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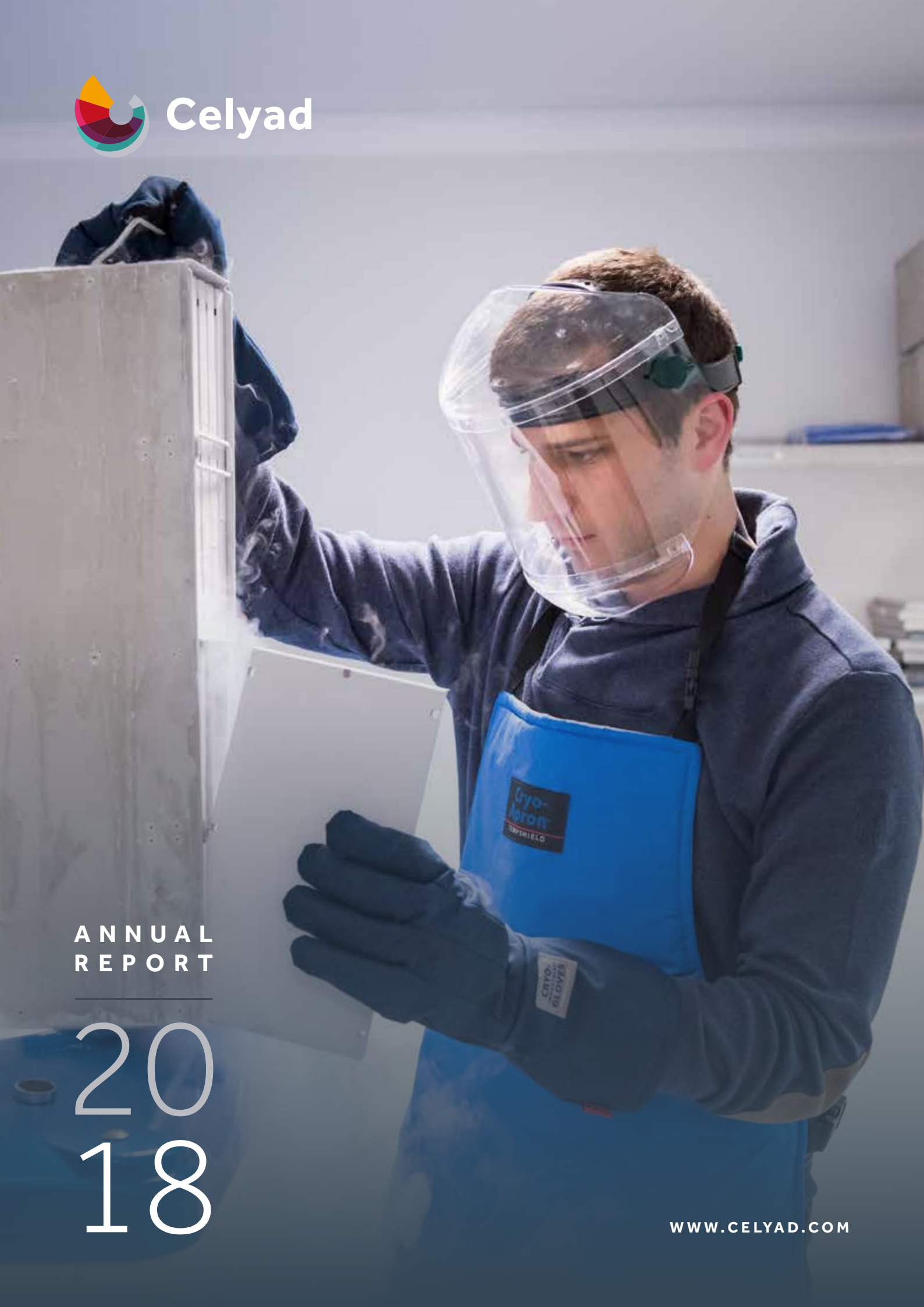

ANNUAL REPORT 2018

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ANNUAL REPORT

2018

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ANNUAL FINANCIAL REPORT 2018

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

LANGUAGE OF THE ANNUAL FINANCIAL REPORT 2018

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 2018

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 6, 2018 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 2018

Dear Shareholders,

We are glad to present you our 2018 annual report related to Celyad consolidated financial statements as of 31 December 2018 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 2018

In 2018, Celyad continued to advance towards our goal of developing differentiated engineered chimeric antigen receptors T-cell (CAR-T) therapies for the treatment of cancer. We made steady clinical progress investigating our lead clinical candidate CYAD-01, an autologous CAR-T candidate based on the activating Natural Killer Group 2D (NKG2D) receptor, for the treatment of relapsed or refractory (r/r) acute myeloid leukemia (AML) and metastatic colorectal cancer (mCRC) and our first-in-class non-gene edited allogeneic candidate CYAD-101 that co-expresses our NKG2D receptor with our proprietary T-cell inhibitory molecule (TIM) for the treatment of mCRC, which entered Phase 1 development in late 2018.

Preliminary data reported from the CYAD-01 Phase 1 THINK (THerapeutic Immunotherapy with CAR-T NKG2D) trial for the treatment of both r/r AML and mCRC shows CYAD-01 is well-tolerated with encouraging clinical activity as a monotherapy without preconditioning chemotherapy. In addition, the data continue to validate the use of the full human NKG2D receptor in a CAR-T therapy targeting stress ligands on both hematological malignancies and solid tumors.

In April, Celyad reported that an article, entitled "NKG2D-based Chimeric Antigen Receptor Therapy Induced Remission in a Relapsed/Refractory Acute Myeloid Leukemia Patient" authored by the trial investigators at the Moffitt Cancer Center and Research Institute and by the Company's scientific team was published in the journal Haematologica. The case report detailed the first ever reported complete morphologic remission with gene engineered T-cells in a r/r AML patient without preconditioning from the Phase 1 THINK trial.

Data from the THINK trial were reported at several major medical conferences in 2018 including in November at the Society for Immunotherapy of Cancer (SITC) 33rd Annual Meeting and in December at the 60th Annual American Society of Hematology (ASH) meeting. At the ASH meeting, interim results from the trial were presented in an oral presentation that highlighted three out of eight (38%) patients with r/r AML treated with CYAD-01 without preconditioning chemotherapy and evaluable per protocol experienced a complete response (CRh/CRi).

Operational highlights

Clinical Developments in Oncology

In late 2018, the THINK trial for hematological malignancies was amended to add a cohort to assess a more frequent dosing schedule of CYAD-01 without preconditioning chemotherapy for the treatment of r/r AML. The cohort (referred to as Cohort 10) will evaluate six injections of CYAD-01 without preconditioning over two months of administration. The first cycle (induction) will include three injections of CYAD-01 separated by one-week intervals, while the the second cycle (consolidation) will include three injections of CYAD-01 separated by two-week intervals. All patients enrolled in the Cohort 10 will receive 1 billion cells per injection.

In October, Celyad enrolled the first patient in the DEPLETHINK Phase 1 trial. The open-label, dose-escalation trial will evaluate a single injection of CYAD-01 following treatment with the standard preconditioning regimen of cyclophosphamide (300 mg/m²) and fludarabine (30 mg/m²), or CyFlu, in patients with r/r AML. In December 2018, Celyad reported initial data from Cohort 1 of the trial, in which the administration of CYAD-01 following CyFlu was well-tolerated, with no dose-limiting toxicity or treatment-related grade 3 or above adverse events observed.

Regarding our solid tumor program for CYAD-01, the Company announced in May that successful injection of the first patients in the SHRINK dose-esclation trial evaluating the safety and activity of CYAD-01 administered concurrently with FOLFOX chemotherapy in patients with mCRC. In November, Celyad reported concurrent treatment of CYAD-01 with FOLFOX chemotherapy in the first cohort of the trial was well tolerated, with no occurrence of serious AEs (SAEs) nor increase of treatment-related AEs rate. While in February 2018, the THINK trial for the treatment of mCRC was amended to include a cohort known as THINK CyFlu to evaluate a single injection of CYAD-01 following treatment with CyFlu. Initial data from the cohort showed that treatment with CYAD-01 following CyFlu was well tolerated with no occurrence of SAEs nor an increase of treatment-related AEs rate. In addition, preliminary translational data suggest an improvement in the cell expansion of CYAD-01 induced by the CyFlu preconditioning.

Lastly, in December 2018, Celyad initiated the open-label, dose esclation alloSHRINK trial evaluating the non-gene edited allogeneic CAR-T therapy, CYAD-101, administered concurrently with FOLFOX chemotherapy in the treatment of patients with unresectable mCRC.

Intellectual property

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) is a seminal patent in the allogeneic CAR-T field. It has been unsuccessfully challenged in the past, but it was no longer contested in 2018. Building on this critical asset, Celyad obtained several new patents in this portfolio, i.e. patents relating to allogeneic primary human T cells that are engineered to be T-Cell Receptor (TCR)-deficient and to express a CAR, and methods of using those. In total, 4 new patents have been granted late 2017 and in 2018, meaning the total portfolio on allogeneic assets now amounts to seven US patents, and several more applications both in the US and abroad.This 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 2018, Celyad successfully implemented a modified manufacturing process for CYAD-01, which includes the use of a monoclonal antibody (mAb) that inhibits NKG2D expression on the T cell surface during production. The mAb process resulted in a significantly higher yield in cell numbers for the production of CYAD-01 and was utilized in all clinical trials in 2018 including THINK, DEPLETHINK and SHRINK as well as in the alloSHRINK trial for CYAD-101.

In October, the Company announced an exclusive agreement with Horizon Discovery Group plc for the use of its shRNA technology to generate a novel, next-generation, non-gene-edited allogeneic platform for CAR-T therapies. Initial results reported in November from *in vitro* preclinical studies demonstrated the potential versatility of the shRNA technology given comparable knockdown of the TCR/CD3 complex in T cells as compared to T cells gene edited with CRISPR/Cas9.

In May, Celyad successfully completed a global equity offering with gross proceeds of approximately €46.1 million. At year-end 2018, the Company had cash, cash equivalents and short-term investments of €49.7 million which are expected to be sufficient to support the Company's operating capital expenditure into mid-2020.

1.2. Post balance sheet events

There were no subsequent events that occur between 2018 year-end and the date when the financial statements have been authorised by the Board for issue.

1.3. Financial review of the year ending 31 December 2018

1.3.1. Analysis of the consolidated income statement

The table below sets forth the Group's consolidated income statement, ending up with a €37.4 million net loss for the year ended 31 December 2018, and comparative information for the year 2017.

(€'000)	For the year ended 31 December,	
	2018	**2017**
Revenue	**3,115**	**3,540**
Cost of sales	-	(515)
Gross profit	**3,115**	**3,025**
Research and Development expenses	(23,577)	(22,908)
General & Administrative expenses	(10,387)	(9,310)
Other income	1,078	2,630
Other expenses	(8,399)	(41)
Operating Loss before non-recurring items - REBIT	**(38,170)**	**(26,604)**
Amendment 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	**(38,170)**	**(52,876)**
Financial income	804	933

Financial expenses	(62)	(4,454)
Loss before taxes	**(37,427)**	**(56,396)**
Income taxes	0	1
Loss for the year [1]	**(37,427)**	**(56,395)**
Basic and diluted loss per share (in €)	(3.36)	(5.86)

Total revenue amounts to €3.1 million for the year 2018. Revenue reported refer to:

i) the exclusive license agreement signed by the Group with Mesoblast Ltd., an Australian biotechnology company, focused on the development and commercialization of Celyad's intellectual property rights related to C-Cath$_{EZ}$, an intra-myocardial injection catheter. This agreement involved a transaction amount split between upfront and contingent milestone payments. A total amount of €2.4 million qualified for top-line revenue recognition at 31 December 2018, out of which, €0.8 million has been settled at year-end.

ii) the non-clinical supply agreement concluded with ONO Pharmaceutical Co., Ltd. with respect to the product candidate development of CYAD-101 for their licensed territories. The agreement with ONO was time and material driven, involved performing cell production and animal experiments requested by ONO, and has been completed at year-end, generating a revenue of €0.7 million in 2018. As ONO decided to terminate the license and collaboration agreement for strategic and business reasons, there was no milestone payment received from ONO during the year 2018 with regards to advancement of CYAD-101 into the clinic. As a result, Celyad has recovered worldwide development and commercialization rights to CYAD-101.

For the previous year, total revenue amounted to €3.5 million and corresponded to the non-refundable upfront payment received from Novartis, within the framework of the non-exclusive license agreement signed in May 2017. This upfront payment has been fully recognized upon receipt as there were no performance obligations nor subsequent deliverables associated to the payment. Cost of sales reported for the prior year 2017 corresponded to the technology inventor (Darthmouth College) sublicense fee on the upfront payment received from Novartis.

The Research and Development expenses include pre-clinical, manufacturing, clinical, quality, intellectual property and regulatory expenses and other research and development expenses, which are aggregated and presented as a single line in our consolidated financial statements.

Bottom-line, the R&D expenses show a year-over-year increase of €0.7 million. The increase reflects the organic growth of the Company's operations, for both pre-clinical and clinical activities.

The key projects driving the research and development expenses in 2018 included:

- the clinical studies conducted on company's most advanced CAR-T product candidates, CYAD-01 and CYAD-101 (THINK, SHRINK, DEPLETHINK, alloSHRINK) ;
- the pre-clinical studies conducted on on company's CAR-T product candidates in both autologous and allogeneic settings (CYAD-02, CYAD-03 and the development of our allogeneic platform, which evaluates multiple non-gene editing technologies)

General and administrative expenses increased by €1.1 million at €10.4 million in 2018 as compared to €9.3 million in 2017. This increase relates primarily to the share-based payments expense associated to the vesting of the warrant plan issued mid-2017 (non-cash expense recorded in accordance with IFRS 2 standard).

The Group's other income is associated with grants received from the Regional government in the form of recoverable cash advances (RCAs), and to R&D tax credit income:

- with respect to grant income, the Group posts a revenue in line with last year at €0.8 million;
- with respect to R&D tax credit, the Company recognized prior year for the first time a receivable on the amounts to collect from the federal government (€1.2 million income posted in 2017), including a one-off catch-up effect. The decrease for the current year income is predicated on a R&D tax credit recorded (€0.3 million), which is restricted to a base increment in 2018.

For the year 2018, the Group's other expenses mainly refer to non-cash expenses relating to remeasurement required by IFRS:

- the amortized cost remeasurement of the recoverable cash advances liability (non-cash expense of €1.0 million);

- the change in fair value of the contingent consideration and other financial liabilities (non-cash expense of €5.6 million).

The increase in these liabilities reflects both the advancement in 2018 to the allogeneic CAR-T NKG2D program (CYAD-101 product candidate) as well as the management's higher estimate for overall future commercial revenue (risk-adjusted).

The loss resulting from recurrent operations (REBIT) amounted to €38.2 million for the year 2018 versus €26.6 million for the year 2017, driven by non-cash expenses increasing by €8.2 million year-on-year (share-based payments and liabilities remeasurement impacts).

For the previous year, 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). No such non-recurring items are reported in the income statement of 2018.
At year-end 2018, the loss from operations before financial results and taxes (EBIT) amounted to €38.2 million versus €52.9 million in 2017.

Financial result refers mainly to interest income on short-term investments (reported as financial income) and foreign exchange differences. Due to the depreciation of the USD compared to EUR in the previous year, the Group recognized a loss on foreign exchange differences of €4.3 million for the year 2017. For the year 2018, the gain on foreign exchange differences amounts to €0.4 million, driving the improvement in our financial net result of €4.3 million.
As a result of the foregoing, the net loss for the financial year 2018 amounts to €37.4 million versus a net loss of €56.4 million for the prior year.

1.3.2. Analysis of the consolidated statement of financial position

The table below sets forth the Group's consolidated balance sheet for the year ended 31 December 2018, and comparative information as at 31 December 2017.

(€'000)	As at 31 December,	
	2018	**2017**
NON-CURRENT ASSETS	**42,607**	**41,232**
Intangible assets	36,164	36,508
Property, Plant and Equipment	3,014	3,290
Non-current trade receivables	1,743	-
Other non-current assets	1,687	1,434
CURRENT ASSETS	**51,692**	**36,394**
Trade and Other Receivables	367	233
Other current assets	1,585	2,255
Short-term investments	9,197	10,653
Cash and cash equivalents	40,542	23,253
TOTAL ASSETS	**94,299**	**77,626**
EQUITY	**55,589**	**47,535**
Share Capital	41,553	34,337
Share premium	206,149	170,297
Other reserves	25,667	23,322
Accumulated deficit	(217,778)	(180,421)
NON-CURRENT LIABILITIES	**29,063**	**22,146**
Bank loans	229	326
Finance leases	652	482
Recoverable Cash advances (RCA's)	2,864	1,544
Contingent consideration and other financial liabilities	25,187	19,583
Post employment benefits	131	204
Other non-current liabilities	-	7
CURRENT LIABILITIES	**9,647**	**7,945**
Bank loans	281	209
Finance leases	484	427
Recoverable Cash advances (RCA's)	276	226
Trade payables	5,916	4,800
Other current liabilities	2,690	2,282
TOTAL EQUITY AND LIABILITIES	**94,299**	**77,626**

Intangible assets net book value mainly refers to our IPR&D assets related to our oncological programs acquired in 2015 through the OnCyte business combination. Pursuant to IFRS, the Company does not capitalize research and development expenses until marketing authorization. Accordingly, all clinical, research and development spend related to the development of our CAR-T product candidates and allogeneic platform are accounted for as operating expenses for the year 2018.

Non-current trade receivables (€1.7 million at 31 December 2018) refer to discounted and risk-adjusted milestone receivables, to be cashed in by the Group in accordance with the terms of the exclusive license agreement signed by the Group with Mesoblast Ltd. for C-Cath$_{EZ}$ device development, as above-described.

The Group's *treasury position* [1] amounts to €49.7 million at year-end. Taking into account €43.0 million net proceeds from capital raise occurred in May 2018, the treasury position went up by €15.8 million compared to prior year-end.

The capital and share premium increased by €43.0 million in 2018 as a result of the above-mentioned May 2018 capital raise.
The advances repayable and the contingent consideration liabilities increase as a counter-part of non-cash 'other expenses' recorded in the income statement, as described above under section 1.3.1. The liability increase reflects both the advancement in 2018 to the allogeneic CAR-T NKG2D program (CYAD-101 product candidate) as well as the management's higher estimate for overall future commercial revenue (risk-adjusted).

1.3.3. Analysis of the consolidated net cash burn rate2

The table below summarizes the *net cash burn rate* of the Group for the year 2018.

CASH BURN RATE SUMMARY		
(€'000)	For the year ended 31 December,	
	2018	**2017**
Net cash used in operations	(27,249)	(44,441)
Cash expense for amendment of Celdara Medical and Darmouth College agreements	-	13,276
Net cash used in operations, excluding non-recurring items	**(27,249)**	**(31,165)**
Net cash (used in)/from investing activities	(848)	(857)
Net cash (used in)/from financing activities	43,928	605
Effects of exchange rate changes	3	1,120
Net cash burned over the year, excluding non-recurring items	**15,834**	**(30,297)**

[1] 'Treasury position' is an alternative performance measure determined by adding Short-term investments and Cash and cash equivalents from the statement of financial position prepared in accordance with IFRS.

2 'Net cash burn rate' is an alternative performance measure determined by the year-on-year net variance in the Group's treasury position as above-defined.

Non-recurring cash outs	-	(18,383)
Net cash burned over the year	**15,834**	**(48,680)**

The net cash burn rate for the year is a net cash inflow amounting to €15.8 million, against a net cash outflow of €48.7 million for the prior year.

The net variance in net cash used in operations is driven by favourable foreign exchange differences (the Group posts a €0.4 million income in this respect for the year 2018 against a loss of €4.3 million for the year 2017). The underlying R&D cash spend is in line with prior year.

The bottom-line variance is explained:

- from a financing activities perspective, by the net proceeds from May 2018 capital raise (amounting to €43.0 million);
- by the absence of any non-recurring items in 2018. The latter amounted to €18.4 million in the prior year, and referred to clinical development milestones payment and cash component relating to Celdara Medical LLC and Dartmouth College agreements' amendment compensation settled in 2017.

1.4. Personnel

At the end of 2018, the Group employs 96 FTE's, within which 7 managers (senior leadership team members).

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 2019 and 2020. 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 pipeline of products candidates.

