Interim Financial Report

H1 2015

This interim financial report is prepared in accordance with article 13 of the Royal Decree on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Bone Therapeutics publishes its interim financial report in English. A French translation of the report will also be made available. In the event of differences between the English and the French versions of the report, the original English version will prevail.

Bone Therapeutics' Interim Financial Report Half-Year 2015

1. Report of the Board of Directors

During the past six months, the Company continued to make progress in developing its clinical program. The Company published positive results of its three Phase II trials and continued progress on its two pivotal Phase III trials for osteonecrosis and non-union fractures. The Company established a US subsidiary and opened new facilities hosting today its administrative and research staff and new manufacturing capacity in the near future.

In the first half of 2015, the Company successfully completed a 2.5x oversubscribed €37.38 million Initial Public Offering on Euronext Brussels and Euronext Paris at a price of €16 per share, securing important financing for its further development. The Company ended the first half of 2015 with a total of cash and cash equivalents of €37.22 million.

Total other operating income in the first six months of 2015 increased by 26% to €1.98 million as compared to €1.57 million in the first six months of 2014. Higher income was more than offset by higher expenses, including one-off expenses for the IPO, resulting in an operating loss for the period amounting to €5.36 million as compared to €2.66 million for the first half year of 2014.

Operational Highlights

Positive results from ongoing Phase II proof-of-concept trials

In January, the Company reported positive efficacy results for the first cohort of four patients in the ALLOB® Phase I/IIA delayed-union trial. Results showed that all four ALLOB®-treated patients met the primary endpoints of the study and three patients had completely healed. The trial was subsequently extended to include two new prestigious sites in the UK, King's College Hospital in London and Norfolk and Norwich University Hospitals NHS Foundation Trust. A total of 14 European centres are now authorized to conduct this trial. The safety of ALLOB® in spinal fusion procedures was confirmed in the first four patients of the Phase I/IIA spinal fusion trial in which no complications or safety issues were reported.

In June, the Company announced the first results from the PREOB® Phase IIA trial in severe osteoporosis. The results demonstrated the successful migration of intravenously injected bone-forming cells to the bones that are most prone to osteoporosis-related fractures. Additionally, no treatment-related safety concerns were reported in this study.

Important financial and corporate developments

In February, the Company successfully closed a €37.38 million Initial Public Offering on Euronext Brussels and Euronext Paris. The IPO was largely subscribed by European institutional investor as well as a large number of retail investors (11.3% of allocated shares). The Offering secured a strong financial base to execute the Company's clinical and commercial strategy.

The Company strengthened its Board of Directors with the addition of three new Independent Directors to the Board of Directors: Roland Baron, Paul Magrez and Thierry François, who bring with them valuable scientific, business development and corporate finance experience.

The Company also established its US-based subsidiary, Bone Therapeutics USA Inc., in Boston, Massachusetts in the heart of the Boston biotechnology cluster in April. This is a first step in the process of the development of its US clinical trials program.

In April, the new corporate headquarters at the Biopark in Gosselies south of Brussels were officially inaugurated in the presence of Mr Paul Magnette, Minister-President of Wallonia, and Mr Jean-Claude Marcourt, Vice-President of the Walloon Government. The administrative and R&D departments have now moved to the new facilities and the production activities will be transferred during 2016 after obtaining GMP accreditation. The state-of-the art production facility will secure first commercial cell therapy production capacity and ensure the continued growth of the Company.

Post-Period Highlights

On 7 September, the Company reported that the second cohort in the ALLOB® Phase I/IIA delayed-union trial was treated without any safety concerns. The Safety Monitoring Committee reviewed the initial safety data and unanimously agreed that the trial can proceed as planned and can continue to enrol patients. The efficacy results from the first cohort of patients were considered very encouraging.

Financial Highlights

Analysis of the income statement

During the first six months of 2015, the other operating income increased by 26% to €1.98 million (compared to €1.57 million in H1 2014). Income results from the recognition of forgivable loans, tax credit on investments, patents subsidies and partial exemption of the withholding tax paid on salary of several employees working on R&D activities.

