pioneering therapies to patients with life-threatening diseases

ANNUAL REPORT 2017

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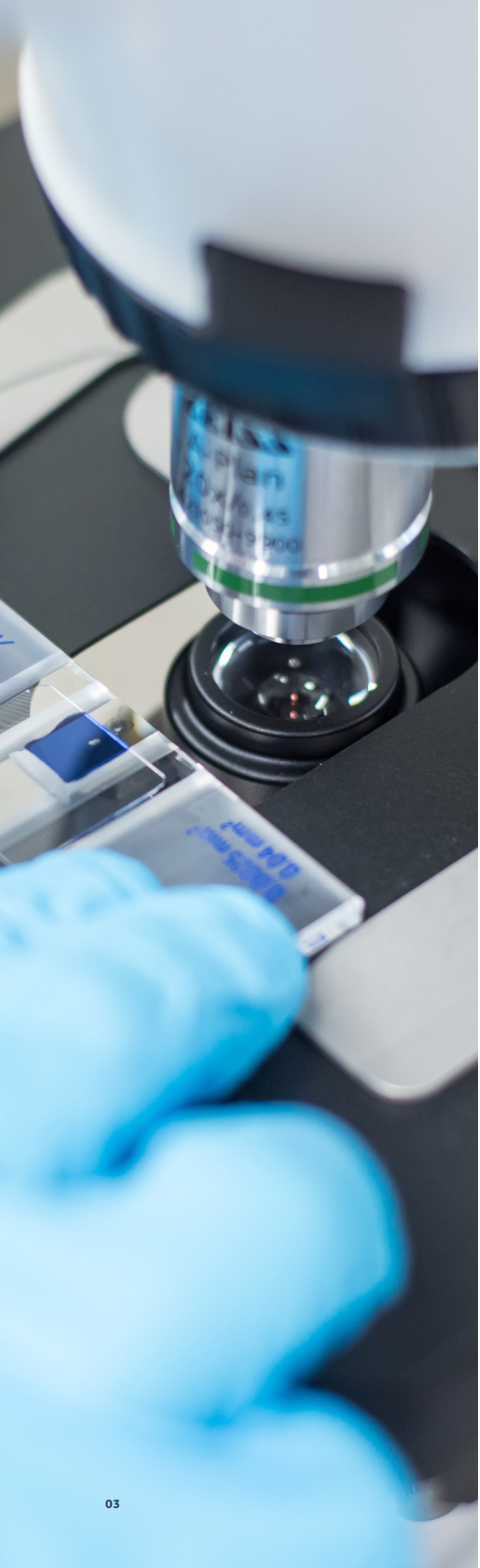


Letter of **the Chairman**

MICHEL LUSSIER
Chairman of the Board

Dear Shareholders,

2017 was a defining year for Celyad following the clinical evidence yielded by our THINK clinical trial for CYAD-01 in refractory and relapsed acute myeloid leukemia (AML), where we observed a complete clinical response. Clinical activity was also demonstrated for two colorectal cancer patients and one ovarian cancer patient. These results were very encouraging and can be entirely attributed to CYAD-01 as it was administered as a monotherapy without any pre-treatment chemotherapy or other combination therapies.

We demonstrated the robustness of our IP portfolio relating to our allogeneic CAR-T cells through a non-exclusive licensing agreement with Novartis that yielded an upfront payment and potential success-based milestone payments of up to $96 million as well as future royalties on sales. As we retained all rights to grant further licenses to third parties for the use of allogeneic CAR-T cells, we anticipate the further strengthening of our financial position through other license agreements in the future.

Given our increased confidence in the clinical efficacy of our NKG2D platform, and the significant value creation opportunities in our allogeneic IP patents, we amended the terms of the original Celdara Medical LLC technology deal to increase the value of the upfront payment which resulted in an increase to our share of potential future revenues from sublicenses.

Last year saw the promise of the CAR-T space become a reality with the first ever approvals for cell-based gene therapies granted to Novartis' Kymriah and Kite's Yescarta in close succession. These therapies are revolutionizing a subset of hematological cancer treatments in terms of patient responses and overall survival rates, but the treatment of a broad range of hematological cancers and solid tumors remains a challenge. These important developments further validate Celyad's scientific strategy and product development plan.

Our technology is focused on developing CAR-T therapies which have the potential to treat a wide range of cancers. Celyad's NKG2D CAR-T cell-based therapy, CYAD-01, has the potential to be the first CAR-T therapy to treat various solid tumors and has already demonstrated clinical efficacy in the colorectal and ovarian cancer indication.

We expect 2018 to be an exciting year ahead as we gene-rate more clinical data in both solid and liquid indications. We feel privileged to be at the forefront of the CAR-T revolution and are optimistic that our immuno-oncology portfolio will yield potentially groundbreaking treatments for cancer patients.

We would like to thank our employees for their dedication to realizing this goal and our shareholders for their continued support along the way.

Michel Lussier,
Chairman of the Board

Letter of **the CEO**

CHRISTIAN HOMSY
Chief Executive Officer

Dear Shareholders,

I'm glad to provide you with a summary of the 2017 highlights and key perspectives for 2018 and the years to come.

CYAD-01 is our most advanced asset and we are very encouraged with its clinical progress during 2017. With the promising interim results of the THINK trial as a foundation, we are planning to further evaluate CYAD-01 in a series of additional Phase 1 clinical trials in patients with acute myeloid leukemia (AML) and colorectal cancer (CRC). These trials will include testing CYAD-01 with standard of care therapy, pre-conditioning and multiple injections to identify the setting that delivers the highest level of clinical response. These readouts will enable us to select the most appropriate Phase 2 clinical trial design to optimally develop CYAD-01.

We were excited to report the world's first ever complete response in a patient with refractory and relapsed AML in our THINK trial in the absence of patient preconditioning. Furthermore, we were pleased to report that in six of the ten patients treated at the per-protocol intended dose, we observed signs of clinical activity ranging from Stable Disease (SD) to Complete Response (CR). Signs of clinical activity were observed in patients with AML, CRC and ovarian cancer.

Indeed, all three AML patients treated at the per-protocol intended dose demonstrated signs of clinical activity. Two of the four CRC patients treated at the per-protocol intended dose, demonstrated signs of clinical activity. These two patients showed stable disease at the three-month follow- up date. In all cases, CYAD-01 was administered as a monotherapy without chemotherapy preconditioning. These clinical results were seen in the dose escalation stage of the THINK trial and we continue to recruit and treat patients to complete this phase of the trial.

In Q4 2017, we optimized our manufacturing process to significantly increase the yield of T cells in the drug product that is produced. The first patient in the THINK trial to be administered drug product manufactured using our new manufacturing process was treated in January 2018. At the date of this report, we can confirm that this process concurrently reduces process complexity and cost of production.

With respect to our ongoing collaboration with ONO Pharmaceuticals around our allogeneic CAR-T technology, TIM®, our goal is to submit an IND (Investigational New Drug) application in the spring of 2018 and to begin patient enrollment in Q3 2018. In addition to the progress in our clinical trials, we have further strengthened our IP position through the non-exclusive agreement with Novartis as well as three new patents granted to cover our allogeneic CAR-T approach.

Celyad is way more than just a NKG2D Company. Since our acquisition of Oncyte in 2015, we have steadily reinforced our knowhow in the field by building a research organization with leading expertise in molecular and cellular biology. While the CAR-T pioneers have now reached the market or are very close to, we believe that the second wave of CAR-T companies will differentiate themselves by tackling the challenges of our field, targeting more cancers including solid tumors. We see Celyad as being at the leading edge of this second wave of activity with our strong clinical development of our NKG2D lead candidate supporting by our emerging research and development activity that strengthens our portfolio of products.

To this end, Celyad has strategies on the three elements of CAR-T; the target (of which NKG2D is the most advanced), the CAR construct itself (our CARpool platform), and the function of the T cell (our CARGO platform). Our strategy is to develop options in each of these three areas that will enable us to generate distinctive solutions that can enhance the clinical activity of CAR-T cells against any specific cancer indication. For example, we aim to have a combination of CARpool and CARGO that can enhance the clinical potency of a CAR against a clinically validated target. Our research activity is progressing rapidly, and we anticipate developing our first clinically relevant candidates exploiting these technologies within the next 12 months.

On behalf of the Board and all Celyad's employees, I would like to thank you for your ongoing support in making our mission of bringing pioneering and breakthrough treatments to all cancer patients, a reality.

Christian Homsy,
Chief Executive Officer

Our **Mission**

We bring breakthrough pioneering therapies to patients with life threatening diseases

Our **Vision**

The company that all others aspire to be

Celyad's **key figures for 2017**

Celyad was **founded in 2007** and is based in Mont-Saint-Guibert, Belgium, and is active with teams in Europe and in the USA

3

studies in clinical development (CYAD-01):
THINK • SHRINK • LINK

1

world premiere: Morphologic complete response (MLFS) with gene-engineered T-cells without prior pre-conditioning chemotherapy for a patient with relapsed/refractory acute myeloid leukemia (AML)

3

stock listings on Euronext Brussels, Paris and NASDAQ (CYAD)

3

technological platforms in immuno-oncology
CARGO • CARPOOL • ALLOGENEIC

3

international collaborations with Dartmouth College (USA),ONO Pharmaceutical Co., Ltd (Japan) and Novartis (Switzerland)

4

additional studies are planned to start in 2018 with CYAD-01: DEPLETHINK • EPITHINK • SIBLINK • ALLO-SHRINK (allogeneic)

7

cancer indications covered by our ongoing international Phase I THINK trial (bladder, colorectal, pancreas, breast, ovarian, Acute Myeloid Leukemia, Multiple Myeloma)

CYAD-01

Peer-reviewed publications for CYAD-01 and the THINK study

2017
key milestones

JANUARY

Celyad enrolled its first patient in the THINK trial, an international Phase I study to assess the safety and clinical activity of multiple ad- ministrations of CYAD-01 in seven refractory cancers including five solid tumors and two hematological tumors. The company was highly encouraged after witnessing evidence of activity in initial safety studies and was enthusiastic about reporting data from this trial later in 2017. The THINK trial aims to demonstrate that CYAD-01 cells can deeply transform treatment for patients with cancer.

On an intellectual property front, the U.S. Patent and Trade Office (USPTO) upheld, for a third time, Celyad's U.S. Patent No. 9,181,527 relating to allogeneic human primary T-cells that are engineered to be TCR-deficient and express a chimeric antigen receptor (CAR). In March, the USPTO rejected another request for a re-examination of the same patent.

MARCH

Celyad issued a White Paper about CYAD-01. Ahead of clinical data, Celyad experts described the NKG2D technology, early clinical development of the CYAD-01 platform, and elucidated its fundamental differentiators from classic CAR-T technologies, which has the potential to reshape cell-based cancer immunotherapy.

MAY

Celyad announced a non-exclusive licensing agreement with Novartis regarding US patents related to its allogeneic CAR-T cells. The agreement includes Celyad's intellectual property rights under U.S. Patent No. 9,181,527 related to allogeneic human primary T-cells engineered to be TCR deficient and express a CAR. This agreement is related to two undisclosed targets currently under development by Novartis. Under the terms of the agreement, Celyad received an upfront payment and is eligible to receive success-based clinical, regulatory and commercial milestone payments in aggregate amounts of up to $96 million. In addition, Celyad is eligible to receive single digit royalties based on net sales of the licensed target associated products. Celyad retains all rights to grant further licenses to third parties for the use of allogeneic CAR-T cells.

US Patent No. 9,663,763 is the third patent in Celyad's allogeneic intellectual property portfolio awarded by the USPTO. This new patent pertains to specific methods of treating cancer patients with allogeneic TCR-deficient CAR-T immunotherapies. The combination of this patent with earlier granted US patents, consolidates Celyad's strong intellectual property (IP) position in the allogeneic CAR-T field and strengthens Celyad's IP portfolio covering key elements in the allogeneic TCR-deficient CAR-T cells production value chain.

JUNE

Celyad announced promising clinical results in the solid group of the THINK trial, three months after the administration of CYAD-01. At the first 3x 10^8 cell dose-level administered to a total of three patients with metastatic cancer, the two CRC patients who were progressing after at least two prior chemotherapy regimens achieved a confirmed Stable Disease (SD) according to RECIST criteria at three months. According to recent studies conducted on similar patient populations, median progression-free survival in these patients under standard of care is between 1.9 and 3.2 months.

JULY

Celyad initiated the SHRINK trial, an open-label Phase 1 study evaluating the safety and clinical activity of multiple doses of CYAD-01, administered concurrently with the neoadjuvant FOLFOX treatment in patients with potentially resectable liver metastases from colorectal cancer. This trial aims to evaluate the synergistic effect of combining CYAD-01 with standard of care chemotherapy.

AUGUST

Celyad amended existing agreements with Celdara Medical LLC and Dartmouth College. Under the amended agreements, Celyad receives an increased share of future revenues generated by these assets, including revenues from its sub-licensees. In return, Celyad paid Celdara Medical and Dartmouth College an upfront payment of $12.5 million (€10.6 million) and $12.5 million worth of Celyad shares at a share price of €32.35 corresponding to a 14% premium versus the prior trading day.

OCTOBER

Celyad announced the first ever morphologic complete response (MLFS) with gene-engineered T-cells without prior pre-conditioning chemotherapy for a patient with relapsed refractory acute myeloid leukemia (AML). At the first dose-level, $3x10^8$, CYAD-01 T-cells were administered without any prior conditioning chemotherapy to a cohort of three patients with hematological cancer (two with AML and one with multiple myeloma). One AML patient treated at the H. Lee Moffitt Cancer Center and Research Institute in Tampa, Florida achieved an MLFS.

Cancer

More than 200 different diseases

Cancer is a term that is used to describe more than 200 different, but related diseases characterized by the uncontrolled growth of cells. Cancer cells are abnormal cells which no longer respond to many of the signals that control cellular growth and death. The occurrence of cancer is multifactorial and can be related to genetic predispositions, exposure to specific environmental hazards, or lifestyle.

Some cells of the immune system recognize and eliminate cancer cells. However, cancer cells sometimes escape destruction by the immune system through multiple mechanisms.

Metastasis is the process by which cancer cells break away from their site of origin and spread to different parts of the body by entering the bloodstream or lymphatic system, leading to the formation of tumors at these new sites. Metastatic disease is difficult to control and developing effective, curative treatments for metastatic cancer remains a major challenge.

Despite significant efforts to improve the ability to detect and treat tumors early in their development, cancer remains one of the leading causes of death worldwide.

Global key facts & figures about cancer

In **2014**, more than **26% of all deaths** were deaths due to cancer (in Europe)[1]

The number of new cases is expected to **increase by approximately 50%** by 2030[2]

8.8 million deaths were due to cancer **in 2015**[3] (nearly 1 in 6 deaths)

The most common **causes of cancer death** are cancers of [3]:

1.690.000	788.000	774.000	754.000	571.000
Lung	Liver	Colorectal	Stomach	Breast

1 http://ec.europa.eu/eurostat/statistics-explained/index.php/Cancer_statistics)
2 https://www.ncbi.nlm.nih.gov/pubmed/29395269
3. http://www.who.int/mediacentre/factsheets/fs297/en/

Current main therapeutic options for cancer treatment

Currently, there are three main treatment options for cancer:

- **Surgery** is potentially curative when a tumor can be completely removed. However, for most patients this is not feasible as cancer cells have already invaded adjacent tissues, or because the tumor has spread beyond the initial organ (metastasis). Debulking surgery is sometimes used to reduce the size of the tumor to relieve specific symptoms but is not curative. Surgery may also be used alongside other treatments such as radiation or chemotherapy to reduce tumor bulk before surgery.

- **Chemotherapy** is used either after surgery ("adjuvant setting") or to treat cancers that have metastasized to other parts of the body. Typically, combinations of chemotherapy drugs are given to enhance the effectiveness of the therapy.

- **Radiotherapy** uses high-energy particles or waves to destroy cancer cells. Radiotherapy can be used alone or with other treatments.

In most instances, chemotherapy and/or radiotherapy leads to tumor regression although depending on the specific indication or stage of the cancer, many patients eventually relapse.

The genetic instability of tumors enables them to undergo 'selection' during the treatment process of specific cancer cells becoming resistant to these treatments, resulting in a relapsing tumor. Options for patients that relapse after first or second line therapy therefore become increasingly limited.

Against this background, the concept of leveraging the immune system to fight cancer, known as immunotherapy, has emerged. Greater scientific insight into the immune system and the further understanding of the interaction of the immune system with tumors has, in some instances, led to reports of spectacular clinical success.

Cancer Immunotherapy

Reactivating the immune system to detect and destroy cancer cells with CAR (Chimeric Antigen Receptor) T-cells

Immunotherapy is based on the premise that the immune system can recognize and destroy abnormal cells such as cancer cells. However, in some instances, cancer cells develop mechanisms that allow them to evade detection by immune system defenses. Immuno-oncology is the field of developing treatments that are restoring and/or activating the immune system's ability to destroy cancer cells.

There are three main types of immunotherapies currently being developed:

- **Checkpoint inhibitors:** The immune system utilizes specific proteins, called checkpoints, that prevent the body from attacking healthy tissues under normal conditions. Cancer cells often hijack these checkpoints and express them to escape attack from the immune system. Checkpoint inhibitors are a new class of drugs, often antibody-based, which block these checkpoints on cancer cells, restoring the natural ability of the immune system to recognize and destroy them.

- **Cancer vaccines:** Cancer vaccines work by triggering an immune response against specific molecules that are specifically, or highly expressed by cancer cells, training the immune system to recognize and attack these cells, in a manner similar to vaccination preventing infections.

- **CAR-T cell therapy:** CAR-T cell therapy engineers immune cells to specifically attack and destroy cancer cells. In CAR-T cell therapy, a specific type of white blood cell, called T lymphocytes, are genetically modified outside of a patient's body to allow them to target cancer cells. These engineered cells are then reintroduced into the patient. CAR-T therapy originated from the idea of arming T-cells with tumor specific antibodies to target proteins (antigens) that are highly expressed at the surface of cancer cells.

In development for over 20 years, the CAR-T cell concept has yielded impressive clinical data with reports of complete remission of advanced chemotherapy resistant B cell leukemia (a type of blood cancer) in patients receiving CD19 CAR-T cells.

However, advancing CAR-T cell therapy beyond the CD19 expressing B cells cancers, and more specifically into the solid tumor setting, has proven to be highly challenging.Tumors are highly effective at blunting the activity of T-cells and solid tumors are particularly apt at eliciting 'immune suppression'. Therefore, a new generation of CAR-T therapy is needed.

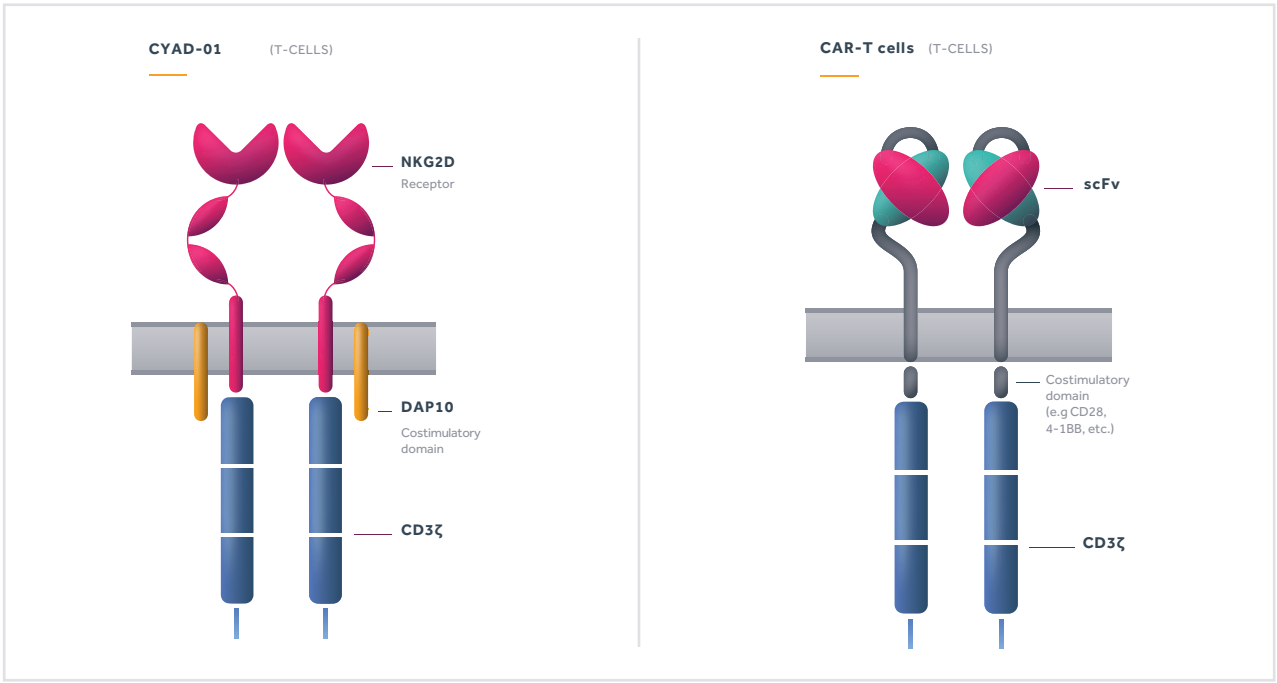
Celyad is leading this challenge with its CAR-T, CYAD-01. CYAD-01 has already shown promising results. In hematological tumors, Celyad observed not only some signs of clinical activity in all three AML patients treated in 2017, but also announced the first ever complete response with CAR-T in one of these three refractory and relapsed AML patients without the use of preconditioning chemotherapy. In solid tumors, Celyad announced that two out of three colorectal cancer patients dosed in 2017 demonstrated Stable Disease three months after receiving one cycle of treatment of CYAD-01 and clinical activity was also detected in an ovarian cancer patient.

Celyad's lead oncology drug candidate in immuno-oncology: **CYAD-01**

CYAD-01 is a chimeric antigen receptor (CAR) technology that was developed by Professor Charles Sentman at Dartmouth College (USA) and is the **lead immuno-oncology asset being developed by Celyad.**

CYAD-01 comprises T-cells that are engineered to express a CAR composed of the Natural Killer Receptor Group 2D (**NKG2D**) receptor fused with the CD3ζ chain of the T-cell receptor complex.

Upon binding of NKG2D to its target, the T-cell is activated releasing its effector functions that can directly kill tumor cells and produce soluble messenger molecules that can co-opt other members of the immune system to **magnify the anti-tumor response.**



Stress ligands can be exploited to target cancer

NKG2D binds to eight known proteins which are present on cells that are stressed. In its normal situation, Natural Killer (NK) cells, part of the innate immune system, use NKG2D to scan the whole body for the presence of these stress signals on cells and tissues which could be indicative of a virus infection. In this way, infected cells can be rapidly identified and destroyed thereby halting the virus infection. Flagging of cells with these 'stress ligands' is very powerful thus normal, healthy cells do not express these stress ligands as this would result in their targeting and specific killing.

In the tumor environment, stress ligands are present to surprisingly high levels and across many different cancer indications. The reason for this is that tumors are stressed cells, mainly due to the damage of the cells genome which requires constant repair. This repair process is like that activated during virus infection thus tumor cells produce stress ligands because of their need to constantly repair their defective genome.

The obvious question is why NK cells do not eliminate tumor cells? There are many reasons for this, but the key ones are likely to be that these NK cells are frequently prevented from homing into tumors and within the tumor, there are very strong forces that prevent immune cell driven killing of the tumor. By arming T-cells with the same NKG2D-specificity of NK cells, we enable T-cells to target the stress ligands present on tumor cells while the engineering of the CAR with the CD3ζ domain ensures full activation of the T-cells killer functions within the tumor.

Targeting stress ligands enables CYAD-01 to potentially target a broad range of cancers

Importantly, the literature and our own unpublished studies show that around 80% of tumors express at least one of the family of stress ligands.

Since NKG2D has the potential to bind multiple ligands, this means that CYAD-01 is a generic approach whereby one therapy may target a very broad range of solid and hematological cancers. Combined with the low or undetectable level of stress ligand expression on normal, healthy cells and tissues, Celyad is currently testing the first generation of NKG2D CAR-T cell therapy (CYAD-01) in several tumor indications to establish the potency of the therapy as a stand-alone therapy.

Based upon our initial exciting observations of clinical activity, we are now exploring approaches that increase expression of the target stress ligands on tumors or enable a greater number of CYAD-01 cells to get to the tumor environment.

Delivering CYAD-01 to the clinic

A challenge that has become apparent during the early stages of our clinical activity is that these stress ligands are transiently present on T-cells. This means that the CYAD-01 T-cells can target each other thereby reducing the number of cells that can be manufactured. We developed a process that proved fit for purpose during the development and early stages of the THINK clinical trial. However, as the trial has progressed to higher dose levels, the efficiency of the process started to fall. Moreover, with our planned clinical development, manufacturing greater numbers of cells has become imperative.