Based on its current scope of activities, the Group estimates that its treasury position as of 31 December 2018 is sufficient to cover its cash requirements until mid-2020, therefore beyond the readouts of our clinical trials currently ongoing. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the business continuity over the next 12 months from balance sheet date, 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 code (the "BCC"), the Company's articles of association, and the Company's corporate governance charter (the "Charter") approved by the Board of Directors of 17 June 2013, as amended subsequently by resolutions of the Board of Directors of 12 June 2015 and 8 December 2016.

The 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.

The Board of Directors intends to comply with the provisions of the CGC but believes that the size and the current state of development of the Company justifies certain deviations. These deviations are further detailed hereinafter.

The Charter includes the following main chapters:

- Structure and organization;
- Shareholder structure;
- The Board : terms of reference;
- Chairman of the Board;
- Company Secretary;
- Board committees;
- Executive Management Team; and
- Rules preventing market abuse.

2.2. Board of Directors

2.2.1. Composition of the Board of Directors

As provided by Article 521 of the BCC, 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 determines the Company's values and strategy, its risk preference and key policies. The Board of Directors ensures 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 at 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.

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 the 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	Board Committee Membership
Michel Lussier	Chairman	2020	Chairman of the Nomination and Remuneration Committee
LSS Consulting SPRL represented by its permanent representative Christian Homsy	Executive Director	2020	
Serge Goblet	Non-executive director	2020	
Chris Buyse	Independent director	2020	Chairman of the Nomination and Remuneration Committee Member of the Audit Committee
Rudy Dekeyser	Independent director	2020	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Debasish Roychowdhury	Independent director	2019	
Hilde Windels [1]	Independent director	2022	Member of the Audit Committee
Margo Roberts[2]	Independent Director	2019	

[1] Hilde Windels has been appointed as Director of the Company on May 7, 2018
[2] Tolefi SA has resigned from the Board of Directors on 1st August 2018 and Margo Roberts has been co-opted as Director of the Company in replacement of Tolefi SA on the same date.

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 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 an advisor to Fjord Ventures, a Laguna Hills, California based medical technology accelerator / incubator. Mr. Lussier also serves as the Chief Executive Officer of Metronom Health Inc, an early stage medical device company founded 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), is a founder of Celyad and has been serving as Chief Executive Officer (CEO). 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 starting 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 has served as a member of the board of directors of the Company since 2008. He holds a Master Degree in Business and Consular Sciences from ICHEC, Belgium and has many years of international experience as director in Belgian and foreign companies. He is the managing director of TOLEFI SA, a Belgian holding company and holds director mandates in subsidiaries of TOLEFI.

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: 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 2008. 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, Multiplicom NV and Lumeon Inc. 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. He is the co-founder of Partner Therapeutics, a commercial stage biotech. Based in Boston, Massachusetts, Debasish is now using his extensive experience and global network to advise companies, organizations, and institutions in the biomedical field.

Hilde Windels is CEO of Mycartis NV and member of its board of directors. Hilde brings 20 years of experience in biotech with a track record of business and corporate strategy, building and structuring organizations, private fundraising, mergers and acquisitions and public capital markets. Hilde has worked as CFO for several biotech companies, amongst those the Belgium based molecular Dx company Biocartis where she started as CFO in 2011. She transitioned to the co-CEO role in 2015 and CEO a.i. in 2017. She still serves as board member at Biocartis. In addition, Hilde is member of the boards of Erytech, MdxHealth and VIB. She holds a Masters in Economics (Commercial Engineer) from the University of Leuven (Belgium).

Margo Roberts Dr. Margo Roberts, Ph.D. has more than three decades of biomedical research experience in both biotechnology and academia. Dr Roberts is currently Chief Scientist Officer at Lyell Immunotherapy. She serves also on the board of directors of Unity Biotechnology, a US public company focused on developing medicines that slow or reverse age-associated diseases, and on the board of directors of InsTIL Bio, a US start up company focused on developing Timor infiltrating lymphocyte (TIL) - based therapies for the treatment of cancer. Until July 2018, Dr. Roberts served as Senior Vice President of Discovery Research at Kite Pharma focusing on the development of next generation therapeutic approaches, including heading up Kite's universal allogeneic T-cell programs. Prior that, in 2013, she was Chief Scientific Officer at Kite Pharma Inc., where she built a talented research organization that played an instrumental role in the successful development of Yescarta®, and the clinical advancement of additional CAR/TCR-engineered T-cell therapies. Prior to her tenure at Kite Pharma, Dr. Roberts was Principal Scientist and Director of Immune and Cell Therapy at Cell Genesys, Inc., where she led the development and application of CAR technology to T-cells and stem cells, culminating in the very first CAR T-cell trial initiated in 1994. Dr. Roberts was also an associate professor at the University of Virginia, has authored over 30 scientific publications, and is the inventor on 13 issued US patents and three published US patent applications related to CAR technology and tumor vaccine therapies. Dr. Roberts received both her Bachelor of Science degree with honors and her Ph.D. degree from the University of Leeds in England.

The following mandates have been exercised in other companies by the members of the board of directors:

Name of the company	Starting year of mandate	Current	Expired	Bankrupt or liquidated (Y/N)
Board Members				
MICHEL LUSSIER				
Biological Manufacturing Services SA	2018	Yes	No	No
iSTAR Medical	2014	Yes	No	No
Metronom health Inc	2014	Yes	No	No

Metronom Health Europe SPRL	2017	Yes	No	No
Medpole SA	2002	Yes	No	No
MEL Management	2017	Yes	No	No
RUDY DEKEYSER				
Curetis NV	2014	yes	No	No
Sequana Medical AG	2014	yes	No	No
Remynd NV	2010	yes	No	No
EMBLEM GmbH	2008	yes	No	No
Lumeon Inc.	2018	yes	No	No
R.A.D. Lifes sciences BVBA	2013	yes	No	No
CHRIS BUYSE				
Fund+ NV	2015	yes	No	No
Iteos therapeutics SA	2008	yes	No	No
Bone Therapeutics SA	2008		Expired on June 14, 2018	No
Inventiva SA (Fr)	2016	yes	No	No
CoBioRes NV	2014	yes	No	No
Bioxodes SA	2011	yes	No	No
Immo David NV	2005	yes	No	No
CreaBuild NV	2006	yes	No	No
Pinnacle Investments NV	2007	yes	No	No
Keyware Technologies NV	2005	yes	No	No
Bio Incubator NV	2008	yes	No	No
Ogeda SA	2016		expired in 2017	No
Thrombogenics NV	2006		expired in 2014	No
Sofia BVBA	1999	yes	No	No
Pienter Jan BVBA	2010	yes	No	No
HILDE WINDELS				
MDx Health NV	2017	yes	No	No
Mycartis NV	2017	yes	No	No
Biocartis Group	2018	yes	No	No
Erytech SA	2014	yes	No	No
VIB	2013	yes	No	No
BVBA Hilde Windels	2001	yes	No	No
Ablynx NV	2017		Expired 2018	No
Flanders Bio	2010		Expired 2014	No

MDx Health NV	2010		Expired 2011	No
Devgen NV	1999		Expired 2009	No
DEBASISH ROYCHOWDHURY				
Lytix Biopharma AS	2015	yes	No	No
Radius Health	2015	yes	No	No
Fund+	2016	yes	No	No
ImCheck Therapeutics	2018	yes	No	No
Partner Therapeutics	2018	yes	No	No
MARGO ROBERTS				
Unity Biotechnology	2018	yes	No	No
InsTIL Bio	2018	yes	no	No
SERGE GOBLET				
Tolefi SA	2014	yes	no	No
Essege SA	2014	yes	no	No
SG Holding SA	2014	yes	no	No
CarBoBois SA	2014	yes	no	No
Green Holding SA	2014	yes	no	No
Ligne Plus	2018	yes	no	No
Tecno Air System	2015	yes	no	No
Linea Plus	2012	yes	no	No
Tolefi Wellington	2014	yes	no	No
BioWay Holding	2014	yes	no	No
Green Real Estate	2014	yes	no	No
Le Haras des Isas	2014	yes	no	No
BSM Immo	2016	yes	no	No
Immobilière Levasseur	2017	yes	no	No

2.2.2. Director Independence

The independence criteria of Article 526ter of the BCC can be summarized as follows:

- the director has not been an executive member of the board of directors, member of the management board ("directiecomité / comité de direction") (should such corporate body be created) or daily manager of the company (or an affiliate of the company, if any), during a term of five years prior to his or her election;
- the director has not been a non-executive director for more than three consecutive terms or during a period of more than 12 years;
- the director has not been a member of the managerial staff of the company (or an affiliate of the company, if any) during a term of three years prior to his or her election;

- the director does not receive and has not received any remuneration or other significant financial advantage from the company (or an affiliate of the company, if any), other than the profit share ("tantièmes") and remuneration received in his or her capacity as a non-executive director or as a member of the supervisory body;
- the director does not own any corporate rights that represent 10% or more of the share capital, of the corporate funds or of a category of its shares. If the director has corporate rights which represent less than 10%, then:
    - such rights, taken together with rights in the same company held by companies over which the director has control, may not represent 10% or more of the share capital, the corporate funds or of a category of its shares;
    - or the disposal of these shares, or the exercise of the rights attached thereto, may not be subject to agreements or unilateral commitments entered into by the director.
    - the independent director in any case cannot represent a shareholder who falls under the conditions set forth in this criterion;
- the director does not and, during the past financial year, did not, have a significant business relationship with the company (or an affiliate of the company, if any), either directly or as a partner, shareholder, member of the board of directors or member of the managerial staff of a company or of a person that maintains such a relationship;
- the director is not and has not been at any time during the past three years, a partner or an employee of its current or former statutory auditor or of a company or person affiliated therewith;
- the director is not an executive director of another company in which an executive director of the company is a non-executive director or a member of the supervisory body, and has no other significant ties with executive directors of the company through his or her involvement in other companies or bodies;
- the director's spouse, unmarried legal partner and relatives (via birth or marriage) up to the second degree do not act as a member of the board of directors, member of the management board ("directiecomité / comité de direction") (should such corporate body be created) or daily manager or member of the managerial staff in the company (or an affiliate of the company, if any), and do not meet one of the criteria set out above.

2.2.3. Role of the Board in Risk Oversight

The board of directors is primarily responsible for the oversight of its risk management activities and has delegated to the audit committee the responsibility to assist its board of directors in this task. While its board oversees its risk management, its management is responsible for day-to-day risk management processes. Its board of directors expects its management to consider risk and risk management in each business decision, to proactively develop and monitor risk management strategies and processes for day-to-day activities and to effectively implement risk management strategies adopted by the board of directors. The Company believes this division of responsibilities is the most effective approach for addressing the risks the Company face.

2.2.4. Committees within the Board of Directors

2.2.4.1. 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.

2.2.4.2. Audit Committee

"Large" listed companies (as defined in Article 526bis, § 3 of the BCC) 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 established an audit committee on 6 March 2015. At the date of this report, the audit committee consists of 3 members: Chris Buyse, Rudy Dekeyser and Hilde Windels.

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 audit committee reports regularly to the board of directors on the exercise of its functions. The audit committee 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 from the board of directors, executive committee and employees, all information which they need for the performance of their function. Each 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 terms and conditions as set out in the Charter and in the Article 526bis of the Belgian Company Code.

Chris Buyse has been nominated as Chairman of the committee, having the necessary expertise in accounting and audit matters. The Audit Committee holds a minimum of four meetings a year.

2.2.4.3. Nomination and Remuneration Committee

"Large" listed companies (as defined in Article 526quater, § 4 of the BCC) 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 BCC.

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 Chairman of the Nomination and Remuneration Committee is actually Michel Lussier.

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;
- 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 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 and Rudy Dekeyser.

2.2.5. Meetings of the Board and the committees

In 2018, the Board held 4 regular meetings and 2 meetings by telephone conference to discuss and decide on specific matters.

Board and committees – Dates and Attendance

Board of Directors	22 Feb	22 Mar	14 Jun	22 Aug	5 Oct	10 Dec
M. Lussier	Present	Present.	Present	Present	Present	Repres.
LSS Consulting SPRL	Present	Present	Present	Repres.	Present	Present
S. Goblet	Repres.	Repres.	Present	Present	Present	Present
D. Roychowdhury	Absent	Present	Present	Absent	Present	Repres.
R. Dekeyser	Present	Present.	Present	Present	Present	Present.
H. Windels	N/A	N/A	Present	Present	Absent	Repres.
H. Spek	Present	Present.	N/A	N/A	N/A	N/A
C. Buyse	Absent	Present.	Absent	Present	Present	Absent.
M. Roberts	N/A	N/A	N/A	Present	Present	Present
TOLEFI SA	Present	Present	Present	N/A	N/A	N/A

Nomination and Remuneration Committee	8 Feb	1 Jun	13 Jul	17 Sept	18 sept	14 oct
M. Lussier	Present	Present	Present	Present	Present	Present
Chris Buyse	Present	Present	Present	Present	Present	Present
Hanspeter Spek	Present	N/A	N/A	N/A	N/A	N/A
Rudy Dekeyser	Present	Present	Present	Present	Present	Present
LSS Consulting SPRL	Invited	Invited	Invited	Invited	Invited	Invited

Audit Committee	20 Mar	21 Aug	29 Nov	20 Dec
Ch. Buyse	Present	Present	Present	Present
R. Dekeyser	Present	Present	Repres.	Present
H. Windels (1)	N/A	Present	Present	Present
D. Roychowdhury (1)	Present	N/A	N/A	N/A
F. Petti (2)	N/A	N/A	Invited	Invited
P. Jeanmart (2)	Invited	Invited	N/A	N/A

[1] H. Windels has replaced D. Roychowdhury as member of the Audit Committee as of May 7, 2018

(2) Filippo Petti has joined the Company as CFO in replacement of Patrick Jeanmart as of September 1st, 2018.

2.3. Executive Management Team

The Board of Directors has established an executive management team which does not constitute an executive committee ("directiecomité / comité de direction") under Article 524bis of the BCC. The terms of service of the executive management team have been determined by the Board of Directors and are set out in the Charter.

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 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 following the recommendation 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 is governed by the contract 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 Charter, all contracts 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 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 must 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) must 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
Filippo Petti	Chief Financial Officer	1976
KNCL SPRL, represented by Jean-Pierre Latere	Chief Operating Officer	1975
NandaDevi SPRL, represented by Philippe Dechamps	Chief Legal Officer	1970
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

PaJe SPRL, represented by Patrick Jeanmartt, has served as CFO of the Company until 31 August 2018. PaJe SPRL remained advisor of the Company through 31 December 2018 to ensure a smooth and effective transition with Filippo Petti.

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".

Filippo Petti joined Celyad in September 2018 as the Chief Financial Officer. Prior to joining the Company, Mr. Petti worked in healthcare investment banking both at Wells Fargo Securities and William Blair & Company. Prior to his roles in investment banking, Filippo spent several years in equity research covering U.S. biotechnology companies both at William Blair &

Company and Wedbush Securities. He began his career as a research scientist at OSI Pharmaceuticals, Inc. focused on drug discovery and translational research before transitioning into corporate development with the company. Mr. Petti holds a Master of Business Administration from Cornell University, a Master of Science from St. John's University and a Bachelor of Science from Syracuse University.

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 the Company 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. Since December 2018, Philippe is also member of the Board of Directors of Petserco SA, the holding company of the Tom&Co group. 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.

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 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. Dr. Lehmann is a physician by training, specialized in hematology and oncology. Dr. Lehmann 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.

As of the date of this annual report, the list of company mandates hold by the Executive Management Team is as follows:

Name of the company	Starting year of mandate	Current	Expired	Bankrupt or liquidated (Y/N)
Christian Homsy				
Medpole SA	2004	Yes	No	No
LSS Consulting SPRL	2014	Yes	No	No
Miracor SA	2017	Yes	No	No
Biological Manufacturing Services SA	2018	Yes	No	No
Jean-Pierre Latere				
KNCL SPRL	2016	Yes	No	No
Frédéric Lehmann				
ImXsense SPRL	2015	Yes	No	No
David Gilham				
N/A				
Philippe Dechamps				
Nandadevi SPRL	2016	Yes	No	No
Petserco SA	2018	Yes	No	No
Biological Manufacturing Services SA	2018	Yes	No	No
Philippe Nobels				
MC CONSULT SPRL	2016	Yes	No	No

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 Charter contains specific procedures to deal with potential conflicts.

2.4.2. Conflicts of interest of directors

Article 523 of the BCC 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

Except as reported hereinafter, as far as the Company is aware, none of the have a conflict of interest within the meaning of Article 523 of the BCC which 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 2018, certain members of the Board declared a conflict of interest. The following declaration were made in that respect (excerpt from the minutes of the Board meeting of October 5, 2018):

"The Board discussed the allocation of warrants to new Board members:

- *Hilde Windels (10,000 warrants);*
- *Margo Roberts (10,000 warrants).*

The warrants will be issued under a new plan to be adopted in the 4th quarter of 2018. 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 fair market value of the Company's shares at the time of the offer, this value corresponding either to the closing price of the share on the day before the date of the offer or to the average closing price of the share during a period of 30 days before the offer date. Furthermore, as allocated to non-employees, the exercise price shall not be below the average of the 30 calendar days preceding the date of issuance of the warrants.

The 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".

Hilde Windels was absent of the meeting.

Margo Roberts informed the other directors that she has a conflicting financial interest in the decision proposed.

The Chairman thanked Margo Roberts for her declaration. This declaration will be communicated to the statutory auditor of the Company and inserted in the annual report 2018 in accordance with Article 523 of the Company Code.

The Board unanimously approved the allocation of 10,000 warrants to Hilde Windels.

Margo Roberts left the meeting room and the Board unanimously approved the allocation of 10,000 warrants to Margo Roberts. Margo Roberts 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 BCC 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. Code of Business Conduct and Ethics

In 2015, the Company adopted a Code of Business Conduct and Ethics, or the Code of Conduct, that is applicable to all of its employees, members of its executive management team and directors. It has been updated on 5 October 2018. The Code of Conduct is on its website at https://www.celyad.com/en/investors/corporate-governance. The audit committee of its board of directors is responsible for overseeing the Code of Conduct and is required to approve any waivers of the Code of Conduct for employees, members of its executive management team and directors.

2.4.7. 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 provisions and their compliance 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 Policy applies 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 and the EU Regulation 596/2014 of 16 April 2014 on market abuse (the "MAR"), 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 Code

The Company's Board of Directors complies with the CGC.
In particular:
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. Directors are not entitled to any variable remuneration, they will not receive any performance related remuneration.
In accordance with the CGC, the Board of Directors of the Company will review its 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 can be obtained free of charge at the registered office of the Company. The Charter has been updated by resolution of the Board of Directors on 5 October 2018.

2.6. Remuneration report

2.6.1. Director's remuneration

The remuneration of the Directors is determined by the shareholders' meeting upon proposal of the Board of Directors on the basis of the recommendations made by the Nomination and Remuneration Committee. 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.

The non-executive Directors receive a fixed remuneration in consideration for their membership of the Board of Directors and their membership of the Committees (see below). Directors are not entitled to any variable compensation as defined under Articles 96 §3 5° and 520bis of the BCC, as no performance criteria apply to the remuneration of non-executive directors.

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. The grant of stock base incentive schemes is not linked or subject to any performance criteria and, consequently, qualifies as fixed remuneration. It is the Board of Directors' reasonable opinion, that the grant of 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 the Company's cash and financial results. Furthermore, the grant of warrants is a commonly used method in the sector in which the Company operates. 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. As of 31 December 2018, non-executive directors owned in total 135,000 Company warrants.

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.

On 9 May 2016, the Shareholders Meeting approved a 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. 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. As part of the fixed remuneration for non-executive directors, all directors may receive from time to time Company warrants subject to shareholders' approval. As mentioned above, the grant of warrants to non-executive directors is not linked or subject to performance criteria. Directors are also entitled to the reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

On 7 May 2018, the Shareholders Meeting approved the terms and conditions of a template of warrants plan to comply with in the event of an implementation of such plan in the next 12 months, upon proposal of the nomination and remuneration committee, with a vesting period of 3 years and for which the exercise price will be the lowest between (i) the average of the closing price of the share in the 30 days preceding the offer and (ii) the last closing price of the share on the date preceding the offer (notwithstanding that, regarding the beneficiaries who are not members of the personnel of the Company, the exercise price will have to be higher than the average closing price of the 30 days preceding the date of the issuance). More specifically, the Shareholders Meeting approved pursuant to the art. 556 of the BCC, the clause of anticipated vesting in the event of a change of control or a public offering on the shares of the company.