Research and development expenses increased by 46% to €5.27 million (€3.6 million in H1 2014). The increase in research and development expenses reflects the increase in activity from three clinical trials during the first semester of 2014 compared to five clinical trials during the first semester of 2015 (the ALLOB® delayed-union and spinal fusion trials were initiated in the second half of 2014).

General and administrative expenses for the first six months amount to €2.07 million compared to only €0.6 million over the same period last year. During the first semester of 2015, €1.06 million was accounted for as IPO-expenditure directly impacting the profit and loss accounts. The remaining €0.4 million relates to the strengthening and the adaptation of the support activities to comply with the new context of operating as a public company.

As a result, the operating loss amounted to €5.36 million in 2015 compared to €2.66 million in 2014.

The net financial result amounted to a loss of €1.76 million. This amount is mainly due to the recognition of the non-cash impact of the realization of the derivative instrument and the related transaction costs for a total amount of €1.61 million (see also note 5 in section 2.5.4).

The loss of the period increased to €7.12 million during the first six months ending 30 June 2015 (€2.78 million for the first 6 months of 2014).

Analysis of the balance sheet

The Company's total assets amount to €51.3 million compared to €24.2 million at the end of December 2014. Current assets increased to €45.2 million from €19.26 million at the end of 2014. The increase of €25.95 million is mainly explained by the increase of the cash position (+ €25.6 million). The cash position at the end of June 2015 amounted to €37.22 million (compared to €11.58 million at the end of 2014) and was impacted by the net proceeds of the successful IPO completed in February 2015 amounting to €32.90 million offset by the use of cash for operating, capex and financing purpose.

The non-current assets amount to €6.09 million and are mainly composed of a Tax Credit for €2.06 million and of €3.52 million in property, plant and equipment. The Company continued the investments in the new building in the BioPark of Gosselies with an additional amount of €0.9 million during the first six months of 2015.

Equity amounts to €34.88 million at 30 June 2015 compared to a negative amount of €9.49 million at the end of December 2014.

Share capital and the share premium account increased by €51.24 million to amount to €63.38 million at the end of June 2015. This was due to:

- The capital increases which took place in February 2015 for a total amount of €47.38 million (IPO for €32.2 million, over-allotment for €4.83 million and the conversion of the convertible bonds for €10.35 million);
- The impact of the derivative related to the convertible bonds for an amount of €6.65 million;
- Equity adjustments for IPO-related costs for an amount of €2.79 million.

Retained earnings were impacted by the loss of the period for an amount of €7.12 million resulting in a carry-forward loss of €28.79 million at 30 June 2015.

Liabilities amount to €16.42 million at the end of June 2015 compared to €33.69 million at the end of December 2014 with the main decrease linked to the current liabilities.

Current liabilities amount to €9.42 million compared to €26.36 million at 31 December 2014 representing a decrease of €16.94 million. The financial liabilities decreased by €14.37 million mainly explained by the fact that, at the IPO transaction date, the total amount of €15.06 million (amount related to the convertible bonds and the derivative evaluated at 31 December 2014) was transferred into the equity of the Company. This decrease is offset by an increase of €0.2 million of the loans and also by the fact that SCTS has withdrawn additional tranches (for an amount of €0.49 million) from a straight loan facility provided by ING and BNP Paribas Fortis to pre-finance the subsidies to be received from the Walloon Region for the infrastructure project.

Trade and other payables amount to €2.17 million which represents a decrease of €1.04 million compared to 31 December 2014. The decrease is explained by the fact that at the end of December 2014, the Company recognized important liabilities related to the Initial Public Offering.

Finally, the other current liabilities amount to €3.18 million compared to €4.7 million at the end of December 2014. The decrease is explained by a higher activity not completely compensated to the same extent by money received from new grant contracts.