Over the course of six months during 2017, our R&D, Industrialisation and Manufacturing teams conceived a solution, demonstrated its effectiveness and delivered the necessary package of work to enable the delivery of an improved manufacturing process. Whilst we continue to increase our understanding of the challenges of CAR-T cell manufacture and especially dealing with patient material, this improved process will enable the delivery of the cell doses of CYAD-01 required for the THINK clinical trial and beyond at reduced costs.

CYAD-01: **Next steps**

Since acquiring its immuno-oncology assets in 2015, Celyad has focused attention on its lead candidate CYAD-01.

This builds on the clinical work started at Dana Farber leading to the ongoing clinical trials that are testing NKG2D CAR-T cell therapy within the initial context derived by Professor Charles Sentman at Dartmouth college.

Now that we are advancing this clinical testing of CYAD-01 and observing early signs of clinical responses in hematological tumors, we are aware that our stand-alone therapy is unlikely to be completely efficacious in all cancers. Solid cancers present the steepest hurdle to clinical success due to the plethora of barriers that this diverse range of cancers present including the strongly suppressive tumor environment which the CAR-T cells must overcome.

Additionally, our current trials depend upon the ability to isolate T-cells from the patient that can be engineered and returned to the patient – known as autologous CAR-T cell therapy. However, for some patients, they may lack sufficient lymphocytes or be too ill to be able to wait for the cell manufacturing process. In this situation, using T-cells from a donor – known as allogeneic CAR-T cell therapy – may be the answer. We are now engaging different programs to tackle each of these as described briefly below.

CYAD-02 and CYAD-03: Enhancing CYAD-01 CAR-T cell therapy to engage recalcitrant tumors

Our current clinical activity provides proof that NKG2D targeting has the potential to deliver an anti-tumor response. Our CYAD-02 and CYAD-03 programs are both designed to provide CYAD-01 T-cells with abilities that will enhance their potency against resistant tumors. CYAD-02 focuses upon the T-cell itself working to ensure that the T-cells have improved engraftment potential thereby allowing a prolonged engraftment in the patient and likely improved anti-tumor activity.

The CYAD-03 program concentrates upon dealing with the tumor environment and developing approaches that can enhance the activity of the T-cells in the face of the barriers raised by solid tumors.

Both programs are at early stages, but we anticipate discussing both approaches in detail within the scientific literature and at major scientific conferences during 2018 with a strong focus on starting clinical testing of CYAD-02 by mid-2019.

Allogeneic CAR-T cell therapy: CYAD-101

The stunning early results of autologous CAR-T cell therapy have spurred high levels of activity and expectation in the oncology field. However, it is allogeneic CAR-T cell therapy that is considered by many investors to be most likely to support the longer term commercial development of the approach. This is largely driven by the view that avoiding any time delay to deliver the therapy to patients with advanced cancer is essential (it takes weeks to months to generate an autologous CAR-T cell product thereby meaning the patient has to wait for treatment) and that generating a highly personalized, individual patient therapy will be extremely difficult to deliver at the scale required for most cancer indications. These practical limitations may be overcome by an allogeneic CAR-T cell therapy approach.

Our first steps in this area will test NKG2D CAR-T cell therapy in combination with proprietary allogeneic technology developed at Dartmouth College that resides within our IP portfolio. This allogeneic technology is called the T-cell receptor Inhibitory Molecule (TIM®) and is based upon combining the CAR with a peptide-based inhibitor of T-cell signaling.

The attraction in the approach is that we can generate these allogeneic CAR-T cells in a manner that is very similar to our current CYAD-01 production methods. Our aim is to move this approach into clinical testing during the second half of 2018. However, we do not stand still, and we continue to work on this paradigm to determine how flexible the TIM® and other related platforms are to deliver a range of allogeneic CAR-T cell therapies.

Finally, we will use the concepts in CYAD-02/-03 and allogeneic cell therapy to support the development of other targets within our portfolio including B7H6 / NKp30.

THINK:
Encouraging results

Celyad enrolled its first patient in the THINK[1] trial on January 5th 2017.

In 12 months' time the study has not only allowed us to compile an impressive amount of clinical data but also produced some very promising results.

The primary objective of our THINK study is to evaluate the safety of CYAD-01 in solid and hematologic tumor indications, while the secondary objective is to evaluate the clinical activity of CYAD-01 as a monotherapy without preconditioning chemotherapy.

This global open-label Phase I study contains two consecutive segments: a Phase I dose escalation segment with one group in hematological tumors and another group in solid tumors, as well as an expansion segment in case of minimum clinical activity in the dose escalation segments.

The Phase I dose escalation segment is used to determine the recommended dose of the CYAD-01 treatment for further development on the basis of dose limiting toxicities.

1. THINK (**TH**erapeutic **I**mmunotherapy with **NK**G2D)
More info: https://clinicaltrials.gov/ct2/show/NCT03018405

THINK status update:
What has been done and achieved so far

As of **31 December 2017**, a total of **15 patients** have been treated with **CYAD-01** in cohorts 1 and 2.

Eight patients were enrolled in the **solid group** and **seven patients** were enrolled in the **liquid group** of **THINK**.

No critical toxicity events related to the product have been reported to date up to dose-level 2.

A number of adverse events have occurred but remain in line with expectations for Phase I trials.

Clinical activity:
Generally, signs of clinical activity have already been reported in the THINK study and data confirm the **safety profile** of CYAD-01 and **validate activity** of the NKG2D receptor.

Preliminary take-aways for patients treated with CYAD-01 as monotherapy, up to second dose-level.

Hematological group[1]:

- **CYAD-01** showed some sign of clinical response in the three first AML patients treated
- **World Premiere:** a complete remission in a patient with refractory and relapsed AML

Solid group[2]:

- **Stable disease** up to three-months follow up for two out of four metastatic colorectal cancer patients[3]
- **Stable disease** at two-months for one out of one metastatic ovarian cancer patient treated[4]

For 2018, the dose escalation segments of the THINK trial are planned to be completed with the aim to confirm data obtained so far. An expansion phase is foreseen[5] in case these data confirm the level of responses seen in 2017. We will focus our efforts on AML and CRC as a result of the encouraging signals seen to date, keeping in mind that the ubiquity of NKG2D will allow us to address many other cancers in due time.

We also plan in 2018 to explore the boundaries of clinical activity and safety, and assess if we can further improve the efficacy without compromising safety using more conventional approaches, such as pre-conditioning lymphodepletion or combination with standard of chemotherapy for specific cancers, with multiple injections[6]. We saw promising signs of tolerability and clinical activity in the THINK trial, validating NKG2D as a target, thus allowing us to be well positioned to broaden the scope of NKG2D platform and to initiate potential pivotal studies, respectively planned for 2018 and 2019.

1. More details on AML and Celyad's results can be found later in this report
2. More details on CRC and Celyad's results can be found later in this report
3. Median progression free survival in these patients under standard of care is between 1.9 and 3.2 months (e.g. regorafinib or trifluridine/tipiracil). Fifth CRC patient treated at a dose lower than per-protocol dose did not show signs of clinical activity
4. Second patient treated at a dose lower than per-protocol dose did not show signs of clinical activity
5. This expansion phase will evaluate to what extend a second cycle of treatment further increases durability of CYAD-01 and potentially converts more patients into complete response.
6. More details on Celyad's Clinical Development Plan can be found later in this report

Acute Myeloid **Leukemia**

What is Acute Myeloid Leukemia ?

Acute myeloid leukemia (AML) is an aggressive, rapidly progressing disease in which too many myeloblasts (immature white blood cells) are found in the bone marrow and blood.

In most cases, it's not clear what causes the DNA mutations that lead to leukemia. However, specific causes of AML [1,2], include:

- Environmental factors such as **smoking**, **exposure to radiation** and **certain chemicals** such as benzene
- **Previous blood disorders**

1. CancerResearchUK, http://www.cancerresearchuk.org/about-cancer/acute-myeloid-leukaemia-aml
2. Mayo Clinic, http://www.mayoclinic.org/diseases-conditions/acute-myelogenous-leukemia

Key figures[1]

21,380 new cases were estimated to occur **in the US in 2017**

Half of diagnosed patients are **68 years old** or older

New cases of leukemia diagnosed are **AML**

3 out of 4 patients will die in the 5 year following the diagnosis

The number of **new cases** of AML was **4.2 per 100,000** men and women per year based on 2010-2014 cases

With **10,590 estimated deaths in the US in 2017**, AML is one of the deadliest cancers

1. https://seer.cancer.gov/statfacts/html/amyl.html

Current standard treatment options

The main treatment for AML is chemotherapy, sometimes along with a targeted therapy drug when appropriate and depending upon the condition and age of the patient.

A standard treatment is typically split in two phases:

- **The induction therapy:** treatment to achieve complete remission
- **The consolidation therapy:** treatment to prevent recurrence of AML after achieving complete remission with induction therapy. For younger patients, the main options for consolidation therapy are intensive chemotherapy but also allogeneic or autologous stem cell transplant.

CYAD-01 and AML

In October, Celyad reported the **world's first ever morphologic complete response** (MLFS) with gene-engineered T-cells in a relapsed refractory AML patient. The uniqueness of this results lies in the fact it was obtained **without pre-conditioning lymphodepletion** and without combination treatments, **indicating that efficacy signals obtained cannot be attributed to another therapy**. The only and very few successes in AML with CAR-T therapies were obtained after an intensive chemotherapy treatment prior to CAR-T treatment.

To date, most CAR-T therapies have only worked when administered after pre-conditioning chemotherapy, which aims to decrease tumor burden and allow the injected cells to engraft and multiply in the bone marrow of patients. The only and very few successes in AML with CAR-T therapies were obtained after an intensive chemotherapy treatment prior to CAR-T treatment.

Celyad's treatment allowed this patient to benefit from an allograft bone marrow transplant three months after being treated with CYAD-01, which was impossible prior to CYAD-01. The patient, who was treated at the H. Lee Moffitt Cancer Center and Research Institute in Florida, is still being followed up in the hemato-oncology department. We are thrilled to report the patient is now in full complete response, minimal residual disease negative (meaning cancerous cells are not detectable anymore by molecular methods in the patient bone marrow), and with a complete recovery of all hematological parameters.

To date, three patients suffering from AML with no therapeutic alternative have been treated with CYAD-01. It is important to note that while on treatment during the three injections of the first cycle, all patients demonstrated a meaningful response but two patients progressed a few weeks after one cycle of CYAD-01 (3 adm/2 w), calling for multiple treatment cycles evaluation. The results obtained by Celyad confirm both the validity of NKG2D ligands as CAR-T targets and of CYAD-01 as a potential treatment for relapsed refractory AML, one of the deadliest cancers with a median overall survival for relapsed refractory patients of less than four months.

As Celyad completes the remaining dose-levels of the THINK trial, the company will start planning the expansion phase, to evaluate a second cycle of treatment, potentially improving the durability and completeness of clinical activity. It is important to note that while on treatment during the three injections of the first cycle, **all patients demonstrated a meaningful response, thus exploring longer administration schemes is of importance.**

In addition to the THINK trial, CYAD-01 will also be evaluated in three additional studies:

- **DEPLETHINK** - This trial will start mid-2018 and will evaluate the administration of CYAD-01 after a traditional pre-conditioning regimen, similar to other CAR-T therapies.
- **EPITHINK** - This trial will start in Q3 2018 and will evaluate CYAD-01 in combination with standard of care treatments with the intent to reduce tumor burden and enhance ligands expression on tumor cells.
- **SIBLINK**- This trial will start in late 2018 and will evaluate CYAD-01 in AML patients that received a prior allogeneic stem cell transplant.

Colorectal **cancer**

What is colorectal cancer?

Colorectal cancer (CRC) is a cancer that develops in the colon or the rectum. 71% of colorectal cancers originate in the colon, 29% in the rectum[1,2]. Colon cancer and rectal cancer are often grouped together because they have many features in common.

Key figures

It's expected to cause about **50,630 deaths during 2018**[1]

Half of diagnosed patients are **65 years old** or older[3]

CRC is the 3rd leading cause of cancer-related deaths in men and women in the US[4]

135,450 new cases were estimated to occur **in the US in 2017**[4]

1. National Cancer Institute SEER statistics, https://seer.cancer.gov/statfacts/html/colorect.html
2. Globocan, IARC, http://globocan.iarc.fr
3. National Cancer Institute at the National Institute of Health www.cancer.org
4. https://www.cancer.org/cancer/colon-rectal-cancer/about/key-statistics.html

Current standard treatment options

Surgery

Chemotherapy

Radiotherapy

Targeted therapies

Immunotherapy for very specific subset

CYAD-01 and colorectal cancer

In June, Celyad announced tumor mass stabilization for two CRC patients (Stable Disease) following a tumor evaluation at three-months. Both patients were administered the first dose-level ($3x10^8$ CYAD-01 cells). A third colorectal patient treated at the second dose level did not respond to the therapy. At the time of patient's screenings, prior to the CYAD-01 treatment, all three patients were in disease progression despite at least two prior chemotherapy regimens.

While the disease reverted to progression six months after one cycle of treatment for the two previously mentioned patients, these results are very encouraging given they received the lowest dose-level. According to recent studies conducted on similar patient populations, median progression-free survival in these patients under standard of care is between 1.9 and 3.2 months.

The third and highest dose-level ($3x10^9$ cells of CYAD-01) will soon be administered in the THINK study. As we are now focusing on CRC in the solid group, all patients receiving the highest dose-level will be CRC patients.

Our objective remains to increase response durability and activity in solid tumors. Our strategy is to evaluate a second cycle of treatments in the expansion of THINK for CRC patients, at the dose that is found most active.

In addition, we are also testing CYAD-01 in colorectal cancer in three new studies:

- **SHRINK** is evaluating CYAD-01 concurrently with standard of care chemotherapy (FOLFOX regimen) in patients with first-line metastatic colorectal cancer. The study is open and is looking forward to enrolling its first patients.
- **LINK** is focusing on colorectal cancer with primary liver metastasis and will evaluate the loco-regional administration of CYAD-01 in the hepatic artery. The LINK clinical trial is open for enrollment, and a first patient has received two injections in January.
- A specific cohort within the **THINK** trial will also test the benefits for a traditional CAR-T pre-conditioning regimen (CY/FLU) prior to CYAD-01 injection for relapsed and refractory CRC patients.

Celyad's clinical **development plan**

Celyad will remain ambitious going forward.

In 2017 Celyad's management analyzed CYAD-01 data and considered what next stages of development should be considered for its lead product-candidate. In order to further improve the efficacy without compromising safety, Celyad has carefully designed a variety of innovative therapeutic paths: **no less than four new clinical trials are scheduled in 2018 !**

Thanks to its confirmed safety profile we can consider innovative approaches for both hematological and solid tumors in order to increase the durability of CYAD-01 as a stand-alone therapy or in combination with other therapeutic approaches. Based on the promising results (see p.21), trials will focus primarily on AML and CRC.

The following trials have or will be started in 2018 with the aim to generate scientific and clinical data by the end of the year in both AML and CRC and to provide the necessary insights before moving to the next stages with CYAD-01 including a registration trial.

Stand-alone

- **THINK**: We will consider increasing the number of injections of CYAD-01 lifting the number of injections from 3 to 6 or more. Data will indicate whether and to what extend increased injections improve CYAD-01's clinical activity on reducing or eradicating cancer tumors.

Loco-regional delivery

- **LINK**[1] (for CRC) adopts a loco-regional approach in treating solid tumors by administering CYAD-01 through multiple hepatic transarterial injections to colorectal cancer patients diagnosed with unresectable liver metastases. This might potentially allow for:
  - higher and and persistent concentration of the CYAD-01 infused cells into the tumor
  - lower systemic toxicity

Administered concurrently or after other therapeutic approaches

To better understand cancer, many questions still need to be answered. We will take the lead in the search for these answers by placing CYAD-01 in a wider and more integrated framework that comprises of the vast range of standard therapeutic treatments.

1. LINK (**L**oco-regional **I**mmunotherapy with **NK**G2D) initiated in 2017 – first patient enrolled in January 2018

The following are all open-label dose escalation Phase I studies that have or will be initiated in 2018:

- **DEPLETHINK**[2] (for AML/MDS[3]) and an additional cohort within the solid tumor type cohort of the THINK study for CRC foresees the patient to undergo a preconditioning lymphodepletion chemotherapy similar to what is used in classical CAR-T approaches. Possible advantages include:
  - increase CYAD-01's *in vivo* proliferation, expansion and persistence
  - improve anti-tumor activity by sensitizing the tumor to the CYAD-01 treatment
- **SIBLINK**[4] (AML/MDS[3]) is aimed at treating patients relapsing post allograft, facing an important unmet medical need. This trial will evaluate multiple administrations of donor CYAD-01 with or without preconditioning chemotherapy. This might potentially allow to:
  - decrease the risk of manufacturing failure
  - restore the graft-versus-leukemia effect induced by the allograft
  - lower systemic toxicity
- **SHRINK**[5] (for metastatic CRC) and **EPITHINK**[6] (for AML/MDS[3]) studies will test multiple IV administrations of CYAD-01, concurrently with standard of care therapy.

The concurrent administrations of these treatments might have crucial advantages for the patient, as the standard treatment:

- might avoid the tumor to progress, while cells are being produced for the patient
- might allow for a better *in vivo* proliferation and expansion of the CYAD-01
- will favor the infiltration of CYAD-01 into the immunosuppressive tumor microenvironment

Allogeneic CAR-Ts: CYAD-101

- The allogeneic equivalent for CYAD-01, CYAD-101, integrating an internal inhibitor for graft-versus-host disease (GvHD), is currently developed and will make the object of a study equivalent to the SHRINK study, called **allo-SHRINK**[7].

2. DEPLETHINK (Lympho**DEPLE**tion and **TH**erapeutic **I**mmunotherapy with **NK**G2D) is in the filing process to authorities and expect to be initiated in June 2018.
3. MDS - Myelodysplastic Syndrome
4. SIBLINK (Matched **SIBL**ing, related haploidentical or matched unrelated donor-derived **I**mmunotherapy with **NK**G2D) expected to be filed to authorities in 2018.
5. SHRINK (**S**tandard C**H**emotherapy **R**egimen and **I**mmunotherapy with **NK**G2D) has been initiated in late 2017.
6. EPITHINK (**EPI**genetic drug treatment and **TH**erapeutic **I**mmunotherapy with **NK**G2D) is in the filing process to authorities and expect to be initiated in July 2018.
7. Allo-SHRINK being in the filing process.

Our partners
in immuno-oncology

Partnerships are key to fuel our quest to invent and expand our pipeline. We understand the creativity and challenges it takes to translate innovation into products. Celyad is looking to consider all opportunities with a strong scientific rationale in the field of immunotherapy regardless of the development stage.

In 2017, Celyad developed, in addition to its partnership with ONO Pharmaceuticals, a new key partnership with the world-class industrial player: Novartis.

Who is Novartis?

Novartis provides innovative healthcare solutions that address the evolving needs of patients and societies. Headquartered in Basel, Switzerland, Novartis offers a diversified portfolio to best meet these needs: innovative medicines, cost-saving generic and biosimilar pharmaceuticals and eye care. Novartis has leading positions globally in each of these areas.

Our partnership with Novartis:

The license agreement with Novartis, announced on May 2nd 2017, includes Celyad's intellectual property rights under United States Patent No. 9,181,527 related to allogeneic human primary T-cells that are engineered to be T-cell Receptor (TCR) deficient and express a Chimeric Antigen Receptor (CAR). Under the terms of the agreement Celyad received an upfront payment and is eligible to receive success based clinical, regulatory and commercial milestone payments.

Celyad will not be involved in the development of Novartis' CAR-T cells. Celyad will continue to focus on the development of its CAR-T pipeline, including its allogeneic CAR-T NKG2D (CYAD-101) immunotherapy in the EU and US territories and in collaboration with Ono Pharmaceuticals, its partner in Japan, Taiwan and Korea.

Who is ONO Pharmaceutical?

ONO is a pioneer in the immuno-oncology field. They were the first to develop anti-PD-1 (nivolumab) antibody with Medarex, which was subsequently acquired by Bristol-Myers Squibb (BMS). ONO is the leader in cancer immunotherapy in Japan with the first approved checkpoint inhibitors, OPDIVO® (nivolumab). It has a track record of commercializing Opdivo® and shows high commitment to continue investment into the immuno-oncology field. ONO has more than a dozen of ongoing clinical studies in Japan involving either nivolumab or Ipilimumab (Anti-CTLA4).

Our partnership with ONO Pharma:

The license agreement with ONO Pharma, announced on July 11th 2016, is a significant step for Celyad which expands its global presence and accelerates the development of its allogeneic CYAD-101. Under this agreement, ONO was granted an exclusive license for the development of Celyad's allogeneic T-cell immunotherapy in Japan, Taiwan and Korea. Japan, Taiwan and Korea represent about 10% of the worldwide pharmaceutical market. Celyad kept all rights on allogeneic CYAD-101 for all other territories, such as US and EU.

Celyad's intellectual property **portfolio in immunotherapy**

Celyad has a very strong intellectual property in the CAR-T cell space using NK receptor and or its ligands. We are building on the success of CAR, such as CD-19, but using a totally novel approach.

CAR-T cell IP portfolio includes four patent families exclusively licensed to Celyad by Dartmouth College (Lebanon, NH). This includes four issued U.S. patents; six pending U.S. patent applications; and 13 foreign patent applications pending in jurisdictions including Australia, Brazil, Canada, China, Europe, Hong Kong, India, Japan, Mexico and Russia. These patents and patent applications relate to specific CAR to TCR deficient T-cells, and are further detailed below.

• **A first patent family** relates to chimeric NK receptors and methods for treating cancer. There are two granted US patents in this family (US 7,994,298 and US 8,252,914) and a further pending US application. The scope of this patent family includes chimeric natural killer cell receptors (NK CARs), T-cells with such receptors and methods of treating cancer with these NK CAR-T cells.

• **A second patent family** is entitled "NKp30 receptor targeted therapeutics" and describes a specific NKR CAR based on the NKp30 receptor. It is pending in the US.

• **A third family** relates to an anti-B7H6 antibody, CARs and BiTE molecules containing such antibody, CAR-T cells, and methods of treating cancer with the CAR-T cells. Applications are pending in China, Europe, Japan and the US.

• **A fourth patent family** relates to TCR-deficient compositions. TCR-deficient human T-cells could be particularly useful to generate allogeneic CAR-T. The family includes members that relate to the concept (irrespective of the way the T-cell is made TCR-deficient), as well as members describing specific ways of making the cells TCR deficient. There are two granted US patents (US 9,181,527 and US 9,273,283), as well as three further pending US applications and ten applications in other jurisdictions. Claim 1 of patent US 9,181,527 was challenged by an anonymous third party in an Ex-Parte Re-examination procedure, but the USPTO has in the meantime reached a decision and has upheld the patent.

"We have always believed in the value of our IP position, especially in the allogeneic field. Our key allogeneic patent has been challenged four times in the past. Since last May and the non-exclusive license signed with Novartis, none of our patent have been challenged. We believe that this agreement confirms to all of our peers the value of our allogeneic patents and our strategic position in that field. This should lead to other non-exclusive licenses in the future."

PATRICK JEANMART, CHIEF FINANCIAL OFFICER

Cardiology

Until mid-2016, Celyad was focused on the development of a cardiovascular drug product candidate called C-Cure, an autologous cell therapy for the treatment of patients with ischemic heart failure. This program was funded in part through various research programs from the Walloon Region of Belgium. The cardiopoiesis platform and associated therapeutic products are covered by multiple patents and patent applications worldwide. Part of this IP portfolio is owned by the Mayo Clinic and is exclusively licensed to Celyad, and the other part is owned and controlled by Celyad.

In June 2016, Celyad reported topline results from a Phase 3 clinical trial for this drug product candidate. Following the announcement of these results, the company explored strategic options to further develop and commercialize C-Cure, while the company focused on its CAR-T oncology drug product candidates. In December 2017, Celyad notified the Walloon Region of its decision not to exploit the results of this program in exchange for a cancellation of the loans of the Region to the company.

Making the impossible **possible**

Celyad, a successful transformation

Celyad has assembled a team of skilled, experienced professionals to successfully transition from cardiology to oncology. This team building will ensure fruitful innovative research activities and advancement of our ambitious clinical programs.

Celyad is continually strengthening its teams to support the growth of the company. In 2017, we have added highly talented scientists, technicians & associates in Quality Assurance and Quality Control, as well as clinical specialists. All have been attracted by the promise and opportunity of Celyad's cutting edge science and innovative CAR-T program.