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.

As of 31 December 2018, 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 2018 remuneration of the Board of directors:

Name	Fees earned (€)	Total outstanding warrants
Michel Lussier	73,000	20,000
Debasish Roychowdhury	36,750	20,000
Rudy Dekeyser	73,000	20,000
Chris Buyse	60,000	20,000
Hanspeter Spek	16,250	25,000
Hilde Windels	36,750	10,000
Margo Roberts	23,000	10,000
Tolefi SA		
Serge Goblet	38,000	10,000
Total	356,750	135,000

2.6.2. 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 2018 Celyad paid €596,000 of remuneration in respect of the CEO, Mr Christian Homsy. This includes:

- a fixed remuneration of €426,000;
- a variable component of €170,000.

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 2018, the CEO owned 80,000 warrants (plans of November 2015 and June 2017).

2.6.3. Remuneration of the Executive Management Team

In addition to the CEO, the composition of the Executive Management Team as of 31 December 2018 is:

- Filippo Petti, CFO;
- ImXense SPRL, 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.

PaJe SPRL, represented by Patrick Jeanmart, CFO, was member of the Executive Management Team until 31 August 2018 and was replaced by Filippo Petti in that position as of 1 September 2018.

Georges Rawadi, Vice President Business Development & IP, was member of the Executive Management Team and left the Company on 23 March 2018.

Carri Duncan, VP Corporate Development and Communication, has joined the Company on 1st October 2018 as member of the Executive Management Team and left on 12 December 2018.

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 BCC, 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 of Directors 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 shareholders' approval of the scheme itself by way of a resolution at the annual shareholders' meeting. Such stock-based incentive schemes are implemented on a case by case basis in order to motivate and retain the beneficiaries;
- 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 Charter, 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. In particular:

- The CEO is engaged on the basis of a services agreement with effective date on July 24, 2007 and with indefinite term. The services agreement will automatically terminate in case of dismissal of the CEO. In case of dismissal for cause, no indemnity will be due to the CEO. In case of termination without cause, an indemnity of 12 months and a bonus equal to the average of the bonuses paid in respect of the previous financial years will be due;
- PaJe SPRL was engaged on the basis of a services agreement with effective date on January 1, 2008 and with indefinite term. This services agreement was terminated with effect on August 31, 2018. PaJe SPRL continued to provide advisory services to the Company to assist the new CFO through a transition period which ended on December 31, 2018. A severance payment of €198,720 equivalent to 9 months of services and a bonus of €59,616 was paid to PaJe SPRL by the Company in compensation of the termination of the services agreement.
- The CFO is engaged on the basis of an employment agreement with effective date on September 3, 2018 and with indefinite term.
- ImXense SPRL is engaged on the basis of a services agreement with effective date on August 4, 2015 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months, or with cause and without indemnity. The services agreement will terminate if ImXense SPRL resigns as Vice President Clinical Development & Medical Affairs of the Company, with a notice period of three months.
- KNCL SPRL is engaged on the basis of a services agreement with effective date on December 7, 2015 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of six months, or with cause and without indemnity. The services agreement will terminate if KNCL SPRL resigns as Chief Operating Officer of the Company, with a notice period of three months.
- NandaDevi SPRL is engaged on the basis of a services agreement with effective date on September 1, 2016 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of five months (six months after September 1, 2019) and the payment of an ad-target bonus pro-rated to the termination date of the current year, or with cause and without indemnity. The services agreement will terminate if Nandadevi SPRL resigns as Chief Legal Officer of the Company, with a notice period of three months.
- MC Consult SPRL is engaged on the basis of a services agreement with effective date on January 3, 2017 and with indefinite term. The Company can terminate the services agreement without cause with a notice period of five months (six months after January 3, 2020), or with cause and without indemnity. The services agreement will terminate if MC Consult SPRL resigns as Global Head of Human Ressources of the Company, with a notice period of two months.
- The Vice President Research & Development is engaged on the basis of an employment agreement with effective date on September 12, 2016 and with indefinite term. The employment contract can be terminated by the Company without notice and without indemnity in case of gross misconduct.

The total fees paid or due to the members of the Executive Management Team (excluding the CEO) was €2.6 million in 2018 (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 €1,729,000;
- a variable component of €914,000.

Out of the fixed compensation, the amounts paid by the Group on behalf of the members of the Executive Management Team for a group insurance and other advantages in kind amounted to €44,000.

Over the course of 2018, the Executive Management Team (excluding the CEO) accepted 30,000 warrants offered from the October 2018 plan. As of December 31, 2018, the Executive Management Team holds 179,000 warrants. The exercise prices vary from €17.60 to €36,11. All plans have a vesting scheme of 3 years.

The following table detailed the warrants owned by the Executive Management Team (excluding the CEO) as of December 31, 2018 and the movements occurred in 2018:

Name	Granted	Forfeited	Exercised	Total outstanding
Filippo Petti	20,000	-	-	20,000
ImXense SRPL	10,000	-	-	50,000
NandaDevi SPRL	0	-	-	40,000
David Gilham	0	-	-	16,000
KNCL SPRL	0	-	-	23,000
MC Consult SPRL	0	-	-	30,000
Total	**30,000**	**-**		**179,000**

2.6.4. Claw back provisions

There are no provisions allowing the Company to reclaim any variable remuneration paid to the CEO or the other members of the Executive Management Team.

2.6.5. Statutory Auditor

VCBA BDO Bedrijfsrevisoren – Réviseurs, organised and existing under the laws of Belgium, with registered office at The Corporate Village, Da Vincilaan 9, Box E.6, 1930 Zaventem, , represented by Bert Kegels, has been appointed as its statutory auditor on May 5, 2017 for a term of three years. Bert Kegels is a member of the Belgian Institute of Certified Auditors ("Institut des Réviseurs d'Entreprises ").

The annual remuneration of the auditor for the performance of its three year mandate for the audit of its financial statements (including the statutory financial statements) amounts to €128k for the year 2018 (excluding VAT).

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

2.7.1. Risk Management

Risk management is embedded in the strategy of the Company and is of crucial importance for achieving the objectives set by the Board of Directors. The Board is responsible for assessing the risks associated with the activities of the Company and for evaluating the internal audit systems. The Board relies partially on the Executive Management Team 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 has set up internal risk management and control systems. The internal audit system is based on the following pillars:

- the compliance with and the training on the internal policies of the Company, including but not limited to the Code of Business Conduct, Standard Operating Procedures, or policies related to areas such as data protection, information systems, contract lifecycle, conflict of interest, gifts and gratuities, crisis management;
- the values of the Company;
- The monitoring of the legal environment with the support of external attorneys;
- Ongoing 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. They are designed to ensure:

- the careful monitoring of the effectiveness of the Company's short term and long-term strategy;
- the Company's sustainability by a constant evaluation of its 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 Mission: *"We bring breakthrough pioneering therapies to patient with life threatening diseases";*
- The Company's values: *All Together, Every Second Counts, Making the Impossible Possible, Passion and Fun, Quality;*
- *"The Company that all others aspire to be"* is our credo;

- Employees and consultants: the Company has been able to attract and retain motivated and dedicated qualified employees. Passion, pro-activity, open-mindness, commitment, trust and integrity are the essential traits of character of our team. All our employees and consultants are required to manage the Company's ressourceswith 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: the Company 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;
- 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 policies. 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.

The Company divides its objectives into four categories:

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

Once the objectives are set by the Board of Directors, those 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 Executive Management Team performs an overall performance appraisal and initiates a performance review amongst the different departments and services of the Company.

Risk identification consists in 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 Executive Management Team has identified the following specific risk factors which are described here after.

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

The Company 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 December 31, 2018, 2017 and 2016, the Company incurred a loss for the year of €38,5 million, €56.4 million and €23.6 million, respectively. As of December 31, 2018, the Company had a retained loss of €218,6 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 its operational, financial and information management systems.

The main assets of the Company are intellectual property rights concerning technologies that have not led to commercialization of any product. Celyad has never been profitable and has never commercialized any (pharmaceutical) product.

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;
- 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 its 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 shareholders' 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 December 31, 2018, we had cash and cash equivalents of €40.5 million and short-term investments of €9.2 million. 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 the Company raises 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 its ability to incur additional debt and/or issue additional equity, limitations on its ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact its ability to conduct its 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 the Company enters into collaborations and/or licensing arrangements in order to raise capital, it may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms its rights to technologies or drug product candidates that the Company otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when the Company might be able to achieve more favorable terms.

We may be exposed to significant foreign exchange risk.

We incur portions of our expenses, and may in the future derive revenues, in currencies other than the euro, in particular, the U.S. dollar. As a result, we are exposed to foreign currency exchange risk as our results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. We currently do not engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the euro. Therefore, for example, an increase in the value of the euro against the U.S. dollar could be expected to have a negative impact on our revenue and earnings growth as U.S. dollar revenue and earnings, if any, would be translated into euros at a reduced value. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations and cash flows.

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

The Company is 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.

The Company is a clinical-stage biopharmaceutical company with no products approved by regulatory authorities or available for commercial sale. 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 effect 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 resources 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.

The Company has generated limited revenue to date and does not expect to generate any revenue from product sales for the foreseeable future. As a result, its future success is currently dependent upon the regulatory approval and commercial success of CYAD-01 in one or more of the indications for which the Company intends to seek approval. The Company's ability to generate revenues in the near term will depend on its ability to obtain regulatory approval and successfully commercialize CYAD-01 on its own in the United States, the first country in which the Company intends to seek approval for CYAD-01. The Company may experience delays in obtaining regulatory approval in the United States for CYAD-01, if it is approved at all, and the price of its ordinary shares and/or ADSs may be negatively impacted. Even if the Company receives 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, the Company has incurred and expect to continue to incur significant expenses as the Company continues to pursue the approval of CYAD-01 in the United States, Europe and elsewhere. The Company plans to devote a substantial portion of its effort and financial resources in order to continue to grow its 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;
- its success in educating physicians and patients about the benefits, administration and use of CYAD-01;
- the incidence and prevalence of the indications for which its 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 its manufacturing processes that the Company plans 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);
- obtaining and maintaining patent, trademark and trade secret protection and regulatory exclusivity and otherwise protecting its rights in its intellectual property portfolio.
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The Company may also fail in its efforts to develop and commercialize future drug product candidates, including CYAD-101 (the allogeneic version of its CYAD-01 drug product candidate). If this were to occur, the Company would continue to be heavily dependent on the regulatory approval and successful commercialization of CYAD-01, its development costs may increase and its ability to generate revenue or profits, or to raise additional capital, could be impaired.
The achievement of milestones (R&D, scientific, clinical, regulatory, business) will trigger payment obligations towards Celdara and Dartmouth, which will negatively impact Celyad's profitability.

Its 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.

Its clinical experience with its lead drug product candidate CYAD-01 is limited. The Company has 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 its 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 its ongoing or future clinical trials, and may not be repeated or observed in ongoing or future trials involving its drug product candidates. There is limited data concerning long-term safety and efficacy following treatment with CYAD-01. Its 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 its CYAD-01 drug product candidate or other T-cell based immunotherapy drug product candidates, could cause the Company 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 its 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. The Company expects to have to train medical personnel regarding its T-cell based immunotherapy drug product candidates to understand their side effects for both its 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 its business, financial condition and prospects.

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

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

Its 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 its drug product candidates, which may increase the risk of adverse side effects;
- educating medical personnel regarding the potential side effect profile of each of its 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 its drug product candidates;
- sourcing clinical and, if approved, commercial supplies for the materials used to manufacture and process its 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;
- developing therapies for types of cancers beyond those addressed by its current drug product candidates.

Additionally, because its technology involves the genetic modification of patient cells ex vivo using a virus, the Company is 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, leukaemia or other cancers, or other aberrantly functioning cells;
- Although its 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 the Company may need to adopt such an observation period for its drug product candidates.

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.

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

The Company is still considering the clinical development program for CYAD-01 in AML and CRC. Prior to initiating new clinical trials for its drug product candidates, The Company is required to submit clinical trial protocols for these trials to the

FDA and comparable foreign regulators in other jurisdictions where the Company plans to undertake clinical trials. The Company 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 its CYAD-01 drug product candidate before the Company initiates new clinical trials. Any of these decisions could have a material adverse effect on its 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 its drug product candidates, if at all, the Company 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. The Company 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 CRO's, 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 its clinical trials;
- delays due to changing standard of care for the diseases the Company is studying;
- adding new clinical trial sites;
- imposition of a clinical hold by regulatory agencies, after an inspection of its clinical trial operations or trial sites;
- failure by its CRO's, other third parties or the Company 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 GCP's, or applicable regulatory guidelines in other countries;
- delays in the testing, validation, manufacturing and delivery of its 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;
- 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 the Company or impair its ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. Clinical trial delays could also shorten any periods during which the Company may have the exclusive right to commercialize its drug product candidates or allow its competitors to bring products to market before the Company does, which could impair its ability to successfully commercialize its drug product candidates and may harm its business and results of operations.
If the results of its clinical trials are inconclusive or if there are safety concerns or adverse events associated with its drug product candidates, the Company may:

- be delayed in obtaining marketing approval for its 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;

- experience damage to its reputation.

Its drug product candidates could potentially cause other adverse events that have not yet been predicted. As described above, any of these events could prevent the Company from achieving or maintaining market acceptance of its drug product candidates and impair its ability to commercialize its 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 its 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 its drug product candidates could cause the Company or regulatory authorities to interrupt, delay, or halt clinical trials. The FDA, EMA, or comparable foreign regulatory authorities could delay or deny approval of its 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 its drug product candidates could also require the Company or its 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 its business, financial condition and prospects.

Additionally, if one or more of its drug product candidates receives marketing approval, and the Company 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 its 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;
- the Company 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;
- the Company could be sued and held liable for harm caused to patients;
- its reputation may suffer.

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

If the Company encounters difficulties enrolling patients in its clinical trials, its 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 its ability to enrol a sufficient number of patients who remain in the trial until its conclusion. The Company may experience difficulties in patient enrolment in its 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;
- its 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 the Company is investigating;
- its ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will not complete a clinical trial.

In addition, its clinical trials will compete with other clinical trials for drug product candidates that are in the same therapeutic areas as its drug product candidates, and this competition will reduce the number and types of patients available to the Company, because some patients who might have opted to enrol in its trials may instead opt to enrol in a trial being conducted by one of its competitors. Because the number of qualified clinical investigators is limited, the Company expects to conduct some of its clinical trials at the same clinical trial sites that some of its competitors use, which will reduce the number of patients who are available for its clinical trials at such clinical trial sites. Moreover, because its 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 enrol patients in its clinical trials.

Even if the Company is able to enrol a sufficient number of patients in its clinical trials, delays in patient enrolment may result in increased costs or may affect the timing or outcome of its clinical trials, which could prevent completion of these trials and adversely affect its ability to advance the development of its 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 its drug product candidates, as well as studies and trials of other products with similar mechanisms of action to its 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 enrolment criteria. Based upon negative or inconclusive results, the Company or its collaborators may decide, or regulators may require it, 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 its data as favourably as the Company does, 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 the Company may experience significant delays in the clinical development and regulatory approval, if any, of its drug product candidates.

The research, testing, manufacturing, labelling, 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. The Company is not permitted to market any biological drug product in the United States until the Company receives a Biologics License Application, or BLA, from the FDA or a marketing authorization application, or MAA, from the EMA. the Company has 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. The Company expects the nature of its 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 its ability to obtain licensure of the drug product candidates based on the completed clinical trials. Accordingly, the regulatory approval pathway for its drug product candidates may be uncertain, complex, expensive, and lengthy, and approval may not be obtained.

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

If the Company obtains and maintains regulatory approval of its drug product candidates in one jurisdiction, such approval does not guarantee that the Company 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 the Company intends to charge for its 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 the Company and could delay or prevent the introduction of its products in certain countries. If the Company fails to comply with the regulatory requirements in international markets and/or to receive applicable marketing approvals, its target market will be reduced and its ability to realize the full market potential of its drug product candidates will be harmed.

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

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

- the clinical indications for which its drug product candidates are approved;
- physicians, hospitals, and patients considering its drug product candidates as a safe and effective treatment;
- the potential and perceived advantages of its 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 its 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;
- the effectiveness of its sales and marketing efforts.

In addition, although the Company is not utilizing embryonic stem cells in its 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 its drug product candidates due to the perceived similarity between its drug product candidates and these other therapies. If its drug product candidates are approved but fail to achieve market acceptance among physicians, patients, hospitals, or others in the medical community, the Company will not be able to generate significant revenue.

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

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

Its drug product candidates are biologics and the process of manufacturing its products is complex, highly-regulated and subject to multiple risks. The manufacture of its 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 its drug product candidates, is higher than traditional small molecule chemical compounds, and the manufacturing process is less reliable and is more difficult to reproduce. Its 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 its drug product candidates are manufactured for each particular patient, the Company is 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 its 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 its drug product candidates to perform differently and affect the results of ongoing clinical trials or other future clinical trials.

Although the Company is working, or will be working, to develop commercially viable processes for the manufacture of its 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 its 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 the Company develops for its drug product candidates is subject to regulatory authorities' approval process, and the Company will need to make sure that the Company or its contract manufacturers, or CMO's, if any, are able to meet all regulatory authorities requirements on an ongoing basis. If the Company or its CMO's are unable to reliably produce drug product candidates to specifications acceptable to the regulatory authorities, the Company may not obtain or maintain the approvals the Company needs to commercialize such drug product candidates. Even if the Company obtains regulatory approval for any of its drug product candidates, there is no assurance that either the Company or its CMO's 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 its 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 (CMO's) 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 pharmacovigilance 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.

2.7.4.2. Risks related to the Company's 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 agreements mentioned above are agreements from the Company. If the Company was not able to respect its obligations, it could be hold liable of a violation of its commitments.

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;
- 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.

On November 27, 2018, Ono Pharmaceuticals Co., Ltd. notified the Company of its decision to terminate with immediate effect the License and Collaboration Agreement dated July 11, 2016 between Ono Pharmaceuticals and the Company.

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 CRO's, 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 its CRO's 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 CRO's does not relieve the Company of its regulatory responsibilities.

The Company and its CRO's are required to comply with the FDA's GCP's 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 GCP's through periodic inspections of trial sponsors, principal investigators and clinical trial sites. If the Company or its CROs fail to comply with applicable GCP's, 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 GCP's. 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 CRO's 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 CRO's 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 CRO's 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 CRO's 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 CRO's terminate, the Company may not be able to enter into arrangements with alternative CRO's or to do so on commercially reasonable terms. Further, switching or adding additional CRO's 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 its relationships with its CRO's, 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 its intended purpose.

2.7.4.3. 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. We cannot guarantee that it will be in a position in the future to develop new patentable inventions or that we or our licensors will be able to obtain or maintain these patent rights against challenges to their validity, scope and/or enforceability. We cannot guarantee that it is or has been the first to conceive an invention or to file a patent application on an invention, particularly given that patent applications are not published in most countries before 18-months after the date of filing. Moreover, we may have little or no control over its licensors abilities' to preventing the infringement of their patents or the misappropriation of their intellectual property. There can be no assurance that the technologies used in our research programs and product candidates are patentable, that pending or future applications will result in the grant to us or our licensors, that any patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that any patents granted to us or our licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, enabling competitors to circumvent or use them and depriving us from the protection it would need against competitorsIf 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.

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.
There can be no assurance that we are even aware of third party rights that may be alleged to be relevant to any 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. We license technology from the Trustees of Dartmouth College, or Dartmouth College. Dartmouth College may terminate our license, if we fail to meet a milestone within the specified time period, unless we pay the corresponding milestone payment. Dartmouth College may terminate either the license in the event we default or breach any of the provisions of the applicable license, subject to 30 days' prior notice and opportunity to cure. In addition, the license automatically terminates in the event we become insolvent, make an assignment for the benefit of creditors or file, or have filed against us, a petition in bankruptcy. Furthermore, Dartmouth College may terminate our license, after April 30, 2024, if we fail to meet the specified minimum net sales obligations for any year, unless we pay to Dartmouth College the royalties we would otherwise be obligated to pay had we met such minimum net sales obligation. Any termination of this license or any of our other 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;

- 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.

The licenses of the Company may be terminated if it is unable to meet the payment obligations under the agreements (notably if the Company is unable to obtain additional financing).

The Company could be unsuccessful in obtaining or maintaining adequate patent protection for one or more of its drug product candidates.