The non-current liabilities remained at €7 million compared to €7.3 million at the end of 2014.

Analysis of the cash flow statement

The table in section 2.4 (see below) sets forth the Company's condensed consolidated cash flow statement for the six-month period years ended 30 June 2015 and 2014.

Cash flow from operating activities represents mainly the net cash used by the Company to finance its research and development programs and the related general and administration expenses after taking into account:

- cash received through grants and forgivable loans in support of the R&D programs;
- adjustments for working capital movements; and
- adjustments for non-cash items such as depreciation, share-based payment and tax credits.

Cash used for operating activities amounts to €8.11 million for the first six months of 2015 compared to €2.38 million for the first six months of 2014. Higher operational cash outlays are driven by higher research and development expenditures and higher general and administrative expenditures but also by one-off payments related to the IPO process. Cash received from the Walloon Region relating to the grants and subsidies amounted to €0.04 million only for the first half of 2015 compared to €1.07 million during the same period past year. The difference is mainly due to a timing difference in this type of disbursements.

Total operating loss for the period amounts to a loss of €5.36 million compared to a loss of €2.64 million over the same period in 2014.

For the first half of 2015, the working capital position of the current year decreased by €1.58 million. During the first six months of 2015, IPO accruals accounted for at the end of 2014 were released impacting the trade and other payables by €1.65 million. For the same period of 2014, an increase of the working capital position was observed of €0.38 million.

Cash flow from investing activities shows a net use of cash for €0.98 million for the first six months of 2015 compared to €1.59 million for the first six months of 2014. This mainly represents investments made through the Company's affiliate SCTS in respect of the construction of the new facilities at the BioPark in Gosselies.

Cash flow generated from financing activities amounts to €34.74 million for the first 6 months of 2015 compared to €3.16 million for the first six months of 2014. On the one hand cash inflows are explained by:

- capital increases for an amount of €37.38 million during 2015 (mainly offset by the IPO transaction costs for an amount of €2.75 million impacting equity) versus €1.00 million in the first semester of 2014;
- short term loans provided by the banks for an amount of €0.49 million in 2015 versus €1.81 million in 2014 and;
- non-forgivable loans provided to the Company by the Walloon Region (R&D project financing) for an amount of €0.01 million in 2015 versus €0.4 million in 2014.

and on the other hand cash outflows for:

- reimbursements of non-forgivable loans for an amount of €0.25 million in 2015;
- other reimbursements (lease contracts) and interest paid for an amount of €0.14 million in 2015 and €0.09 million in 2014.

Important transactions with related parties

The management team has been awarded a total bonus of €0.57 million in relation to the success of the IPO.

Outlook for the remainder of 2015

The Company will continue to progress its ongoing Phase II and III studies with PREOB® and ALLOB® in fracture prevention, fracture healing and spinal fusion, in line with the strategy outlined at the time of the IPO. In the coming months, the Company expects to:

- Update the market on the study status of the Phase III osteonecrosis trial, currently running in five European countries;
- Report on safety in eight patients in the Phase IIA spinal fusion trial.

Based on the positive results announced during H1 2015, the Company expects to report further positive news with respect to efficacy for its ongoing phase II trials.

Guidance for the net cash burn (net of net equity raised during the year) for the full year 2015 is €10-12 million.

Risks and uncertainties

For a detailed description of the risks associated to the activities of the Company, we refer to the Annual Report 2014 available on the Company's website.