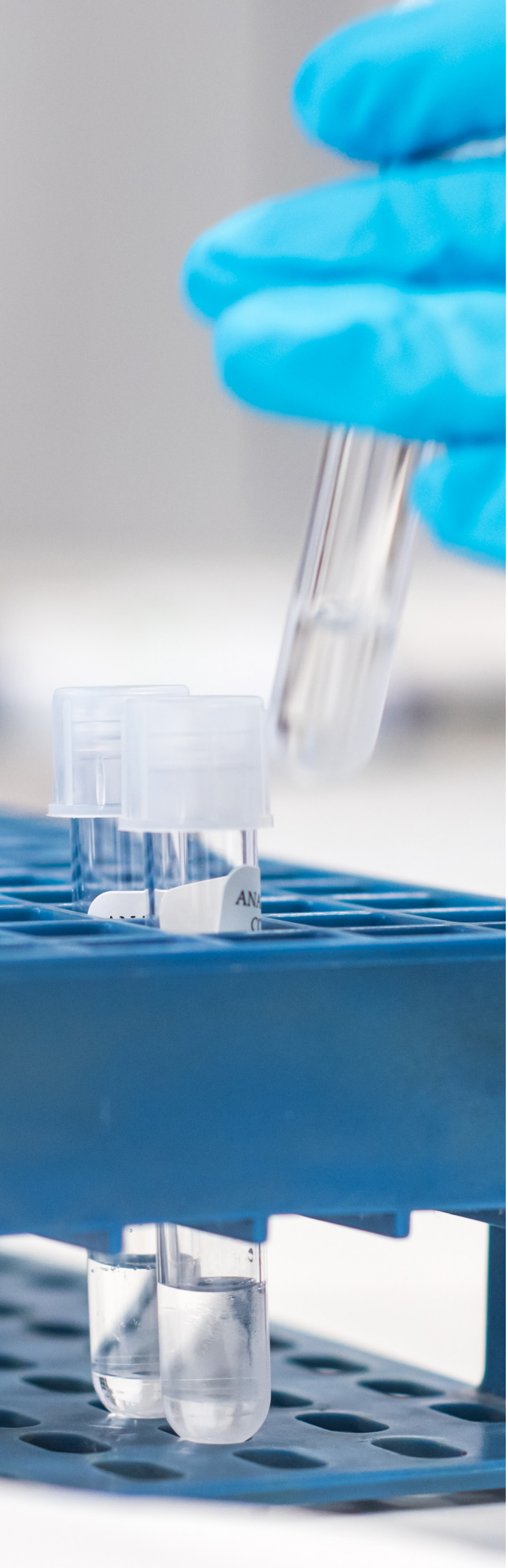
Celyad employees are engaged, enthusiastic, and highly motivated to develop best-in-class immunotherapies to fight cancer. Every day, they are advancing fundamental scientific and clinical discoveries, working as a dedicated, and passionate team to deliver on Celyad's mission: bringing breakthrough pioneering therapies to patients with life-threatening diseases.

The men and women of Celyad are dedicated to making the impossible possible for patients.

"I am proud of what has been achieved by our highly committed teams at Celyad in 2017. In our fast growing, challenging and innovative environment, our colleagues represent our most precious asset. What makes Celyad unique? Certainly, the team spirit, the very collaborative and hardworking employees, inspired by our values and by a common purpose: improving patients' lives.

I look forward to further driving the evolution of our organization structure, increasing its efficacy, all while ensuring our employees' well-being and success."

PHILIPPE NOBELS | VP OF HUMAN RESOURCES

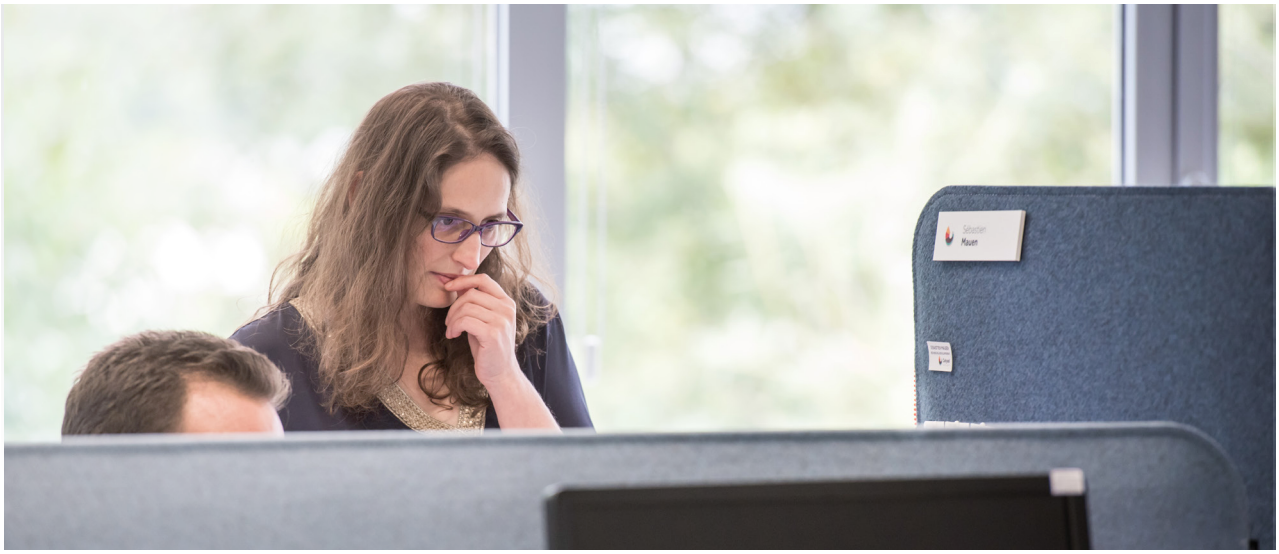


Celyad's team **is all about passion**

Celyad employees are very engaged and highly innovative in developing best-in class immunotherapies to fight cancer, one of the major disease of the 21th century.

"I decided to take the leap from an academic professorship to biopharma research because I wanted to help translate cutting-edge research and innovation into actual treatments for patients. As a scientist and a person, I cannot imagine a more fulfilling career than contributing to cancer treatments that will improve, prolong and even save people's lives. Celyad was the obvious choice for me, since I perceive it as a company committed to teamwork, dynamic workflow and excellence."

PEGGY SOTIROPOULOU | R&D MANAGER
JOINED CELYAD IN OCTOBER 2017



"Innovative, break-through science…that was the initial reason why I wanted to join Celyad. However, what I soon found out to be equally as important at Celyad is the culture…how each person goes about their individual role with a sense of passion, pride and commitment, where every second counts in developing highly impactful cancer immunotherapies that can significantly alter the course of a cancer patient's life. That is what matters at Celyad. The sense of urgency at Celyad is palpable in our everyday internal and external collaborations where people really care and want to do the right thing for cancer patients and their families."

JIM KOSTKA | GLOBAL HEAD OF CLINICAL OPERATIONS
JOINED CELYAD IN JULY 2017

"I joined Celyad in 2015 to be at the offspring of a new exciting technology in the immuno-oncology field. Being part of a company that could make the difference in cancer therapy has been a dream since my childhood. As Quality Control manager, my role consists in providing the tools, the knowledge and organizational leadership to timely deliver high quality and safe products to the patients. We want to make the impossible possible. Quality Control works as a strong interactive and multidisciplinary team in which quality and science go hand and hand. I believe in Celyad's mission in our company and its people that inspire others and that others aspire to be. "You only fail when you stop trying."

SARAH SNYKERS | QUALITY CONTROL MANAGER
JOINED CELYAD IN MARCH 2015.

Corporate **governance**

As of March 27, 2018, the Board of Directors consists of nine members, one of which is an executive director (as a member of the Senior Leadership Team) and two of which are non-executive directors, and six independent directors, including the Chairman appointed at the Shareholders Meeting of the company, except for Hilde Windels, co-opted in replacement of Chris De Jonghe who stepped down from the Board on May 5, 2017. The Board's composition reflects a diverse and complementary range of experience, nationalities and cultures. Members of the Board of Directors are chosen for their skills, their integrity and their independence of mind.

- **Michel Lussier**, Chairman
- **LSS Consulting SPRL**, represented by its permanent representative Christian Homsy, Executive director
- **Chris Buyse**, Independent director
- **Rudy Dekeyser**, Independent director
- **Debasish Roychowdhury**, Independent director
- **Hanspeter Spek**, Independent director
- **Hilde Windels**[1], Independent director
- **Serge Goblet**, Non-executive director.
- **TOLEFI SA**, represented by its permanent representative Serge Goblet, Non-executive director

Our Board Committees

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

The Committee is chaired by Michel Lussier.

The Board also appointed an Audit Committee. The Audit Committee consists of four members, all non-executive and independent directors: Chris Buyse, Rudy Dekeyser, Debasish Roychowdhury and Hilde Windels.

The Audit Committee is chaired by Chris Buyse.

1. Subject to approval for the AG of May 7th 2018

Our Senior **Leadership Team**

The Board of Directors of the company has established a a Senior Leadership 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 Belgian Company Code.

As of March 27, 2018, the Senior Leadership Team consists of:

CHRISTIAN HOMSY
Chief Executive Officer
LSS Consulting SPRL, represented by its permanent representative

PATRICK JEANMART
Chief Financial Officer
PaJe SPRL, represented by its permanent representative

FRÉDÉRIC LEHMANN
VP Clinical Development & Medical Affairs
ImXsense SPRL, represented by its permanent representative

JEAN-PIERRE LATERE
Chief Operating Officer
IKNCL SPRL, represented by its permanent representative

DAVID GILHAM
VP Research & Development

PHILIPPE DECHAMPS
Chief Legal Officer
NandaDevi SPRL, represented by its permanent representative

PHILIPPE NOBELS
VP Human Resources
MC Consult SPRL, represented by its permanent representative

Information **for shareholders**

Interview with Patrick Jeanmart, Chief Financial Officer

What shall be remembered from 2017 on a finance view point?

We continued to manage our cash burn rate despite our large ambitions and the numerous preclinical and clinical projects ran in 2017. The new deal signed with Dartmouth College and Celdara Medical LLC impacted our cash position but only to a limited extent. More importantly, we are convinced that the new terms of the agreements will secure more funding from sub-licensing agreement going forward. We expect our cash position as of December 31 2017 to finance our activities until the second quarter of 2019.

What is the financing strategy of Celyad for 2018?

Clearly, the stock price is not where we would like it to be. The only thing we can do to improve it is to deliver on one or several clinical trials that we will be running in 2018, and to secure the financing of the company for the next two years.

What are major catalysts to be expected in 2018?

In 2018, we are testing different approaches with our NKG2D target to define which approach offers the best efficacy/toxicity ratio both in hematological and solid tumor indications. We have strong ambitions and we expect to obtain solid clinical outcome in one or several approaches, that should enable Celyad to move to one or several registration trials in 2019.

What are the most important events of 2017 that should be remembered?

I would mention two elements, both are of key importance for the future of Celyad. The first element is the validation of NKG2D as a target to treat AML, one of the worst and most important hematological cancer. The second element is the confirmation of our central IP position in the allogeneic field with the signature of the non-exclusive license with Novartis. Our central patent, challenged numerous time in the past has not been challenged by our peers since then.

2018 financial calendar

All communications will be made before market opening or after market closing.

2018

7 MAY
General Assembly

17 MAY
Q1 2017 Business Update

28 AUGUST
Financial Results First Half Year 2017

19 NOVEMBER
Q3 2017 Business Update

Finance / Analyst & contacts

Analyst coverage – Europe

Broker	Analyst
Edison Group www.edisongroup.com	John Savin
Kempen & Co www.kempenresearch.nl	Anastasia Karpova
Invest Securities www.invest-securities.com	Martial Descoutures
Degroof Petercam www.petercam.com	Stephanie Put
Bryan Garnier www.bryangarnier.com	Marion Levy

Analyst coverage – USA

Broker	Analyst
Piper Jaffray www.piperjaffray.com	Edward Tenthoff
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.

Allogeneic cells

Cells originating from a donor and used in a different patient.

Antibody

A protein that binds specifically to a particular substance-called its antigen. Each antibody molecule has a unique structure that enables it to bind specifically to its corresponding antigen, but all antibodies have the same overall structure and are known collectively as immunoglobulins. Antibodies are produced by differentiated B cells (plasma cells) in response to infection or immunization, and bind to and neutralize pathogens or prepare them for uptake and destruction by phagocytes.

Antigen

Any molecule that can bind specifically to an antibody or generate peptide fragments that are recognized by a T-cell receptor.

Autologous cells

Cells injected to a patient and coming from the same patient.

CAR-T cell

A CAR-T cell is a T lymphocyte (a type of white blood cells) in which a DNA construct, coding for an antibody or 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.

CYAD-01

CAR-T-cell engineered to express the human NK receptor, NKG2D, which is an activating receptor that triggers cell killing through the binding of NKG2D to any of eight naturally occurring ligands that are known to be overexpressed on more than 80% of tumors.

CRC (ColoRectal cancer)

also known as bowel cancer and colon cancer, is the development of cancer from the colon or rectum (parts of the large intestine). A cancer is the abnormal growth of cells that have the ability to invade or spread to other parts of the body.

Cytokine Release Syndrome (CRS)

is a specific type of infusion reaction that has been most often associated with the use of monoclonal antibodies and T-cell-engaging therapies. Following drug infusion, a highlevel activation of the immune system and engagement and proliferation of T cells can result in increased cytokine release. Fever is a hallmark of infusion reactions, and therefore, many infusion reactions may mimic symptoms of an infection.

***In vivo* experiments**

Experiments done in animal living systems.

***In vitro* experiments**

Experiments done in animal living systems.

Ligand

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

Lymphodepletive preconditioning

The destruction of lymphocytes and T cells, by irradiation or chemotherapy, prior to immunotherapy.

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.

Natural Killer (NK) 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).

Off-tumor on-target toxicity

Toxicity induced when a CAR-T reaches its target (antigens/ligands) that are expressed on cells that are not tumor cells.

Open-label study

A type of study in which both the health providers and the patients are aware of the drug or treatment being given.

T-cell

Also called T Lymphocyte, is a subcategory of white blood cell and is part of the acquired immune system.

TCR

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

Publication References

Immuno-Oncology

1.Barber A, Meehan KR, Sentman CL. Treatment of multiple myeloma with adoptively transferred chimeric NKG2D receptor-expressing T cells. Gene Ther 2011; 18:509-516.

2.Zhang T, Barber A, Sentman CL. Chimeric NKG2D modified T cells inhibit systemic T-cell lymphoma growth in a manner involving multiple cytokines and cytotoxic pathways. Cancer Res 2007; 67:11029-11036.

3.Barber A, Rynda A, Sentman CL. Chimeric NKG2D expressing T cells eliminate immunosuppression and activate immunity within the ovarian tumor microenvironment. J Immunol 2009; 183:6939-6947.

4.Barber A, Zhang T, Sentman CL. Immunotherapy with Chimeric NKG2D Receptors Leads to Long-Term Tumor-Free Survival and Development of Host Antitumor Immunity in Murine Ovarian Cancer. J Immunol 2008; 180:72-78.

5.Nikiforow S MJ, Daley H, Negre H, Reder J, Sentman CL, Lehmann FF, Snykers S, Allen R, Galinsky I, Munshi N, Stone R, Soiffer R, Ritz J, Baumeister S: A first-in-human Phase I trial of NKG2D chimeric antigen receptor-T cells in AML/MDS and multiple myeloma. In 2016 ASCO Annual Meeting. J Clin Oncol; 2016: abstr TPS3102.

Celyad

CELYAD AND THE STOCK EXCHANGE

The Company is listed on Euronext Paris and Brussels since July 2013 and on Nasdaq since June 2016.

Mnemo: CYAD

ISIN:BE0974260896

PEA and PEA PME Eligibility.

Total outstanding shares: 9,867,844 (as of 31 December 2017)

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www.celyad.com

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Celyad

Financial Report

2017

Bringing breakthrough pioneering therapies to patients with life-threatening diseases

Celyad

FINANCIAL REPORT

2017

Contents

ANNUAL FINANCIAL REPORT 2017

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

LANGUAGE OF THE ANNUAL FINANCIAL REPORT 2017

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 2017

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

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

FORWARD LOOKING STATEMENTS

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

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

A further list and description of these risks, uncertainties and other risks can be found in Celyad's U.S. Securities and Exchange Commission (SEC) filings and reports, including in its Annual Report on Form 20-F filed with the SEC on April 4, 2017 and subsequent filings and reports by Celyad. Given these uncertainties, the reader is advised not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of publication of this document. Celyad 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.

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1. REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

Dear Shareholders,

We are glad to present you our 2017 annual report related to Celyad consolidated financial statements as of 31 December 2017 prepared in accordance with International Financing Reporting Standards (IFRS) as endorsed by the European Union. The companies included in the consolidated financial statements are Celyad SA, Biological Manufacturing Services SA, Celyad Inc, Oncyte LLC and CorQuest Medical Inc.

1.1 Highlights of 2017

2017 has been a fruitful year for Celyad. Steady progress has been made in advancing the THINK trial (**TH**erapeutic **I**mmunotherapy with CAR-T **NK**G2D). Data collected thus far from the THINK trial, started early 2017, both confirms the safety profile of CYAD-01 and validates activity of the NKG2D receptor.

The THINK trial is being conducted in the United States and Europe. THINK includes two stages: a dose escalation and an extension stage. The dose escalation stage is being conducted in parallel in five solid cancers (colorectal, pancreatic, ovarian, triple negative breast and bladder) and in two hematologic cancer groups (Acute Myeloid Leukemia (AML) and Multiple Myeloma (MM), while the extension phase will evaluate in parallel each tumor type independently. The dose escalation design includes three dose levels adjusted to body weight: up to $3x10^8$, $1x10^9$ and $3x10^9$ CYAD-01 cells. At each dose, the patients receive three successive administrations, two weeks apart, of CYAD-01 at the specified dose.

As year end 2017, there were no critical toxicity events related to the product reported by the investigators. More importantly, first signs of clinical activity were reported in both arms of the trial.

In the liquid arm, we announced a world's first in October with the complete response in a patient with refractory and relapsed acute myeloid leukemia (AML), obtained without preconditioning chemotherapy or other treatments combined with CYAD-01. Furthermore, clinical activity was observed in all AML patients dosed in 2017. In the solid arm, cases of stable disease (SD)were reported in patients suffering from ovarian cancer and colorectal cancer.

Celyad also made important progress on its IP position with the announcement of a non-exclusive agreement with Novartis and three new patents covering the allogeneic CAR T approach.

On a financing side, we report Cash and cash equivalents and Short-term investments amounting to €33.9 million at year end 2017. This should enable the company to finance all its clinical programs and other needs, at least until end of the first quarter of 2019.

Operational highlights

Clinical Developments in Oncology

In October, Celyad announced a world's first with the complete response in a patient with refractory and relapsed AML, obtained without preconditioning chemotherapy or other treatments combined with CYAD-01. Importantly, clinical activity has been observed in all AML patients dosed in 2017, with all patients seeing a reduction in their blast counts in the bone marrow and improvements in their hematological parameters.

Data collected in 2017 in the THINK trial confirmed the safety profile of CYAD-01 and validated activity of the NKG2D. In addition to the results in the liquid arm, data also showed promising results for CYAD-01 in solid tumors: Stabilization of the disease was observed in an ovarian patient and in colorectal patients demonstrating first sign of clinical activity in solid tumors.

Late in 2017, Celyad initiated the SHRINK trial, an open-label Phase 1 study evaluating the safety and clinical activity of multiple doses of CYAD-01, administered concurrently with the neoadjuvant FOLFOX treatment in patients with potentially resectable liver metastases from colorectal cancer. The trial includes a dose escalation and an extension stage.

The dose escalation design will include three dose-levels of CYAD-01: $1x10^8$, $3x10^8$ and $1x10^9$ CYAD-01 per administration (adjusted only to body weight for patients below 65 kg). At each dose-level, patients will receive three successive administrations, two weeks apart, at the specified dose administered at a specific timing within the FOLFOX cycle. The dose escalation portion of the study will enroll 3 patients per dose level and the extension phase will enroll 21 additional patients. SHRINK is being conducted in oncology centers in Belgium.

Intellectual property

In January, the U.S. Patent and Trade Office (USPTO) upheld, for a third time, Celyad's U.S. Patent No. 9,181,527 relating to allogeneic human primary T-cells that are engineered to be TCR-deficient and express a chimeric antigen receptor (CAR). In March, the USPTO rejected another request for a re-examination of the same patent. Celyad's critical patent remains valid and enforceable.

In May, Celyad obtained a new patent related to its method of treating cancer by administering allogeneic primary human T cells that are engineered to be T-Cell Receptor (TCR)-deficient and to express a CAR. US Patent n°9,663,763 is the third patent

in Celyad's allogeneic intellectual property portfolio awarded by the USPTO. This new patent claims specifically methods of treating cancer patients with allogeneic TCR-deficient CAR-T immunotherapies. The combination of this patent with earlier granted US patents, consolidates Celyad's strong intellectual property (IP) position in the allogeneic CAR-T field and strengthens the Celyad's IP portfolio covering key elements in the allogeneic TCR-deficient CAR-T cells production value chain.

Corporate and financial highlights

In May, Celyad announced a non-exclusive license agreement with Novartis regarding US patents related to allogeneic CAR-T cells. The agreement includes Celyad's intellectual property rights under U.S. Patent No. 9,181,527. This agreement is related to two undisclosed targets currently under development by Novartis. Under the terms of the agreement, Celyad received an upfront payment of $4 million and is eligible to receive additional milestone payments in aggregate amounts of up to $92 million. In addition, Celyad is eligible to receive royalties based on net sales of the licensed target associated products at percentages in the single digits. Celyad retains all rights to grant further licenses to third parties for the use of allogeneic CAR-T cells.

In August, Celyad amended its agreements with Celdara Medical LLC and Dartmouth College related to the CAR-T NK cell drug product candidates and related technology licensed in January 2015 following the acquisition of OnCyte LLC. Under the amended agreements Celyad is to receive an increased share of future revenues generated by these assets, including revenues from its sub-licensees. In return, Celyad paid Celdara Medical LLC and Dartmouth College an upfront payment of $12.5 million (€10.6 million) and issued to Celdara Medical LLC $12.5 million worth of Celyad's ordinary shares at a share price of €32.35.

Cash and cash equivalents and Short-term investments amounted to €33.9 million as of 31 December 2017.

1.2 Significant events post balance sheet date

There were no significant subsequent events post 31 December 2017.

1.3 Financial review of the year ending 31 December 2017

1.3.1 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 2017 and 2016.

(€'000)	For the year ended 31 December	
	2017	**2016**
Revenues	**3,540**	**8,523**
Cost of Sales	(515)	(53)
Gross profit	**3,025**	**8,471**
Research and Development expenses	(22,908)	(27,675)
General and administrative expenses	(9,310)	(9,744)
Net other operating income	2,590	3,340
Operating Loss before non-recurring items - REBIT	**(26,603)**	**(25,609)**
Amendments of Celdara Medical and Dartmouth College agreements	(24,341)	-
Write-off C-Cure and Corquest assets and derecognition of related liabilities	(1,932)	-
Operating Loss - EBIT	**(52,876)**	**(25,609)**
Financial income	933	2,204
Financial expenses	(4,454)	(207)
Loss before taxes	**(56,396)**	**(23,612)**
Income taxes	1	6
Loss for the year [1]	**(56,395)**	**(23,606)**
Basic and diluted Loss per share (in €)	**(5.86)**	**(2.53)**
Other comprehensive Income		
Items that will not be reclassified to profit and loss	**-**	**(107)**
Remeasurements of post employment benefit obligations, net of tax	-	(107)
Items that may be subsequently reclassified to profit or loss	**(769)**	**277**
Currency translation differences	(769)	277
Other comprehensive income/(loss) for the year, net of tax	**(769)**	**170**
Total comprehensive loss for the year	**(57,164)**	**(23,436)**
Total comprehensive loss for the year attributable to Equity Holders [1]	**(57,164)**	**(23,436)**

[1] For 2017 and 2016, the Group does not have any non-controlling interests and the losses for the year are fully attributable to owners of the parent.

Total revenues amounted to €3.5 million end of 2017 and corresponded to the non-refundable upfront payment received from Novartis, as a result of the non-exclusive license agreement signed in June 2017. This upfront payment has been fully recognised upon receipt as there are no performance obligations nor subsequent deliverables associated to the payment. The

revenues of 2016 corresponded to the payment received from ONO under the exclusive license agreement signed in July 2016. There was no milestone received from ONO in 2017. In 2017, the total revenue generated with C-Cath$_{ez}$ amounted to €35,000 compared to €84,000 in 2016. There are no recurring sales generated by this device.

Cost of sales in 2017 corresponded to the technology inventor (Darthmouth College) sublicense fee on the upfront payment received from Novartis.

The Research and Development expenses include manufacturing, clinical, quality, IP 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 decreased in 2017 by €4.7 million at €22.9 million. This decrease resulted mainly from lower costs of preclinical and clinical studies (mainly CHART-1) and lower process development and automation costs. Following the decision taken in 2016 to focus all the R&D efforts of the Group on our immuno-oncology platform, the R&D expenses of the cardiology program decreased by €9.8 million and amounted to €2.9 million at year end 2017. The immuno-oncology R&D expenses increased by €5.1 million compared to 2016 and amounted to €20.0 million at year end 2017 (see Section 5.5). The Service Research Agreement with Celdara was terminated in August 2017 and we strengthened our research collaboration with Dartmouth, the technology inventor.

The key projects driving the research and development expenses in 2017 were:

- The costs of running the THINK trial;
- The preclinical studies conducted on our CAR-T NK product candidates in both autologous and allogeneic settings; and,
- The scale-up and automation projects of CAR-T NKG2D lead candidate

The remaining research and development expenses corresponded to the recurring costs of the departments, mainly salaries, IP filing and maintenance and depreciation. Research and development expenses are expected to grow in the near future with the further development of the CAR-T platform.