The patent application process is expensive and time-consuming, and the Company and its current or future licensors and licensees may not be able to apply for or prosecute patents on certain aspects of its drug product candidates or deliver technologies at a reasonable cost, in a timely fashion, or at all. It is also possible that the Company or its 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, its patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of its business. It is possible that defects of form in the preparation or filing of its 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 its existing license agreements with the Mayo Foundation for Medical Education and Research and the Trustees of Dartmouth College, the Company has the right, but not the obligation, to enforce its licensed patents. If its current licensors, or any future licensors or licensees, are not fully cooperative or disagree with the Company as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised and the Company 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 its patents or patent applications, such patents or applications may be invalid and unenforceable. Moreover, its competitors may independently develop equivalent knowledge, methods, and know-how. Any of these outcomes could impair its ability to prevent competition from third parties, which may have an adverse impact on its business, financial condition and operating results.

Celyad currently has issued patents and patent applications directed to its drug product candidates and medical devices, and the Company anticipates that it will file additional patent applications in several jurisdictions, including several European Union countries and the United States, as appropriate.

However, the Company cannot predict:

- if and when any patents will issue from patent applications;
- the degree and range of protection any issued patents will afford the Company against competitors, including whether third parties will find ways to invalidate or otherwise circumvent its patents;
- whether others will apply for or obtain patents claiming aspects similar to those covered by its patents and patent applications;
- whether the Company will need to initiate litigation or administrative proceedings to defend its patent rights, which may be costly whether the Company win or lose.

Celyad cannot be certain, however, that the claims in its pending patent applications will be considered patentable by patent offices in various countries, or that the claims in any of its 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 the Company owns or in-licenses may fail to result in issued patents with claims that cover its 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, its patents and patent applications may not adequately protect its intellectual property or prevent others from designing their products to avoid being covered by its claims. If the breadth or strength of protection provided by the patent applications the Company holds with respect to its drug product candidates is threatened, this could dissuade companies from collaborating with the Company to develop, and could threaten its ability to commercialize, its drug product candidates. Further, because patent applications in most countries are confidential for a period of time after filing, the Company cannot be certain that it was the first to file any patent application related to its drug product candidates.

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 the Company can market a drug product candidate under patent protection, which may particularly affect the profitability of its early-stage drug product candidates. If the Company encounters delays in its clinical trials, the period of time during which the Company could market its drug product candidates under patent protection would be reduced. Without patent protection for its drug product candidates, the Company may be open to competition from biosimilar versions of its drug product candidates.

The Company may not be able to protect its 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, the Company may not be able to prevent third parties from practicing its inventions in all countries, or from selling or importing products made using its inventions in and into other jurisdictions. Competitors may use its technologies in jurisdictions where the Company has not obtained patent protection to develop their own products and further, may export otherwise infringing products to territories where the Company has patent protection but enforcement is not as strong. These products may compete with its products and its 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 favour the enforcement of patents, trade secrets and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in violation of its proprietary rights generally. Proceedings to enforce its patent rights in some jurisdictions could result in substantial costs and divert its efforts and attention from other aspects of its business, could put its patents at risk of being invalidated or interpreted narrowly and its patent applications at risk of not issuing and could provoke third parties to assert claims against the Company. We may not prevail in any lawsuits that the Company initiates and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, its efforts to enforce its intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that the Company develops or licenses.

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

Competitors may infringe its patents or the patents of its licensors. To cease such infringement or unauthorized use, the Company 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 the Company, a court may decide that one or more of its 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 its patents do not cover the technology in question. An adverse result in any litigation or defense proceeding could put one or more of its patents at risk of being invalidated, held unenforceable, interpreted narrowly, or amended such that they do not cover its drug product candidates. Such results could also put its 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 its 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, its patents or patent applications or those of its licensors. An unfavourable outcome could result in a loss of its current patent rights and could require the Company to cease using the related technology or to attempt to license rights to it from the prevailing party. Its business could be harmed if the prevailing party does not offer the Company a license on commercially reasonable terms. Litigation, interference, or derivation proceedings may result in a decision adverse to its interests and, even if the Company is successful, may result in substantial costs and distract its 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 its 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 its ordinary shares.

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

If the Company or one of its licensing partners initiate legal proceedings against a third party to enforce a patent covering one of its drug product candidates, the defendant could counterclaim that the patent covering its 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 re-examination, inter partes review, post grant review, oppositions and derivation proceedings. Such proceedings could result in revocation or amendment to our or those of our licensing partners' patents in such a way that the patent no longer covers and protects the relevant drug product candidate(s). The outcome following legal

assertions of invalidity and unenforceability is unpredictable. With respect to the validity of its patents, for example, the Company cannot be certain that there is no invalidating prior art of which the Company, its 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, the Company would lose at least part, and perhaps all, of the patent protection on its drug product candidates. Such a loss of patent protection could have a material adverse impact on its business.

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

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

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

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

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

The Company relies on a single manufacturing facility.

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

The Company will need increased manufacturing capacity.

The Company may not be able to expand the manufacturing capacity within the anticipated time frame or budget or may not be able to obtain the requisite regulatory approvals for the increase in manufacturing capacity on a timely basis, or at all. If the Company cannot obtain necessary approvals for this contemplated expansion in a timely manner, its ability to meet demand for its products would be adversely affected. The 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 its Executive Management Team, particularly its chief executive officer, and its scientific and medical personnel. The loss of the services of any members of its Executive Management Team, 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, 2018, the Company had 90 employees and 7 senior managers, 2 being under employment contracts and 5 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;
- 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;
- 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 its business.

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

As a public company, the Company is operating in an increasingly demanding regulatory environment that requires it to comply with, among things, the Sarbanes-Oxley Act of 2002, as from December 31, 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 the Company to produce reliable financial reports and are important to help prevent financial fraud. The Company has limited accounting personnel and other resources to address its internal controls and procedures. Its independent registered public accounting firm has not conducted an audit of its internal control over financial reporting.
Its management may conclude that its internal control over financial reporting is not effective. Moreover, even if its management concludes that its internal control over financial reporting is effective, its independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with its internal controls or the level at which its controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from the Company. In addition, after the Company becomes a public company, its reporting obligations may place a significant strain on its management, operational and financial resources and systems for the foreseeable future. The Company may be unable to timely complete its 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 its 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 labour practices and laws on the Company's business and operations, including unilateral cancellation or modification of contracts;
- 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.

2.7.4.5. Risks related to the ownership of shares

If securities or industry analysts do not publish research or publish inaccurate research or unfavourable research about its business, the price of the securities and trading volume could decline.

The trading market for the securities depends in part on the research and reports that securities or industry analysts publish about the Company or its business. If no or few securities or industry analysts cover the Company, the trading price would be negatively impacted. If one or more of the analysts who covers the Company downgrades the securities or publishes incorrect or unfavourable research about its business, the price of the securities would likely decline. If one or more of these analysts eases coverage of the Company or fails to publish reports on the Company regularly, or downgrades the securities, demand for the securities could decrease, which could cause the price of the securities or trading volume to decline.

The market price of the Shares could be negatively impacted by actual or anticipated sales of substantial numbers of Shares.

Sales of a substantial number of Shares in the public markets, or the perception that such sales might occur, might cause the market price of the Shares to decline. The Company cannot make any prediction as to the effect of any such sales or perception of potential sales on the market price of the Shares.

A public market for our shares may not be sustained.

The Company cannot guarantee the extent to which a liquid market for the Shares will be sustained. In the absence of such liquid market for the Shares, the price of the Shares could be influenced. The liquidity of the market for the Shares could be affected by various causes, including the factors identified in the next risk factor (below) or by a reduced interest of investors in biotechnology sector.

The market price of the shares may fluctuate widely in response to various factors.

A number of factors may significantly affect the market price of the Shares. The main factors are changes in the operating results of the Company and its competitors, announcements of technological innovations or results concerning the product candidates, changes in earnings estimates by analysts.
Other factors which could cause the price of the shares to fluctuate or could influence the reputation of the Company include, amongst other things:

- developments concerning intellectual property rights, including patents;
- public information regarding actual or potential results relating to products and product candidates under development by the Company's competitors;
- actual or potential results relating to products and product candidates under development by the Company itself;
- regulatory and medicine pricing and reimbursement developments in Europe, the United States and other jurisdictions;
- any publicity derived from any business affairs, contingencies, litigation or other proceedings, the Company's assets (including the imposition of any lien), its management, or its significant Shareholders or collaborative partners;
- divergences in financial results from stock market expectations;
- changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates.

In addition, stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic, financial and political conditions, could affect the market price for the Shares regardless of the operating results or financial condition of the Company.

The Company has no present intention to pay dividends on its ordinary shares in the foreseeable future and, consequently, your only opportunity to achieve a return on your investment during that time is if the price of the securities increases.

The Company has no present intention to pay dividends in the foreseeable future. Any recommendation by its board of directors to pay dividends will depend on many factors, including its financial condition (including losses carried-forward), results of operations, legal requirements and other factors. Furthermore, pursuant to Belgian law, the calculation of amounts

available for distribution to shareholders, as dividends or otherwise, must be determined on the basis of its non-consolidated statutory accounts prepared in accordance with Belgian accounting rules. In addition, in accordance with Belgian law and its Articles of Association, the Company must allocate each year an amount of at least 5% of its annual net profit under its non-consolidated statutory accounts to a legal reserve until the reserve equals 10% of its share capital. Therefore, the Company is unlikely to pay dividends or other distributions in the foreseeable future. If the price of the securities or the underlying ordinary shares declines before the Company pays dividends, investors will incur a loss on their investment, without the likelihood that this loss will be offset in part or at all by potential future cash dividends.

Takeover provisions in the national law of Belgium may make a takeover difficult.

Public takeover bids on its shares and other voting securities, such as warrants or convertible bonds, if any, are subject to the Belgian Act of April 1, 2007 on public takeover bids, as amended and implemented by the Belgian Royal Decree of April 27, 2007, or Royal Decree, and to the supervision by the Belgian Financial Services and Markets Authority, or FSMA. Public takeover bids must be made for all of its voting securities, as well as for all other securities that entitle the holders thereof to the subscription to, the acquisition of or the conversion into voting securities. Prior to making a bid, a bidder must issue and disseminate a prospectus, which must be approved by the FSMA. The bidder must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the Company. The Belgian Act of April 1, 2007 provides that a mandatory bid will be required to be launched for all of its outstanding shares and securities giving access to ordinary shares if a person, as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting on their account, directly or indirectly holds more than 30% of the voting securities in a company that has its registered office in Belgium and of which at least part of the voting securities are traded on a regulated market or on a multilateral trading facility designated by the Royal Decree. The mere fact of exceeding the relevant threshold through the acquisition of one or more shares will give rise to a mandatory bid, irrespective of whether or not the price paid in the relevant transaction exceeds the current market price.

There are several provisions of Belgian company law and certain other provisions of Belgian law, such as the obligation to disclose important shareholdings and merger control, that may apply to the Company and which may make an unfriendly tender offer, merger, change in management or other change in control, more difficult. These provisions could discourage potential takeover attempts that third parties may consider and thus deprive the shareholders of the opportunity to sell their shares at a premium (which is typically offered in the framework of a takeover bid).

The Company may be at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for the Company because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If the Company was to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm its business.

Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights (notice for non-Belgian resident investors).

In the event of an increase in its share capital in cash, holders of shares are generally entitled to full pre-emption rights unless these rights are excluded or limited either by a resolution of the general meeting, or by a resolution of the board of directors (if the board of directors has been authorised by the general meeting in the articles of association to increase the share capital in that manner). Certain holders of shares outside Belgium or France may not be able to exercise pre-emption rights unless local securities laws have been complied with. In particular, U.S. holders of the shares may not be able to exercise pre-emption rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption from the registration requirements is available. The Company does not intend to obtain a registration statement in the U.S. or to fulfil any requirement in other jurisdictions (other than Belgium and France) in order to allow shareholders in such jurisdictions to exercise their pre-emptive rights (to the extent not excluded or limited).

Any future sale, purchase or exchange of shares may become subject to the Financial Transaction Tax.

On February 14, 2013, the European Commission published a proposal (the Draft Directive) for a Directive for a common FTT (Foreign Trade Tax) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (save for Estonia, the Participating Member States). However, Estonia has since then stated that it would not participate.

Pursuant to the Draft Directive, the FTT will be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to, among others, primary market transactions

referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT will be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT will be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction or acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

Investors should note, in particular, that following implementation of the Draft Directive, any future sale, purchase or exchange of shares will be subject to the FTT at a minimum rate of 0.1% provided the above-mentioned prerequisites are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the Shares. The issuance of the new Shares by the Issuer should not be subject to the FTT.

The Draft Directive is still subject to negotiation among the Participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.
Investors should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Shares.

The Company has been subject to an investigation by the Belgian Financial Services and Markets Authority.

The Belgian Financial Services and Markets Authority, or the FSMA, opened an investigation against the Company on April 22, 2014. Such investigation was related to whether the Company had failed to timely disclose inside information to the market in relation to the IND clearance from the FDA for its CHART-2 Phase III heart-failure trial received on December 26, 2013 and reported on January 9, 2014. In April 2015, the Company notified the FSMA its agreement to settle its investigation by paying the proposed settlement amount of €175,000. Although such settlement does not provide for any admission of guilt on its part, the fact that the Company has entered into a settlement with the FSMA could cause investors to have a negative perception of its governance structure, which would have a material adverse effect on its business. Further, any future allegations (based on other facts and circumstances) that the Company failed to comply with applicable securities laws, whether or not true, may subject it to fines, claims and/or sanctions, which could impair its ability to offer its securities or restrict trading in its securities. The occurrence of any of the foregoing could have a material adverse effect on the trading price of its securities and its business.

2.7.5. Audit activities

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

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

In order to properly manage identified risks, the Company has set up 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;
- updated Risks and Controls Matrix are in place for the internal controls processes (Entity Level, IT, Financial operations) .

2.7.6. Controls, supervision and correctives actions

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

The Executive Management Team supervises the implementation of internal audit and risk management, taking into consideration the recommendations of the Audit Committee.

The Executive Management Team 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. BDO's mission includes the auditing of the statutory annual accounts, the consolidated annual accounts of the Company and its subsidiaries.

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. Group structure

Its main business is conducted through the Company itself. In 2011, the Company incorporated Cardio3 Inc, a fully owned subsidiary, in the U.S. for the purposes of supporting its clinical and regulatory activities of the Group in the US. Cardio3 Inc became Celyad Inc on May 12, 2015. The growth of the activities of Celyad Inc. is associated to the development of the US clinical and regulatory activities of the Company in the US.

On November 5, 2014, the Company acquired CorQuest Medical, Inc., a private U.S. company, for a single cash payment of €1.5 million and on-going earn-out royalty payments based on sales milestones. CorQuest Medical, Inc. is developing Heart XS, a new access route to the left atrium. The development of Heart XS and the activities of CorQuest Medical, Inc. have been on hold following the decision of the Company to abandon the development of its cardio business program (C Cure).

On January 21, 2015, the Company purchased OnCyte, LLC, or OnCyte, a wholly-owned subsidiary of Celdara Medical, LLC, a privately-held U.S. biotechnology company for an upfront payment of $10.0 million, of which, $6.0 million was paid in cash and $4.0 million was paid in the form of 93,087 of its ordinary shares. Additional contingent payments with an estimated fair value of $42.0 million are payable upon the attainment of various clinical and sales milestones. As a result of this transaction the Company acquired its CAR-T cell drug product candidates and related technology, including technology licensed from the Trustees of Dartmouth College. OnCyte, LLC was the company holding the CAR-T Cell portfolio of clinical-stage immuno-oncology assets. In March 2018, the Company has dissolved OnCyte, and all the assets and liabilities of OnCyte, have been fully distributed to and assumed by the Company

In May 1, 2016, the Company acquired Biological Manufacturing Services SA (BMS). BMS owns GMP laboratories. BMS rent its laboratories to the Company since 2009 and until April 30, 2016. Until the acquisition, BMS was considered as a related party to the Company.

The Company does not exercise any activities through a branch office.

The consolidation scope of Celyad Group as is as follows:

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion ofordinary shares heldby 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 Medical, Inc.	USA	Medical Device	100%	100%	0%
Biological Manufacturing Services SA	Belgium	GMP laboratories	100%	100%	0%

3.2. Capital increase and issuance of shares

On January 1, 2018, the share capital of the Company was represented by 9,867,844 shares. In 2018, Celyad has increased its capital following the exercise of Company warrants and the raising of funds through a contribution in cash subscribed in a private placement on 22 May. As of December 31, 2018, the share capital of the Company amounted to €41.552.614,57 and was represented by 11.942.344 shares. The par value is €3.48 per share.

The evolution of the capital of the Company since its inception on July 24, 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.

Further to the Initial Public Offering (IPO) made on the Nasdaq on June 19, 2015, some shares of the Company are represented in the form of American Depositary Shares (ADS). As of December 31, 2018, there were 959,556 ADS outstanding.

3.3. Warrants plans

The Company has created various incentive plans under which warrants were granted to its employees, consultants or directors (all warrants are together referred to as "Warrants"). This section provides an overview of the outstanding Warrants on the date hereof.

Upon proposal of the Board of Directors, the extraordinary shareholders' meeting approved the issuance of, in the aggregate,

Warrants giving right to subscribe to shares as follows:

- On September 26, 2008, (Warrants giving right to 90,000 shares). Of these 90,000 Warrants, 50,000 were offered and accepted. None are outstanding on the date hereof;
- on May 5, 2010 (Warrants giving right to 50,000 shares). Of these 50,000 Warrants (15,000 Warrants A, 5,000 Warrants B and 30,000 Warrants C), 12,710 Warrants A, 5,000 Warrants B and 21,700 Warrants C were accepted. None are outstanding on the date hereof;
- on October 29, 2010 (Warrants giving right to 79,500 shares). Out of the 79,500 Warrants offered, 61,050 Warrants were accepted by the beneficiaries and 766 Warrants are outstanding on the date hereof;
- on January 31, 2013 (Warrants giving right to 140,000 shares). Out of the 140,000 Warrants, 120,000 were granted to certain members of the executive management team and a pool of 20,000 Warrants was created. The Warrants attributed to certain members of the executive management team were fully vested at December 31, 2013 and were all exercised in January 2014 and therefore converted into ordinary shares. The remaining 20,000 Warrants were not granted and therefore lapsed;
- on May 6, 2013 (11 investor Warrants are attached to each Class B Share subscribed in the capital increase in cash which was decided on the same date, with each investor Warrant giving right to subscribe to one ordinary share – as a result, these Warrants give right to a maximum 2,433,618 ordinary shares); subject to the Warrants being offered and accepted by the beneficiaries. On May 31, 2013, Warrants giving right to 2,409,176 ordinary shares were issued and accepted, which have all been exercised on the date hereof.
- on May 6, 2013 (Warrants giving right to 266,241 ordinary shares). 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.
- on June 11, 2013 (Over allotment Warrant giving right to a maximum number of shares equal to 15% of the new shares issued in the context of the U.S. initial public offering, i.e. 207,225 shares). The over allotment Warrant was exercised on July 17, 2013;
- on May 5, 2014 (Warrants giving right to 100,000 shares), a plan of 100,000 Warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in several tranches. Out of the Warrants offered, 94,400 warrants were accepted by the beneficiaries and 60,697 Warrants are outstanding on the date hereof.
- on November 5, 2015 (Warrants giving right to 466,000 shares), a plan of 466,000 Warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in several tranches. Out of the Warrants offered, 343,550 warrants were accepted by the beneficiaries and 245,982 Warrants are outstanding on the date hereof.
- on December 8, 2016 (Warrants giving right to 100,000 shares), a plan of 100,000 Warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in two tranches. Out of the Warrants offered, 45,000 warrants were accepted by the beneficiaries and 42,500 Warrants are outstanding on the date hereof.
- on June 29, 2017 (Warrants giving right to 520,000 shares), a plan of 520,000 Warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in several tranches. Out of the Warrants offered, 334,400 warrants were accepted by the beneficiaries and 294,484 Warrants are outstanding on the date hereof.
- on October 26, 2018 (Warrants giving rights to 700,000 shares), 700,000.00 Warrants have been issued in the framework of the authorised capital. 89,300 Warrants were accepted by the beneficiaries, out of which 84,300 Warrants are still outstanding on the date hereof.

As a result, at of December 31, 2018 there are 731,229 Warrants outstanding which represent approximately 6.12% of the total number of all its issued and outstanding voting financial instruments.