2. Condensed consolidated financial statements for the six-month period ended 30 June 2015

2.1. Interim Condensed Consolidated Statement of Financial Position

ASSETS *(in thousands of euros)*	**Note**	**30/06/2015**	**31/12/2014**
Non-current assets		**6,087**	**4,942**
Intangible assets		42	54
Property, plant and equipment	**1**	3,518	2,667
Investments in associates		288	283
Financial assets		181	181
Deferred tax assets		2,058	1,759
Current assets		**45,213**	**19,259**
Trade and other receivables	**2**	7,754	7,498
Other current assets		237	186
Cash and cash equivalents	**3**	37,222	11,576
TOTAL ASSETS		**51,300**	**24,202**

EQUITY AND LIABILITIES *(in thousands of euros)*	**Note**	**30/06/2015**	**31/12/2014**
Equity			
Equity attributable to owners of the parent		**34,882**	**(9,485)**
Share capital		20,708	10,466
Share premium		42,670	1,671
Retained earnings		(28,788)	(21,670)
Other reserves		292	48
Non-controlling interests		**0**	**0**
Total equity	**4**	**34,882**	**(9,485)**
Non-current liabilities		**6,996**	**7,328**
Financial liabilities	**5**	5,445	5,827
Deferred tax liabilities		0	0
Other non-current liabilities		1,551	1,501
Current liabilities		**9,422**	**26,359**
Financial liabilities	**5**	4,067	18,437
Trade and other payables		2,175	3,213
Other current liabilities		3,180	4,710
Total liabilities		**16,418**	**33,687**
TOTAL EQUITY AND LIABILITIES		**51,300**	**24,202**

2.2. Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of euros)	Note	30/06/2015	30/06/2014
Revenue		0	0
Other operating income		1,984	1,574
Total operating income	**6**	**1,984**	**1,574**
Research and development expenses	**7**	(5,271)	(3,602)
General and administrative expenses	8	(2,071)	(635)
Operating profit/(loss)		**(5,358)**	**(2,663)**
Financial income		0	0
Interest income		130	76
Financial expenses	**5**	(1,897)	(134)
Exchange gains/(losses)		*(2)*	*(63)*
Share of profit/(loss) of associates		*5*	*(1)*
Result Profit/(loss) before taxes		**(7,122)**	**(2,785)**
Income taxes		0	0
PROFIT/(LOSS) FOR THE PERIOD		**(7,122)**	**(2,785)**
Other comprehensive income		**0**	**0**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(7,122)**	**(2,785)**
Basic and diluted loss per share (in euros)	**9**	**(0.95)**	**(0.84)**
Profit/(loss) for the period attributable to the owners of the Company		(7,051)	(2,730)
Profit/(loss) for the period attributable to the non-controlling interests		(71)	(54)
Total comprehensive income for the period attributable to the owners of the Company		(7,051)	(2,730)
Total comprehensive income for the period attributable to the non-controlling interests		(71)	(54)

2.3. Interim Condensed Consolidated Statements of Change in Shareholder's Equity

(in thousands of euros)	Attributable to owners of the parent				Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Retained earnings	Total equity attributable to owners of the parent		
Balance at 31 December 2013	**9,288**	**6,635**	**(15,860)**	**63**	**0**	**63**
Total comprehensive income of the period	0	0	(2,730)	**(2,730)**	(54)	(2,784)
Issue of share capital	580	420	0	**1,000**	0	1,000
Movement non-controlling interests	0	0	(54)	**(54)**	54	0
Other	0	0	1	**1**	0	1
Balance at 30 June 2014	**9,868**	**7,048**	**(18,644)**	**(1,728)**	**0**	**(1,728)**
Balance at 31 December 2014	**10,466**	**1,671**	**(21,622)**	**(9,486)**	**0**	**(9,485)**
Total comprehensive income of the period	0	0	(7,051)	**(7,051)**	(70)	(7,121)
Issue of share capital	10,242	37,138	0	**47,380**	0	47,380
Transaction costs for equity issue	0	(2,788)	0	**(2,788)**	0	(2,788)
Equity transaction of convertible bond	0	6,650	0	**6,650**	0	6,650
Share-based payment	0	0	243	**243**	0	243
Movement non-controlling interests	0	0	(70)	**(70)**	70	0
Other	0	0	1	**1**	0	1
Balance at 30 June 2015	**20,708**	**42,671**	**(28,497)**	**34,879**	**0**	**34,882**