General and administrative expenses decreased by €0.4 million at €9.3 million in 2017 as compared to €9.7 million in 2016. This decrease relates primarily to the reclassification of the share-based payments associated to the R&D employees as a R&D expense (€0.9 million).

The Group's current other operating income is associated with grants received from the European Commission and from the Regional government in the form of recoverable cash advances (RCAs), and to R&D tax credits receivable. In 2017, the grant income decreased by €1.9 million compared to 2016. In 2017, the Company recognized for the first time a receivable on the amounts to collect from the federal government as R&D tax credit (€1.2 million).

In 2017, the net amount of the other operating income and expenses decreased by €0.8 million.

At year end 2017, the loss resulting from recurrent operations (REBIT) amounted to €26.7 million versus €25.6 million in 2016.

In 2017, the Group recognized non-recurring expenses related to the amendment of the agreements with Celdara Medical LLC and Dartmouth College and the write-off of the C-Cure and Corquest assets and liabilities (respectively for €24.3 million, €0.7 million and €1.2 million). There were no non-recurring items in the income statement of 2016.

At year end 2017, the loss from operations before financial results and taxes (EBIT) amounted to €52.9 million versus €25.6 million in 2016.

The 2017 financial income & charges covered mainly interest received on cash deposits and currency exchange rates differences and bank charges. Interest income on short term deposits amounted to €0.9 million end of 2017, a decrease of €0.5 million compared to 2016 resulting from the lower average cash position. Due the depreciation of the USD compared to EUR, the Group recognized an unrealized loss on foreign exchange differences of €4.4 million in 2017. In 2016, the unrealized gain on foreign exchange differences amounted to €0.8 million.

As a result of the foregoing, the net loss of 2017 amounted to €56.4 million versus a net loss of €23.6 million for same period in 2016.

1.3.2 Analysis of the consolidated statement of financial position

The table below sets forth the balance sheet as of 31 December 2017 and 31 December 2016.

(€'000)	As of 31 December	
	2017	2016
NON-CURRENT ASSETS	**41,232**	**53,440**
Intangible assets	36,508	49,566
Property, Plant and Equipment	3,290	3,563
Other non-current assets	1,434	311
CURRENT ASSETS	**36,394**	**85,367**
Trade and Other Receivables	233	1,359
Other current assets	2,255	1,420
Short-term investment	10,653	34,230

(€'000)	As of 31 December	
	2017	2016
Cash and cash equivalents	23,253	48,357
TOTAL ASSETS	**77,626**	**138,806**
EQUITY	**47,535**	**90,885**
Share Capital	34,337	32,571
Share premium	170,297	158,010
Other reserves	23,322	24,329
Retained loss	(180,421)	(124,026)
NON-CURRENT LIABILITIES	**22,146**	**36,646**
Bank loans	326	536
Finance leases	482	381
Advances repayable	1,544	7,330
Contingent consideration and other financial liabilities	19,583	28,179
Post employment benefits	204	204
Other non-current liabilities	7	16
CURRENT LIABILITIES	**7,945**	**11,275**
Bank loans	209	207
Finance leases	427	354
Advances repayable	226	1,108
Trade payables	4,800	8,098
Other current liabilities	2,282	1,508
TOTAL EQUITY AND LIABILITIES	**77,626**	**138,806**

The Group's *treasury position,* which is defined as the cumulation of Short-term investments and Cash and cash equivalents, amounted to €33.9 million at year-end 2017. The net cash burn rate of the Group over 2017 was €48.7 million (please refer to the details in section 1.3.3).

The decrease of the intangible assets resulted mainly from the write of the C-Cure and Corquest Inc assets, as well as from the exchange rate difference on the in-process R&D denominated in USD in the Oncyte LLC books. The increase of the other non-current assets is related to the recognition of a R&D tax credit receivables of €1.2 million.

The capital and share premium increased by €14.1 million in 2017 as a result of exercises of Company warrants and the contribution in kind of a liability owed to Celdara Medical LLC. On 31 December 2017, the share capital of Celyad is represented by 9,867,844 shares.

The decrease of the non-current liabilities is mainly explained by the decrease of the contingent consideration and other financial liabilities (resulting from a payment of a contractual milestone of $6 million to Celdara, on the one hand, and the depreciation of the USD against the EUR, on the other hand, the liability being denominated in USD) and by the abandon of the C-Cure program, resulting in the derecognition of all advances repayable to the Walloon Region and related to C-Cure (€5.8 million).

We do not capitalize our research and development expenses until marketing authorization. As of the end of 2017, all clinical, research and development expenses related to the development of our CAR-T NK platform are accounted for as operating expenses.

1.3.3 Analysis of the consolidated cash burn rate

The table below summarizes the *cash burn rate* of the Group for the 2017 and 2016 year-ends. The *cash burn rate* is determined as being the year-on-year net decrease in the Group's *treasury position* (as defined above, in section 1.3.2).

(€'000)	For the year ended 31 December	
EUR	**2017**	**2016**
Net cash used in operations	(44,441)	(24,692)
Cash expense for amendment of Celdara Medical and Dartmouth College agreements	13,276	-
Net cash used in operations, excluding non-recurring items	**(31,165)**	**(24,692)**
Net cash (used in)/from investing activities	(857)	(3,265)
Net cash (used in)/from financing activities	605	3,031
Effects of exchange rate changes	1,120	(144)
Net cash burned over the year, excluding non-recurring items	**(30,297)**	**(25,070)**
Non-recurring cash outs	(18,383)	-
Net cash burned over the year	**(48,680)**	**(25,070)**

In 2017, the net cash burned over the period amounted to €48.7 million and showed an increase of €23.6 million compared to 2016. This increase is explained by non-recurring items amounting to €18.6 million, detailed below:

- €13.3 million cash component relating to Celdara Medical LLC and Dartmouth College agreements' amendment compensation (non-recurring cash out for the year 2017); and
- €5.3 million clinical development milestones payment to Celdara Medical LLC.

The remaining €5.0 net variance is essentially the consequence of the following operational items:

- decrease in our net licensing revenue of €5.5 million;
- net decrease in our R&D expenses of €4.7 million, split as follows:
    - increase in our R&D expenses for the Immuno-oncology segment (comparative cash burn of €12.2 million);
    - and decrease in our R&D expenses for the Cardiology segment (comparative cash saving of €7.4 million);

- €3.6 million increase in loss on foreign exchange differences.

1.4 Personnel

At the end of 2017, the Group had 75.4 employees (FTE) and 10 senior managers under management services agreement.

1.5 Environment

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

1.6 Risks and uncertainties

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

1.7 Going concern

Management has prepared detailed budgets and cash flow forecasts for the years 2018 and 2019. 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 that its treasury position as of 31 December 2017 (including short term investments) is sufficient to cover its cash requirements at least until end of the first quarter of 2019, therefore until the readout of the THINK 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.

1.8 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".

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 subsequently (i) by resolution of the Board of Directors of 12 June 2015 and (ii) by resolution of the Board of Directors of 8 December 2016.

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

2.2.1. 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 the CFO or Chief Legal Officer, or by at least two directors, whenever the interest of the Company so requires. In principle, the Board of Directors will meet at least four times per year.

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

At the date of this Report, the Board of Directors consists of 8 members, one of which is an executive director (as a member of the Executive Management Team) and 7 of which are non-executive directors, including six 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	Business Address	Board Committee Membership
Michel Lussier	Chairman	2020	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	2020	Chaussée de Louvain 574A, 1380 Lasne, Belgium	

Serge Goblet	Non-executive director	2020	Chaussée de Waterloo 1589D, 1180 Brussels, Belgium	
Chris Buyse	Independent director	2020	Baillet Latourlei 119A, 2930 Brasschaat, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Rudy Dekeyser	Independent director	2020	Klein Nazareth 12, 98401 De Pinte, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Debasish Roychowdhury	Independent director	2019	79 Laconia Street Lexington MA 02420 USA	Member of the Audit Committee
Chris De Jonghe [1]	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
TOLEFI SA represented by its permanent representative Serge Goblet	Non-executive director	2018	27 Drève de Carloo 1180 Bruxelles, Belgium	

[1] Chris De Jonghe has resigned with effective date on May 5, 2017

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 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.

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's 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 30 years of international financial expertise and experience in introducing best financial management practices. He is currently Managing Director of FUND+, a fund that invests in innovative Belgian Life Sciences companies, Between August 2006 and June 2014, Mr. Buyse served as the Chief Financial Officer and board member of ThromboGenics NV, a leading biotech company that is listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was the Chief Financial Officer of the Belgian biotech company CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign 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, 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 , Inventiva SA, The Francqui Foundation 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 has served as a member of the board of directors of the Company since 2013 and has resigned from her mandate with effective date on May 5, 2017. Chris 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, Confo Therapeutics, Fast Forward Pharmaceuticals, MyCartis, ViroVet, Biotech Fund Flanders, LSP V, Vesalius Biocapital I & II and Flanders'Bio. She is a 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.

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. At the date of this report, the audit committee consists of 3 members: Chris Buyse, Rudy Dekeyser and Debasish Roychowdhury.

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

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 2017, the Board held 4 regular meetings and 4 meetings by telephone conference to discuss and decide on specific matters.

Board and committees – Dates and Attendance

Board of Directors	27 Jan	24 Feb	3 May	17 Jun	22 June	23 Aug	15 Sept	07 Dec
M. Lussier	Present	Present.	Present	Present	Present	Repres.	Present	Present
LSS Consulting SPRL	Present	Present	Present	Present	Present	Present	Present	Present
S. Goblet	Repres.	Repres.	Present	Present	Present	Present	Present	Present
D. Roychowdhury	Present	Present	Present	Present	Present	Repres.	Present.	Present
R. Dekeyser	Present	Present.	Present	Present	Present	Repres.	Present	Excused
Ch. De Jonghe (1)	Present	Present	Present	N/A	N/A	N/A.	N/A	N/A
Hanspeter Spek	Present	Present.	Present	Present	Present	Repres.	Present	Present
Chris Buyse	Present	Present.	Present	Present	Present	Repres.	Present	Excused
TOLEFI SA	Repres.	Repres.	Present	Present	Present	Present	Present	Present

Nomination and Remuneration Committee	19 Apr	26 Apr	05 Oct	30 Nov
M. Lussier	Present	Present	Present	Present
Chris Buyse	Present	Present	Present	Present
Hanspeter Spek	Present	Present	Present	Present
Rudy Dekeyser	Present	Present	Present	Present
LSS Consulting SPRL	Invited	Invited	Invited	Invited

Audit Committee	15 Mar	25 Aug	24 Oct	05 Dec
Ch. Buyse	Present	Present	Present	Present
R. Dekeyser	Present	Present	Present	Present
Ch. De Jonghe	Present	N/A	N/A	N/A
Debasish Roychowdhury	N/A	Present	Present	Present
P. Jeanmart	Invited	Invited	Invited	Invited

[1] Chris De Jonghe resigned from her mandate of director with effect on 5 May 2017.

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 "Chief Operating Officer", the "Chief Legal Officer", the "Vice President Clinical Development and Medical Affairs", the "Vice President Research & Development" and the Global Head of Human Ressources.

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 other member of the Executive Management Team, 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 Shedule C, Section F, subsection 7 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
KNCL SPRL, represented by Jean-Pierre Latere	Chief Operating Officer	1975
NandaDevi SPRL, represented by Philippe Dechamps	Chief Legal Officer	1970
Georges Rawadi [1]	Vice President Business Development	1967
MC Consult, represented by Philippe Nobels	Global Head of Human Ressources	1966
ImXense SPRL, represented by Frederic Lehmann	Vice President Clinical Development & Medical Affairs	1964
David Gilham	Vice President Research & Development	1965

[1] Georges Rawadi has left the company on March 23, 2018

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 "2.2.1. 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.

Jean-Pierre Latere (representative of KNCL SPRL), has previously acted as Vice President of Regenerative Medicine and Medical Devices franchise. Since January 2017 he serves as Chief Operating Officer in charge of program management, manufacturing, quality, clinical operations and regulatory affairs. He leads the effort to further strengthen the organization as

Celyad grows as a leader in immuno-oncology. 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.

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

Georges Rawadi, has served as Vice President Business Development and Intellectual Property since March 2016 and prior to that he has service as Vice President Business Development since June 2014. Prior to joining the Company, Dr. Rawadi served as Vice President Business Development with Cellectis. 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 master's in management and Strategy in the Health Industry from the ESSEC Business School. Georges has left the company on March 23, 2018.

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

Frédéric Lehmann (representative of ImXense SPRL), has served as the Vice President Clinical Development & Medical Affairs since July 2016 and prior to that he has served as the Vice President Immuno-Oncology since September 2015. Frédéric is a physician by training, specialized in hematology and 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.

David Gilham, has served as Vice President Research and Development since September 2016. Prior to joining the company, David was a Reader and Group Leader within the Manchester Cancer Research Centre at the University of Manchester, UK leading a research group of 15 scientists in the area of cellular immunotherapy. David obtained his Ph.D from the University of Dundee in 1998 in Molecular Pharmacology under the supervision of Professor Roland Wolf, OBE. After a short post-doctoral position at the University of Bristol, David moved to the University of Manchester with Professor Robert Hawkins to establish translational research activity in the field of engineered cellular therapy. The group has carried out several clinical trials of CAR T cells of which David has been Lead scientific advisor and led several European framework programs bringing together researchers from all over Europe (ATTACK and ATTRACT programs). In 2010, along with Professor Hawkins and other colleagues, David co-founded Cellular Therapeutics, a cell production company based in Manchester. He has published more than 60 peer reviewed articles and further book chapters and reviews. He has also sat on many review boards and charity grant committees and consulted for several biotechs and pharma concerning immune cell therapies.

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 2017, certain members of the Board declared a conflict of interest. The following declaration were made in that respect (extracted from the minutes of the Board meeting of December 7, 2017):

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

The following directors informed the other directors that he has a conflict of interest as he has a conflicting financial interest in the decision proposed in item 2 of the agenda of this meeting of the board of directors relating to the allocation of warrants. Indeed, as mentioned in the special report drafted under articles 583, 596 and 598 of the Company Code in the framework of the issuance of said warrants, it is contemplated to allocate some warrants to:

- *Michel Lussier (10,000 warrants);*
- *Rudy Dekeyser (10,000 warrants);*
- *Debasish Roychowdhury (10,000 warrants);*
- *Chris Buyse (10,000 warrants);*
- *Hanspeter Spek (10,000 warrants);*
- *Serge Goblet (10,000 warrants);*
- *Christian Homsy (40,000 warrants).*

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

The Chairman thanks the directors for their declarations. These declarations will be communicated to the statutory auditor of the Company in accordance with Article 523 of the Company Code.

The Board can then validly deliberate on the items on the agenda.

DELIBERATION ALLOCATION OF WARRANTS

In so far as appropriate, the Board of Directors unanimously approved the Warrants Plan 2017 as submitted to the shareholders' meeting on 29 June 2017 and ratified the decision adopted and formalities implemented regarding the allocation of the Warrants to the beneficiaries.

Regarding the allocation of the warrants to the members of the Board of Directors, it was made application of Article 523 of the Company Code:

Michel Lussier left the meeting room and the Board of Directors unanimously approved the allocation of 10,000 warrants to Michel Lussier under the terms and conditions of the Warrants Plan 2017. Michel Lussier then came back in the meeting room.

The Board of Directors unanimously approved the allocation of 10,000 warrants to Rudy Dekeyser (absent) under the terms and conditions of the Warrants Plan 2017.

Debasish Roychowdhury left the meeting room and the Board of Directors unanimously approved the allocation of 10,000 warrants to Debasish Roychowdhury under the terms and conditions of the Warrants Plan 2017. Debasish Roychowdhury then came back in the meeting room.

The Board of Directors unanimously approved the allocation of 10,000 warrants to Chris Buyse (absent) under the terms and conditions of the Warrants Plan 2017.

Hanspeter Spek left the meeting room and the Board of Directors unanimously approved the allocation of 10,000 warrants to Hanspeter Spek under the terms and conditions of the Warrants Plan 2017. Hanspeter Spek then came back in the meeting room.

Serge Goblet left the meeting room and the Board of Directors unanimously approved the allocation of 10,000 warrants to Serge Goblet under the terms and conditions of the Warrants Plan 2017. Serge Goblet then came back in the meeting room.

Christian Homsy left the meeting room and the Board of Directors unanimously approved the allocation of 40,000 warrants to Christian Homsy under the terms and conditions of the Warrants Plan 2017. Christian Homsy then came back in the meeting room."

2.4.4. Related Party Transactions

Currently, no related party transaction involving the company's directors or senior executive management has been disclosed to the company.

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 a resolution of the Board of Directors on 7 December 2017.

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:

Schedule C, Section F, subsection 7 of the 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, on the advice of the Nomination and Remuneration Committee, the Company granted warrants to non-executive directors upon shareholders agreement, 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. At the date of this report, non-executive directors owned in total 115,000 Company warrants.

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. The CGC has been updated by resolution of the Board of Directors on 8 December 2016.

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 Schedule C, Section F, subsection 7 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 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 remuneration and compensation scheme for the chairman, the independent directors and non-executive directors. This scheme is applicable as from November 2015. The 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.

On 9 May 2016, the Extraordinary Shareholders meeting approved a new remuneration and compensation scheme for the non-executive directors. The remuneration package is made up of fixed annual fee of €10,000 for non-executive directors, supplemented by a fixed annual fee of €10,000 for the Chairman. The annual fee is supplemented by a €5,000 fee for any non-executive directors covering the participation to the four ordinary board of directors' meetings. Any participation to an extraordinary board of directors' meetings gives right to a supplemental fee of €5,000 EUR. This remuneration package is also supplemented with a fixed annual fee of €15,000 for membership of each committee of the Board of Directors, to be increased by €5,000 in case the relevant director chairs the Nomination and Remuneration Committee or the Audit Committee. Finally, an extraordinary fee of €3,000 is granted to non-executive directors in case of appointment of such directors, on request of the CEO and with prior approval of the Board of directors, for specific missions requiring the presence of the concerned director. This scheme is applicable directly after the General Meeting of Shareholders of 9 May 2016. The remuneration granted to directors during year 2016 is the consequence of both applications of (i) remuneration and compensation scheme adopted in November 2015 and (ii) the new plan adopted in May 2016. Apart from the above remuneration for non-executive directors, all directors are 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.

On June 29, 2017, the extraordinary shareholders' meeting has decided to approve the Warrants Plan 2017. Pursuant to this Plan, the Board of Directors is allowed to issue and grant a maximum of 520,000 warrants to the benefit of the employees, consultants and directors of the Company or its subsidiaries. The main characteristics of the Warrants Plan 2017 can be summarized as follows: (i) the warrants will be granted for free to the beneficiaries, (ii) each warrant holder will be allowed to acquire one new share of the Company with one warrant, (iii) the exercise price of the warrants will be determined at grant, (iv) the warrants will have a maximum duration of 5 years, (v) the warrants cannot be assigned, except in case of death and (vi) the warrants will be vested by one third per year. The provisions of the Warrants Plan are in line with the Law of 26 March 1999.

In accordance with Article 556 of the Companies Code, the shareholders' meeting has also decided to approve the provisions of the Warrants Plan 2017 that create specific rights for third parties, impact the assets of the Company or lead to the creation of a debt or commitment by the Company, when the exercise of these rights becomes effective because of the launch of a public offering on the shares of the Company or a change of control, including the automatic vesting of the warrants in case of public offering on the shares of the Company as provided by the Warrants Plan 2017.

As of 31 December 2017, 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.

The following amounts detailed the 2017 remuneration of the Board of directors:

Name	Fees earned (€)	Total outstanding warrants
Michel Lussier	86,000	20,000
Debasish Roychowdhury	62,250	20,000
Rudy Dekeyser	81,000	20,000
Chris Buyse	71,000	20,000
Hanspeter Spek	51,000	25,000
Serge Goblet	36,000	10,000
Total	387,250	115,000

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 2017 Celyad paid 477k€ of remuneration in respect of the CEO, Mr Christian Homsy. This includes:

- a fixed remuneration of €426k;
- a variable component of €51k.

After the approval of the audited consolidated financial statement by the Board and the shareholders, the variable component paid to the CEO (or to any other directors if any) cannot be recovered by the Company in case of false financial data. This consists of a deviation from article 96 §3 11° which describes the potential right of recovery of the variable component by the Company in case of false financial data.

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.
- Under Warrant plan of November 2015: 40,000 warrants at an exercise price of €34.65 per share vested over a period of 3 years
- Under Warrant plan of June 2017: 40,000 warrants at an exercise price of €32.26 per share vested over a period of 3 years

In January 2017, the CEO exercised 112,000 warrants issued in May 2013. As of 31 December 2017, the CEO owned 80,000 warrants (plans of November 2015 and June 2017)

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 2017is:

- PaJe SPRL, represented by Patrick Jeanmart, CFO
- Georges Rawadi, Vice President Business Development & IP
- ImXense, represented by Frédéric Lehmann, Vice President Clinical Development & Medical Affairs
- NandaDevi SPRL, represented by Philippe Dechamps, Chief Legal Officer
- David Gilham, Vice President Research & Development
- KNCL SPRL, represented by Jean-Pierre Latere, Chief Operating Officer.
- MC Consult SPRL, represented by Philippe Nobels, Global Head of Human Resources.

The CFO, the Chief Legal Officer, the Chief Operating Officer, the Vice President Clinical Development & Medical Affairs and the Global Head of Human Resources 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 Vice President Research & Development and the Vice President Business Development and IP are engaged on the basis of employment agreements.

The total fees paid or due to the members of the Executive Management Team (excluding the CEO) was €2.2 million in 2017 (full company costs but excluding VAT and stock-based compensation) as further detailed in sections of the notes to the financial statements.

This includes:

- a fixed remuneration of €1,940k;
- a variable component of €243k.

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 €230k.

Over the course of 2017, EMT (excluding the CEO) accepted 139,000 warrants offered from the December 2016 and June 2017 plans, for respectively 30,000 and 109,000 warrants. As of 31 December 2017, the EMT holds 226,500 warrants. The exercise prices vary from 17.60€ to 34.65€. All plans have a vesting scheme of 3 years.

The following table detailed the warrants owned by the EMT (excluding the CEO) as of 31 December 2017 and the movements occurred in 2017:

Name	Granted	Forfeited	Exercised	Total outstanding
PaJe SPRL	20,000	(25)	56,000	40,000
Georges Rawadi	20,000	-	-	37,500
ImXense SRPL	20,000	-	-	40,000
NandaDevi SPRL	40,000	-	-	40,000
David Gilham	6,000	-	-	16,000
KNCL SPRL	3,000	-	-	23,000
MC Consult SPRL	30,000	-	-	30,000
Total	**139,000**	**-**	**56,000**	**226,500**

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 Code of Business Conduct and Ethics and adopted internal rules and procedures which regulate the activities within the Company.
- External environment: The Company operates in a highly regulated environment (GMP, GCP, etc). Compliance with all these external rules and guidelines is of critical importance to the Company.

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

2.7.3. Risks analysis

The Board of Directors decides on the Company's strategy, risk appetite and its main 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.

2.7.3.1. 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 2017 and 2016, the Company incurred a loss for the year of €56.4 million and €23.6 million, respectively. As of 31 December 2017, the Company had a retained loss of €180.4 million. The Company expects these losses to increase as it continues to incur significant research and development and other expenses related to its ongoing operations, continues to advance its drug product candidates through 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 CAR-T NKG2D 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 2017, the Company had €23.3 million in cash and €10.7 million in short term investments. The Company believes that such resources will be sufficient to fund its operations for at least the next 12 months from balance sheet date. However, changing circumstances may cause it to increase its spending significantly faster than it currently anticipates, and the Company may need to spend more money than currently expected because of circumstances beyond its control. The Company may require additional capital for the further development and commercialization of its drug product candidates and may need to raise additional funds sooner if the Company chooses to expand more rapidly than it presently anticipates.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research 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

We are heavily dependent on the regulatory approval of CYAD-01 in the United States and Europe, and subsequent commercial success of CYAD-01, both of which may never occur.

We are a clinical-stage biopharmaceutical company with no products approved by regulatory authorities or available for commercial sale. We have generated limited revenue to date and do not expect to generate any revenue from product sales for the foreseeable future. As a result, our future success is currently dependent upon the regulatory approval and commercial success of CYAD-01 in one or more of the indications for which we intend to seek approval. Our ability to generate revenues in the near term will depend on our ability to obtain regulatory approval and successfully commercialize CYAD-01 on our own in the United States, the first country in which we intend to seek approval for CYAD-01. We may experience delays in obtaining regulatory approval in the United States for CYAD-01, if it is approved at all, and the price of our ordinary shares and/or ADSs may be negatively impacted. Even if we receive regulatory approval, the timing of the commercial launch of CYAD-01 in the United States is dependent upon a number of factors, including, but not limited to, hiring sales and marketing personnel, pricing and reimbursement timelines, the production of sufficient quantities of commercial drug product and implementation of marketing and distribution infrastructure.