3.4. Changes in share capital

In accordance with the Belgian Company Code, the Company 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.

3.5. 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 April 1, 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 November 14, 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 December 31, 2018 were TOLEFI SA (2,295,701 shares) and Victory Capital Management (600,700 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.

3.6. 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 2018, 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.

March 28, 2019 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 to the general meeting of shareholders of Celyad SA for the year ended 31 December 2018

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 two years.

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, 2018, 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 94.299 (000) EUR and for which consolidated statement of profit or loss and other comprehensive income shows a loss for the year of 38.551 (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, 2018, 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 2018 (including short term investments) is sufficient to cover its cash requirements until mid-2020, 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 2019 and 2020 and reviewed it for reasonableness;
- We reconciled the business plan with the data used in the context of the Company's impairment test and valuation of the contingent liability;
- We challenged the assumptions underlying the business plan 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.

Revenue recognition

Description of the matter

Revenue recognition is the principle determining the accounting period in which revenues are recognized in accordance with the valuation rules as adopted by the company, in compliance with the appropriate financial reporting framework, being the IFRS 15 as from January 1st, 2018. Given the significant management estimates required within the revenue accounting, we consider this area as a key audit matter requiring high auditors' attention.

Procedures performed

Our audit procedures included, among others, the following:

- We performed a comprehensive analysis of each significant revenue agreement with its underlying documentation;
- We challenged the key management estimates with regards to the performance obligations of the Company and the allocation of the overall contract price to these obligations;
- We reviewed the adequacy of the disclosures notes included in the 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 analysed and reviewed the Company's fair value calculation including the significant underlying assumptions and checked whether an adequate valuation model was applied;
- We have analysed the documentation prepared by the Company in relation with the significant underlying assumptions as included in the updated business plan and have participated to the meeting in which management has explained and justified these assumptions to the audit committee;
- We have analysed 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 performed an assessment of the reasonableness of key assumptions, notably probabilities of success and forecasted sales level;
- We have 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 completeness and adequacy of the disclosures as included in note 5.19.2 to the consolidated financial statements.

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 as they are mainly composed of "In-process Research and Development Costs" ("IPRD"). As reminder, these assets acquired in a business combination are subject to annual impairment testing until the projects are available for use.

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 analysed internal and external information in order to identify potential impairment indicators;
- We have analysed and reviewed the Company's impairment model including the significant underlying assumptions and checked whether an adequate valuation model was applied;
- We have analysed the Company's valuation applied in relation with the intragroup transfer of the intangible assets that were previously owned by Oncyte LLC, a 100% subsidiary of Celyad S.A. that was liquidated in the course of 2018;
- We have analysed the consistency of the underlying data used in the impairment test and compared these with the data used in the valuation model applied in context of the valuation of the contingent liability;
- We have 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 the consolidated financial statements.

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 scepticism 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.

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.

Zaventem, April 5, 2019

BDO Réviseurs d'Entreprises SCRL
Statutory auditor
Represented by Bert Kegels

4.3. Consolidated financial statements as at 31 December 2018

4.3.1. Consolidated statement of financial position

(€'000)		As at 31 December,	
	Notes	**2018**	**2017**
NON-CURRENT ASSETS		**42,607**	**41,232**
Intangible assets	5.6	36,164	36,508
Property, Plant and Equipment	5.7	3,014	3,290
Non-current trade receivables	5.8	1,743	-
Other non-current assets	5.8	1,687	1,434
CURRENT ASSETS		**51,692**	**36,394**
Trade and Other Receivables	5.9	367	233
Other current assets	5.9	1,585	2,255
Short-term investments	5.10	9,197	10,653
Cash and cash equivalents	5.11	40,542	23,253
TOTAL ASSETS		**94,299**	**77,626**
EQUITY		**55,589**	**47,535**
Share Capital	5.13	41,553	34,337
Share premium	5.13	206,149	170,297
Other reserves	5.21	25,667	23,322
Accumulated deficit		(217,778)	(180,421)
NON-CURRENT LIABILITIES		**29,063**	**22,146**
Bank loans	5.18	229	326
Finance leases	5.18	652	482
Recoverable Cash advances (RCA's)	5.16	2,864	1,544
Contingent consideration and other financial liabilities	5.19	25,187	19,583
Post employment benefits	5.15	131	204
Other non-current liabilities		-	7
CURRENT LIABILITIES		**9,647**	**7,945**
Bank loans	5.18	281	209
Finance leases	5.18	484	427
Recoverable Cash advances (RCA's)	5.16	276	226
Trade payables	5.17	5,916	4,800
Other current liabilities	5.17	2,690	2,282
TOTAL EQUITY AND LIABILITIES		**94,299**	**77,626**

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	2018	2017
Revenue	**5.22**	**3,115**	**3,540**
Cost of sales		-	(515)
Gross profit		**3,115**	**3,025**
Research and Development expenses	5.23	(23,577)	(22,908)
General & Administrative expenses	5.24	(10,387)	(9,310)
Other income	5.27	1,078	2,630
Other expenses	5.27	(8,399)	(41)
Operating Loss before non-recurring items - REBIT		**(38,170)**	**(26,604)**
Amendment of Celdara Medical and Dartmouth College agreements	5.28	-	(24,341)
Write-off C-Cure and Corquest assets and derecognition of related liabilities	5.28	-	(1,932)
Operating Loss - EBIT		**(38,170)**	**(52,876)**
Financial income	5.30	804	933
Financial expenses	5.30	(62)	(4,454)
Loss before taxes		**(37,427)**	**(56,396)**
Income taxes	5.20	0	1
Loss for the year [1]		**(37,427)**	**(56,395)**
Basic and diluted loss per share (in €)	5.31	(3.36)	(5.86)
Other comprehensive loss			
Items that will not be reclassified to profit and loss		**70**	**-**
Remeasurements of post employment benefit obligations, net of tax		70	-
Items that may be subsequently reclassified to profit or loss		**(1,194)**	**(769)**
Currency translation differences		(1,194)	(769)
Other comprehensive income / (loss) for the year, net of tax		**(1,124)**	**(769)**
Total comprehensive loss for the year		**(38,551)**	**(57,164)**
Total comprehensive loss for the year attributable to Equity Holders [1]		**(38,551)**	**(57,164)**

[1] For 2018 and 2017, 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)	Accumulated deficit	Total Equity
Balance as at 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 at 31 December 2017	**34,337**	**170,297**	**23,322**	**(180,421)**	**47,535**
Balance as at 1st January 2018	**34,337**	**170,297**	**23,322**	**(180,421)**	**47,535**
Capital increase in cash	7,204	38,937			46,140
Transaction costs associated with capital increases		(3,141)			(3,141)
Exercice of warrants	12				12
Share-based payments		56	3,539		3,595
Total transactions with owners, recognized directly in equity	**7,215**	**35,851**	**3,539**	**-**	**46,606**
Loss for the year				(37,427)	(37,427)
Currency Translation differences			(1,194)		(1,194)
Remeasurements of defined benefit obligation				70	70
Total comprehensive gain/(loss) for the year	**-**	**-**	**(1,194)**	**(37,357)**	**(38,551)**
Balance as at 31 December 2018	**41,552**	**206,149**	**25,667**	**(217,778)**	**55,589**

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, 2018	2017
Cash Flow from operating activities			
Loss for the year	4.3.2	(37,427)	(56,395)
Cash expense for amendment of Celdara Medical and Dartmouth College agreements	5.28	-	13,276
Non-cash adjustments			
Non-Cash expense for amendment of Celdara Medical and Dartmouth College agreements	5.28	-	10,620
Intangibles - Amortization and impairment	5.6	66	8,038
PP&E - Depreciation	5.7	1,048	966
Upfront payment settled in shares	5.22	(843)	-
Change in fair value of Contingent consideration and other financial liabilities	5.19	5,604	(193)
Remeasurement of Recoverable Cash Advances (RCA's)	5.18	998	(5,356)
Grant income (RCA's and others)	5.27	(768)	(1,376)
Share-based payment expense	5.14	3,595	2,569
Post-employment benefits	5.15	(3)	-
Change in working capital			
Trade receivables, other (non-)current receivables		(1,459)	(832)
Trade payables, other (non-)current liabilities		1,940	(2,482)
Net cash used in operations, before non-recurring items		**(27,249)**	**(31,165)**
Cash expense for amendment of Celdara Medical and Dartmouth College agreements	5.28	-	(13,276)
Net cash used in operations		**(27,249)**	**(44,441)**
Cash Flow from investing activities			
Acquisition of Property, Plant & Equipment	5.7	(833)	(851)
Acquisitions of Intangible assets	5.6	(932)	(7)
Disposals of fixed assets	5.7	74	-
Contingent liability pay out	5.19	-	(5,107)
Acquisition of short-term investments	5.10	(26,561)	(10,749)
Proceeds from short-term investments	5.10	28,859	34,326
Net cash from/(used in) investing activities		**607**	**17,613**
Cash Flow from financing activities			
Proceeds from finance leases and bank borrowings	5.18	950	543
Repayments of finance leases and bank borrowings	5.18	(749)	(576)
Proceeds from issuance of shares and exercise of warrants	5.13	43,011	625
Proceeds from RCA's & other grants	5.18	1,187	1,376
Repayment of RCA's & other grants	5.18	(471)	(1,364)
Net cash from/(used in) financing activities		**43,928**	**605**
Net cash and cash equivalents at beginning of the year		**23,253**	**48,357**
Change in Cash and cash equivalents	5.11	17,286	(26,224)
Effects of exchange rate changes on cash and cash equivalents		3	1,120
Net cash and cash equivalents at the end of the year		**40,542**	**23,253**

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 is a clinical-stage biopharmaceutical company focused on the development of engineered CAR-T cell-based therapies for the treatment of both hematological malignancies and solid tumors.

The Company's lead candidate, CYAD-01, is an investigational autologous CAR-T therapy which expresses the NKG2D receptor from natural killer (NK) cells that binds to eight stress-induced ligands expressed on tumor cells. CYAD-01 is currently being evaluated for safety and clinical activity in multiple dose-escalation Phase 1 clinical trials both as a monotherapy without preconditioning chemotherapy and following preconditioning chemotherapy for the treatment of patients with r/r AML and when concurrently administered with standard-of-care chemotherapy or preconditioning chemotherapy in mCRC patients. Celyad's second clinical candidate, CYAD-101, is an investigational, non-gene edited allogeneic (donor derived) CAR-T therapy that co-expresses the NKG2D receptor of CYAD-01 and the novel inhibitory peptide TIM (Tcell receptor [TCR] Inhibiting Molecule). CYAD-101 is currently being evaluated for safety and clinical activity in a dose-esclation Phase 1 trial when concurrently administered with standard-of-care chemotherapy for the treatment of mCRC.

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 2, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115). The Company's ordinary shares are listed on NYSE Euronext Brussels and NYSE Euronext Paris regulated markets and the Company's American Depositary Shares (ADSs) are listed on the NASDAQ Global Market, all under the ticker symbol CYAD.

The Company has three fully owned subsidiaries (together, the Group) located in Belgium (Biological Manufacturing Services SA) and in the United States (Celyad Inc. and Corquest Medical, Inc.). OnCyte LLC has been dissolved on March 8, 2018 and, as a result, all of its assets and liabilities were since then fully distributed to and assumed by Celyad SA.

These consolidated financial statements have been approved for issuance by the Company's Board of Directors on March 28, 2019. These statements have been audited by BDO Réviseurs d'entreprises SCRL, the statutory auditor of the Company.

The annual report is available to the public free of charge and upon request to the above-mentioned address or via the Company's website (http://www.celyad.com/investors).

5.2. Basis of preparation and significant accounting policies

The year-end consolidated financial statements of Celyad for the twelve months ended December 31, 2018 (the "year") include Celyad SA and its subsidiaries. The significant accounting policies used for preparing these consolidated financial statements are explained 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
- Equity securities held as short-term investments at 31 December 2018 (see note 5.10)

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 2019 and 2020. 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 product candidates.

Based on its current scope of activities, the Group estimates that its treasury position[3] as of 31 December 2018 is sufficient to cover its cash requirements until mid-2020, therefore beyond the readouts of our clinical trials currently ongoing. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the business continuity 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

The Group has applied the same accounting policies and methods of computation in its year-end consolidated financial statements as prior year, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018. The Group has adopted the following new standards that went into effect on January 1, 2018:

- IFRS 9 *Financial Instruments*; and
- IFRS 15 *Revenue from Contracts with Customers*
- Details of the impact of these two standards on the Group are given below.
- 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 significant 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 of the above and the characteristics of the financial instruments held by the Company, management has analyzed the implications of the retrospective adoption on the required effective date of this standard in accordance with IAS 8. The Company has concluded that the application of IFRS 9 does not have a significant impact on the financial statements.
- IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018) is the new standard ruling revenue recognition. Its core principle requires 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 also results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.
  The Group has applied the full retrospective transition approach. For the comparative year presented in the 2018 financial statements, the most significant revenue source of the Company was the license agreement signed with Novartis in May 2017. Management has analyzed the contract using the guidance under the new standard and has concluded that the adoption of IFRS 15 does not affect the previous accounting treatment under IAS 18. In this respect, the licensing revenue relating to the Novartis agreement reported for the year ended December 31, 2017, 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 the agreement qualify as a 'right-to-use' license;
  - in order to comply with 'Principal vs. Agent' guidance set forth in IFRS 15 Appendix B, para. B34 until B38: it shall not be subject to any presentation restatement, as both 'revenue' and 'cost of licensing' (expense) were alreay presented separately under IAS 18, evidencing properly that the Company is acting as a 'Principal' in this transaction.

[3] 'Treasury position' is an alternative performance measure determined by adding Short-term investments and Cash and cash equivalents from the statement of financial position prepared in accordance with IFRS.

At 2018 year-end, IFRS 15 implementation has thus no revenue recognition or presentation impact on the Group's financial statements, for the comparative year presented.

Except for IFRS 16 *Leases*, other new or amended standards and Interpretations issued by the IASB and the IFRIC that will apply for the first time in future annual periods are not expected to have a material effect on the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies. Details of IFRS 16 impact on the Group are given below:

- IFRS 16 Leases is a new standard effective for annual periods beginning on or after 1 January 2019. Therefore, the Group shall transition as of 1 January 2019 and will issue financial statements prepared for the first time in accordance with IFRS 16 at Half Year 2019.

  The standard 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 incremental assets and liabilities to be reported on the balance sheet and a different recognition of lease costs.

  The Group will opt for the so-called 'modified retrospective' adoption method and therefore shall only restate lease contracts active at 1 January 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. Accordingly, there will be no transiton impact on the Group's opening equity for the year 2019.

  The Group has set up a project team, supported by an external advisor, to draw an inventory of lease contracts differentiating those in scope of IFRS 16 restatement from those excluded under low-value and short-term contracts exemptions allowed by IFRS 16. The Group has completed the process of capturing the relevant data needed under the new standard, in order to analyze the impact of adopting IFRS 16. In accordance with these preliminary data, the lease obligation to be recognized as of 1 January 2019 amounts to €2.2 million.

  IFRS 16 transition quantitative impact is discussed further under the disclosure note 5.29.

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 IFRS 9 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 main revenue generated by the Group relates to the sale of licenses.

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. Under IFRS 15, milestone payments generally represent a form of variable consideration as the payments are likely to be contingent on the occurrence of future events. Milestone payments are estimated and included in the transaction price based on either the expected value (probability-weighted estimate) or most likely amount approach. The most likely amount is likely to be most predictive for milestone payments with a binary outcome (i.e., the company receives all or none of the milestone payment). Variable consideration is only recognized as revenue when the related performance obligation is satisfied, and the company determines that it is highly probable that there will not be a significant reversal of cumulative revenue recognized in future periods.

Royalty revenue

Royalty revenues arise from our contractual entitlement to receive a percentage of product sales achieved by co-contracting parties. As our co-contrating partners currently have no products based on a Celyad-technology 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 contracts with our customers when sales occur 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 control of the promised goods (with control referring to the ability to direct the use of and obtain substantially all of the remaining benefits of the medical device). Sales of medical devices generated by the Group until 2017 are associated with C-Cath$_{EZ}$, its proprietary catheter.

5.2.5. Government Grants (Other income)

The Group's grant income reported under 'Other income' in the consolidated income statement is generated from: (i) recoverable cash advances (RCAs) granted by the Regional government of Wallonia; (ii) R&D tax credits granted by the Belgian federal government; and (iii) grants received from the European Commission under the Seventh Framework Program ("FP7"). Government grants are recognised at their fair value where there is 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)

The Group receives grants from the Walloon Region 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) ; or ii) if no sufficient taxable income is available, apply for the refund of the unitilized tax credits, calculated on the R&D expenses amount for the year. 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 income, in order to match the R&D expenses subsidized by the grant.

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.

From time to time, the Group may enter into 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 two cash-generating units which consist of the development and commercialization activities on :

- CYAD products candidate series based on CAR-T technology, for the immune-oncology segment; and
- C-Cath$_{ez}$ commercialized medical device, for the cardiology segment.

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 very short-term deposits with an original maturity of one month or less. Cash and cash equivalents are carried in the balance sheet at their nominal value.

5.2.11. Financial assets

5.2.11.1. Classification

The Group classifies its financial assets in accordance with IFRS 9 categories for measurement purposes. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.
'Amortised cost' measurement category refers to loans and receivables which 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 which are classified as non-current assets. This measurement category comprises "cash and cash equivalents", "short-term investments", and relevant financial assets within "(non-) current trade and other receivables" and "other (non-) current assets".

5.2.11.2. Initial recognition and measurement

All financial assets are recognized initially at fair value plus or minus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs.

5.2.11.3. Subsequent measurement

After initial measurement, financial assets 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

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on trade receivables and contract assets.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit–impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit–impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12–months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

Give the current nature and size of operations of the Group, these requirements mainly apply to the financial assets reported under 'non-current trade receivables'. The carrying value of these receivables (resulting from Mesoblast license agreement commented further under the disclosure note 5.22) take into account a discount rate equal to our partner's incremental borrowing rate and, accordingly, is already credit risk-adjusted. We consider there is no significant additional credit risk related to this receivable, which would not have been captured by discounting effect, both at inception of the receivable and at the reporting date. As such, no additional ECL allowance per se has been recognized for this financial asset or any other financial asset.

Give the nature and size of operations of the Group at prior year-end, there was no difference between the ending provision for impairment in accordance with IAS 39 and the opening loss allowance determined in accordance with IFRS 9 for all of the Group's financial instruments, as discussed in the disclosure note 5.2.1.

5.2.12. Financial liabilities

5.2.12.1. Classification

The Group's financial liabilities include "bank loans", "finance leases", "recoverable cash advances", "contingent consideration and other financial liabilities", "trade payables" and relevant financial liabilities within "Other (non-) current liabilities".
The Group classifies and measures its financial liabilities at 'amortised cost' using the effective interest method, except "contingent consideration and other financial liabilities" which are claissified and measured at 'fair value through profit or loss'.

5.2.12.2. Initial recognition and measurement

All financial liabilities are recognized initially at fair value plus or minus, in the case of a financial liabilities not at fair value through profit or loss, directly attributable transaction costs

5.2.12.3. Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as above-explained. In particular:

Contingent consideration and other financial liabilities

The contingent consideration and other financial liabilities are 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 profit or loss in accordance with IFRS 3 and IFRS 9. 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.

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 a 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 services 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 services that increase their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the 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 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 expense is offset and credited in the income statement. When an equity-settled award is cancelled, the previously recognised expense 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 immateriality 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.
At year-end, the foreign exchange risk exposure lied on the cash and short-term deposits denominated in USD.

EUR/USD foreign (loss)/gain exposure	+2%	+1%	-1%	-2%
31 December 2018	(€0.2 million)	(€0.1 million)	+€0.1 million	+€0.2 million

31 December 2017	(€0.7 million)	(€0.3 million)	+€0.3 million	+€0.7 million

A depreciation of 1% on the USD versus EUR would translate into an unrealized foreign exchange loss of €115k for the Group at 31 December 2018.

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

Revenue

The recognition of revenue relating to license and collaboration agreements involves management estimates and requires judgement as to:

(i) classifying the license agreement (right-to-use or right-to-access license) in accordance with 'Licensing' Application Guidance set forth in IFRS 15;
(ii) identifying the performance obligations comprised in the contract;
(iii) estimating probability for (pre-)clinical development or commercial milestone achievement;
(iv) determining the agreed variable considerations to be included in the transaction price taking into account the constraining limit of the "highly probable" criteria;
(v) allocating the transaction price according to the stand-alone selling price of each of the performance obligations; and
(vi) estimating the finance component in the transaction price, based on the contract expected duration and discount rate.

