



## Press release

### **TxCell launches a capital increase of around 11 million euros with shareholders' preferential subscription rights**

- **Public offering of new shares with warrant attached**
- **Subscription ratio: 2 new shares with warrant attached for 5 existing shares**
- **Subscription price: 2.00 euros per new share with warrant attached**
- **Subscription period: February 1<sup>st</sup> to February 14, 2017 (included)**

**Valbonne, France, January 25, 2017 – TxCell SA ( “the Company” – FR0010127662 – TXCL),** a biotechnology company developing innovative, personalized cellular immunotherapies using regulatory T cells (Treg) to treat severe chronic inflammatory and autoimmune diseases, today announces the launch of a capital increase through the issue of new shares (“New Shares”) with warrants attached (“Warrants”) with shareholders’ preferential subscription rights (“Rights”). The issue is expected to raise gross proceeds of approximately 11 million euros should all the New Shares with Warrant attached (“New Shares with Warrant”) be subscribed for.

Stéphane Boissel, CEO of TxCell commented: *“Over the past 18 months, TxCell has completed a major strategic refocusing to concentrate solely on its high-potential R&D activities. Our platform of genetically modified regulatory T cells (Treg), called CAR-Treg cells by analogy with the CAR-T cells finding increasing favor in oncology, is now TxCell’s primary focus. Not only does this technological advance allow us to target new diseases, it also significantly reduces the complexity of the manufacturing process—a key success factor in cell therapy.*

*Today we are launching a capital increase to fund the completion of several in vivo proofs of concept with CAR-Tregs, as well as the development of a manufacturing process for these CAR-Tregs. The aim is to complete all the groundwork to launch a first clinical trial by the end of 2018. We believe that this would be the first-ever clinical study with a CAR-Treg worldwide.*

*CAR-Tregs could address medical needs in transplantation and autoimmunity. These areas account for over one hundred diseases and a global market worth more than 100 billion of annual sales<sup>1</sup>, which is growing at a rate of over 5% per year.<sup>2</sup>”*

The terms of the capital increase with shareholders’ preferential subscription rights are presented in the prospectus approved by the French financial market authority (*Autorité des marchés financiers* - AMF) on January 24, 2017 under number 17-030, comprised of the

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<sup>1</sup> Company estimate based on data aggregation for various addressable diseases.

<sup>2</sup> *Global Autoimmune Diseases Drugs Market 2016-2020, Market Research Reports, March 18, 2016.*

registration document registered on May 24, 2016 under number R.16-048, the update of the registration document filed on January 24, 2017 and a securities note (including a summary of the prospectus).

The issue will allow TxCell to cover the costs of the CAR-Treg research and manufacturing process development programs, and the Company's ongoing expenses and overhead over the coming 12 months.

The issuance of the Warrants attached to the New Shares will allow shareholders to benefit from TxCell's future development. The proceeds from the exercise of all the Warrants (10,821,135 euros should the issue be fully subscribed, which may be increased to a maximum amount of 12,444,299 euros should the extension clause be fully exercised), would enable TxCell to finance its activities through to the award of regulatory approval for a first-in-man study with a CAR-Treg candidate, which is expected by the end of 2018.

### **Financial information for the fourth quarter of 2016 and working capital requirement**

As of December 31, 2016, the Company's cash and cash equivalents amounted to 3.5 million euros. This includes the proceeds from the two tranches of OCABSA notes (bonds convertible into shares with warrants attached) issued in August and November 2016 respectively, for a total nominal amount of 5 million euros. As expected, the Company did not generate any revenues in the fourth quarter of 2016. TxCell estimates that its operating expenses for 2017 should amount to approximately 13 million euros.

At the date of the AMF's visa on the Prospectus, the Company did not hold sufficient net working capital to honor its obligations and cover its cash requirements for the next 12 months. Given the development plan envisaged and anticipated operating expenses, its cash position at December 31, 2016 will allow the Company to maintain its activities until end of March 2017. The additional net cash amount required to plug the working capital shortfall and maintain the Company's business activities for the next 12 months is estimated at around 10 million euros.

