

## Statutory auditor's report to the general meeting of shareholders of CELYAD S.A. for the year ended December 31, 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 1<sup>st</sup>, 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.

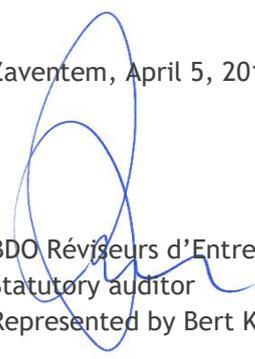
***Statement concerning independence***

- 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