The management makes its judgment taking into account all information available about clinical status of the underlying projects at the reporting date and the legal analysis of each applicable contracts. Further details are contained in Note 5.22.

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, which 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 and other financial liabilities

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 making strategic decisions, allocating resources and assessing performance of the Group, has been identified as the Board of Directors.

Since the acquisition of the oncological platform in 2015, the management and the CODM have determined that there are two operating segments, being:

- the cardiology segment, regrouping the Cardiopoiesis platform, the Corquest Medical, Inc. (Corquest) platform and C-Cath$_{ez}$; and
- the immuno-oncology segment regrouping all assets developed based on the CAR-T cell platform.

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 currently exists and hence also not considered by the Board of Directors for assessing performance or allocating resources.

CODM is not reviewing assets by segments, hence no segment information per assets is disclosed. At reporting date, all of the Group non-current assets are located in Belgium, except the leasehold improvements made in the offices of Celyad Inc located in Boston, USA.

€ '000	For the year ended 31 December 2018,			
	Cardiology	Immuno-oncology	Corporate	**Group Total**
Revenues	2,399	716	-	3,115
Cost of Sales	-	-	-	-
Gross Profit	**2,399**	**716**	**-**	**3,115**
Research & Development expenses	(375)	(23,202)	-	(23,577)
General & Administrative expenses	-	-	(10,387)	(10,387)
Other Income and expenses	(686)	(6,765)	130	(7,321)
Recurring operating profit (Loss) - REBIT	**1,338**	**(29,251)**	**(10,257)**	**(38,170)**
Non-recurring operating (expenses)/income	-	-	-	-
Operating Profit (Loss) - EBIT	**1,338**	**(29,251)**	**(10,257)**	**(38,170)**
Net Financial Result	-	-	743	743
Profit (Loss) before taxes	**1,338**	**(29,251)**	**(9,515)**	**(37,427)**
Income Taxes	-	-	-	-
Profit (Loss) for the year 2018	**1,338**	**(29,251)**	**(9,515)**	**(37,427)**

In 2018, the Group entered into a license agreement with Mesoblast relating to the C-Cathez device, in the Cardiology segment, resulting in €2.4 million revenue recognized. See disclosure note 5.22.

Since mid of 2016, the Company is fully focused on the development of its immuno-oncology platform. Therefore, in 2018, most of the R&D expenses were incurred in the immuno-oncology segment, in line with prior year.

€ '000	For the year ended 31 December 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 Result	-	-	(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)**

In 2017, there were some important non-recurring items impacting significantly the consolidated income statement. See disclosure note 5.28.

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 2017	**1,040**	**39,655**	**1,084**	**13,337**	**202**	**55,318**
Additions	0	0	0	0	0	0
Currency translation adjustments	(126)	(4,801)	-	-	3	(4,924)
Divestiture	0	0	0	0	(93)	(93)
At 31 December 2017	**914**	**34,854**	**1,084**	**13,337**	**111**	**50,300**
Additions	0	0	0	877	55	932
Currency translation adjustments	(31)	(1,177)	-	-	-	(1,208)
Divestiture	0	0	0	0	-2	-2
At 31 December 2018	**883**	**33,677**	**1,084**	**14,214**	**164**	**50,022**
Accumulated amortisation						
At 1 January 2017	**0**	**0**	**(279)**	**(5,373)**	**(100)**	**(5,752)**
Amortisation charge	0	0	(66)	(7,964)	(7)	(8,038)
Divestiture	0	0	-	-	(3)	(3)
At 31 December 2017	**0**	**0**	**(345)**	**(13,337)**	**(110)**	**(13,792)**
Amortisation charge	-	-	(66)	(1)	(0)	(68)
Divestiture	0	0	0	0	2	2
Impairment (non-recurring loss)	-	-	-	-	-	-
At 31 December 2018	**0**	**0**	**(411)**	**(13,338)**	**(109)**	**(13,858)**
Net book value						
Cost	914	34,854	1,084	13,337	111	50,300

Accumulated amortisation	0	0	(345)	(13,337)	(110)	(13,792)
At 31 December 2017	**914**	**34,854**	**739**	**0**	**1**	**36,508**
Cost	883	33,677	1,084	14,214	164	50,022
Accumulated amortisation	-	-	(411)	(13,338)	(109)	(13,858)
At 31 December 2018	**883**	**33,677**	**673**	**876**	**55**	**36,163**

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 (ie. until 2029). No other development costs have been capitalised up till now. All other programs (ao. C-Cure, CYAD-01, CYAD-02, CYAD-101…) 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 in 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 in the year ended 31 December 2017.
- Exclusive Agreement for Horizon Discovery's shRNA Platform to develop next-generation allogenic CAR-T Therapies acquired for $1.0 million end of December 2018. This patent is amortised over the remaining period of 10 years, corresponding to the remaining intellectual property protection of 20 years, filed for the first patent application in 2008.

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 the former entity Oncyte LLC (meanwhile liquidated into Celyad SA) which was acquired in 2015. Management performs an annual impairment test on goodwill and on 'indefinite lived assets' 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 immuno-oncology segment corresponding to the CGU to which the goodwill and the IPRD belong. The recoverable amount has been calculated based on the fair value less costs to sell model, which requires the use of assumptions. The calculations use cash flow projections based on 12-year period business plan based on probability of success of CYAD-01 and CYAD-101 product candidates as well as extrapolations of projected cash flows resulting from the future expected sales associated with CYAD-01 and CYAD-101. 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) — 13.9%, in line with industry standards for biotechnological companies and WACC used by Equity Research companies following the Group
- Sales revenue growth in the Terminal Value — a decline of 25% of the estimated product revenue has been considered in the Terminal Value (for infinite extrapolation purposes)
- Probabilities of Success (PoS) period — based on Clinical Development Success Rates observed for the 2006-2015 determined by independent business intelligence consulting companies for hematologic and solid oncological diseases. Probability of our product candidates getting on the market used were in line with prior year and as follows:

PoS	Phase I	Phase I to II	Phase II to III	Phase III to BLA	BLA to Approval	Cumulative PoS
CYAD-01 CYAD-101	100%	63%	26%	45%	84%	**6.4%**

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 the immuno-oncology operations:

Sensitivity analysis		**Discount rate (WACC)**		
	Impact on model value	**13.9%**	**14.65%**	**15.4%**
Terminal Revenue Growth rate	**-35%**	-8%	-16%	-23%
	-30%	-5%	-13%	-20%
	-25%	Model Reference	-9%	-16%

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

C-Cure and Corquest impairment test

Pursuant to prior year's strategic decision 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 (Corquest patents) technologies, these assets had been fully impaired as of 31 December 2017. CGU's recoverable amounts being confirmed to be zero at current year-end, the 100% impairment allowance has been carried forward at balance sheet date.

5.7. Property, plant and equipment

(€'000)	Equipment	Furnitures	Leasehold	Total
Cost:				
At 1 January 2017	**3,999**	**465**	**2,947**	**7,410**
Additions	823	-	129	952
Acquisition of BMS SA	-	-	-	-
Disposals	(281)	(9)	(9)	(299)
Currency translation adjustments	(3)	(11)	(8)	(23)
At 31 December 2017	**4,537**	**445**	**3,059**	**8,041**
Additions	564	10	260	833
Reclass BMS SA	(1,032)	24	1,007	(0)

Disposals	(123)	(154)	(140)	(417)
Currency translation adjustments	1	4	8	13
At 31 December 2018	**3,947**	**329**	**4,195**	**8,470**
Accumulated depreciation:				
At 1 January 2017	**(2,752)**	**(184)**	**(912)**	**(3,847)**
Depreciation charge (note 5.25)	(424)	(56)	(486)	(966)
Acquisition of BMS SA	-	-	-	-
Currency translation adjustments	1	1	0	2
Disposals	50	9	2	61
At 31 December 2017	**(3,126)**	**(229)**	**(1,395)**	**(4,750)**
Reclass BMS SA	786	(24)	(761)	(0)
Depreciation charge (note 5.25)	(529)	(49)	(469)	(1,048)
Disposals	117	93	133	343
Currency translation adjustments	0	(1)	(1)	(1)
At 31 December 2018	**(2,751)**	**(211)**	**(2,494)**	**(5,456)**
Net book value				
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**
Cost	3,947	328	4,195	8,470
Accumulated depreciation	(2,751)	(211)	(2,494)	(5,456)
At 31 December 2018	**1,196**	**117**	**1,701**	**3,013**

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

The acquisition of BMS in 2016 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. A reclass of BMS equipments to Leashold has been operated in 2018 without having any impact on the net book value. 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 trade receivables and other non-current assets

(€'000)	As at 31 December,	
	2018	**2017**
Non-current trade receivables Mesoblast licence agreement	1,743	0
Total	**1,743**	**0**

In May 2018, the Group has entered into an exclusive license agreement with Mesoblast. More details on the transaction and its revenue recognition pattern is set forth in disclosure note 5.22.

(€'000)	As at 31 December,	
	2018	**2017**
Deposits	215	273
R&D Tax credit receivable	1,472	1,161
Total	**1,687**	**1,434**

The non-current assets refer to security deposits paid to the lessors of the building leased by the Group and to the Social Security administration.

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), including a one-off catch-up effect. For the current year, a further R&D tax credit receivable has been recorded for the 2018 base increment (€0.3 million).

5.9. Trade receivables other current assets

(€'000)	As at 31 December,	
	2018	**2017**
Trade receivables	277	64
Advance deposits	90	152
Other trade receivables	0	17
Total Trade and Other receivables	**367**	**233**
Prepaid expenses	593	744
VAT receivable	255	391
Income and other tax receivables	737	1,120
Total Other current assets	**1,585**	**2,255**

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. Trade receivables balance increase due to a non-clinical supply services agreement signed with Ono (€0.2 million receivable at year-end). See disclosure note 5.22.

At 31 December 2017, income tax receivables include an open balance for two fiscal years (2017 and 2016), while only one (2018) at 31 December 2018. As of 31 December 2018, other trade receivables mainly decrease due to lower withholding tax to be received from our short-term deposits interests.

5.10. Short-term investments

(€'000)	As at 31 December,	
	2018	**2017**
Short-term cash deposits	8,559	10,653
Investment in equity securities	639	-

Total	**9,197**	**10,653**

Amounts recorded as short-term investments correspond to short-term cash 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.
Mesoblast equity shares received in settlement of the upfront payment for the C-CathEZ licensing agreement (see disclosure note 5.22) are measured at fair value through profit or loss. The fair value of these listed securities is based on public market prices. Accordingly, their carrying value has been marked-to-market value at 2018 year-end.

5.11. Cash and cash equivalents

(€'000)	As at 31 December,	
	2018	**2017**
Cash at bank and on hand	40,542	23,253
Total	**40,542**	**23,253**

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 cash deposit balances may be categorised between A-1 and A+ based on Standard and Poor's rating at 31 December 2018.

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) has been 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 had been treated 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.

Corquest Inc has been acquired on 5 November 2014. Corquest Inc. is developing Heart XS, a new access route to the left atrium.

Oncyte LLC had been acquired on 21 January 2015. It has been liquidated in March 2018. Oncyte LLC was the company hosting the CAR T-Cell portfolio of clinical and pre-clinical stage immuno-oncology IP assets, as disclosed in our previous annual reports. In 2018, as a result of the liquidation, these IP assets have been transferred to Celyad SA, without any impact on the Group's operations.

5.13. Share Capital

The number of shares issued is expressed in units.

	As at 31 December,	
	2018	**2017**
Total number of issued and outstanding shares	11,942,344	9,867,844
Total share capital (€'000)	**41,552**	**34,337**

As of 31 December 2018, the share capital amounts to €41,552k represented by 11,942,344 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 raisings. 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.
In May 2018 the Company completed a global offering of $54.4 million (€46.1 million), resulting in cash proceeds for an amount of €43.0 million net of bank fees and transaction costs.

As of 31 December 2018, 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
Ordinary shares	7 February 2018	Exercice of warrant issued in May 2013	4,500	2.64
Ordinary shares	22 May 2018	Capital increase	2,070,000	22.29

(€000)

Date	Nature of the transactions	Share Capital	Share premium	Number of shares
	Balance as at January 1st, 2017	32,571	158,010	9,313,603
	Issue of shares related to exercise of warrants	625		225,966
	Capital increase resulting from Celdara and Dartmouth College agreements amendment	1,141	9,479	328,275
	Share-based payments		2,808	
	Balance as at December 31, 2017	34,337	170,297	9,867,844
	Issue of shares related to exercise of warrants	12	0	4,500
	Capital increase as a result of the global offering	7,204	35,796	2,070,000
	Share-based payments		56	
	Balance as at December 31, 2018	41,552	206,149	11,942,344

The total number of shares issued and outstanding as of 31 December 2018 totals 11,942,344 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 lower of the average closing price of the Celyad share over the 30 days prior to the offer, and the last closing price before the day of the offer, as determined by the Board of Directors of the Company.

Changes in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Weighted average exercise price (in €)	Number of warrants	Weighted average exercise price (in €)	Number of warrants
Outstanding as at 1 January	**31.76**	674,962	**20.92**	**571,444**
Granted	23.09	111,600	30.37	367,100
Forfeited	28.79	50,833	28.50	31,817
Exercised	2.64	4,500	2.77	225,966
Expired	-	-	22.44	5,799
At 31 December	**30.71**	**731,229**	**31.76**	**674,962**

There were 4,500 warrants exercised in 2018, that were 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 at 31 December, 2018	Number of warrants outstanding as at 31 December, 2017	Exercise price per share
29 October 2010	29 October 2013	29 October 2020	766	766	35.36
06 May 2013	06 May 2016	06 May 2023	2,500	7,000	2.64
05 May 2014	05 May 2017	05 May 2024	60,697	60,697	36.69
05 November 2015	05 November 2018	05 November 2025	245,982	253,065	33.27
08 December 2016	08 December 2019	08 December 2021	42,500	45,000	22.46
29 June 2017	29 June 2020	29 June 2022	294,484	308,434	31.50
26 October 2018	26 October 2021	26 October 2023	84,300		21.16
			731,229	**674,962**	

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 2,500 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 245,982 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 42,500 warrants are outstanding on the date of the financial statements.

Theses warrants will 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 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 294,484 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.

Warrants issued on 26 October 2018

On 26 October 2018, the Board of Directors issued a new plan of 700,000 warrants. Warrants were offered in different tranches to beneficiaries (employees, non-employees and directors). Out of the warrants offered, 89,300 warrants were accepted by the beneficiaries and 84,300 warrants are outstanding on the date of the financial statements.

Theses warrants will 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 2022. The exercise price of the different tranches ranges from €21.16 to €22.04. Warrants not exercised within 5 years after issue become null and void.

As a result, at 31 December 2018, there are 731,229 Warrants outstanding which represent approximately 6.12% of the total number of all its issued and outstanding voting financial instruments.

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**	**06 May 2013**	**05 May 2014**	**05 Nov. 2015**	**08 Dec. 2016**	**29 June 2017**	**26 October 2018**
Number of warrants issued	79,500	140,000	266,241	100,000	466,000	100,000	520,000	700,000
Number of warrants granted	61,050	120,000	253,150	94,400	343,550	45,000	334,400	89,300
Number of warrants not fully vested as of 31 December 2018	0	0	0	0	25,167	42,500	294,484	84,300
Average exercise price (in €)	35.36	4.52	2.64	36.69	33.27	22.46	31.50	21.16
Expected share value volatility	35.60%	35.60%	39.55%	67.73%	60.53%	61.03%	60.61%	58.82%
Risk-free interest rate	3.21%	2.30%	2.06%	1.09%	0.26%	-0.40%	-0.23%	-0.06%
Average fair value (in €)	9.00	2.22	12.44	24.55	21.66	11.28	15.68	10.77
Weighted average remaining contractual life	1.82	4.08	4.34	5.34	6.84	2.94	3.49	4.82

The total net expense recognised in the income statement for the outstanding warrants totals €3.6 million for the year 2018 (€2.6 million for the prior year 2017).

5.15. Post-employment benefits

(€'000)	As at 31 December,	
	2018	**2017**
Pension obligations	131	204
Total	**131**	**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 at 31 December,	
	2018	**2017**
Present value of funded obligations	1,838	1,705
Fair value of plan assets	(1,706)	(1,500)
Deficit of funded plans	131	204
Total deficit of defined benefit pension plans	131	204
Liability in the balance sheet	**131**	**204**

The change in the defined benefit liability over the year is as follows:

(€'000)	**Present value of obligation**	**Fair value of plan assets**	**Total**
As at 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**

As at 1 January 2018	**1,704**	**1,499**	**204**
Current service cost	190		190
Interest expense/(income)	36	31	5
	1,929	1,530	399
Remeasurements			
- Return on plan assets, excluding amounts included in interest expense/(income)		9	(9)
- Actuarial (Gain)/loss due to change in actuarial assumptions	(58)		(58)
- Actuarial (Gain)/Loss due to experience	(3)		(3)
	(61)	9.	(70)
Employer contributions:		198	(198)
Benefits Paid	(31)	(31)	-
At 31 December 2018	**1,838**	**1,707**	**131**

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

(€'000)	2018	2017
Current service cost	190	201
Interest expense on DBO	36	32
Expected return on plan assets	(30)	(26)
Net periodic pension cost	**195**	**207**

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

(€'000)	2018	2017
Effect of changes in actuarial assumptions	(58)	-
Effect of experience adjustments	(3)	5
(Gain)/Loss on assets for the year	(9)	(5)
Remeasurement of post-employment benefit obligations	**(70)**	**-**

Plan assets relate all to qualifying insurance policies. The significant actuarial assumptions as per 31 December 2018 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: 15% each year
- Retirement age: 65 years

Economic assumptions:

- Yearly inflation rate: 1,8%
- Yearly salary raise: 1,5% (above inflation)
- Yearly discount rate: 2.2%

If the discount rate would decrease with 0,5% then, the defined benefit obligation would increase with 5,5%. Reversely if the discount rate would increase with 0,5% then the defined benefit obligation would decrease with 3,5%.

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 several 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 next financial year amount to €0.2 million.

5.16. Advances repayable

(€'000)	As at December 31,	
	2018	**2017**
Total Non-Current portion as at 1st January	1,544	7,330
Total Non-Current portion as at 31 December	2,864	1,544
Total Current portion as at 1st January	226	1,108
Total Current portion as at 31 December	276	226

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) €23.7 million have been received to date ; ii) out of the active contracts, an amount of €1.4 million should be received in 2019 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 2019, we will be required to make exploitation decisions on our remaining outstanding RCA related to the CAR-T platform.

(in €'000)			Amounts received for the years ended 31 December			Amounts to be received		As at 31 December2018
Id	**Project**	**Contractual amount**	**Prior years**	**2017**	**2018**	**Cumulated cashed in**	**2019 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	460
5951	Industrialization	1,470	866	-		866	-	Abandoned	245
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	204
6646	Proteins	1,200	450	-		450	-	Abandoned	450
7027	C-Cath$_{ez}$	2,500	2,500	-		2,500	-	Exploitation	250
7246	C-Cure	2,467	2,220	247		2,467	-	Abandoned	0
7502	CAR-T Cell	2,000	1,800	200		2,000	-	Exploitation	0
7685	THINK	3,496	-	873	1,187	2,060	1,436	Research	0
Total		**26,696**	**21,239**	**1,320**	**1,187**	**23,746**	**1,436**		**3,325**

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

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)						
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 at 31 December,	
	2018	**2017**
Total trade payables	**5,916**	**4,800**
Other current liabilities		
Social security	314	306
Payroll accruals and taxes	1,351	947
Other current liabilities	1,024	1,029
Total other current liabilities	**2,690**	**2,282**

Trade payables are non-interest-bearing liabilities and are normally settled on a 90-day terms. Their increase is mainly attributable to clinical operations acceleration in the fourth quarter of 2018.

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 financial 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, except for advances repayable which are presented at amortised cost. Contingent consideration liability has not been disclosed in the table below, because as of balance sheet date, it does not meet the definition of a contractual obligation. Commitments relating to contingent consideration are detailed in the disclosure note 5.33.