The planned capital increase should thus cover the Company's cash requirements for the next 12 months.

### **Main terms of the capital increase**

The aim of this public offering is to issue New Shares, each with one (1) Warrant attached, to be subscribed for in cash as part of a capital increase with shareholders' preferential subscription rights, raising a gross amount of 11,098,600 euros through the issue of 5,549,300 New Shares with Warrant, which may be increased to a maximum of 12,763,390 euros through the issue of 6,381,695 New Shares with Warrant if the extension clause is fully exercised at a unit price of 2.00 euros per New Share with Warrant, based on a subscription ratio of 2 New Shares with Warrant for 5 existing shares.

The Warrants will have a maturity of one year and be exercisable until February 26, 2018 (included). Four (4) Warrants will entitle holders to subscribe for three (3) New Shares in return for payment of the subscription price of 2.60 euros per new share. Should all the Warrants be exercised, the Company would raise 10,821,135 euros, which may be increased to a maximum amount of 12,444,299 euros in the event the extension clause is fully exercised.

Each of the Company's shareholders will receive one (1) preferential subscription right ("**Right**") per share held after the close of trading on January 31, 2017. Each TxCell shareholder may subscribe on an irreducible basis for 2 New Shares with Warrant for every 5 existing shares held, i.e. 5 Rights will entitle holders to subscribe for 2 New Shares with Warrant at a price of 2.00 euros per New Shares with Warrant.

Concomitantly with a subscription on an irreducible basis, each Right holder may place an order on a reducible basis for additional New Shares with Warrants, in addition to the number of New Shares with Warrants resulting from the exercise of its Rights on an irreducible basis. Any New Shares with Warrant not subscribed through irreducible orders will be allocated to investors subscribing for additional New Shares with Warrants on a reducible basis. Orders to subscribe for additional New Shares with Warrants will be served up to the size of requests and in proportion to the number of Rights exercised through subscription on an irreducible basis.

Based on the closing price of the TxCell share on January 23, 2017 (2.59 euros):

- The subscription price of 2.00 euros per New Share with Warrant represents a face discount of 22.78% to the closing price and a discount of 13.85% to the theoretical value of the share ex-right (2.32 euros) ;
- The theoretical value of a New Share (1.65 euros), excluding the theoretical value of the Warrant attached (0.35 euros), represents a face discount of 36.30% to the closing price and a discount of 28.93% to the theoretical value of the share ex-right (2.32 euros) ;
- The theoretical value of the share ex-right (2.32 euros) represents a discount of 10.37% to the closing price.

The subscription period will start from February 1<sup>st</sup> until February 14, 2017 inclusive. During the subscription period, the Rights will be listed and negotiable on Euronext Paris (ISIN code: FR0013231784).

The New Shares and Warrants will be admitted to trading on Euronext's regulated market in Paris from February 27, 2017. The New Shares will be listed on the same line as existing shares (ISIN: FR0010127662), and the Warrants will be admitted on a separate line (ISIN: FR0013231792).

The offer will be open to the public in France only.

Invest Securities is acting as Lead Manager and Bookrunner.