In addition, we have incurred and expect to continue to incur significant expenses as we continue to pursue the approval of CYAD-01 in the United States, Europe and elsewhere. We plan to devote a substantial portion of our effort and financial resources in order to continue to grow our operational capabilities. This represents a significant investment in the clinical and regulatory success of CYAD-01, which is uncertain. The success of CYAD-01, if approved, and revenue from commercial sales, will depend on several factors, including:

- execution of an effective sales and marketing strategy for the commercialization of CYAD-01;
- acceptance by patients, the medical community and third-party payors;
- our success in educating physicians and patients about the benefits, administration and use of CYAD-01;
- the incidence and prevalence of the indications for which our CYAD-01 drug product candidate is approved in those markets in which CYAD-01 is approved;

- the prevalence and severity of side effects, if any, experienced by patients treated with CYAD-01;
- the availability, perceived advantages, cost, safety and efficacy of alternative treatments, including potential alternate treatments that may currently be available or in development or may later be available or in development or approved by regulatory authorities;
- successful implementation of our manufacturing processes that we plan to include in a future biologics license applications and production of sufficient quantities of commercial drug product;
- maintaining compliance with regulatory requirements, including current good manufacturing practices (cGMPs), good laboratory practices (GLP) and good clinical practices (GCPs); and
- obtaining and maintaining patent, trademark and trade secret protection and regulatory exclusivity and otherwise protecting our rights in our intellectual property portfolio.

We may also fail in our efforts to develop and commercialize future drug product candidates, including CYAD-101 (the allogeneic version of our CYAD-01 drug product candidate). If this were to occur, we would continue to be heavily dependent on the regulatory approval and successful commercialization of CYAD-01, our development costs may increase and our ability to generate revenue or profits, or to raise additional capital, could be impaired.

Our THINK trial is ongoing and not complete. Initial success in our ongoing clinical trial may not be indicative of results obtained when this trial is completed. Furthermore, success in early clinical trials may not be indicative of results obtained in later trials.

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

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

In previous clinical trials involving T cell-based immunotherapies, some patients experienced serious adverse events. Our lead drug product candidate CYAD-01 may demonstrate a similar effect or have other properties that could halt its clinical development, prevent its regulatory approval, limit its commercial potential, or result in significant negative consequences.

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

Undesirable side effects caused by our CYAD-01 drug product candidate or other T cell-based immunotherapy drug product candidates, could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign regulatory authorities. Results of our trials could reveal a high and unacceptable severity and prevalence of side effects or unexpected characteristics. Treatment-related side effects could also affect patient recruitment or the ability of enrolled patients to complete the trials or result in potential product liability claims. In addition, these side effects may not be appropriately recognized or managed by the treating medical staff, as toxicities resulting from T cell-based immunotherapies are not normally encountered in the general patient population and by medical personnel. We expect to have to train medical personnel regarding our T cell-based immunotherapy drug product candidates to understand their side effects for both our planned clinical trials and upon any

commercialization of any T cell-based immunotherapy drug product candidates. Inadequate training in recognizing or managing the potential side effects of T cell-based immunotherapy drug product candidates could result in patient deaths. Any of these occurrences could have a material adverse effect on our business, financial condition and prospects.

Our CYAD-01 drug product candidate is a new approach to cancer treatment that presents significant challenges.

We have concentrated our research and development efforts on cell-based immunotherapy technology, and our future success is highly dependent on the successful development of cell-based immunotherapies in general and in particular our approach using NKG2D receptor ligands, an activating receptor of NK cells. We cannot be sure that our T cell immunotherapy technologies will yield satisfactory products that are safe and effective, scalable or profitable.

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

- obtaining regulatory approval from the FDA and other regulatory authorities that have very limited experience with the commercial development of genetically modified T-cell therapies for cancer;
- developing and deploying consistent and reliable processes for engineering a patient's T-cells ex vivo and infusing the engineered T-cells back into the patient;
- preconditioning patients with chemotherapy or other product treatments in conjunction with delivering each of our drug product candidates, which may increase the risk of adverse side effects;
- educating medical personnel regarding the potential side effect profile of each of our drug product candidates, such as the potential adverse side effects related to cytokine release or neurotoxicity;
- developing processes for the safe administration of these drug product candidates, including long-term follow-up for all patients who receive our drug product candidates;
- sourcing clinical and, if approved, commercial supplies for the materials used to manufacture and process our drug product candidates;
- developing a manufacturing process and distribution network with a cost of goods that allows for an attractive return on investment;
- establishing sales and marketing capabilities after obtaining any regulatory approval to gain market acceptance, and obtaining adequate coverage, reimbursement, and pricing by third-party payors and government authorities; and
- developing therapies for types of cancers beyond those addressed by our current drug product candidates.

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

- Regulatory requirements governing gene and cell therapy products have changed frequently and may continue to change in the future. To date, only one product that involves the genetic modification of patient cells has been approved in the United States and only one has been approved in the European Union.
- In the event of improper insertion of a gene sequence into a patient's chromosome, genetically modified products could lead to lymphoma, leukemia or other cancers, or other aberrantly functioning cells.
- Although our viral vectors are not able to replicate, there is a risk with the use of retroviral or lentiviral vectors that they could lead to new or reactivated pathogenic strains of virus or other infectious diseases.
- The FDA recommends a 15 year follow-up observation period for all patients who receive treatment using gene therapies, and we may need to adopt such an observation period for our drug product candidates.
- Clinical trials using genetically modified cells conducted at institutions that receive funding for recombinant DNA research from the National Institutes of Health, are subject to review by the Recombinant DNA Advisory Committee (RAC). Although the FDA decides whether individual protocols may proceed, the RAC review process can impede the initiation of a clinical trial, even if the FDA has reviewed the study and approved its initiation.

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

We have not yet finalized our clinical development program for CYAD-01 in AML and CRC. The FDA and comparable foreign regulators may not agree with our proposed protocols for these clinical trials, which could result in delays.

We are still considering the clinical development program for CYAD-01 in AML and CRC. Prior to initiating new clinical trials for our drug product candidates, we are required to submit clinical trial protocols for these trials to the FDA and comparable

foreign regulators in other jurisdictions where we plan to undertake clinical trials. We may not reach agreement with these regulators, or there may be a delay in reaching agreement. These regulators may want to see additional clinical or preclinical data regarding our CYAD-01 drug product candidate before we initiate new clinical trials. Any of these decisions could have a material adverse effect on our expected clinical and regulatory timelines, business, prospects, financial condition and results of operations.

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

Before obtaining regulatory approval or marketing authorization from regulatory authorities for the sale of 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. 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 some of 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. 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.

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

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

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

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

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

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

The regulatory clearance process is expensive and time consuming and the timing of marketing is difficult to predict. Once marketed, products may be subject to post-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 Region. The terms of the agreements signed with the Region may hamper the Company to partner part or all its products.

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

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

The Company relies and will continue to rely on collaborative partners regarding the development of its research 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 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, six national patents have been granted in Belgium and fifteen national patents have been granted in the US, of which nine relate to the field of immune-oncology. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against 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. On December 22, 2017, the Company notified the Walloon Region of its decision not to pursue the exploitation of the C Cure programs and the research work financed by recoverable loans from the Walloon Region. The Company has justified its decision by the intention to focus its strategy and ressources on its immune-oncology programs and by the fact that it has not been successful to identify a partner to pursue the development of C Cure.

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 by an anonymous third party requesting revocation of the patent in its entirety. Both parties presented additional arguments in writing, oral proceedings took place at the EPO on March 6, 2017. The oral proceedings resulted in revocation of the patent. An appeal against this decision was filed on June 9, 2017. No further observations were filed by the third party, the EPO now will set a date for the appeal hearing. The patent remains valid at least until the end of the appeal proceedings.

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.

2.7.3.5. 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 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. 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, 2017, the Company had 75 employees and 8 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 amortisation 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, as from 31 December 2016 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.

2.7.4. 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.

2.7.5. 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, 2017, the Annual Shareholder's Meeting of Celyad SA engaged CVBA BDO Bedrijfsrevisoren – Réviseurs d'entreprises, represented by Bert Kegels, in replacement of PricewaterhouseCoopers Reviseurs d'Entreprises scrl, represented by Patrick Mortroux, 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.

In December 2017, the Company mandated an independent consultant to test and evaluate the compliance of the Company to its internal controls procedures. The audit did not raise material deviations other than the lack of segregation of duties given the size of our finance and accounting team. The Management is evaluating remediation action for all deviations identified by the independent consultant.

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 2017, the share capital of Celyad was represented by 9,313,603 shares. In 2017, Celyad has increased its capital following exercises of Company warrants and the contribution in kind of a liability owed to Celdara Medical LLC. As of 31 December 2017, the share capital of Celyad amounted to €34,337,134.57 and was represented by 9,867,844 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 2017, there were 532,433 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 2017 was TOLEFI SA (2,295,701 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

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

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

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

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

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

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

Appointments are generally made for a maximum term of four years. Outgoing directors will be eligible for re-election. However, when an independent director has served on the Board for three consecutive terms, he is in 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 committes, the powers of which it will determine.

On June 29, 2017, an extraordinary shareholders meeting of the Company granted to the Board of Directors the power to increase the share capital in accordance with the articles 603 et sq. of the Belgian Company Code, in one or several times, for a maximum amount of 33.117.976,63 euros (excluding issue premium), for a period of 5 years as of the publication of the modification to the articles of association of the company. Furthermore, in accordance with article 607 of the Belgian Company Code, the Board of Directors is empowered to proceed with a share capital increase even after receipt by the Company of a notification by the FSMA of a takeover bid for the Company's share, for a period of three years from June 29, 2017.

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

- Agreements on severance pay

Reference is made to section 6 of chapter 2.

3.4 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.

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 2017, 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 financial statements for the year ended 31 December 2017*

To the Shareholders of Celyad SA

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF CELYAD S.A. FOR THE YEAR ENDED DECEMBER 31, 2017

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

We have been appointed as statutory auditor by the general meeting of May 5, 2017, following the proposal formulated by the board of directors issued upon recommendation of the audit committee. Our statutory auditor's mandate expires on the date of the general meeting deliberating on the annual accounts closed on December 31, 2019. We have performed the statutory audit of the consolidated financial statements of Celyad S.A. for one year.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have performed the statutory audit of the Group's consolidated financial statements, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of 77.626 (000) EUR and for which consolidated statement of profit or loss and other comprehensive income shows a loss for the year of 57.164 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as at December 31, 2017, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

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

We have obtained from the board of directors and company 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.

Key audit matters

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

Financial funding

Description of the matter

As described in Note 1.7 of the consolidated financial statements, the Company has disclosed that based on its current scope of activities, the Group estimates that its treasury position as of 31 December 2017 (including short term investments) is sufficient to cover its cash requirements at least until end of the first quarter of 2019, so that there is no going concern issue at this moment.

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

Procedures performed

Our audit procedures included, among others, the following:

- We obtained the business plan and the cash forecast for the year 2018 and 2019 and reviewed it for reasonableness;
- We challenged the assumptions underlying this budget and cash forecast, especially with respect to the expected level of operating expenses and revenues;
- We compared the total of expected revenues included in the budget and cash forecast with those expected from existing agreements;
- We discussed with management any potential future financing possibilities and assessed their reasonableness.

Goodwill and intangible assets impairment

Description of the matter

As described in Note 5.6.2 of the consolidated financial statements, the Group is required to annually test its intangible assets for impairment.

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

Procedures performed

Our audit procedures included, among others, the following:

- We have analyzed internal and external information in order to identify potential impairment indicators;
- We have analyzed and reviewed the Company's impairment model including the significant underlying assumptions and checked whether an adequate valuation model was applied;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the latest Board approved business plan;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the data used in the context of a valuation done by an outside valuation expert for purposes of an intended at arm's length transfer of certain assets between group companies;
- We have assessed whether the cash generating units were defined in accordance with IFRS;
- We consulted a valuation expert in our firm to assess the methodology, clerical accuracy, long term growth rate and discount rate as applied;
- We reviewed the sensitivity analysis prepared by management to understand the effect of a change in assumptions;
- We considered all available information provided to us by the Company to assess potential additional factors that could trigger impairment;
- We reviewed the completeness and adequacy of the disclosures in Note 5.6.2 of the Company's Financial Statements.

Contingent consideration valuation

Description of the matter

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

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

Procedures performed

Our audit procedures included, among others, the following:

- We have analyzed and reviewed the Company's fair value calculation including the significant underlying assumptions and checked whether an adequate valuation model was applied;

- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the latest Board approved business plan;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the data used in the context of the annual impairment test;
- We have analyzed the consistency of the underlying data used in the valuation model and compared these with the data used in the context of a valuation done by an outside valuation expert for purposes of an intended at arm's length transfer of certain assets between group companies;
- We have performed an assessment of the reasonableness of key assumptions, notably probabilities of success, discount rate and long term growth rate;
- We reviewed the completeness and adequacy of the disclosures as included in note 5.19.2 to the consolidated financial statements.

Significant transaction with Celdara Medical and Dartmouth College

Description of the matter

As explained in notes 5.28 and 5.33.3 to the consolidated financial statements, in August 2017, Celyad amended its agreements with Celdara Medical LLC and Dartmouth College related to the CAR-T NK cell drug product candidates and related technology licensed in January 2015 following the acquisition of OnCyte LLC. Under the amended agreements Celyad is to receive an increased share of future revenues generated by these assets, including revenues from its sub-licensees. In return, Celyad paid Celdara Medical LLC and Dartmouth College an upfront payment of $12.5 million (€10.6 million) and issued to Celdara Medical LLC $12.5 million worth of Celyad's ordinary shares at a share price of €32.35.

We consider this area a key audit matter requiring high auditors' attention because of the magnitude of the related amendment fees and their significance to the financial statements.

Procedures performed

Our audit procedures included, among others, the following:

- We have read the new agreements with Celdara Medical LLC and Dartmouth College and held discussions with Celyad management to understand the business purpose of this transaction;
- We have evaluated the transaction in the context of the appropriate accounting standards;
- We have reviewed the accounting entries related to this transaction, including the accounting treatment of the amendment fees and the resulting contribution in kind.

Responsibilities of the board of directors for the consolidated financial statements

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

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

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

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control ;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors ;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern ;
- Evaluate the overall presentation, structure and content of the consolidated financial statements and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation ;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, the supervision and the performance of the Group audit. We assume full responsibility for the auditor's opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

Other statement

- The consolidated financial statements of Celyad S.A. as at December 31, 2016 were audited by another statutory auditor who has expressed an unqualified opinion in his report dated April 4, 2017.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

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

Responsibilities of the statutory auditor

In the context of our mandate and in accordance with the Belgian standard (revised in 2018) that is supplementary to the International Standards on Auditing (ISA) as applicable in Belgium, it is our responsibility to verify, in all material aspects, the management report on the consolidated financial statements and the other information included in the annual report on the consolidated financial statements, as well as to report on these elements.

Aspects related to the management report on the consolidated financial statements and to the other information included in the annual report on the consolidated financial statements

In our opinion, after having performed specific procedures in relation to the management report, the management report is consistent with the consolidated financial statements for the same same financial year, and it is prepared in accordance with article 119 of the Company Code.

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

We do not not express any form of assurance whatsoever on the management report on the consolidated financial statements nor on the other information contained in the annual report on the consolidated financial statements.

Statement concerning independence

- Our audit firm, and our network, did not provide services which are incompatible with the statutory audit of consolidated financial statements, and we remained independent of the Group throughout the course of our mandate.
- The fees related to additional services which are compatible with the statutory audit as referred to in article 134 of the Company Code were duly itemised and valued in the notes to the consolidated financial statements.

Other statement

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

Brussels, April 6, 2018

BDO Réviseurs d'Entreprises Soc. Civ. SCRL

Statutory auditor

Represented by Bert Kegels

4.3 Consolidated financial statements as at 31 December 2017

4.3.1. Consolidated statement of financial position

(€'000)		As at 31 December	
	Notes	2017	2016
NON-CURRENT ASSETS		**41,232**	**53,440**
Intangible assets	0	36,508	49,566
Property, Plant and Equipment	5.7	3,290	3,563
Other non-current assets	5.8	1,434	311
CURRENT ASSETS		**36,394**	**85,367**
Trade and Other Receivables	5.9	233	1,359
Other current assets	5.9	2,255	1,420
Short-term investments	5.10	10,653	34,230
Cash and cash equivalents	5.11	23,253	48,357
TOTAL ASSETS		**77,626**	**138,806**
EQUITY		**47,535**	**90,885**
Share Capital	5.13	34,337	32,571
Share premium	5.13	170,297	158,010
Other reserves	5.21	23,322	24,329
Retained loss		(180,421)	(124,026)
NON-CURRENT LIABILITIES		**22,146**	**36,646**
Bank loans	5.18	326	536
Finance leases	5.18	482	381
Advances repayable	5.16	1,544	7,330
Contingent and other financial liabilities	5.19	19,583	28,179
Post employment benefits	5.15	204	204
Other non-current liabilities		7	16
CURRENT LIABILITIES		**7,945**	**11,275**
Bank loans	5.18	209	207
Finance leases	5.18	427	354
Advances repayable	5.16	226	1,108
Trade payables	5.17	4,800	8,098
Other current liabilities	5.17	2,282	1,508
TOTAL EQUITY AND LIABILITIES		**77,626**	**138,806**

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

4.3.2. Consolidated statement of comprehensive loss

(€'000)		For the year ended 31 December	
	Notes	2017	2016
Revenues	**5.22**	**3,540**	**8,523**
Cost of sales		(515)	(53)
Gross profit		**3,025**	**8,471**
Research and Development expenses	5.23	(22,908)	(27,675)
General administrative expenses	5.24	(9,310)	(9,744)
Net other operating income	5.27	2,590	3,340
Operating Loss before non-recurring items - REBIT		**(26,603)**	**(25,609)**
Amendment of Celdara Medical and Dartmouth College agreements	0	(24,341)	-
Write-off C-Cure and Corquest assets and derecognition of related liabilities	0	(1,932)	-
Operating Loss - EBIT		**(52,876)**	**(25,609)**
Financial income	5.30	933	2,204
Financial expenses	5.30	(4,454)	(207)
Loss before taxes		**(56,396)**	**(23,612)**
Income taxes	5.20	1	6
Loss for the year [1]		**(56,395)**	**(23,606)**
Basic and diluted loss per share (in €)	5.31	(5.86)	(2.53)
Other comprehensive loss			
Items that will not be reclassified to profit and loss		**-**	**(107)**
Remeasurements of post employment benefit obligations, net of tax		-	(107)
Items that may be subsequently reclassified to profit or loss		**(769)**	**277**
Currency translation differences		(769)	277
Other comprehensive income / (loss) for the year, net of tax		**(769)**	**170**
Total comprehensive loss for the year		**(57,164)**	**(23,436)**
Total comprehensive loss for the year attributable to Equity Holders [1]		**(57,164)**	**(23,436)**

[1] For 2017 and 2016, the Group does not have any non-controlling interests and the losses for the year are fully attributable to owners of the parent.

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

4.3.3. Consolidated statement of changes in equity

(€'000)	Share capital (Note 5.13)	Share premium (Note 5.13)	Other reserves (Note 5.21)	Retained loss	Total Equity
Balance as of 1st January 2016	**32,571**	**158,010**	**21,205**	**(100,313)**	**111,473**
Capital increase					-
Exercise of warrants					-
Share-based payments			2,848		2,848
Total transactions with owners, recognized directly in equity	**-**	**-**	**2,848**	**-**	**2,848**
Loss for the year				(23,606)	(23,606)
Currency Translation differences			277		277
Remeasurements of defined benefit obligation				(107)	(107)
Total comprehensive gain/(loss) for the year	-	-	**277**	**(23,713)**	**(23,436)**
Balance as of 31 December 2016	**32,571**	**158,010**	**24,330**	**(124,026)**	**90,885**
Balance as of 1st January 2017	**32,571**	**158,010**	**24,330**	**(124,026)**	**90,885**
Capital increase resulting from Celdara and Dartmouth College agreements amendment	1,141	9,479			10,620
Exercise of warrants	625				625
Share-based payments		2,808	(239)		2,569
Total transactions with owners, recognized directly in equity	**1,766**	**12,287**	**(239)**		**13,814**
Loss for the year				(56,395)	(56,395)
Currency Translation differences			(769)		(769)
Total comprehensive gain/(loss) for the year	-	-	**(769)**	**(56,395)**	**(57,164)**
Balance as of 31 December 2017	**34,337**	**170,297**	**23,322**	**(180,421)**	**47,535**

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

4.3.4. Consolidated statement of Cash flows

(€'000)	Notes	For the year ended 31 December	
		2017	2016
Cash Flow from operating activities			
Net Loss for the year	4.3.2	(56,395)	(23,606)
Cash expense for amendment of Celdara Medical and Dartmouth College agreements	0	13,276	-
Non-cash adjustments			
Intangibles - Amortisation & Impairment	0	8,038	756
PP&E - Depreciation	5.7	966	760
Non-Cash expense for amendment of Celdara Medical and Dartmouth College agreements	0	10,620	
Post Employment Benefit	5.15	-	(24)
Change in fair value of Contingent consideration and other financial liabilities	5.19	(193)	1,633
Remeasurement of RCA's	5.18	(5,356)	(2,154)
RCA's and Grants income	5.27	(1,376)	(3,003)
Currency Translation Adjustment		-	(144)
Non-cash employee benefits expense – share based payments	5.14	2,569	2,847
Change in working capital			
Trade receivables, other receivables, other non-current assets		(832)	(1,018)
Trade payables, other payable and accruals		(2,482)	(740)
Net cash used in operations, before non-recurring items		**(31,165)**	**(24,692)**
Cash expense for amendment of Celdara Medical and Dartmouth College agreements	0	(13,276)	-
Net cash used in operations		**(44,441)**	**(24,692)**
Cash Flow from investing activities			
Acquisitions of Property, Plant & Equipment	5.7	(851)	(1,687)
Acquisitions of Intangible assets	0	(7)	(95)
Disposals of fixed assets	5.7	-	78
Contingent liability pay out	5.19.2	(5,107)	
Acquisition of short term investments	5.10	(10,749)	(34,230)
Proceeds from short term investments	5.10	34,326	7,338
Acquisition of BMS SA	5.12	-	(1,560)
Net cash from/(used in) investing activities		**17,613**	**(30,157)**
Cash Flow from financing activities			
Proceeds from finance leases and bank borrowings	5.18	543	1,165
Repayments of finance leases and bank borrowings	5.18	(576)	(399)
Proceeds from issuance of shares and exercise of warrants	5.13	625	-
Proceeds from RCAs & other grants	5.18	1,376	3,107
Repayment of advances	5.18	(1,364)	(842)
Net cash from/(used in) financing activities		**605**	**3,031**
Net cash and cash equivalents at beginning of the period		**48,357**	**100,174**
Change in Cash and cash equivalents	5.11	(26,224)	(51,818)
Effects of exchange rate changes on cash and cash equivalents		1,120	-
Net cash and cash equivalents at the end of the period		**23,253**	**48,357**

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

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 company focused on the development of specialized CAR-T cell-based therapies. Celyad utilizes its expertise in cell engineering to target cancer. Celyad's Natural Killer Receptor based T-Cell (CAR-T) platform has the potential to treat a broad range of solid and hematologic tumors.

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 Euronext Brussels and Euronext Paris regulated markets and the Company's ADS are listed on the NASDAQ Global Market under the ticker symbol CYAD.

The group has four fully owned subsidiaries of which Biological Manufacturing Services SA is located in Belgium, and Celyad Inc, Corquest Medical Inc and OnCyte LLC in the United Sates.

These consolidated financial statements of Celyad for the twelve months ended 31 December 2017 (the 'Period') include Celyad SA and its subsidiaries. These statements were approved by the Board of Directors on 5 April 2018. These statements were audited by BDO Réviseurs d'entreprises 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, except for :

- Financial instruments – Fair value through profit or loss
- Contingent consideration and other financial liabilities
- Post-employment benefits liability

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

Statement of compliance

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

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

Going concern

The Group is pursuing a strategy to develop therapies to treat unmet medical needs in oncology. Management has prepared detailed budgets and cash flow forecasts for the years 2018 and 2019. 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 2017 (including short term investments) is sufficient to cover its cash requirements at least until the end of the first quarter of 2019. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the continuity of the Group's business over the next 12 months from balance sheet date, and hence it is appropriate to prepare the financial statements on a going concern basis.

Changes to accounting standards and interpretations

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 January 2017 that had a significant effect on the Group's financial statements, although an amendment to IAS 7 'Statement of Cash Flows' has resulted in a reconciliation of liabilities from financing activities disclosed for the first time in note 5.18.2.

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued by the IASB and/or the IFRIC, but which are not yet effective as per December 31, 2017 and/or net yet adopted by the European Union as per December 31, 2017:

✓ IFRS 9 Financial Instruments (effective for annual periods beginning on or after 1 January 2018) is the standard issued as part of a wider project to replace IAS 39. IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held; defines a new expected-loss impairment model that will require more timely recognition of expected credit losses; and introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new hedge accounting model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities. IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value.