Financial liabilities reported as at 31 December 2018:

(€'000)	Total	Less than one year	One to five years	More than five years
As at 31 December, 2018				
Bank loan	510	281	229	-
Financial leases	1,136	484	652	-
Advances repayable	3,140	276	1,021	1,843
Trade payables and other current liabilities	5,916	5,916	-	-
Total financial liabilities	**10,702**	**6,957**	**1,902**	**1,843**

Financial liabilities reported as at 31 December 2017:

(€'000)	Total	Less than one year	One to five years	More than five years
As at 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**

5.18.2. Changes in liabilities arising from financing activities

The change in bank loans balances is detailed as follows:

BANK LOANS FINANCIAL LIABILITY ROLL FORWARD

(€'000)	For the year ended	
	2018	**2017**
Opening balance at 1 January	**536**	**742**
New bank loans	220	-
Installments	(245)	(207)
Closing balance at 31 December	**510**	**536**

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

FINANCE LEASES FINANCIAL LIABILITY ROLL FORWARD

(€'000)	For the year ended	
	2018	**2017**
Opening balance at 1 January	**909**	**735**
New finance leases	730	543
Installments	(503)	(369)
Closing balance at 31 December	**1,136**	**909**

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

(€'000)	For the year ended	
	2018	**2017**
Opening balance at 1 January	**1,770**	**8,438**
Repayments	(226)	(1,233)
Proceeds - Liability component	598	
Remeasurement	998	(80)
Derecognition of liability (non-recurring gain)		(5,356)
Closing balance at 31 December	**3,140**	**1,770**

The change in the recoverable cash advances liability at balance sheet date reflects both the further proceeds cashed in during the year as well as the remeasurement of the liability at amortized cost, based on our updated business plan and sales forecast for our CAR-T product candidates. See disclosure note 5.28. The year-end balance also captures the repayments of contractual turnover independant lump sums to the Walloon Region (relating to 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, RCA's repayments have decreased over 2018.

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 reported at fair value in the consolidated financial statements were as follows for the current and comparative periods:

(€'000)	As at December 31,	
	2018	**2017**
Financial Assets ('Amortised cost' category) within:		
Non-current Trade receivables	1,743	-
Other non-current assets	215	273
Trade receivables and other current assets	367	233
Short-term investments	9,197	10,653
Cash and cash equivalents	40,542	23,253
Total	**52,065**	**34,412**

For the above-mentioned financial assets, the carrying amount reported at balance sheet date is a reasonable approximation of their fair value.

(€'000)	As at December 31,	
	2018	2017
Financial Liabilities ('Financial liabilities at amortized cost' category) within:		
Bank loans	510	536
Finance lease liabilities	1,136	909
RCA's liability	3,140	1,770
Trade payables and other current liabilities	5,916	4,800
Total	**10,702**	**8,015**

For the above-mentioned financial liabilities, the carrying amount reported at balance sheet date is a reasonable approximation of their fair value.

5.19.2. Financial instruments reported at fair value on balance sheet

Mesoblast equity shares received in settlement of the upfront payment for the C-CathEZ licensing agreement (see disclosure note 5.22) are reported at fair value in the statement of financial position using Level 1 fair value measurement (listed securities based on public market prices).

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				
Investment in equity securities	639	-	-	639
Total Assets	639	-	-	**639**
Liabilities				
Contingent consideration and other financial liabilities	-	-	25,187	25,187
Total Liabilities	-	-	25,187	**25,187**

The change in the balance is detailed as follows:

CONTINGENT CONSIDERATION AND OTHER FINANCIAL LIABILITIES ROLL FORWARD

(€'000)	For the year ended	
	2018	2017
Opening balance Contingent consideration at 1 January	**15,549**	**28,179**
Milestone payment		(5,341)
Fair value adjustment	4,733	(4,225)
Currency Translation Adjustment		(3,064)
Closing balance Contingent consideration at 31 December	**20,282**	**15,549**
Opening balance Other financial liabilities at 1 January	**4,034**	**-**
Fair value adjustment	871	4,034
Closing balance Other financial liabilities at 31 December	**4,905**	**4,034**

Total - Contingent consideration and Other financial liabilities at 31 December	**25,187**	**19,583**

The contingent consideration and other financial liabilities refers to the acquisition of our immuno-oncology platform and corresponds to the fair value of the potential future payments due to Celdara Medical, LLC and Dartmouth College. The liability evolution reflects the development of our product candidates using CAR-T technology and their progress towards market approval in both autologous and allogeneic programs, as well as the update of our underlying business plans and revenue forecast.

The liability increase at balance sheet date is due to the fair value adjustment at reporting date, driven by the addition of the milestone payments related to our allogeneic program (triggered by the IND filing of our product candidate CYAD-101 in June 2018 and the first patient infusion in the Alloshrink clinical study in November 2018).

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 (PoS) for our product candidates to get commercialized.

	Discount rate (WACC)				
	9.9%	11.9%	13.9%	15.9%	17.9%
Cont. consideration (€ million)	33.1	28.7	25.2	22.1	19.6
Impact (%)	+31%	+14%	-	-12%	-22%

	Sales long-term growth rate in the terminal value				
	-40%	-32.5%	-25%	-17.5%	-10%
Cont. consideration (€ million)	23.9	24.4	25.2	26.3	28.2
Impact (%)	-5%	-3%	-	+4%	+12%

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	Phase I to II	Phase II to III	Phase III to BLA	BLA to Approval	Cumulative PoS
CYAD-01 CYAD-101	100%	63%	26%	45%	84%	**6.4%**

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 (€ million)	20.2	22.7	25.2	27.7	30.2
Impact (%)	-20%	-10%	-	+10%	+20%

5.20. Income taxes

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

INCOME TAX EXPENSE IN PROFIT OR LOSS

(€'000)	For the year ended 31 December	
	2018	**2017**
Current tax (expense) / income	0	1
Deferred tax (expense) / income	-	-
Total income tax expense in profit or loss	**0**	**1**

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 income tax at the nominal Belgian income tax rate of 29.58% for the year 2018 and 33.99% for the year 2017:

EFFECTIVE INCOME TAX RECONCILIATION

(€'000)	For the year ended 31 December	
	2018	**2017**
Loss before tax	(75,416)	(56,396)
Permanent differences		
Tax disallowed expenses	269	221
Share-based payment	3,595	2,569
Nominal tax rate	**29.58%**	**33.99%**
Tax income at nominal taxe rate	21,165	18,220
Deferred Tax assets not recognised	(21,165)	(18,219)
Effective tax expense	**0**	**1**
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:

DEFERRED TAX ASSETS AND LIABILITIES, PER TAX BASES

(€'000)	For the year ended 31 December 2018		
	Assets	**Liabilities**	**Net**
Intangibles assets	49	-	49
Tangible assets	-	(154)	(154)
Recoverable cash advances liability	633	-	633
Contingent consideration liability	6,297	-	6,297
Employee Benefits liability	33	-	33
Other temporary difference	-	(436)	(436)
Tax-losses carried forward	46,858	-	46,858
	-	-	-
Unrecognised Gross Deferred Tax assets/(liabilities)	**53,869**	**(590)**	**53,279**
Netting by tax entity	(437)	437	-
Unrecognised Net Deferred Tax assets/(liabilities)	**53,432**	**(153)**	**53,279**

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

(€'000)	For the year ended 31 December 2017		
	Assets	**Liabilities**	**Net**
Intangibles assets	-	(3,974)	(3,974)
Tangible assets	-	(215)	(215)
Recoverable cash advances liability	349	-	349
Contingent consideration liability	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)	**53,028**	**(4,189)**	**48,839**
Netting by tax entity	(3,974)	3,974	-
Unrecognised Net Deferred Tax assets/(liabilities)	**49,054**	**(215)**	**48,839**

The Group's main deductible tax base relates to tax losses carried forward, which have indefinite term under both BE and US tax regimes applicable to our subsidiaries. In addition, the Group can benefit from additional tax benefits (like notional interest deduction in Belgium) which can be carried-forward until the taxation year 2020.

The remaining temporary differences refer to differences between IFRS accounting policies and local tax reporting policies. 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	
	2018	**2017**
Opening balance at 1 January	**48,839**	**39,370**
Temporary difference creation or reversal	5,734	(15,580)
Change in Tax-losses carried forward	(1,294)	44,011
Foreign exchange rate effect	-	(113)
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	**53,279**	**48,839**

The net increase in the balance relates to : i) an increase linked to the reversal of a temporary difference relating to intangible assets valuation and ii) a decrease linked to some tax losses used during the year.

5.21. Other reserves

(€'000)	**Share based payment reserve**	**Convertible loan**	**Currency Translation Difference**	**Total**
Balance as at 1st January 2017	**6,946**	**16,631**	**752**	**24,329**
Vested share-based payments	(239)			(239)
Currency Translation differences subsidiaries			(769)	(769)
Balance as at 31 December 2017	**6,707**	**16,631**	**(17)**	**23,321**
Vested share-based payments	3,539			3,539
Currency Translation differences subsidiaries			(1,194)	(1,194)
Balance as at 31 December 2018	**10,246**	**16,631**	**(1,211)**	**25,666**

5.22. Revenue

(€'000)	For the year ended 31 December,	
	2018	**2017**
Out-licensing revenue	2,399	3,505
C-CathEZ sales	-	35
Other revenue	716	-
Total	**3,115**	**3,540**

In May 2018, the Group has entered into an exclusive license agreement with Mesoblast, an Australian biotechnology company, to develop and commercialize Celyad's intellectual property rights relating to C-Cath$_{EZ}$, an intra-myocardial injection catheter. We have applied the 5-step model foreseen by IFRS 15 to determine revenue recognition pattern applicable to this contract as of 31 December 2018. Key judgements made in accordance with IFRS 15 were that the license agreement:

- is a distinct component of the Mesoblast agreement;
- refers to a 'right-to-use' type of license, ie. the right to use Celyad's intellectual property as it exists at the point in time the license has been granted (May 2018). Revenue allocated to the transaction price is thus eligible for full revenue recognition for the year 2018 ;
- foresees a transaction price broken down between upfront (€0.8 million settled in shares) and contingent milestone payments (an additional amount of €2.2 million qualifying for recognition at 31 December 2018);
- features a financing component (€0.5 million deferred financial income to be deducted from the above), leading to a net out-licensing revenue reported of €2.4 million);
- further foresees variable consideration of up to $17.5 million related to future regulatory- and commercial-based milestones, which will not be recognized until it becomes highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

The related receivable is reported for its discounted value (€1.7 million) under 'Non-current trade receivables', see note 5.8. There are no corresponding contract liabilities reported at balance sheet date, as no performance obligation was outstanding.

For the previous year, the Group received a non-refundable upfront payment as a result of the Company entering into a non-exclusive license agreement with Novartis. This upfront payment was fully recognized upon receipt as relating to a right-to-use license (no performance obligation associated with the payment, other than granting the right to use the underlying intellectual property as from contract signing date).

Other revenue refers to a non-clinical supply agreement concluded with ONO Pharmaceutical Co., Ltd (time & material type of contract). The revenue reported reflects the services delivered for the year, consisting in performing cell production and animal experiments requested by ONO. The related receivable open at year-end is reported under 'Trade receivables', see note 5.9. This agreement has been completed at year-end, without any performance obligation remaining outstanding.

The Company does not expect to generate significant revenue unless and until it receives regulatory approval for one of our drug product candidates.

5.23. Research and Development expenses

(€'000)	**For the year ended 31 December,**	
	2018	**2017**
Salaries	7,902	7,007
Share-based payments	1,264	862
Travel and living	466	359
Pre-clinical studies	2,945	1,995
Clinical studies	3,656	3,023
Raw materials & consumables	2,770	1,825
Delivery systems	117	430
Consulting fees	1,663	1,522
External collaborations	110	885
IP filing and maintenance fees	397	513

Scale-up & automation	23	1,892
Rent and utilities	651	371
Depreciation and amortisation	848	1,488
Other costs	765	735
Total Research and Development expenses	**23,577**	**22,908**

R&D expenses show a net increase year-on-year, which reflects the organic growth of the Company's operations, for both pre-clinical and clinical activities. The underlying operational staff headcount increased by 15% compared to prior year.

Scale-up and automation budget has been carried forward to 2019.

The absence of amortisation expenses relating to C-Cure and Corquest assets (as a consequence of their full impairment recorded at year-end 2017) explains the lower level of depreciation & amortization expense compared to prior year.

5.24. General and administrative expenses

(€'000)	For the year ended 31 December,	
	2018	**2017**
Employee expenses	3,312	2,630
Share-based payments	2,331	1,707
Rent	1,097	1,053
Communication & Marketing	676	761
Consulting fees	2,192	2,227
Travel & Living	253	211
Post employment benefits	(3)	-
Depreciation	267	229
Other	263	490
Total General and administration	**10,387**	**9,308**

Increase of G&A expenses by 11% mainly refers to the increase of the Share-based payments vesting cost (non-cash expenses), driven by the full year vesting impact of the warrants distribution occurred prior year (warrant grant of mid-2017).

Employee expenses increase is driven by one-off costs incurred pursuant to changes in our Corporate organization chart.

5.25. Depreciation and amortisation

(€'000)	For the year ended 31 December,	
	2018	**2017**
Depreciation of property, plant and equipment	1,048	966
Amortisation of intangible assets	68	748
Total depreciation and amortisation	**1,115**	**1,714**

The absence of amortisation expenses relating to C-Cure and Corquest assets (as a consequence of their full impairment recorded at year-end 2017) drives the decrease in the amortisation expense compared to prior year.

5.26. Employee benefit expenses

(€'000)	For the year ended 31 December,	
	2018	**2017**
Salaries, wages and fees	6,439	5,461
Executive Management team compensation	3,235	2,563
Share-based payments	3,595	2,569
Social security	1,301	1,277
Post employment benefits	217	220
Hospitalisation insurance	118	118
Other benefit expense	2	-
Total Employee expenses	14,906	**12,207**

Salaries, wages and fees expenses show a net increase year-on-year, which reflects the organic growth of the Company's operations, for both pre-clinical and clinical activities. The underlying total staff headcount increased by 10% compared to prior year.

The increase in Share-based payments vesting cost (non-cash expenses) is driven by the full year vesting impact of the warrants distribution occurred prior year (warrant grant of mid-2017).

Headcount	For the year ended 31 December,	
	2018	**2017**
Research & Development	88.1	77.1
General and administrative staff	13.7	15.9
Total Headcount	**101.8**	**93.0**

5.27. Other income and expenses

Other expenses mainly refer to the change in fair value of the contingent consideration and other financial liabilities. See 5.19.2 for more information.

Other income is 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.

(€'000)	For the year ended December 31,	
	2018	**2017**
Remeasurement of contingent consideration	5,604	-
Clinical Development milestone payment	1,372	-
Remeasurement of RCA's	998	-
Fair value adjustment on securities	182	-
Other	243	41
Total Other Expenses	**8,399**	**41**

(€'000)	For the year ended December 31,	
	2018	**2017**

Grant income (RCA's)	768	824
Grant income (Other)	-	56
Remeasurement of RCA's	-	396
Remeasurement of contingent consideration	-	193
R&D tax credit	310	1,161
Total Other Income	**1,078**	**2,630**

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.

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. No operations qualify for such a presentation for the year 2018.

(€'000)	For the year ended 31 December	
	2018	**2017**
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 Operating expenses	**-**	(26,273)

In 2017, the Group had 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 had 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).

5.29. Operating leases

The Group has entered into various lease 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 €1.0 million in 2018 and €0.9 million in 2017.

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

(€'000)	As at 31 December,	
	2018	**2017**
Within one year	708	857
After one year but no more than five years	1,672	2,014
More than five years	533	888
Total Operating leases	**2,912**	**3,759**

The table below underline the preliminary impact of IFRS 16 adoption on Celyad financial statements, which consists in the recognition of an additional financial liability, with a counterpart in tangible leased assets, for an amount of €2.2 million. IFRS 16 adoption details are discussed under note 5.2.1.

(€'000)	
Minimum rentals payable under operating leases - 31 December 2018	**2,912**
IFRS 16 scope exemption (low-value and short-term)	(237)
Minimum rentals payable under operating leases in IFRS 16 scope	**2,675**
Discounting effect @ incremental borrowing rate	(443)
IFRS 16 lease obligation (discounted) - 1 January 2019	**2,232**

5.30. Finance income and expenses

(€'000)	For the year ended 31 December,	
	2018	**2017**
Interest finance leases	18	18
Interest on overdrafts and other finance costs	29	36
Interest on RCA's	15	90
Foreign Exchange differences	-	4,309
Finance expenses	**62**	**4,453**
Interest income bank account	308	927
Foreign Exchange differences	387	
Other financial income	109	6
Finance income	**804**	**934**
Net Financial result	**743**	**(3,519)**

In 2017, a significant loss on exchange differences had been incurred due to the depreciation of the USD against EUR. Such a loss did not occur in 2018, explaining the improvement in our net financial result.

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 at 31 December,	
	2018	**2017**
Loss of the year attributable to Equity Holders	(37,427)	(56,395)
Weighted average number of shares outstanding	11,142,244	9,627,601
Earnings per share (non-fully diluted) in €	**(3.36)**	**(5.86)**
Outstanding warrants	731,229	674,962

5.32. Contingent assets and liabilities

As described in note 5.2.5, 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 2019 and beyond, the Group will have to make exploitation decisions on the remaining RCA (agreements numbered 7685).

5.33. Commitments

5.33.1. 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

5.33.2. Celdara Medical LLC Milestones (formerly OnCyte LLC)

Based on the terms of the Asset Purchase Agreement dated 21 January 2015, as amended on 3 August 2017, Celdara Medical LLC is entitled to development and regulatory milestones, sales milestones and royalties based on the net sales generated by the Company from products candidate, whose level depend on whether or not the licensed asset from which the product candidate is derived was in clinical or preclinical stage upon in-licensing from Celadara.

On the clinical assets (NKG2D), Celdara Medical will be entitled to the following development and regulatory milestones;

$5 million upon enrolment of the first patient of the second cohort of the Phase I trial[4]
$6 million upon dosing the first patient of a Phase II trial[5]
$9 million upon dosing the first patient of a Phase III trial
$11 million upon filing of the first regulatory approval of CAR-T NKG2D
$14 million upon CAR-T NKG2D approval for commercialization in the US

On the other preclinical assets (TIM, B7H6, NKP30):

$1.5 million upon an IND filing to the FDA[6]
$4 million upon dosing the first patient of a Phase II trial
$6 million upon dosing the first patient of a Phase III trial
$10 million upon filing of the first regulatory request for the product candidate
$15 million upon product candidate approval for commercialization in the US

Sales milestones will also be due to Celdara Medical and are dependent of cumulative net sales of products developed from licensed assets:

$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, the 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 owe to Dartmouth College an additional 2% royalties on its direct net sales.

[4] Paid as of 31 December 2016

[5] Paid as of 31 December 2017

[6] Paid as of 31 December 2018, for TIM pre-clinical asset

In accordance with IFRS 3, these contingencies are recognised on balance sheet at year-end, on a risk-adjusted basis. 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 at 31 December,	
	2018	**2017**
Number of EMT members	**7**	**8**

(€'000)	For the year ended 31 December	
	2018	**2017**
Short term employee benefits[1]	740	666
Post employee benefits	16	14
Share-based compensation	1,794	1,123
Other employment costs[2]	27	30
Management fees	2,457	1,950
Total benefits	**5,034**	**3,783**

[1] Include salaries, social security, bonuses, lunch vouchers

[2] Such as Company cars

	As at 31 December,	
	2018	**2017**
Number of warrants granted	30,000	179,000
Number of warrants lapsed	0	-15,225
Cumulative outstanding warrants	259,000	306,500
Exercised warrants	0	168,000
Outstanding payables (in '000€)	803	461

5.34.2. Transactions with non-executive directors

	For the year ended 31 December,	
(€'000)	**2018**	**2017**
Share-based compensation	420	485
Management fees	357	387
Total benefits	**776**	**872**

	As at 31 December,	
	2018	**2017**
Number of warrants granted	20,000	60,000
Number of warrants lapsed	-	(2,904)
Number of exercised warrants	-	-
Cumulative outstanding warrants	135,000	115,000
Outstanding payables (in '000€)	127	194
Shares owned	345,453	2,512,004

Decrease in shares owned by Company's Directors is due to the resignation of Tolefi SA as Board member as of 1st August 2018, as described under note 2.2.

5.34.3. Transactions with shareholders

There were no transactions with Company's shareholders, for both current and prior years.

5.35. Events after the balance sheet date

There were no subsequent events that occur between 2018 year-end and the date when the financial statements have been authorised by the Board for issue.