**Indicative timetable for the Offering**

<b>January 20, 2017</b>	Board of Directors deciding the main terms of the capital increase.
<b>January 24, 2017</b>	AMF visa on the Prospectus
<b>January 25, 2017</b>	Press release by the Company setting out the main terms of the capital increase and how the Prospectus can be obtained.
<b>January 25, 2017</b>	Publication by Euronext Paris of the issuance notice.
<b>January 26, 2017</b>	Commencement date of the suspension of the securities giving access to the capital (options, BSAs and convertible bonds).
<b>January 30, 2017</b>	Detachment and start of trading of the preferential subscription rights on the regulated market of Euronext in Paris.
<b>January 31, 2017</b>	Trading day at the end of which holders of existing shares will be allotted preferential subscription rights.
<b>February 1<sup>st</sup>, 2017 (included)</b>	Payment date of preferential subscription rights. Commencement of the subscription period.
<b>February 10, 2017</b>	End of the period of trading of preferential subscription rights.
<b>February 14, 2017 (included)</b>	End of the subscription period.
<b>February 21, 2017</b>	Centralization date of preferential subscription rights.
<b>February 22, 2017</b>	Last day on which the Company may exercise the extension clause.
<b>February 22, 2017</b>	Press release by the Company announcing the results of subscriptions to the capital increase.
<b>February 22, 2017</b>	Publication by Euronext Paris of the notice of admission of the New Shares stating the final amount of the capital increase and the allocation level for the reducible subscriptions.

<b>February 24, 2017</b>	Issue of the New Shares with Warrants – Settlement/delivery of the New Shares with Warrants.
<b>February 27, 2017</b>	Admission of the New Shares to trading on Euronext’s regulated market in Paris. Admission of the Warrants to trading on Euronext’s regulated market in Paris. Commencement of the exercise period for the Warrants.
<b>February 27, 2017 (at the latest)</b>	Expected end of the suspension of the securities giving access to the capital (options, BSAs and convertible bonds).
<b>February 26, 2018</b>	End of the exercise period for the Warrants. Warrants not exercised becoming null and void.

### Subscription undertakings

Together, the subscription undertakings cover 100% of the gross initial amount of the offer.

The following table shows a breakdown of subscription undertakings:

Name of the investor	On an irreducible basis (in euros)	On a reducible basis (in euros)	On a free basis (in euros)	Total (in euros)	% of the gross proceeds of the offer
<i>Innobio FCPR</i>	580,644	309,416	708,482	1,598,542	14.4%
<i>Bpifrance Participation - Large Venture</i>	870,966	464,124	1,062,722	2,397,812	21.6%
Total Bpifrance	1,451,610	773,540	1,771,204	3,996,354	36.0%
Auriga Ventures II	500,000	0	0	500,000	4.5%
<b>Total existing shareholders</b>	<b>1,951,610</b>	<b>773,540</b>	<b>1,771,204</b>	<b>4,496,354</b>	<b>40.5%</b>
CVI Investments, Inc	0	0	3,000,000	3,000,000	27.0%
Nyenburgh Holding BV	0	0	2,500,000	2,500,000	22.5%
Belsize Asset Management GmbH	0	0	250,000	250,000	2.3%
Occasio Alpha GmbH	0	0	250,000	250,000	2.3%
Aurore Invest Fund	60,000	0	140,000	200,000	1.8%
ING Luxembourg, a S.A.	80,000	0	220,000	300,000	2.7%
MW Gestion	0	0	110,000	110,000	1.0%
<b>Total other investors</b>	<b>140,000</b>	<b>0</b>	<b>6,470,000</b>	<b>6,610,000</b>	<b>59.6%</b>
<b>Total</b>	<b>2,091,610</b>	<b>773,540</b>	<b>8,241,204</b>	<b>11,106,354</b>	<b>100.1%</b>

Subscription undertakings on a free basis will be called upon if subscriptions received on an irreducible and reducible basis are inferior to the initial amount of the issue.

It is specified that the subscription undertakings of the new investores (58.3% of the aggregate amount of the subscription undertakings) will be compensated with a 5.0% commission.

### Undertakings to sell the Rights

Each of Auriga Ventures II and Seventure Partners has committed to sell to Invest Securities all of its non-exercised Rights on the second day of the subscription period at the latest, for

a token price of 1 euro. Invest Securities has committed not to sell such Rights for a price higher than 1 euro per buyer.

Each of Bpifrance Participations and Innobio has committed to sell to Invest Securities, or any investor directly identified by Bpifrance Participations and Innobio, all of its non-exercised Rights on the second day before the end of the subscription period at the latest, for a token price of 1 euro per buyer. Invest Securities will not be allowed, in case it would acquire any of these Rights, to sell them for a price higher than 1 euro per buyer.