- Regarding the classification and measurement of financial assets, the impact is limited since the Group does not hold equity or debt investments.
- Likewise, the impact in the Group of the new guidance on impairment of financial assets is very limited considering the nature of financial assets held and specifically the current low amount of trade receivables.
- The Group does not currently apply hedge accounting.
- There are no substantial changes to the measurement of financial liabilities under the new guidance.

Considering all the above and the characteristics of the financial instruments held by the Company, management has analyzed the potential implications of the adoption of this standard and has concluded that it will not significantly affect its future consolidated financial statements.

✓ IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018). The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

For the years presented, the most significant revenue sources of the Company were the license agreements with Novartis and ONO Pharmaceuticals. Management has analyzed the contracts using the guidance under the new standard and has concluded that the adoption of IFRS 15 will not materially impact the consolidated financial statements to be issued in 2018. In this respect, the licensing revenue relating to Novartis and ONO agreements which will be reported for the years 2017 and 2016, has been concluded by management as follows:

- in accordance with 'Licensing' Application Guidance set forth in IFRS 15 - Appendix B, para. B52 until B63: it shall not be subject to any recognition restatement, as both license agreements concluded by the company to date qualify as 'right-to-use' licenses;
- in order to comply with the 'Principal vs. Agent' guidance set forth in IFRS 15 Appendix B, para. B34 until B38: it shall be grossed up for an amount of €1.5 million for the financial year ending 31 December 2016, with the same counterpart in 'cost of licensing' (expense).

IFRS 15 implementation shall thus have no impact on the gross margin previously reported under IAS 18, it shall have a limited presentation impact for the year 2016 only, as summarized in the table below:

€'000	2017 IFRS 15	Restatement	2017 IAS 18	2016 IFRS 15	Restatement	2016 IAS 18
Licensing revenue				9,929	1,489	8,440
Cost of licensing	(515)	0	(515)	(1,489)	(1,489)	0
Net Revenue from licensing	3,025	0	3,025	8,440	0	8,440

✓ IFRS 16 Leases (effective for annual periods beginning on or after 1 January 2019) replaces the existing lease accounting requirements and, in particular, represents a significant change in the accounting and reporting of leases that were previously classified as 'operating leases' under IAS 17, with more assets and liabilities to be reported on the balance sheet and a different recognition of lease costs.

The Group has identified its lease contracts and is currently in the process of capturing the relevant data needed under the new standard, in order to analyze the impact of adopting IFRS 16. The Company had total contractual obligations for operating leases of €3.8 million as at 31 December 2017 (€3.4 million as at 31 December 2016). The Company has not yet decided on the transition approach to be used.

Other Standards, Interpretations and Amendments to Standards: a number of other amendments to standards are effective for annual periods beginning after 1st January 2017, and have not been listed above because of either their non-applicability to or their immateriality to the Group's consolidated financial statements.

5.2.2 Consolidation

Subsidiaries

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

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

Business Combinations

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

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

Acquisition-related costs are expensed as incurred.

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

5.2.3 Foreign currency translation

Functional and presentation currency

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

Transactions and balances

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

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

5.2.4 Revenue

So far, the revenue generated by the Group relate to either the sale of licenses or the sale of medical devices.

Licensing revenue

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

Upfront payments

Licence fees representing non-refundable payments received at the time of signature of licence agreements are recognized as revenue upon signature of the licence agreements when the Company has no significant future performance obligations and collectibility of the fees is assured.

Milestone payments

Milestone payments represent amounts received from our customers or collaborators, the receipt of which is dependent upon the achievement of certain scientific, regulatory, or commercial milestones. We recognize milestone payments when the triggering event has occurred, there are no further contingencies or services to be provided with respect to that event, and the co-contracting party has no right to require refund of payment. The triggering event may be scientific results achieved by us or another party to the arrangement, regulatory approvals, or the marketing of products developed under the arrangement.

Royalty revenue

Royalty revenues arise from our contractual entitlement to receive a percentage of product sales achieved by co-contracting parties. As we have no products approved for sale, we have not received any royalty revenue to date. Royalty revenues, if earned, will be recognized on an accrual basis in accordance with the terms of the collaboration agreement when sales can be determined reliably and there is reasonable assurance that the receivables from outstanding royalties will be collected.

Sales of goods (medical devices)

Sales of medical devices are recognized when Celyad has transferred to the buyer the significant risks and rewards incidental to the ownership of the goods. Sales of medical devices generated by the Group until 2017 are associated with C-Cathez, its proprietary catheter.

5.2.5 Government Grants (Other operating income)

The Group's current other operating income is generated from (i) government grants received from the European Commission under the Seventh Framework Program ("FP7") 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.

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. In accordance with IAS 20.10A and IFRS Interpretations Committee (IC)'s conclusion that contingently repayable cash received from a government to finance a research and development (R&D) project is a financial liability under IAS 32, 'Financial instruments; Presentation', the RCAs are initially recognised as a financial liability at fair value, determined as per IFRS 9/IAS 39.

The benefit (RCA grant component) consisting in the difference between the cash received (RCA proceeds) and the above-mentioned financial liability's fair value (RCA liability component) is treated as a government grant in accordance with IAS 20.

The RCA grant component is recognized in profit or loss on a systematic basis over the periods in which the entity recognizes the underlying R&D expenses subsidized by the RCA.

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

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

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

R&D Tax credits

Since 2013, the Company applies for R&D tax credit, a tax incentive measure for European SME's set-up by the Belgian federal government. When capitalizing its R&D expenses under tax reporting framework, the Company may either i) get a reduction of its taxable income (at current income tax rate applicable, ie. 33.99% in Celyad's case) ; or ii) if no sufficient taxable income available, get a cash settlement of the tax incentive stand-alone, calculated on the amounts capitalized. Such settlement occurs at the earliest 5 financial years after the tax credit application filed by the Company.

Considering that R&D tax credits are ultimately paid by the public authorities, the related benefit is treated as a government grant under IAS 20 and booked into other operating income, in order to match the R&D expenses subsidized by the grant. See note 5.27.

Other government grants

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

To date, all grants received are not associated 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.

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

5.2.6 Intangible assets

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

Separately acquired intangible assets

Intangible assets acquired from third parties are recognised at cost, if and only if it is probable that future economic benefits associated with the asset will flow to the Group, and that the cost can be measured reliably. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. The useful life of intangible assets is assessed as finite, except for Goodwill and IPRD assets (discussed below). 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 in the expense category consistent with the function of the intangible asset.

Patents, Licences and Trademarks

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 amortized over the period corresponding to the IP protection and are assessed for impairment whenever there is an indication these assets may be impaired. Indication of impairment is related to the value of the patent demonstrated by the 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 to five years on a straight-line basis.

Intangible assets acquired in a business combination

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 not amortized but tested for impairment at least annually or more frequently whenever events or changes in circumstances indicate that goodwill may be impaired, as set forth in IAS 36 (Impairment of Assets).

Goodwill arising from business combinations is allocated to cash generating units, which are expected to receive future economic benefits from synergies that are most likely to arise from the acquisition. These cash generating units form the basis of any future assessment of impairment of the carrying value of the acquired goodwill.

In process research and development costs

The In-process research and development costs ("IPRD") acquired as part of a business combination are capitalized as an indefinite-lived intangible asset until project has been completed or abandoned. In a business combination, IPRD is measured at fair value at the date of acquisition. Subsequent to initial recognition, it is reported at cost and is subject to annual impairment testing until the date the projects are available for use. At this moment, the IPRD will be amortized over its remaining useful economic life.

Subsequent R&D expenditure can be capitalized as part of the IPRD only to the extent that IPRD is in development stage, i.e. when such expenditure meets the recognition criteria of IAS 38. In line with biotech industry practice, Celyad determines that 'development stage' under IAS 38 is reached when the product candidate gets regulatory approval (upon Phase III completion). Therefore, any R&D expenditure incurred between the acquisition date and the development stage should be treated as part of research phase and expensed periodically in the income statement.

Internally generated intangible assets

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

Research and development costs

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

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

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

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated 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, or earlier when an impairment indicator occurs. As of balance sheet date, only the development costs of C-Cathez have been capitalized and amortized over a period of 17 years which corresponds to the period over which the intellectual property is protected.

5.2.7 Property, plant and equipment

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

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

- ✓ Land and buildings: 15 to 20 years
- ✓ Plant and equipment: 5 to 15 years
- ✓ Laboratory equipment: 3 to 5 years
- ✓ Office furniture: 3 to 10 years
- ✓ Leasehold improvements: 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used based on the discounted cash-flow model. For intangible assets under development (like IPRD), only the fair value less costs to sell reference is allowed in the impairment testing process.

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

An assessment is made at each reporting date as to whether there is any indication that previously 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. An impairment loss recognised on goodwill is however not reversed in a subsequent period.

As of balance sheet date, 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 CAR-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. Cash and cash equivalents are carried in the balance sheet at nominal value.

5.2.11 Financial assets

5.2.11.1 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 and other financial liabilities payable assumed in the context of acquisitions. 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. 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 5.19.2.

Recoverable Cash advances

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

Trade payables and other payables

After initial recognition, trade payables and other payables are measured at 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.

5.2.13.1 Employee benefits

Post-employment plan

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

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

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

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

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

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

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

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

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

Short term benefits

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

The undiscounted amount of the benefits expected to be paid in respect of 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 which are "equity-settled".

Measurement

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

Recognition

The cost of equity-settled share-based payments is recorded as an expense, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense 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 estimate of warrants to vest is revised at each reporting date. The change in estimates will be recorded as an expense with a corresponding correction in equity.

The expense or credit for a period accounted for in the income statement represents the movement in cumulative expense 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.

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

Cancellation

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

5.2.14 Income Taxes

Tax is 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 outstanding bank 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 international reputable commercial banks and financial institutions.

Foreign exchange risk

The Group is exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. Moreover, the Group has also investments in foreign operations, whose net assets are exposed to foreign currency translation risk (USD). So far, the Group did not enter into any currency hedging arrangements.

End of 2017, the foreign exchange risk exposure lied on the cash and short-term deposits denominated in USD.

EUR/USD	+2%	+1%	-1%	-2%
Unrealized foreign (loss) gain	-€660k	-€330k	+€330k	+€660k

A depreciation of 1% on the USD versus EUR would translate into a unrealized foreign exchange loss of €330k for 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, as we are required to make exploitation decisions.

We refer to note 5.18 for an analysis of the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Capital management

The Group's objectives when managing capital are to safeguard Celyad' 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.

Going Concern

When assessing going concern, the company's Board of directors considers mainly the following factors:

- ✓ the treasury available at balance sheet date
- ✓ the cash burn projected in accordance with approved budget for next 12-month period as from the date of the balance sheet

Recoverable Cash Advances received from the Walloon Region

As explained in note 5.2.5, accounting for RCAs requires initial recognition of the fair value of the loan received to determine the benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan and the proceeds received. Loans granted to entities in their early stages of operations, for which there is significant uncertainty about whether any income will ultimately be generated and for which any income which will be generated will not arise until a number of years in the future, normally have high interest rates. Judgment is required to determine a rate which may apply to a loan granted on an open market basis.

In accordance with the RCA agreements, the following two components are assessed when calculating estimated future cash flows:

- 30% of the initial RCA, which is repayable when the company exploits the outcome of the research financed; and
- a remaining amount, which is repayable based on a royalty percentage of future sales milestones.

After initial recognition, RCA liabilities are measured at amortized cost using the cumulative catch up method requiring management to regularly revise its estimates of payments and to adjust the carrying amount of the financial liability to reflect actual and revised estimated cash flows.

Measurement and impairment of non-financial assets

With the exception of goodwill and certain intangible assets for which an annual impairment test is required, the Group is required to conduct impairment tests where there is an indication of impairment of an asset. Measuring the fair value of a non-financial assets requires judgement and estimates by management. These estimates could change substantially over time as new facts emerge or new strategies are taken by the Group. Further details are contained in note 5.6.2.

Business combinations

In respect of acquired businesses by the Group, significant judgement is made to determine whether these acquisitions are to be considered as an asset deal or as a business combination. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant. Moreover, managerial judgement is particularly involved in the recognition and fair value measurement of the acquired assets, liabilities, contingent liabilities and contingent consideration. In making this assessment management considers the underlying economic substance of the items concerned in addition to the contractual terms.

Contingent consideration provisions

The Group records a liability for the estimated fair value of contingent consideration arising from business combinations. 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 5.20.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 5.14.

5.5 Operating segment information

The chief operating decision-maker ("CODM"), who is responsible for allocating resources and assessing performance of the Group, has been identified as the Board of Directors that makes strategic decisions. Since 2015, the group is reporting 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 and in the US, no geographical financial information is currently available given the fact that the core operations are currently still in a study phase. No disaggregated information on product level or geographical level or any other level is currently existing and hence also not considered by the Board for assessing performance or allocating resources.

CODM is not reviewing assets by segments, hence no segment information per assets is disclosed. As per 31 December 2017, all of the Group non-current assets are located in Belgium, except (i) the goodwill and IPRD of Oncyte also located in the US and (ii) the leasehold improvements made in the offices of Celyad Inc located in Boston, USA.

In August 2016, the Group has received a non-refundable upfront payment as a result of the ONO agreement. This upfront payment has been fully recognised upon receipt as there are no performance obligations nor subsequent deliverables associated to the payment. The non-refundable upfront payment was rather received as a consideration for the sale of licence to ONO. In 2016, the total revenue generated through sales of C-Cathez was € 0.1 million. All revenues generated relate to sales of C-Cathez to a limited number of customers located in the US.

€ '000	For the year ended 2016			
	Cardiology	Immuno-oncology	Corporate	**Group Total**
Revenues	84	8,440		8,523
Cost of Sales	(53)			(53)
Gross Profit	**31**	**8,440**	**-**	**8,471**
Research & Development expenses	(12,704)	(14,971)		**(27,675)**
General & Administrative expenses	-	-	(9,744)	**(9,744)**
Other operating Income & Charges	1,540	1,800		**3,340**
Operating Profit (Loss)	**(11,133)**	**(4,731)**	**(9,744)**	**(25,609)**
Net Financial Charges	-	-	1,997	1,997
Profit (Loss) before taxes	**(11,133)**	**(4,731)**	**(7,747)**	**(23,612)**
Income Taxes	-	-	6	6
Profit (Loss) for the year 2016	**(11,133)**	**(4,731)**	**(7,742)**	**(23,606)**

In 2017, there were some important one-time non-recurrent items impacting significantly the consolidated income statement. The Board decided to isolate these non-recurrent items in the presentation of the consolidated income statement.

€ '000	For the year ended 2017

	Cardiology	Immuno-oncology	Corporate	**Group Total**
Revenues	35	3,505		3,540
Cost of Sales		(515)		(515)
Gross Profit	**35**	**2,990**	**-**	**3,025**
Research & Development expenses	(2,881)	(20,027)	-	(22,908)
General & Administrative expenses	-	-	(9,310)	(9,310)
Other operating Income & Charges	1,070	151	1,370	2,590
Recurring operating profit (Loss) - REBIT	**(1,776)**	**(16,886)**	**(7,940)**	**(26,603)**
Non-recurring operating (expenses)/income	(1,932)	-	(24,341)	(26,273)
Operating Profit (Loss) - EBIT	**(3,708)**	**(16,886)**	**(32,281)**	**(52,876)**
Net Financial Charges	-	-	(3,518)	(3,518)
Profit (Loss) before taxes	**(3,708)**	**(16,886)**	**(35,799)**	**(56,396)**
Income Taxes	-	-	1	1
Profit (Loss) for the year 2017	**(3,708)**	**(16,886)**	**(35,798)**	**(56,395)**

5.6 Intangible assets

5.6.1 Intangible assets details and balance roll forward

The change in intangible assets is broken down as follows, per class of assets:

(€'000)	Goodwill	In-process research and development	Development costs	Patents, licences, trademarks	Software	Total
Cost:						
At 1 January 2016	**1,003**	**38,254**	**1,084**	**13,337**	**107**	**53,785**
Additions	-	-	-	-	95	95
Currency translation adjustments	37	1,401	-	-	-	1,438
Divestiture	-	-	-	-	-	-
At 31 December 2016	**1,040**	**39,655**	**1,084**	**13,337**	**203**	**55,318**
Additions	-	-	-	-		-
Currency translation adjustments	(126)	(4,801)	-	-	3	(4,924)
Divestiture	-	-	-	-	(93)	(93)
At 31 December 2017	**914**	**34,854**	**1,084**	**13,337**	**111**	**50,301**
Accumulated amortisation						
At 1 January 2016			**(212)**	**(4,698)**	**(85)**	**(4,995)**
Amortisation charge	-	-	(66)	(675)	(15)	(756)
At 31 December 2016	**-**	**-**	**(279)**	**(5,373)**	**(100)**	**(5,752)**
Amortisation charge	-	-	(66)	(675)	(7)	(748)
Divestiture	-	-	-	-	(3)	(3)
Impairment (non-recurring loss)	-	-	-	(7,289)		(7,289)
At 31 December 2017	**-**	**-**	**(345)**	**(13,337)**	**(110)**	**(13,792)**
Net book value						
Cost	1,040	39,655	1,084	13,337	203	55,318
Accumulated amortisation	-	-	(279)	(5,373)	(100)	(5,752)
At 31 December 2016	**1,040**	**39,655**	**805**	**7,964**	**103**	**49,566**
Cost	914	34,854	1,084	13,337	111	50,300
Accumulated amortisation	-	-	(345)	(13,337)	(110)	(13,792)
At 31 December 2017	**914**	**34,854**	**739**	**-**	**1**	**36,508**

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 amortized over the estimate residual intellectual property protection as of the CE marking (14 and 15 years respectively in 2015 and 2014). No other development costs have been capitalised up till now. All C-Cure and CYAD-01 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. Software is amortized over a period of 3 to 5 years.

Goodwill, In-process R&DPatents, Licenses and Trademarks relate to the following items:

- Goodwill and In-process research and development resulted from the purchase price allocation exercise performed for the acquisition of Oncyte LLC in 2015. As of balance sheet date, Goodwill and In-Process Research and Development are not amortized but tested for impairment.

- A licence, granted in August 2007 by Mayo Clinic (for an amount of €9.5 million) upon the Group's inception and an extension to the licensed field of use, granted on 29 October 2010 for a total amount of €2.3 million. The licence and its extension were amortised straight line over a period of 20 years, in accordance with the license term. A €6.0 million impairment loss has been recognised on the remaining net book value for the year ended 31 December 2017.

- Patents acquired upon the acquisition of CorQuest LLC in November 2014. The fair value of these intellectual rights was then determined to be €1.5 million. These patents were amortised over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012. A €1.2 million impairment loss has been recognised on the remaining net book value for the year ended 31 December 2017.

5.6.2 Impairment testing

Impairment testing is detailed below.

Oncyte LLC goodwill and IPRD impairment test

Goodwill and In-process research and development (IPRD) exclusively relate to the acquisition of Oncyte LLC which was acquired in 2015. Management performs annual impairment test on goodwill and on 'indefinite lived asset' that are not amortized in accordance with the accounting policies stated in notes 5.2.6 and 5.2.9. The impairment test has been performed at the level the immune-oncology segment corresponding to the CGU to which the goodwill and the IPRD belong. The recoverable amount has been calculated based on a fair value less costs to sell model, which require the use of assumptions. The calculations use cash flow projections based on 12-year period business plan based on probability of success of the CYAD-01 product candidate as well as extrapolations of projected cash flows resulting from the future expected sales associated with CYAD-01 and license revenue from our allogeneic platform. CGU recoverable value, determined accordingly, exceeds its carrying amount. Accordingly, no impairment loss was recognized neither on goodwill nor on the IPRD intangible assets at balance sheet date.

Management's key assumptions about projected cash flows when determining fair value less costs to sell are as follows:

- Discount rate (WACC) — 14.5%, in line with industry standard for biotechnological companies and WACC used by Equity Research companies following the Group

- Sales revenue growth in the Terminal Value — a decline of 15% of the estimated product revenue has been considered in the Terminal Value (for infinite extrapolation purposes)

- Probabilities of Success (PoS) — based on Clinical Development Success Rates observed for the period 2006-2015 determined by independent business intelligence consulting companies for hematologic and solid oncological diseases. Probability of our product candidates getting on the market were used as follows:

PoS	Phase I to II	Phase II to III	Phase III to NDA/BLA	NDA/BLA to Approval	Cumulative PoS
Hem	62%	29%	53%	86%	**8.1%**
Solid	64%	23%	34%	80%	**4%**

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. The following table presents the sensitivity analyses of the recoverable amount of the CGU associated to Oncyte LLC:

Sensitivity analysis		**Discount rate (WACC)**		
Terminal Revenue Growth rate	**Impact on model value**	**14.5%**	**15.25%**	**16.0%**
	-25%	-21%	-30%	-38%

	-20%	-18%	-28%	-37%
	-15%	Model Reference	-25%	-34%

Even at the lower terminal revenue growth and higher discount rate, the recoverable value of the CGU exceeded its carrying amount at balance sheet date.

C-Cure and Corquest impairment test

Pursuant to the strategic decision of the Board to focus all the efforts of the Group on the development of the immuno-oncology platform and the lack of strategic business development opportunities identified for the C-Cure (Mayo Licenses) and HeartXs assets (Corquest patents), intangible assets related to C-Cure and Heart-Xs have been fully impaired (and associated liabilities derecognized) as of 31 December 2017, resulting in the recognition of non-recurring expenses of respectively €0.7 million and €1.2 million. The recoverable amount of these CGU is assessed to be zero, which explained a 100% impairment expense as at December 31, 2017

5.7 Property, plant and equipment

(€'000)	Equipment	Furnitures	Leasehold	Total
Cost:				
At 1 January 2016	**2,375**	**150**	**915**	**3,440**
Additions	610	315	2,066	2,990
Acquisition of BMS SA	1,065			1,065
Disposals	(51)		(34)	(85)
At 31 December 2016	**3,999**	**465**	**2,947**	**7,410**
Additions	823		129	952
Disposals	(281)	(9)	(9)	(299)
Currency translation adjustments	(3)	(11)	(8)	(23)
At 31 December 2017	**4,537**	**445**	**3,059**	**8,041**
Accumulated depreciation:				
At 1 January 2016	**(1,589)**	**(150)**	**(565)**	**(2,304)**
Depreciation charge (note 5.25)	(380)	(33)	(347)	(760)
Acquisition of BMS SA	(790)	-	-	(790)
Disposals	7	-	-	7
At 31 December 2016	**(2,752)**	**(184)**	**(912)**	**(3,847)**
Depreciation charge (note 5.25)	(424)	(56)	(486)	(966)
Disposals	50	9	2	61
Currency translation adjustments	1	1		2
At 31 December 2017	**(3,126)**	**(229)**	**(1,395)**	**(4,750)**
Net book value				
Cost	3,999	465	2,947	7,410
Accumulated depreciation	(2,752)	(184)	(912)	(3,847)
At 31 December 2016	**1,246**	**281**	**2,035**	**3,563**
Cost	4,537	445	3,059	8,041
Accumulated depreciation	(3,126)	(229)	(1,395)	(4,750)
At 31 December 2017	**1,412**	**215**	**1,664**	**3,290**

Property, Plant and Equipment is mainly composed of office furniture, leasehold improvements, and laboratory equipment.

The prior year's acquisition of BMS was accounted for as an asset deal. The fair value of the assets acquired is concentrated in one identifiable asset, i.e. the GMP laboratories. The difference between the purchase price and the net assets of BMS at the date of acquisition is then allocated entirely to the Property, Plant and Equipment.

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 a bargain option to purchase the leased asset at the end of the three-year-lease term.

The total of future minimum lease payments at the end of the reporting period, and their present value reported on the balance sheet, are similar amounts.

5.8 Non current financial assets

(€'000)	As of 31 December	
	2017	**2016**
Deposits	273	311
R&D Tax credit receivable	1,161	
Total	**1,434**	**311**

The non-current financial assets are composed of security deposits paid to the lessors of the building leased by the Group and to the Social Security administration. In 2017, the Company recognized also for the first time a receivable on the amounts to collect from the federal government as R&D tax credit (€1.2 million). The R&D tax credit receivable was previously considered subject to high uncertainty. The management estimate was updated at year-end 2017 based on the expected cash inflows as from the year 2020.

5.9 Trade receivables, advances and other current assets

(€'000)	As of 31 December	
	2017	**2016**
Trade receivables	64	54
Advance deposits	152	663
Other trade receivables	17	643
Total Trade and Other receivables	**233**	**1,359**
Prepaid expenses	744	615
VAT receivable	391	393
Income and other tax receivables	1,120	413
Total Other current assets	**2,255**	**1,420**

Impairment of receivables is assessed on an individual basis at the end of each accounting year.

At balance sheet date, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currencies and no impairments were recorded.

At 31 December 2017, income tax receivables include an open balance for two fiscal years (2017 and 2016), while only one (2016) at 31 December 2016. As of 31 December 2016, other trade receivables mainly relate to credit notes to be received from suppliers and advance deposits made to the THINK trial clinical vendors.