5.36. Statutory accounts as of 31 December 2018 and 2017 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 2018 (including comparative information as of and for the year ended 31 December 2017). 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 6 May 2019 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 €)	2018	2017
ASSETS		
FIXED ASSETS	**46,838,308**	**17,725,176**
II. Intangible fixed assets	**35,054,454**	**27,430**
III. Tangible fixed assets	**2,039,280**	**2,087,160**
Land and buildings		
Installations machinery and equipment	136,935	366,185
Furniture and vehicles	24,155	23,501
Leasing and similar rights	1,147,282	913,912
Other fixed assets	730,909	780,246
Fixed assets under construction and advance payments		3,316
IV. Financial fixed assets	**9,744,574**	**15,610,585**
CURRENT ASSETS	**54,641,197**	**66,367,485**
VI. Stocks and contracts in progress		
Goods purchase for resale		
VII. Amounts receivable within one year	**1,384,102**	**33,020,327**
Trade debtors	396,652	220,827
Others amounts receivable	987,450	32,799,500
VIII. Amounts receivable more than one year	**4,009,323**	
Others amounts receivable	4,009,323	
IX. Investment	**9,197,493**	**10,652,595**
X. Cash at bank and in hand	**39,528,751**	**22,191,145**
XI. Deferred charges and accrued income	**521,528**	**503,418**
TOTAL ASSETS	**101,479,506**	**84,092,660**
CAPITAL AND RESERVES	**89,943,674**	**74,521,841**
I. Capital	**41,552,615**	**34,337,135**
Issued capital	41,552,615	34,337,135
Uncalled capital (-)		
II. Share Premium	**220,678,055**	**181,741,355**

V. Accumulated profits (losses)	**(172,286,995)**	**(141,556,649)**
PROVISIONS AND DEFERRED TAXES		
VII.A. Provisions for liabilities and charges		
CREDITORS	**11,535,831**	**9,570,819**
VIII. Amounts payable after more than one year	**2,166,342**	**1,863,358**
Credit institutions; leasing and other similar obligations	770,142	801,158
Other financial loans	1,396,200	1,062,200
Other debts		
IX. Amounts payable within one year	**9,369,032**	**7,704,984**
Current portion of amounts payable after one year	945,705	846,660
Trade debts	5,800,067	4,758,090
Suppliers	5,800,067	4,758,090
Taxes; remunerations and social security costs	2,455,758	2,099,603
Taxes	852,516	846,516
Remunerations and social security costs	1,603,243	1,253,087
Other amounts payable	167,502	557
X. Accrued charges and deferred income	**458**	**2,477**
TOTAL LIABILITIES	**101,479,506**	**84,092,660**

5.36.2. Income statement

(in €)	2018	2017
Operating income	**22,677,279**	**23,978,005**
Turnover	1,567,308	3,940,057
Capitalization of development costs	18,598,125	16,824,786
Other operating income	2,509,614	3,213,162
Non recurring operating income	2,232	
Operating charges	(56,505,192)	**(98,020,081)**
Direct Material	(3,679,610)	(2,406,004)
Services and other goods	(21,929,720)	(18,948,282)
Remuneration; social security and pensions	(7,600,167)	(6,911,155)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(22,250,470)	(17,663,086)
Write-downs on inventories, on orders in progress and on trade receivables (appropriations -; write-backs +)		(22,122)
Provisions for liabilities and charges (appropriations -; use and write-backs +)		
Other operating charges (-)	(1,043,231)	(841,841)
Non recurring operating expenses	(1,995)	(51,227,625)
Operating profit (loss)	**(33,827,914)**	**(74,042,110)**
Financial income	**1,761,957**	**1,170,101**

Income from current assets	307,632	924,709
Income from financial assets	490,442	
Other financial income	963,883	245,392
Financial charges (-)	**(2,673,713)**	**(7,390,633)**
Interest on financial debts	(16,798)	(17,634)
Other financial charges	(2,656,915)	(5,872,999)
Non-recurring financial charges		(1,500,000)
Profit (loss) on ordinary activities before taxes (-)	**(34,739,670)**	**(80,262,642)**
Profit (Loss) for the period before taxes (-)		
Income taxes (-) (+)	**4,009,323**	
Profit (loss) for the period available for appropriation	**(30,730,347)**	**(80,262,642)**

5.36.3. Notes

Statement of intangibles assets

(in €)	2018	2017
Acquisition value at the end of the preceding period	92,582,712	75,851,006
Movements during the period		
Acquisitions, included produced fixed assets	56,590,006	16,831,606
Sale, transfer and withdraw	1,500	99,900
Acquisition value at the end of the period	149,174,219	92,582,712
Depreciation and amounts written down at end of the preceding period	92,555,282	26,468,594
Movements during the period		
Recorded	21,562,982	66,086,688
Sale, transfer and withdraw	1,500	
Depreciation and amounts written down at the end of the period	114,119,765	92,555,282
Net book value at the end of the period	35,054,454	27,430

Statement of tangible fixed assets

(in €)	2018	2017
LAND AND BUILDINGS		
Acquisition value at the end of the preceding period	-	-
Movements during the period		
Acquisitions, included produced fixed assets	-	-
Acquisition value at the end of the period	-	-
Depreciation and amounts written down at end of the preceding period	-	-
Movements during the period		
Recorded	-	-
Depreciation and amounts written down at end of the period	-	-
Net book value at the end of the period		
INSTALLATIONS, MACHINERY & EQUIPMENT		
Acquisition value at the end of the preceding period	1,314,115	1,249,303
Movements during the period		
Acquisitions, included produced fixed assets	97,508	269,773
Sale, transfer and withdraw	275,316	204,961
Acquisition value at the end of the period	1,136,307	1,314,115
Depreciation and amounts written down at end of the preceding period	947,930	863,042
Movements during the period		
Recorded	65,920	90,822
Sale, transfer and withdraw	14,478	5,934
Depreciation and amounts written down at end of the period	999,372	947,930
Net book value at the end of the period	136,935	366,185
FURNITURE AND VEHICLES		
Acquisition value at the end of the preceding period	1,120,260	1,195,365
Movements during the period		
Acquisitions, included produced fixed assets	18,581	9,762
Sale, transfer and withdraw	590,279	84,867
Acquisition value at the end of the period	1,729,121	1,120,260
Depreciation and amounts written down at end of the preceding period	1,096,759	1,135,902
Movements during the period		
Recorded	155,398	16,944
Sale, transfer and withdraw	452,810	56,087
Depreciation and amounts written down at end of the period	1,704,966	1,096,759
Net book value at the end of the period	24,155	23,501
LEASING AND OTHER SIMILAR RIGHT		
Acquisition value at the end of the preceding period	1,723,730	1,180,714
Movements during the period		
Acquisitions, included produced fixed assets	729,654	543,016

Sale, transfer and withdraw	894,332	
Acquisition value at the end of the period Sale, transfer and withdraw	1,559,052	1,723,730
Depreciation and amounts written down at end of the preceding	809,818	453,973
Movements during the period Recorded	348,872	355,845
Sale, transfer and withdraw	(746,919)	
Depreciation and amounts written down at end of the period	411,771	809,818
Net book value at the end of the period	1,147,282	913,912
Whereof:		
Land and buildings		
Installation, machinery & equipment	1,017,681	692,447
Furniture and vehicles	129,601	221,465
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	1,079,843	1,080,457
Movements during the period		
Acquisitions, included produced fixed assets	67,050	3,976
Sale, transfer and withdraw	432	4,589
Acquisition value at the end of the period	1,146,461	1,079,843
Depreciation and amounts written down at end of the preceding period	299,597	174,063
Movements during the period		
Recorded	117,298	124,503
Movements during the period	1,343	1,032
Depreciation and amounts written down at end of the period	415,552	299,597
Net book value at the end of the period	730,909	780,246
FIXED ASSETS UNDER CONSTRUCTION AND ADVANCE PAYMENTS		
Acquisition value at the end of the preceding period	3316	
Movements during the period		
Acquisitions, included produced fixed assets		5,461
Transfers from one heading to another	(3,316)	(2,145)
Acquisition value at the end of the period	0	3,316
Depreciation and amounts written down at end of the preceding period		
Movements during the period		
Recorded		
Depreciation and amounts written down at end of the period Recorded		
Net book value at the end of the period	0	3,316

Other investments and deposits

(in €)	2018	2017
Other Investments and deposits		
Acquisition value at the end of the preceding period	267,059	303,987
Movements during the period		
Additions	166,809	
Reimbursments (-)	(227,611)	(36,928)
Net book value at the end of the period	206,256	267,059

Investment and deposits

(in €)	2018	2017
Less than one year	8,558,952	10,652,595
More than one year		
Net book value at the end of the period	8,558,952	10,652,595

Statement of capital 2018

(in €)	Amounts	Number of shares
Issued capital	41,552,615	11,942,344
Structure of the capital		
Different categories of shares		
Registered	xxxxxxxxxxxxxx	72,314
Dematerialized	xxxxxxxxxxxxxx	11,870,030
Unpaid capital		
Uncalled capital	xxxxxxxxxxxxxx	
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full		
Authorised unissued capital	22,947,704	

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	xxxxxxxxxxxxxx	
Capital called, but unpaid	xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full		
Authorised unissued capital	30,166,964	

Statement of amounts payable

(in €)	2018	2017
Analysis of amounts payable after more than one year		
Current portion of amounts initially payable after more than one year	945,705	846,172
Amounts payable expiring over one year and before 5 years	1,541,342	1,608,158
Amounts payable expiring over five year	625,000	255,200
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	1,135,738	909,315
Other debts (loans)	1,976,309	1,800,215
Other debt		
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	852,516	846,516
Remuneration and social security		
Other amounts payable related to remuneration and social security	1,603,243	1,253,087

Operating results

(in €)	2018	2017
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	2,281,025	2,634,754
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	85	75
Average number of employees calculated in full-time equivalents	83.5	71.1
Number of actual worked hours	138,455	115,159
Personnel costs		
Remuneration and direct social benefits	4,965,658	4,458,432
Employer's social security contributions	1,307,535	1,349,665
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	1,057,693	870,368
Pensions	269,280	232,690
Impairment of trade receivables		
On trade receivables		
Record		84,765
Withdrawal		62,643
Provisions for risks and charges		
Addition		
Use of and withdrawal		
Other operating charges		
Taxes related to operations	1,908	732,874
Other charges	1,041,324	108,967
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date	1	4
Average number calculated as full-time equivalents	0.2	3.7
Number of actual worked hours	908	1,882
Charges to the enterprise	32,987	72,199

Financial results

(in €)	2018	2017
Interest income	798,074	924,709
Other financial income	963,882	245,392
Interest charges	16,798	17,634
Foreign exchange difference	2,433,844	5,750,337
Other financial charges	223,072	122,662

Income and charge of exceptional size or incidence

(in €)	2018	2017
Non-recurring income		
Non-recurring financial income	2,232	
Non-recurring operating charges	1,995	51,227,625
Non-recurring financial charges		1,500,000

Income tax

(in €)	2018	2017
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	180,559,555	163,528,941

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

(in €)	2018	2017
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)	4,608,725	5,881,258
By the enterprise	2,950,904	4,002,710
Amounts retained on behalf of third parties		
Payroll withholding taxes	1,692,894	1,606,323

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 €)	2018	2017
To non-executive directors	356,750	387,250

Financial relationship with auditors

(in €)	2018	2017
Auditor's fees	127,524	129,440
Auditor's special missions fees	203,950	11,650
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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Chief Financial Officer

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Anne Moore

VP, Corporate Strategy

Paper copy in French and English can be obtained free of charge via the Company's registered office.

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SUPPLEMENT DATED 3 APRIL 2019 TO THE 2018 ANNUAL REPORT OF CELYAD SA

This Supplement (the **Supplement**) to the 2018 Annual Report of Celyad dated 28 March 2019 (the **Annual Report**) has been issued on 3 April 2019.

This Supplement is supplemental to, and should be read together with, the Annual Report. It is made available to shareholders, together with the Annual Report, on the website of the Company (www.celyad.com).

To the best of the knowledge and belief of Celyad (having taken all reasonable enquiries) the information contained in this Supplement reflects the facts and does not omit anything likely to affect the importance of such information.

In order to provide an up-to-date overview of information with regards to recent events, the Annual Report is amended as described below.

NEW INFORMATION

On 28 March 2019, date of the approval of the Annual Report, Celyad published a press release relating to the appointment of Mr. Filippo Petti as Chief Executive Officer (CEO) of the Company effective on 1st April 2019.

As a consequence of this publication, Celyad decided to issue this Supplement in order to update the Annual Report before the 2019 annual shareholders' meeting.

The Annual Report is amended as described below:

1.2 Post balance sheet events (on page 7 of the Annual Report)

On 28 March 2019 Celyad published a press release relating to the appointment of Mr. Filippo Petti as Chief Executive Officer (CEO) of the Company effective on 1st April 2019.

Dr. Christian Homsy, CEO of the Company since February 2008, will continue to serve as a member of Celyad's Board of Directors and chair the Strategy Committee of the Board of Directors. Dr. Homsy will support Mr. Petti in his new function on an as needed basis further to a consulting agreement.

The terms and conditions of the consulting agreement between Celyad and Dr. Homsy, and the termination of Dr. Homsy's position as CEO of Celyad are in line with Celyad's remuneration policy, corporate governance practices and contractual provisions.

Mr. Petti is currently Celyad's Chief Financial Officer (CFO) and will continue to serve as interim CFO until the Company appoints a permanent successor for the role.

Copy of the press release:

Celyad Appoints Filippo Petti as Chief Executive Officer

- *Dr. Christian Homsy continues as non-executive director and chair of the Strategy Committee*

Mont-Saint-Guibert, Belgium, March 29, 2019- Celyad (Euronext Brussels and Paris, and Nasdaq: CYAD), a clinical-stage biopharmaceutical company focused on the development of CAR-T therapies, today announced the appointment of Filippo Petti as Chief Executive Officer (CEO) of Celyad effective April 1, 2019. Mr. Petti is currently Celyad's Chief Financial Officer (CFO), and will serve as interim CFO until the Company appoints a permanent successor for the role. Dr. Homsy will continue to serve as a member of Celyad's Board of Directors and chair the newly created Strategy Committee of the Board of Directors. Dr. Homsy will support Mr. Petti in his new function on an as needed basis.

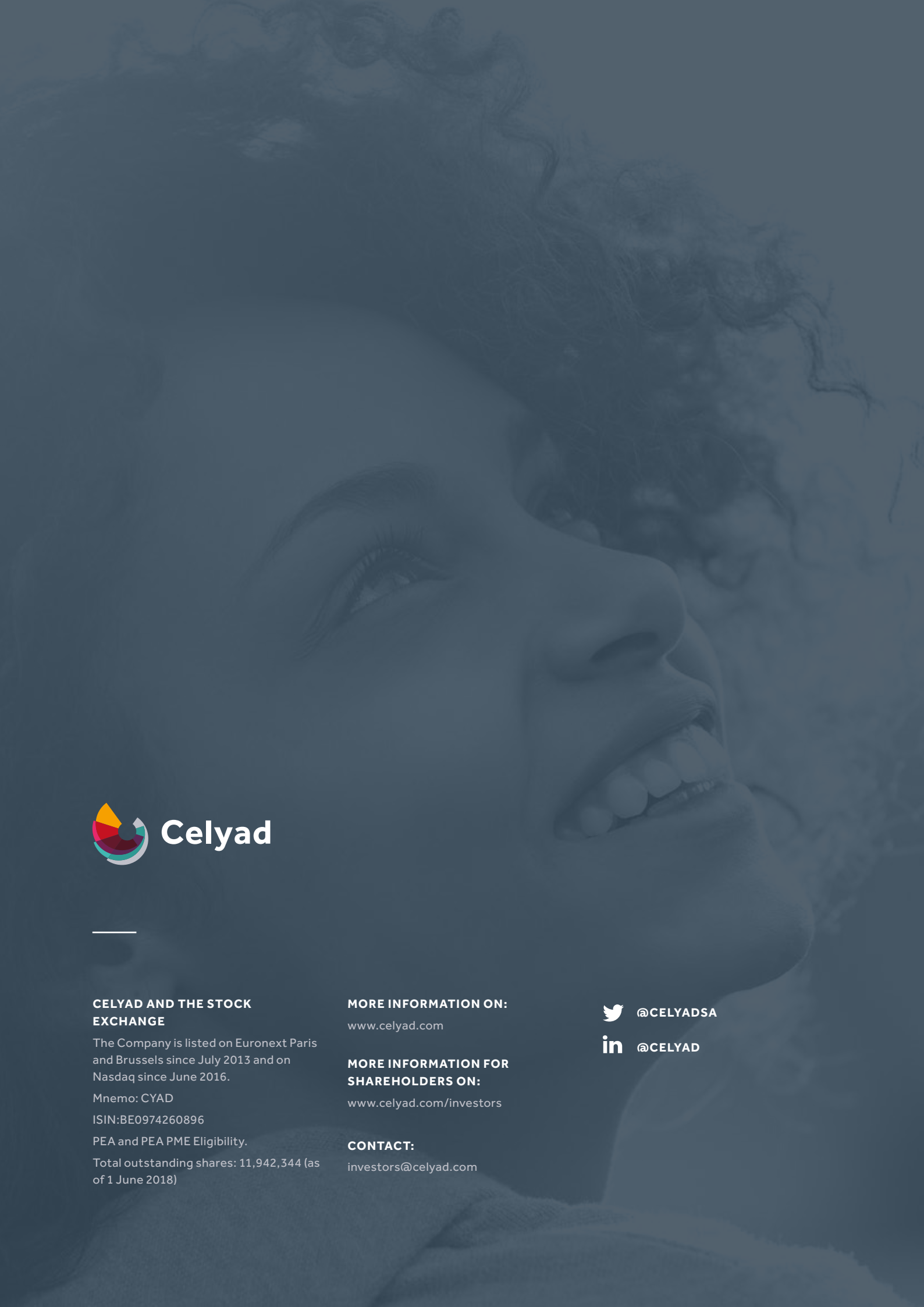
Michel Lussier, Celyad's Chairman commented *"The Board is delighted to appoint Filippo to the role given his intimate knowledge and appreciation for Celyad's pipeline, team and shareholders as the Company advances its CAR-T therapies to the next stage of development. Since he joined the Company, he has demonstrated that his experience combined with the vision of the Company should maximize value for all of our stakeholders including patients and shareholders."*

"I am honored to succeed Christian as Celyad's next CEO and together with the Board, the senior leadership team, and all of our employees, look forward to advancing our promising CAR-T programs to deliver novel therapies to cancer patients," said Mr. Petti. *"The momentum we are building across our pipeline is truly exciting and should provide the Company with a tremendous opportunity as we enter our next phase of growth."*

Mr Lussier added: "*Christian's vision and drive, combined with his commitment to serving the long-term interests of the Company, has helped Celyad develop a growing pipeline of CAR-T candidates. He continues to support an agile organization well-positioned for success. I'd like to thank him personally, and on behalf of the Board, for his tireless contribution to Celyad as CEO."*

Dr. Homsy added: *"I congratulate Filippo on his appointment and look forward to working with him in my new role. It has been an honor to lead the organization over the past 12 years making it a leader in cell therapy development and manufacturing. I am humbled by the talented people I have had the pleasure of working with since the inception of the Company. Today Celyad is an incredibly talented organization with exceptional vision and operational excellence. Together with the portfolio of groundbreaking technologies, this will undoubtedly make Celyad a forefront player of the CAR-T field. I am very grateful to Celyad employees and to all the other stakeholders for making this journey possible."*

Mr. Petti has nearly 20 years of work experience related to the biopharmaceutical industry. Prior to joining Celyad as CFO, Mr. Petti served as a healthcare investment banker at Wells Fargo Securities and William Blair & Company. Prior to his roles in investment banking, he worked in equity research, with a focus in oncology, both at William Blair & Company and Wedbush Securities. Mr. Petti began his career as a research scientist at OSI Pharmaceuticals, Inc., where he was involved in translational research studies focused on the EGFR inhibitor Tarceva® (erlotinib) before transitioning into corporate development with the company. Mr. Petti holds a Master of Business Administration from Cornell University, a Master of Science from St. John's University and a Bachelor of Science from Syracuse University.



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: 11,942,344 (as of 1 June 2018)

MORE INFORMATION ON:

www.celyad.com

MORE INFORMATION FOR SHAREHOLDERS ON:

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