### **Underwriting**

The Issue is not underwritten within the meaning of Article L. 225-145 of the French Commercial Code. The transaction will be cancelled in the event that subscriptions represent less than 75% of the initial amount of the offer.

### **Financial communications**

Watch the interview of Stéphane Boissel, TxCell's Chief Executive Officer, on TxCell's website: [www.txcell.com](http://www.txcell.com)

A conference call presenting the objectives of TxCell's capital increase will take place at 6:30 pm CET on January 31, 2017 (in French).

To join the conference call, please register with NewCap by e-mail ([txcell@newcap.eu](mailto:txcell@newcap.eu)) and confirm that:

- you are an investor and shareholder resident and physically present in France,
- or in a Member State of the European Economic Area (other than France) that has enacted Directive 2003/71/EC, (as amended by Directive 2010/73/EU) (the "Prospectus Directive") and are a qualified investor within the meaning of the Prospectus Directive or an investor authorized by law or the applicable regulations to access this information

Once you have registered, you will be informed of the number to call to join the conference call.

### **About TxCell – [www.txcell.com](http://www.txcell.com)**

TxCell is a biotechnology company that develops platforms for innovative, personalized T cell immunotherapies for the treatment of severe chronic inflammatory and autoimmune diseases with high unmet medical need. TxCell is targeting a range of autoimmune diseases (both T-cell and B-cell-mediated) including Crohn's disease, lupus nephritis, bullous pemphigoid and multiple sclerosis, as well as transplantation-related inflammatory disorders.

TxCell is the only clinical-stage cellular therapy company fully dedicated to the science of regulatory T lymphocytes (Tregs). Tregs are a recently discovered T cell population for which anti-inflammatory properties have been demonstrated. Contrary to conventional approaches based on non-specific polyclonal Tregs, TxCell is exclusively developing antigen-specific Tregs. This antigen specificity may either come from genetic modifications with Chimeric Antigen Receptor (CAR) or from pre-existing Treg cell T-Cell Receptor (TCR). TxCell is developing two

proprietary technology platforms, ENTriA, which is composed of genetically-engineered Tregs, and ASTriA, which is composed of non-modified naturally antigen-specific Tregs.

Based in Sophia-Antipolis, France, TxCell is listed on Euronext Paris and currently has 45 employees.

### Information available to the public

Copies of the prospectus approved by the AMF on January 24, 2017 under number 17-030, comprised of the document de référence registered on May 24, 2016 under number R.16-048, the update of the registration document filed on January 24, 2017 and a securities note (including a summary of the prospectus), are available without charge from TxCell (Les Cardoulines, Allée de la Nertière, 06560 Valbonne – Sophia Antipolis, France), as well as on the Internet sites of TxCell ([www.txcell.com](http://www.txcell.com)) and from the French Autorité des marchés financiers ([www.amf-france.org](http://www.amf-france.org)).

TxCell draws the public's attention to the risks described in Chapter 4 of the registration document, as updated, and to Chapter 2 of the securities note."

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### Disclaimer

The offer is open to the public in France following the delivery of the visa on the Prospectus by the French Autorité des marchés financiers (the "AMF").

With respect to Member States of the European Economic Area that have transposed European Directive 2003/71/EC of the European Parliament and European Council (as amended in particular by Directive 2010/73/EU to the extent that the said Directive has been transposed into each Member State of the European Economic Area) (the "Prospectus Directive"), no action has been taken or will be taken to permit a public offering of the securities referred to in this press release requiring the publication of a prospectus in any Member State other than France. Therefore, such securities may not be and shall not be offered in any Member State (other than in France) other than in accordance with the exemptions of Article 3(2) of the Prospective Directive to the extent they have been transposed by the relevant Member State or, otherwise, in cases not requiring the publication of a prospectus by TxCell under Article 3(2) of the Prospective Directive and/or the applicable regulations in such Member State.

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