5.10 Short term investments

(€'000)	As of 31 December	
	2017	**2016**
Short term investments	10,653	34,230
Total	**10,653**	**34,230**

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 (from 1 to 12 months) depending on the short-term cash requirements of the Group. Interest is calculated at the respective short-term deposit rates.

5.11 Cash and cash equivalents

(€'000)	As of 31 December	
	2017	**2016**
Cash at bank and on hand	23,253	48,357
Total	**23,253**	**48,357**

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-2 and A+ based on Standard and Poor's rating at 31 December 2017.

5.12 Subsidiaries fully consolidated

The consolidation scope of Celyad Group is as follows, for both current and comparative years presented in these year-end financial statements :

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Celyad Inc	USA	Biopharma	100%	100%	0%
Oncyte LLC	USA	Biopharma	100%	100%	0%
CorQuest Inc	USA	Medical Device	100%	100%	0%
Biological Manufacturing Services SA	Belgium	GMP laboratories	100%	100%	0%

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

Cardio3 Inc was incorporated in 2011 to support clinical and regulatory activities of the Group in the US. Cardio3 Inc was renamed in Celyad Inc in 2015. The growth of the activities of Celyad Inc is associated to the development of the US clinical and regulatory activities of the Group in the US. Celyad Inc shows a net loss for the year ended 31 December 2017 and 31 December 2016 of respectively $1,975K and $2,634K.

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, as disclosed in our previous annual reports. OnCyte LLC has been liquidated in March 2018.

5.13 Share Capital

The number of shares issued is expressed in units.

	As of 31 December	
	2017	2016
Total number of issued and outstanding shares	9,867,844	9,313,603
Total share capital (€'000)	34,337	32,571

As of 31 December 2017, the share capital amounts to €34,337k represented by 9,867,844 fully authorized and subscribed and paid-up shares with a nominal value of €3.48 per share. This number does not include warrants issued by the 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.

Over 2017 the capital of the Company was also increased by way of exercise of Company warrants. Over four different exercise periods, 225,966 warrants were exercised resulting in the issuance of 225,966 new shares. The capital of the Company was therefore increased by €625k.

In August 2017, pursuant to the amendment of the agreements with Celdara Medical LLC and Dartmouth College, the CAR-T technology inventors, the capital of the Company was increased by way of contribution in kind of a liability owed to Celdara Medical LLC. 328,275 new shares were issued at a price of €32.35 (being Celyad share's average market price for the 30 days preceeding the transaction) and the capital and the share premium of the Company were therefore increased respectively by €1,141k and €9,479k without this had an impact on the cash and cash equivalents, explaining why such transaction is not disclosed in the consolidated statement of cashflows...

As of 31 December 2017 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 (Celdara Medical LLC)	93,087	37.08
Ordinary shares	7 February 2015	Exercice 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	Exercice 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	Exercice of warrant issued in May 2010	666	22.44
Ordinary shares	4 August 2015	Exercice of warrant issued in October 2010	5,250	35.36
Ordinary shares	1 february 2017	Exercice of warrant issued in May 2013	207,250	2.64
Ordinary shares	2 May 2017	Exercice of warrant issued in May 2013	4,900	2.64
Ordinary shares	1 August 2017	Exercice of warrant issued in May 2013	7,950	2.64
Ordinary shares	23 August 2017	Contribution in kind (Celdara Medical LLC)	328,275	32.35
Ordinary shares	9 November 2017	Exercice of warrant issued in May 2013	5,000	2.64
Ordinary shares	9 November 2017	Exercice of warrant issued in October 2010	866	35.36

(€000)

Date	Nature of the transactions	Share Capital	Share premium	Number of shares	Nominal value
	Balance as of January 1st, 2016	**32,571**	**158,010**	**9,313,603**	**205,233**
	Balance as of December 31, 2016	**32,571**	**158,010**	**9,313,603**	**205,233**
	Issue of shares related to exercise of warrants	625	-	225,966	625
	Capital increase resulting from Celdara and Dartmouth College agreements amendment	1,141	9,479	328,275	10,620
	Balance as of December 31, 2017	**34,337**	**167,489**	**9,867,844**	**216,478**

The total number of shares issued and outstanding as of 31 December 2017 totals 9,867,844 and are ordinary common shares.

5.14 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:

	2017		2016	
	Weighted average exercise price (in €)	Number of warrants	Weighted average exercise price (in €)	Number of warrants
Outstanding as of 1 January	**20.92**	**571,444**	**11.61**	**319,330**
Granted	30,37	367,100	33.10	343,550
Forfeited	28.50	31,817	34.20	91,436
Exercised	2.77	225,966	-	-
Expired	22.44	5,799	-	-
At 31 December	**31.76**	**674,962**	**20.92**	**571,444**

There were 225,966 warrants exercised in 2017, of which 866 warrants issued in October 2010 and 225,100 warrants issued in May 2013.

Warrants outstanding at the end of the year have the following expiry date and exercise price:

Warrant plan issuance date	Vesting date	Expiry date	Number of warrants outstanding as of 31 December, 2017	Number of warrants outstanding as of 31 December, 2016	Exercise price per share
05 May 2010 (warrants B)	05 May 2010	05 May 2016	-	5,000	35.36
05 May 2010 (warrants C)	05 May 2013	05 May 2016	-	799	22.44
29 Oct 2010	29 Oct 2013	31 Oct 2020	766	1,632	35.36
06 May 2013	06 May 2016	06 May 2023	7,000	232,100	2.64
05 May 2014	05 May 2017	05 May 2024	60,697	62,864	36.66
05 November 2015	05 November 2018	05 Nov 2025	253,065	269,049	32.86
08 December 2016	08 December 2019	08 Dec 2021	45,000	-	
29 June 2017	29 June 2020	31 July 2022	308,434	-	
			674,962	**571,444**	

Warrants issued on 29 October 2010

At the Extraordinary Shareholders Meeting of 29 October 2010, a plan of 79,500 warrants was approved. Warrants were offered to Company's employees, non-employees and directors. Out of the 79,500 warrants offered, 61,050 warrants were accepted by the beneficiaries and 766 warrants are outstanding on the date hereof.

The 61,050 warrants were vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2014. The exercise price amounts to €35.36. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on 6 May 2013

At the Extraordinary Shareholders Meeting of 6 May 2013, a plan of 266,241 warrants was approved. Warrants were offered to Company's employees and management team. Out of the 266,241 warrants offered, 253,150 warrants were accepted by the beneficiaries and 7,000 warrants are outstanding on the date hereof.

The 253,150 warrants were vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2017. The exercise price amounts to €2.64. Warrants not exercised within 10 years after issue become null and void.

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 60,697 warrants are outstanding on the date hereof.

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

Warrants issued on 5 November 2015

At the Extraordinary Shareholders Meeting of 5 November 2015, a plan of 466,000 warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in five different tranches. Out of the warrants offered, 343,550 warrants were accepted by the beneficiaries and 253,065 warrants are outstanding on the date hereof.

Theses warrants vest in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on 1 January 2019. The exercise price of the different tranches ranges from €15.90 to €34.65. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on 8 December 2016

On 8 December 2016, the Board of Directors issued a new plan of 100,000 warrants. An equivalent number of warrants were cancelled from the remaining pool of warrants of the plan of 5 November 2015. Warrants were offered to Company's new comers (employees and non-employees) in two different tranches. Out of the warrants offered, 45,000 warrants were accepted by the beneficiaries and 45,000 warrants are outstanding on the date hereof.

Theses warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on 1 January 2020. The exercise price of the different tranches ranges from €17.60 to €36.81. Warrants not exercised within 5 years after issue become null and void.

Warrants issued on 29 June 2017

At the Extraordinary Shareholders Meeting of 29 June 2017, a plan of 520,000 warrants was approved. Warrants were offered in different tranches to beneficiaries (employees, non-employees and directors). Out of the warrants offered, 312,100 warrants were accepted by the beneficiaries and 308,434 warrants are outstanding on the date hereof.

Theses warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of issuance. The warrants that are vested can only be exercised as from the end of the third calendar year following the issuance date, thus starting on 1 January 2021. The exercise price of the different tranches ranges from €31.34 to €47.22. Warrants not exercised within 5 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				
	29 October 2010	31 January 2013	6 May 2013	5 May 2014	5 November 2015
Number of warrants issued	79,500	140,000	266,241	100,000	466,000
Number of warrants granted	61,050	120,000	253,150	94,400	343,550
Number of warrants not fully vested as of 31 December 2017	-	-	-	29,799	263,065
Average exercise price (in €)	35.36	4.52	2.64	35.79	32.63
Expected share value volatility	35.60%	35.60%	39.55%	67.73%	60.53%
Risk-free interest rate	3.21%	2.30%	2.06%	1.09%	0.26%
Average fair value (in €)	9.00	2.22	12.44	26.16	21.13
Weighted average remaining contractual life	3.78	6.09	6.35	7.35	8.62

	Warrants issued on				
	29 October 2010	31 January 2013	6 May 2013	5 May 2014	5 November 2015

	Warrants issued on	
	December 2016	June 2017
Number of warrants issued	100,000	520,000
Number of warrants granted	45,000	312,100
Number of warrants not fully vested as of 31 December 2017	35,000	308,434
Average exercise price (in €)	24.39	31.53
Expected share value volatility	61.03%	60.27%
Risk-free interest rate	-0.40%	-0.23%
Average fair value (in €)	12.25	15.67
Weighted average remaining contractual life	3.84	4.50

The total net expense recognised in the income statement for the outstanding warrants totals € 2,569k for 2017 (2016: € 2,847k).

5.15 Post-employment benefits

(€'000)	As of 31 December	
	2017	2016
Pension obligations	204	204
Total	**204**	**204**

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plan is a defined contribution plan. However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be accounted for under IFRS as defined benefit plans because of the minimum guaranteed returns on these plans.

At the end of each year, Celyad is measuring and accounting for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return.

The contributions to the plan are determined as a percentage of the yearly salary. There are no employee contributions. The benefit also includes a death in service benefit.

The amounts recognised in the balance sheet are determined as follows:

(€'000)	As of 31 December	
	2017	2016
Present value of funded obligations	1,705	1,509
Fair value of plan assets	(1,500)	(1,305)
Deficit of funded plans	204	204
Total deficit of defined benefit pension plans	204	204
Liability in the balance sheet	**204**	**204**

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 2016	**1,212**	**1,089**	**121**
Current service cost	192		192
Interest expense/(income)	33	29	4
	1,437	1,118	319
Remeasurements			
- Return on plan assets, excluding amounts included in interest expense/(income)		1	1
- Actuarial (Gain)/loss due to change in actuarial assumptions	77		77
- Actuarial (Gain)/Loss due to experience	29		29
	106	1	107
Employer contributions:		221	(221)
Benefits Paid	(33)	(33)	-

At 31 December 2016	**1,509**	**1,305**	**204**

As of 1 January 2017	**1,509**	**1,305**	**204**
Current service cost	201	-	201
Interest expense/(income)	32	26	6
	1,742	1,331	411
Remeasurements			
- Return on plan assets, excluding amounts included in interest expense/(income)	-	5	(5)
- Actuarial (Gain)/loss due to change in actuarial assumptions	-	-	-
- Actuarial (Gain)/Loss due to experience	5	-	5
	5	5	-
Employer contributions:		206	(206)
Benefits Paid	(30)	(30)	(1)
At 31 December 2017	**1,704**	**1,499**	**204**

The income statement charge included in operating profit for post-employment benefits amount to:

(€'000)	2017	2016
Current service cost	201	192
Interest expense on DBO	32	33
Expected return on plan assets	(26)	(28)
Net periodic pension cost	**207**	**197**

The re-measurements included in other comprehensive loss amount to:

(€'000)	2017	2016
Effect of changes in actuarial assumptions	-	77
Effect of experience adjustments	5	28
(Gain)/Loss on assets for the year	(5)	1
Remeasurement of post-employment benefit obligations	**-**	**106**

Plan assets relate all to qualifying insurance policies. The significant actuarial assumptions as per 31 December 2017 were as follows:

Demographic assumptions (for both current and comparative years presented in these year-end financial statements):

- Mortality tables: mortality rates-5 year for the men and 5 year for the women
- Withdrawal rate: 5% each year
- Retirement age; 65 years

Economic assumptions:

- Yearly inflation rate: 1,75%
- Yearly salary raise: 1,5% (above inflation)
- Yearly discount rate: 1.90%

If the discount rate would decrease/increase with 0,5%, the defined benefit obligation would increase respectively 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 plans for the year ending 31 December 2018 are k€198.

5.16 Advances repayable

(€'000)	2017	2016
Total Non-Current portion as of 1st January	7,330	10,484
Total Non-Current portion as of 31 December	1,544	7,330
Total Current portion as of 1st January	1,108	898
Total Current potion as of 31 December	226	1,108

The Group receives government support in the form of recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Group. Refer to note 5.2.5.

At balance sheet date, the Company has been granted total recoverable cash advances amounting to €26.7 million. Out of this total amount : i) €22.6 million have been received to date ; ii) out of the active contracts, an amount of €2.6 million should be received in 2018 or later depending on the progress of the different programs partially funded by the Region ; and iii) an amount of €1.5 million refer to contracts for which the exploitation has been abandoned (and thus will not be received).

For further details, reference is made to the table below which shows (i) the year for which amounts under those agreements have been received and initially recognised on the balance sheet for the financial liability and deferred grant income components and (ii) a description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances. In 2018 and 2019, we will be required to make exploitation decisions on our remaining outstanding RCAs related to the CAR-T platform.

(in €'000)			Amounts received for the years ended 31 December				Amounts to be received		As of 31 December2017
Id	Project	Contractual amount	Prior years	2016	2017	Cumulated cashed in	2018 and beyond	Status	Amount reimbursed (cumulative)
5160	C-Cure	2,920	2,920	-		2,920	-	Abandoned	0
5731	C-Cure	3,400	3,400	-		3,400	-	Abandoned	0
5914	C-Cure	700	687	-		687	-	Abandoned	180
5915	C-Cath$_{ez}$	910	910	-		910	-	Exploitation	390
5951	Industrialization	1,470	866	-		866	-	Abandoned	0
6003	C-Cure	1,729	1,715	-		1,715	-	Abandoned	0
6230	C-Cure	1,084	1,084	-		1,084	-	Abandoned	0
6363	C-Cure	1,140	1,126	-		1,126	-	Abandoned	1,536
6548	Industrialization	660	541	-		541	-	Abandoned	0
6633	C-Cath$_{ez}$	1,020	1,020	-		1,020	-	Exploitation	153
6646	Proteins	1,200	450	-		450	-	Abandoned	450
7027	C-Cath$_{ez}$	2,500	2,232	268		2,500	-	Exploitation	150
7246	C-Cure	2,467	1,480	740	247	2,467	-	Abandoned	0
7502	CAR-T Cell	2,000	-	1,800	200	2,000	-	Research	0
7685	THINK	3,496	-	-	873	873	2,623	Research	0
Total		**26,696**	**18,431**	**2,808**	**1,320**	**22,559**	**2,623**		**2,859**

Regarding active contracts (in exploitation status):

The contract 5915 has the following specific characteristics:

- funding by the Region covers 70% of the budgeted project costs;
- certain activities have to be performed within the Region;
- in case of an outlicensing agreement or a sale to a third party, 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 from 45 to 70% of the budgeted project costs;
- certain activities have to be performed within the European Union;
- sales-independent reimbursements represent in the aggregate 30% of the principal amount;
- sales-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%	€30k in 2012 and €70k each year after	N/A	10% with a minimum of 100/Y
5915	01/08/08-30/04/11	70%	5.00%	€40k in 2012 and €70k each year after	N/A	10% with a minimum of 100/Y
5951	01/09/08-31/12/14	70%	5.00%	€100k in 2014 and €150k each year after	N/A	10% with a minimum of 200/Y
6003	01/01/09-30/09/11	60%	0.18%	Consolidated with 6363	N/A	N/A
6230	01/01/10-31/03/12	60%	0.18%	Consolidated with 6363	N/A	N/A
6363	01/03/10-30/06/12	60%	0.18%	From €103k to €514k starting in 2013 until 30% of advance is reached	Starting on 01/01/13	N/A
6548	01/01/11-31/03/13	60%	0.01%	From €15k to €29k starting in 2014 until 30% of advance is reached	Starting on 01/10/13	N/A
6633	01/05/11-30/11/12	60%	0.27%	From €10k to €51k starting in 2013 until 30% of advance is reached	Starting on 01/06/13	N/A
6646	01/05/11-30/06/15	60%	0.01%	From €12k to €60k starting in 2015 until 30% of advance is reached	Starting on 01/01/16	N/A
7027	01/11/12-31/10/14	50%	0.33%	From €25k to €125k starting in 2015 until 30% of advance is reached	Starting on 01/01/15	N/A
7246	01/01/14-31/12/16	50%	0,05%	From €30k to €148k starting in 2017 until 30% of advance is reached.	Starting in 2017	N/A
7502	01/12/15-30/11/18	45%	0.19%	From €20k to €50k starting in 2019 until 30% is reached.	Starting 2019	N/A
7685	1/01/2017-31/12/2019	45%	0.33%	From €35k to €70k starting in 2019 until 30% is reached.	Starting 2020	N/A

5.17 Trade payables and other current liabilities

(€'000)	As of 31 December	
	2017	2016
Total trade payables	**4,800**	**8,098**
Other current liabilities		
Social security	306	294
Payroll accruals and taxes	947	1,206
Other current liabilities	1,029	8
Total other current liabilities	**2,282**	**1,508**

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 45-day terms.

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.

5.18 Financial liabilities

5.18.1 Maturity analysis

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities posted as of 31 December 2017:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2017				
Bank loan	536	209	326	-
Financial leases	909	427	482	-
Advances repayable	1,770	226	660	884
Trade payables and other current liabilities	7,083	7,083	-	-
Total financial liabilities	**10,298**	**7,945**	**1,468**	**884**

Financial liabilities posted as of 31 December 2016:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2016				
Bank loan	743	207	536	-
Financial leases	735	354	381	-
Advances repayable	8,438	1,108	3,410	3,920
Trade payables and other current liabilities	9,606	9,606	-	-
Total financial liabilities	**19,522**	**11,275**	**4,327**	**3,920**

5.18.2 Changes in liabilities arising from financial activities

The change in bank loans balances is detailed as follows:

BANK LOANS FINANCIAL LIABILITY ROLL FORWARD

(€'000)	For the year ended	
EUR	**2017**	**2016**
Opening balance at 1 January	**742**	**40**
New bank loans	-	794
Repayments	(207)	(92)
Closing balance at 31 December	**536**	**742**

The change in finance lease liability balances is detailed as follows:

FINANCE LEASES FINANCIAL LIABILITY ROLL FORWARD

(€'000)	For the year ended	
EUR	**2017**	**2016**

Opening balance at 1 January	**735**	**826**
New finance leases	543	220
Repayments	(369)	(311)
Closing balance at 31 December	**909**	**735**

The change in recoverable cash advance liability balances is detailed as follows:

RECOVERABLE CASH ADVANCE LIABILITY ROLL FORWARD

(€'000)		For the year ended
EUR	**2017**	**2016**
Opening balance at 1 January	**8,438**	**11,382**
Repayments	(1,233)	(842)
Remeasurement	(80)	(2,102)
Derecognition of liability (non-recurring gain)	(5,356)	
Closing balance at 31 December	**1,770**	**8,438**

The decrease of the recoverable cash advances liability at balance sheet date is due to the repayments of contractual turnover independant lump sums to the Walloon Region (relating to C-Cure and C-CATHez agreements). As a consequence of Celyad's notification (in December 2017) to the Walloon Region not to exploit anymore C-Cure IP assets, the RCA are no longer repayable by the Group. The associated liability has been derecognized with the related gain being reported in the 2017 income statement. See note 0.

5.19 Financial instruments

5.19.1 Financial instruments not reported at fair value on balance sheet

The carrying and fair values of financial instruments that are not carried at fair value in the financial statements was as follows at 31 December for current and comparative year-ends:

		As of 31 December 2017
(€'000)	**Loans and receivables**	**Fair value**
Assets as per balance sheet		
Deposits	273	273
Trade and other receivables	2,905	2,905
Other current assets	744	744
Short-term investments	10,653	10,653
Cash and cash equivalents	23,253	23,253
Total	**37,828**	**37,828**

For the above-mentioned financial assets, the carrying amount as per 31 December 2017 is a reasonable approximation of their fair value.

		As of 31 December 2017
(€'000)	**Financial liabilities at amortised cost**	**Fair value**
Liabilities as per balance sheet		
Bank loans	536	**536**
Finance lease liabilities	909	**909**
RCA's liability	1,770	1,770
Trade payables and other current liabilities	7,083	**7,083**
Total	**10,298**	**10,298**

For the above-mentioned financial liabilities, the carrying amount as per 31 December 2017 is a reasonable approximation of their fair value.

		As of 31 December 2016
(€'000)	**Loans and receivables**	**Fair value**
Assets as per balance sheet		
Deposits	311	311
Trade and other receivables	1,359	1,359
Other current assets	1,420	1,420
Short term investment	34,230	34,230
Cash and cash equivalents	48,357	48,357
Total	**85,677**	**85,677**

For the above-mentioned financial assets, the carrying amount as per 31 December 2016 is a reasonable approximation of their fair value.

	As of 31 December 2016	
(€'000)	Financial liabilities at amortised cost	Fair value
Liabilities as per balance sheet		
Bank loans	742	742
Finance lease liabilities	735	735
RCA's liability	8,438	8,438
Trade payables and other current liabilities	9,606	9,606
Total	**19,521**	**19,521**

For the above-mentioned financial liabilities, the carrying amount as per 31 December 2016 is a reasonable approximation of their fair value.

5.19.2 Financial instruments reported at fair value on balance sheet

Contingent consideration and other financial liabilities are reported at fair value in the statement of financial position using Level 3 fair value measurements for which the Group developed unobservable inputs:

(€'000)				
	Level I	**Level II**	**Level III**	**Total**
Assets				
-	-	-	-	-
Total Assets	**-**	**-**	**-**	**-**
Liabilities				
Contingent consideration and other financial liabilities	-	-	19,583	19,583
Total Liabilities	**-**	**-**	**19,583**	**19,583**

The change in the balance is detailed as follows:

CONTINGENT CONSIDERATION AND OTHER FINANCIAL LIABILITIES ROLL FORWARD

(€'000)		For the year ended
EUR	**2017**	**2016**
Opening balance contingent consideration at 1 January	**28,179**	**25,529**
Milestone payment	(5,341)	
Fair value adjustment	(4,225)	1,633
Currency Translation Adjustment	(3,064)	1,017
Closing balance contingent consideration at 31 December	**15,549**	**28,179**
Other financial liabilities	4,034	-
Closing balance contingent consideration and other financial liabilities at December 31	**19,583**	**28,179**

The decrease of the contingent consideration and other financial liabilities at balance sheet date is due to a milestone payment to Celdara Medical LLC and to the USD foreign exchange effect (USD depreciation against EUR compared to prior year-end). Note that as from 2017 this capture also includes an amount of € 4.0 million owed to Dartmouth College and related to potential development, non-sales and sales milestones.

The contingent consideration liability captures the commitments disclosed under note 5.33.3. It does not include any amount for contingent consideration payable relating to any sub-licensing agreements entered into or to be entered into by Celyad for the reasons that:

- ✓ any contingent consideration payable would be due only when Celyad earns revenue from such sub-licensing agreements, and in an amount representing a fraction of that revenue; and
- ✓ the development of the underlying product candidates by the sub-licensees is not under Celyad's control, making a reliable estimate of any future liability impossible.

Contigent consideration liability sensitivity analysis

A sensitivity analysis has been performed on the key assumptions driving the fair value of the contingent consideration liability. The main drivers are i) the discount rate (WACC), ii) the sales long-term growth rate in the terminal value and iii) the probabilities of success for our product candidates to get commercialized.

	Discount rate (WACC)				
	10.5%	12.5%	14.5%	16.5%	18.5%
Cont. consideration (MUSD)	34.5	28.3	23.5	19.8	16.8
Impact (%)	+47%	+20%	-	-16%	-29%

	Sales long-term growth rate in the terminal value				
	-25%	-20%	-15%	-10%	-5%
Cont. consideration (MUSD)	21.9	22.5	23.5	24.3	26.0
Impact (%)	-7%	-4%	-	+4%	+11%

To determine the contingent consideration liability, we used the same probabilities of success than for impairment testing purposes (see note 5.6.2):

PoS	Phase I to II	Phase II to III	Phase III to NDA/BLA	NDA/BLA to Approval	Cumulative PoS
Hem	62%	29%	53%	86%	**8.1%**
Solid	64%	23%	34%	80%	**4%**

In order to assess the sensitivity to this driver, we apply here an incremental probability factor to the bottom-line cumulative PoS disclosed below:

	Probabilities of Success				
	-20%	-10%	PoS model	+10%	+20%
Cont. consideration (MUSD)	18.8	21.2	23.5	25.8	28.1
Impact (%)	-20%	-10%	-	+10%	+20%

5.20 Income taxes

The Group reports income taxes in the income statement as detailed below:

(€'000)	For the year ended 31 December	
	2017	**2016**
Current tax (expense) / income	1	6
Deferred tax (expense) / income	-	-
Total income tax (expense) / income in profit or loss	**1**	**6**

The Group has a history of losses, except for its tax entity Biological Manufacturing Services, which is eligible to a minor tax credit.

The following table shows the reconciliation between the effective and theoretical tax income at the nominal Belgian income tax rate of 33.99% (excluding additional contributions):

(€'000)	**For the year ended December 31**	
	2017	**2016**
Loss before tax	(56,396)	(23,612)
Nominal tax rate	**33.99%**	**33.99%**

Tax income at nominal tax rate	18,220	8,026
Disallowed expenses	(221)	-
Share-based payment expense	(873)	(968)
Deferred Tax assets not recognised	(17,126)	(7,058)
Effective income tax (expense) / income	**1**	**6**
Effective tax rate	0%	0%

As having not yet reached the commercialization step, the Group accumulates tax losses that are carried forward indefinitely for offset against future taxable profits of the Group. Significant uncertainty exists however surrounding the Group's ability to realise taxable profits in a foreseeable future. Therefore, the Group has not recognised any deferred tax income in its income statement.

Unrecognized deferred tax assets and liabilities are detailed below by nature of temporary differences for the current year:

(€'000)	For the year ended		
	2017		
	Assets	**Liabilities**	**Net**
Intangibles assets	(14)	(3,960)	(3,974)
Tangible assets	-	(215)	(215)
Recoverable cash advances liability	349	-	349
Contingent consideration and other financial liabilities	4,471	-	4,471
Employee Benefits liability	51	-	51
Other temporary difference	5	-	5
Tax-losses carried forward	48,152	-	48,152
	-	-	-
Unrecognised Gross Deferred Tax assets/(liabilities)	**53,014**	**(4,174)**	**48,839**
Netting by tax entity	(3,960)	3,960	-
Unrecognised Net Deferred Tax assets/(liabilities)	**49,054**	**(215)**	**48,839**

Unrecognized deferred tax assets and liabilities are detailed below by nature of temporary differences for the previous year:

(€'000)	For the year ended		
	2016		
	Assets	**Liabilities**	**Net**
Intangibles assets	14,704	-	14,704
Tangible assets	-	(379)	(379)
Recoverable cash advances liability	2,322	-	2,322
Contingent consideration and other financial liabilities	-	-	-
Employee Benefits liability	69	-	69
Other temporary difference	-	-	-
Tax-losses carried forward	22,654	-	22,654
Unrecognised Gross Deferred Tax assets/(liabilities)	**39,749**	**(379)**	**39,370**
Netting by tax entity	464	(464)	-
Unrecognised Net Deferred Tax assets/(liabilities)	**40,214**	**(844)**	**39,370**

The Group's main deductible temporary difference relates to tax losses carried forward, which have indefinite term under both BE and US tax regimes applicable to our local subsidiaries. In addition, the Group can benefit from additional tax benefits (like notional interest deduction in Belgium) which can be carry-forwarded until the fiscal year 2019.

The remaining temporary differences refer to differences between IFRS accounting policies and local tax valuation rules.

The Group has not recognised any deferred tax asset on its balance sheet, for the same reason as explained above (uncertainty relating to taxable profits in a foreseeable future).

The change in the Group's unrecognised deferred tax asset balance is detailed below:

UNRECOGNISED DEFERRED TAX ASSET BALANCE ROLL FORWARD

(€'000)		For the year ended
EUR	**2017**	**2016**
Opening balance at 1 January	**39,370**	**39,286**
Temporary difference creation or reversal	(15,580)	(6,844)
Change in Tax-losses carried forward	44,011	6,775
Foreign exchange rate effect	(113)	154
Change in BE tax rate applicable (34% > 25%)	(14,896)	-
Change in US tax rate applicable (35% > 23%)	(3,953)	-
Closing balance at 31 December	**48,839**	**39,370**

The increase relates to the additional losses reported for the current year.

5.21 Other reserves

(€'000)	Share based payment reserve	Convertible loan	Currency Translation Difference	Total
Balance as of 1st January 2016	**4,098**	**16,631**	**475**	**21,205**
Vested share-based payments	2,847			2,847
Currency Translation differences subsidiaries			277	277
Balance as of 31 December 2016	**6,946**	**16,631**	**752**	**24,329**
Vested share-based payments	(239)			(239)
Currency Translation differences subsidiaries			(769)	(769)
Balance as of 31 December 2017	**6,707**	**16,631**	**(16)**	**23,322**

5.22 Revenues

(€'000)	For the year ended 31 December	
	2017	**2016**
Recognition of non-refundable upfront payment	3,505	8,440
C-Cath$_{ez}$ sales	35	83
Other	-	-
Total Revenues	**3,540**	**8,523**

In May 2017, the Group received a non-refundable upfront payment as a result of the Novartis agreement. This upfront payment has been fully recognised upon receipt as there are no performance obligations nor subsequent deliverables associated to the payment.

The amount recorded in 2016 corresponds to the upfront payment received as a consideration for the sale of license to ONO.

5.23 Research and Development expenses

(€'000)	For the year ended 31 December	
	2017	**2016**
Salaries	7,007	8,160
Share-based payments	862	-
Travel and living	359	577
Pre clinical studies	1,995	4,650
Clinical studies	3,023	4,468
Raw materials & consumables	1,825	-
Delivery systems	430	964
Consulting fees	1,522	791
External collaborations	885	-
IP filing and maintenance fees	513	799
Scale-up & automation	1,892	4,164
Rent and utilities	371	939
Depreciation and amortisation	1,488	1,345
Other costs	735	817
Total Research and Development expenses	**22,908**	**27,675**

Until year end 2016, the share-based payments were recorded as general and administrative expenses. Since 2017, the proportion of the share-based payments related to the R&D employees are presented as research and development expenses.

5.24 General and administrative expenses

(€'000)	For the year ended 31 December	
	2017	**2016**
Employee expenses	2,630	2,486
Share-based payments	1,707	2,847
Rent	1,053	791
Communication & Marketing	761	728
Consulting fees	2,227	2,029
Travel & Living	211	450
Post employment benefits	-	(24)
Depreciation	229	173
Other	490	265
Total General and administration	**9,310**	**9,744**

Until year end 2016, the share-based payments were recorded as general and administrative expenses. Since 2017, the proportion of the share-based payments related to the R&D employees are presented as research and development expenses.

5.25 Depreciation and amortisation

(€'000)	For the year ended 31 December	
	2017	**2016**
Depreciation of property, plant and equipment	966	760
Amortisation of intangible assets	748	756
Total depreciation and amortisation	**1,714**	**1,516**

5.26 Employee benefit expenses

(€'000)	For the year ended 31 December	
	2017	**2016**
Salaries, wages and bonuses	5,461	5,994
Executive Management team compensation	2,563	2,900
Share-based payments	2,569	2,847
Social security	1,277	1,362
Post employment benefits	220	215
Hospitalisation insurance	118	151
Total Employee expenses	**12,207**	**13,469**

Headcount	For the year ended 31 December	
	2017	**2016**
Research & Development	77.1	71.7
General and administrative staff	15.9	12.9
Total Headcount	**93.0**	**84.6**

5.27 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 5.16 for more information. In 2017, the Company recognized also for the first time a receivable on the amounts to collect from the federal government as R&D tax credit (€1.2 million). See note 5.8.

(€'000)	For the year ended 31 December	
	2017	**2016**
Grant income (RCAs)	824	2,704
Grant income (other)	56	124
Remeasurement of RCAs	396	2,154

R&D Tax credit	1,161	-
Change in fair value Contingent consideration and other financial liabilities	193	-
Total Other operating Income	**2,630**	**4,982**
Change in fair value Contingent consideration and other financial liabilities	-	(1,634)
Other	(41)	(8)
Total Other operating expenses	**(41)**	**(1,642)**
Net Other Operating Income	**2,590**	**3,340**

5.28 Non-recurring operating income and expenses

Non-recurring operating income and expenses are defined as one-off items, not directly related to the operational activities of the Company. The non-recurring operating income and expenses reported for the year are detailed as follows:

(€'000)	For the year ended 31 December	
	2017	**2016**
Amendment of Celdara Medical and Dartmouth College agreements	(24,341)	-
C-Cure IP asset impairment expense	(6,045)	-
C-Cure RCA reversal income	5,356	-
Corquest IP asset impairment expenses	(1,244)	-
Write-off C-Cure and Corquest assets and derecognition of related liabilities	(1,932)	
Total Non-Recurring Operational expenses	**(26,273)**	-

In 2017, the Group recognized non-recurring expenses related to the amendment of the agreements with Celdara Medical LLC and Dartmouth College (totalling €24.3 million, out of which an amount of €10.6 million was settled in shares, and thus a non-cash expense). The Group also proceeded with the write-off of the C-Cure and Corquest assets and derecognition of related liabilities (for net expense amounts of €0.7 million and €1.2 million respectively). There were no non-recurring items reported in the income statement of 2016.

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 amounted to €870k in 2017 and €835k in 2016.

Future minimum rentals payable under non-cancellable operating leases as of 31 December are detailed as follows:

(€'000)	**As of 31 December**	
	2017	**2016**
Within one year	857	456
After one year but no more than five years	2,014	1,678
More than five years	888	1,244
Total Operating leases	**3,759**	**3,378**

5.30 Finance income and expense

(€'000)	**For the year ended 31 December**	
	2017	**2016**
Interest finance leases	18	19
Interest on overdrafts and other finance costs	36	37
Interest on RCA's	90	53
Exchange Differences	4,309	98
Finance expenses	**4,453**	**207**
Interest income bank account	927	1,413
Exchange Differences and others	6	791
Finance income	**934**	**2,204**

In 2017, a significant unrealized loss on exchange differences was recognized following the appreciation of the EUR against USD.

5.31 Loss per share

The loss per share is calculated by dividing loss for the year by the weighted average number of ordinary shares outstanding during the period. As the Group is incurring net losses, outstanding warrants have an anti-dilutive effect. As such, there is no difference between the basic and the diluted earnings per share. In case the warrants would be included in the calculation of the loss per share, this would decrease the loss per share.

(€'000)		As of 31 December
	2017	2016
Loss of the year attributable to Equity Holders	(56,395)	(23,606)
Weighted average number of shares outstanding	9,627,601	9,313,603
Earnings per share (non-fully diluted)	**(5.86)**	**(2.53)**
Outstanding warrants	674,962	571,444

5.32 Contingent assets and liabilities

As mentioned in note 5.16, 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 5.16.

In 2018 and beyond, the Group will have to make exploitation decisions on the remaining RCAs (agreements numbered 7502 and 7685).

5.33 Commitments

5.33.1 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.

5.33.2 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

5.33.3 Oncyte LLC-Celdara Milestones

Based on the terms of the Asset Purchase Agreement dated 21 January 2015, as amended on 3 August 2017, 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 CAR-T NKG2D, 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[1]

[1] Paid as of 31 December 2016

$6 million when dosing the first patient of a Phase II trial[2]
$9 million when dosing the first patient of a Phase III trial
$11 million when filing of the first regulatory approval of CAR-T NKG2D
$14 million when CAR-T NKG2D 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 CAR-T NKG2D
$15 million when CAR-T NKG2D 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

On all sublicensing revenues received, Company will pay percentages ranging from 23% to 5% depending on the stage of development of the product sublicensed. On top of the amounts and percentages due to Celdara Medical LLC, the Company will own to Dartmouth College an additional 2% royalties on its direct net sales.

In accordance with IFRS 3, some of these contingencies are recognised on balance sheet at year-end. See note 5.19.2.

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	
	2017	**2016**
Number of EMT members	**8**	**8**

(€'000)	For the years ended 31 December	
	2017	**2016**
Short term employee benefits[1]	666	816
Post employee benefits	14	35
Share-based compensation	1,123	1,790
Other employment costs[2]	30	22
Management fees	1,950	2,055
Total benefits	**3,783**	**4,718**

[1] Include salaries, social security, bonuses, lunch vouchers
[2] Such as Company cars

	As of 31 December	
	2017	**2016**
Number of warrants granted	179,000	180,000
Number of warrants lapsed	(15,225)	(56,500)
Cumulative outstanding warrants	306,500	310,725
Exercised warrants	168,000	-

[2] Paid as of 31 December 2017

Outstanding payables (in '000€)	461	687

5.34.2 Transactions with non-executive directors

	For the year ended 31 December	
(€'000)	**2017**	**2016**
Share-based compensation	485	697
Management fees	387	363
Total benefits	**872**	**1,060**

	As of 31 December	
	2017	**2016**
Number of warrants granted	60,000	50,000
Number of warrants lapsed	(2,904)	-
Number of exercised warrants	-	-
Cumulative outstanding warrants	115,000	57,904
Outstanding payables (in '000€)	194	148
Shares owned	2,512,004	2,869,685

5.34.3 Transactions with shareholders

	For the years ended 31 December	
(€'000)	**2017**	**2016**
Rent[1]	-	99
Other	-	-
Total	**-**	**99**

[1] Relate to lease paid to Biological Manufacturing Services, company controlled by Tolefi SA until April 30, 216

	As of 31 December	
(€'000)	**2017**	**2016**
Outstanding payables	**-**	**-**

5.35 Events after the balance sheet date

There were no subsequent events occurred post 31 December 2017.

5.36 Statutory accounts as of 31 December 2017 and 2016 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 2017 (including comparative information as of and for the year ended 31 December 2016). 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 7 May 2018 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 €)	2017	2016
ASSETS		
FIXED ASSETS	**17,725,176**	**68,608,783**
II. Intangible fixed assets	**27,430**	**49,382,412**
III. Tangible fixed assets	**2,087,160**	**2,078,858**
Land and buildings		
Installations machinery and equipment	366,185	386,261
Furniture and vehicles	23,501	59,463
Leasing and similar rights	913,912	726,741
Other fixed assets	780,246	906,394
Fixed assets under construction and advance payments	3,316	
IV. Financial fixed assets	**15,610,585**	**17,147,513**
CURRENT ASSETS	**66,367,485**	**88,323,519**
VI. Stocks and contracts in progress		
Goods purchase for resale		
VII. Amounts receivable within one year	**33,020,327**	**6,080,503**
Trade debtors	220,827	1,374,804
Others amounts receivable	32,799,500	4,705,699
VIII. Investment	**10,652,595**	**34,230,149**
IX. Cash at bank and in hand	**22,191,145**	**47,486,245**
X. Deferred charges and accrued income	**503,418**	**526,622**
TOTAL ASSETS	**84,092,660**	**156,932,301**
CAPITAL AND RESERVES	**74,521,841**	**143,539,346**
I. Capital	**34,337,135**	**32,570,837**
Issued capital	34,337,135	32,570,837
Uncalled capital (-)		
II. Share Premium	**181,741,355**	**172,262,517**
V. Accumulated profits (losses)	**(141,556,649)**	**(61,294,007)**
PROVISIONS AND DEFERRED TAXES		
VII.A. Provisions for liabilities and charges		
CREDITORS	**9,570,819**	**13,392,955**
VIII. Amounts payable after more than one year	**1,863,358**	**2,306,155**
Credit institutions; leasing and other similar obligations	801,158	897,955
Other financial loans	1,062,200	1,408,200
Other debts		
IX. Amounts payable within one year	**7,704,984**	**11,081,489**
Current portion of amounts payable after one year	846,660	1,658,141
Trade debts	4,758,090	7,920,570
Suppliers	4,758,090	7,920,570
Taxes; remunerations and social security costs	2,099,603	1,499,897
Taxes	846,516	137,891
Remunerations and social security costs	1,253,087	1,362,006
Other amounts payable	557	2,882
X. Accrued charges and deferred income	**2,477**	**5,310**
TOTAL LIABILITIES	**84,092,660**	**156,932,301**

5.36.2 Income statement

(in €)	2017	2016
Operating income	**23,978,005**	**28,548,040**
Turnover	3,940,057	87,000
Capitalization of development costs	16,824,786	13,240,057
Other operating income	3,213,162	15,220,983
Operating charges	**(98,020,081)**	**(49,651,453)**
Direct Material	(2,406,004)	(1,420,008)
Services and other goods	(18,948,282)	(24,606,690)
Remuneration; social security and pensions	(6,911,155)	(7,798,932)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(17,663,086)	(14,074,082)
Write-downs on inventories, on orders in progress and on trade receivables (appropriations -; write-backs +)	(22,122)	368.197
Provisions for liabilities and charges (appropriations -; use and write-backs +)		
Other operating charges (-)	(841,841)	(2,119,938)
Non recurring operating expenses	(51,227,625)	
Operating profit (loss)	**(74,042,110)**	**(21,103,413)**
Financial income	**1,170,101**	**2,598,880**
Income from current assets	924,709	1,412,481
Other financial income	245,392	1,186,399
Financial charges (-)	**(7,390,633)**	**(448,555)**
Interest on financial debts	(17,634)	(18,775)
Other financial charges	(5,872,999)	(429,780)
Non-recurring financial charges	(1,500,000)	
Profit (loss) on ordinary activities before taxes (-)	**(80,262,642)**	**(18,953,058)**
Profit (Loss) for the period before taxes (-)		**(18,953,087)**
Income taxes (-) (+)		
Profit (loss) for the period available for appropriation	**(80,262,642)**	**(20,056,353)**

5.36.3 Notes

Statement of intangibles assets

(in €)	2017	2016
Acquisition value at the end of the preceding period	75,851,006	65,515,968
Movements during the period		
Acquisitions, included produced fixed assets	16,831,606	13,335,037
Sale, transfer and withdraw	99,900	
Acquisition value at the end of the period	92,582,712	75,851,005
Depreciation and amounts written down at end of the preceding period	26,468,594	12,903,044
Movements during the period		
Recorded	66,086,688	13,565,551
Sale, transfer and withdraw		
Depreciation and amounts written down at the end of the period	92,555,282	26,468,593
Net book value at the end of the period	27,430	49,382,411

Statement of tangible fixed assets

(in €)	**2017**	2016
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	-	-

(in €)	2017	2016
Depreciation and amounts written down at end of the period	-	-
Net book value at the end of the period		
INSTALLATIONS, MACHINERY & EQUIPMENT		
Acquisition value at the end of the preceding period	1,249,303	862,494
Movements during the period		
Acquisitions, included produced fixed assets	269,773	
Sale, transfer and withdraw	204,961	392,572
Acquisition value at the end of the period	1,314,115	5,763
Depreciation and amounts written down at end of the preceding period	863,042	1,249,303
Movements during the period		
Recorded	90,822	803,539
Sale, transfer and withdraw	5.934	59,503
Depreciation and amounts written down at end of the period	947,930	863,042
Net book value at the end of the period	366,185	386,261
FURNITURE AND VEHICLES		
Acquisition value at the end of the preceding period	1,195,365	1,160,425
Movements during the period		
Acquisitions, included produced fixed assets	9,762	34,940
Sale, transfer and withdraw	84,867	
Acquisition value at the end of the period	1,120,260	1,195,365
Depreciation and amounts written down at end of the preceding period	1,135,902	1,109,529
Movements during the period		
Recorded	16,944	26,373
Sale, transfer and withdraw	56,087	
Depreciation and amounts written down at end of the period	1,096,759	1,135,902
Net book value at the end of the period	23,501	59,463
LEASING AND OTHER SIMILAR RIGHT		
Acquisition value at the end of the preceding period	1,180,714	810,111
Movements during the period		
Acquisitions, included produced fixed assets	543,016	336,488
Sale, transfer and withdraw		34,115
Acquisition value at the end of the period Sale, transfer and withdraw	1,723,730	1,180,714
Depreciation and amounts written down at end of the preceding	453,973	140,441
Movements during the period Recorded	355,845	313,532
Sale, transfer and withdraw		
Depreciation and amounts written down at end of the period	809,818	453,973
Net book value at the end of the period	913,912	726,741
Whereof:		
Land and buildings		
Installation, machinery & equipment	692,447	530,209
Furniture and vehicles	221,465	196,532
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	1,080,457	124,106
Movements during the period		
Acquisitions, included produced fixed assets	3,976	699,034
Sale, transfer and withdraw	4,589	257,317
Acquisition value at the end of the period	1,079,843	1,080,457
Depreciation and amounts written down at end of the preceding period	174,063	64,938
Movements during the period		
Recorded	124,503	109,124
Movements during the period	1,032	
Depreciation and amounts written down at end of the period	299,597	174,063
Net book value at the end of the period	780,246	906,394
FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS		

(in €)	2017	2016
Acquisition value at the end of the preceding period		291,431
Movements during the period		
Acquisitions, included produced fixed assets	5,461	
Transfers from one heading to another	(2,145)	(291,431)
Acquisition value at the end of the period	3,316	-
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	3,316	-

Other investments and deposits

(in €)	2017	2016
Other Investments and deposits		
Acquisition value at the end of the preceding period	303,987	179,714
Movements during the period		
Additions		124,273
Reimbursments (-)	(36,928)	
Net book value at the end of the period	267,059	303,987

Investment and deposits

(in €)	2017	2016
Less than one year	10,652,595	34,230,149
More than one year		
Net book value at the end of the period	10,652,595	34,230,149

Statement of capital 2017

(in €)	Amounts	Number of shares
Issued capital	34,337,135	9,867,844
Structure of the capital		
Different categories of shares		
Registered	xxxxxxxxxxxxxx	400,599
Dematerialized	xxxxxxxxxxxxxx	9,467,245
Unpaid capital		
Uncalled capital		
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full	xxxxxxxxxxxxxx	
Authorised unissued capital	30,166,964	

Statement of capital 2016

(in €)	Amounts	Number of shares
Issued capital	32,570,837	
Structure of the capital		
Different categories of shares		
Registered		-
Dematerialized		9,313,603
Unpaid capital	Uncalled capital	
Uncalled capital		Xxxxxxxxxxxxxx
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full	xxxxxxxxxxxxxx	
Authorised unissued capital	9,396,390	

Statement of amounts payable

(in €)	2017	2016
Analysis of amounts payable after more than one year		
Current portion of amounts initially payable after more than one year	846,172	
Amounts payable expiring over one year and before 5 years	1,608,158	2,306,155
Amounts payable expiring over five year	255,200	
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	909,315	380,940
Other debts (loans)	1,800,215	1,925,215
Other debt		-
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	846,516	137,891
Remuneration and social security		
Other amounts payable related to remuneration and social security	1,253,087	1,362,006

Operating results

(in €)	2017	2016
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	2,634,754	3,784,514
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	75	73
Average number of employees calculated in full-time equivalents	71.1	78.1
Number of actual worked hours	115,159	132,023
Personnel costs		
Remuneration and direct social benefits	4,458,432	5,478,368
Employer's social security contributions	1,349,665	1,577,977
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	870,368	481,037
Pensions	232,690	261,550
Impairment of trade receivables		
Write-downs		
On trade receivables		
Record	84,765	
Withdrawal	62,643	368,197
Provisions for risks and charges		
Addition		
Use of and withdrawal		
Other operating charges		
Taxes related to operations	732,874	2,672
Other charges	108,967	2,117,266
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date	4	1
Average number calculated as full-time equivalents	3.7	0.1
Number of actual worked hours	188,205	148
Charges to the enterprise	72,199	7,535

Financial results

(in €)	2017	2016
Interest income	924,709	1,412,481
Other financial income	245,392	1,186,398
Interest charges	17,634	18,775
Foreign exchange difference	5,750,337	
Other financial charges	122,662	429,749

Income and charge of exceptional size or incidence

(in €)	2017	2016
Non-recurring income		
Non-recurring financial income		
Non-recurring operating charges	51,227,625	
Non-recurring financial charges	1,500,000	31

Income tax

(in €)	2017	2016
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	163,528,941	83,793,646

The total amount of value added tax and taxes borne by third parties

(in €)	2017	2016
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)	5,881,258	5,473,424
By the enterprise	4,002,710	3,871,493
Amounts retained on behalf of third parties		
Payroll withholding taxes	1,606,323	1,904,839

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 €)	2017	2016
To non-executive directors	387,250	362,500

Financial relationship with auditors

(in €)	2017	2016
Auditor's fees	129,440	113,000
Auditor's special missions fees	11,650	14,000
Fees for special missions executed by related parties to the Auditor	-	-

5.36.4 Summary of valuation rules

Valuation rules are determined by the Board of Directors in accordance with the Royal Decree of 30 January 2001, executing Belgian Company Code and related to the annual accounts requirements for companies.

Formation expenses are booked as intangible fixed assets and 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 prorate temporis over 5 years starting the year of the first revenue generation associated with the related asset. Furniture and fixtures are depreciated over 3, 5 or 10 years depending on the economical life of the assets.

An impairment test is performed each year at year end on all tangible and intangible assets. Exceptional depreciation or amortisation 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.

CELYAD CONTACT DETAILS

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Celyad

CELYAD AND THE STOCK EXCHANGE

The Company is listed on Euronext Paris and Brussels since July 2013 and on Nasdaq since June 2016.

Mnemo: CYAD

ISIN:BE0974260896

PEA and PEA PME Eligibility.

Total outstanding shares : 9,867,844 (as of 31 December 2017)

MORE INFORMATION ON:

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