2.4. Interim Condensed Consolidated Cash Flow Statement

(in thousands of euros)	**30/06/2015**	**30/06/2014**
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(5,358)	(2,637)
Adjustments for :		
Depreciation, Amortization and Impairments	163	213
Share-based compensation	243	0
Grants income related to forgivable loans	(1,279)	(1,133)
Grants income related to patents	(83)	(59)
Grants income related to tax credit	(299)	(210)
Other	34	(12)
Movements in working capital:		
Trade and other receivables (excluding government grants)	(422)	(113)
Trade and Other Payables	(1,156)	496
Cash generated from operations	**(8,158)**	**(3,454)**
Cash received from grants related to forgivable loans	32	1,032
Cash received from grants related to patents	12	39
Net cash used in operating activities	**(8,114)**	**(2,383)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	25	16
Purchases of property, plant and equipment	(996)	(1,606)
Purchases of intangible assets	(7)	(4)
Payments to acquire financial investments	(1)	0
Net cash used in investing activities	**(978)**	**(1,594)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	14	442
Repayment of government loans	(250)	0
Proceeds from loans from related parties	0	0
Reimbursements of financial lease liabilities	(20)	(49)
Proceeds from other financial loans	491	1,810
Interests paid	(119)	(37)
Proceeds from issue of equity instruments of the Company (net of issue costs)	34,622	994
Net cash provided by financing activities	**34,737**	**3,161**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**25,646**	**(817)**

2.5. Notes to Interim Condensed Consolidated Financial Statements

2.5.1. General information

Bone Therapeutics SA (the "**Company**") is a limited liability company governed by Belgian law. The address of its registered office is Rue Auguste Piccard 37, 6041 Gosselies, Belgium. Since 6 February 2015, the shares of the Company are publicly listed on NYSE Euronext Brussels and Paris.

The Company and its affiliates Skeletal Cell Therapy Support SA ("**SCTS**", together with the Company referred as the "**Group**") and Bone Therapeutics USA Inc ("**BT US**" together with the Company referred as the "**Group**") are active in regenerative therapy specialising in addressing unmet medical needs in the field of bone diseases and orthopaedics. The Company was incorporated by professionals from both the pharmaceutical industry and the hospital community. They share an in-depth knowledge of bone diseases and stem cell science, a strong expertise in cell manufacturing for human use, in cell therapy clinical trials and regulatory development.

2.5.2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below.

Statement of compliance

The Group's consolidated financial statements for the 6-month period ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

The impacts of the transition from Belgian GAAP to IFRS on the Group's reported financial position and financial performance are detailed in the prospectus (available on the Company's website www.bonetherapeutics.com) in accordance with IFRS 1 – *First-time Adoption of IFRS*.

Applicable IFRS standards and interpretation

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015.

- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 17 June 2014)

The following IFRS standards, interpretations and amendments that have been issued but that are not yet effective, have not been applied to the IFRS financial statements closed on 30 June 2015:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)

- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 – Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)

It is not expected that the initial application of the above mentioned IFRS standards, interpretations and amendments will have a significant impact on the consolidated financial statements.

Basis of preparation

The consolidated financial statements are presented in thousands of euros, unless otherwise stated. Euro is also the functional currency of both the Company and SCTS. The functional currency is the currency of the economic environment in which an entity operates. The consolidated financial statements have been prepared on a historical basis, unless otherwise stated.

2.5.3. Operating segment information

The Group does not make the distinction between different operating segments, neither on a business or geographical basis in accordance with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors of the Company.

2.5.4. Disclosures to the interim condensed consolidated financial statements

Note 1 – Property, plant and equipment

The increase in property, plant and equipment for a total amount of € 0.85 million is related to the property under construction of the new facility of SCTS at Gosselies. The completion of the facility is planned in different phases. Different parts of the building will be occupied at different points in time. Depreciation will start for the different parts when the Company will receive the “provisional acceptance” and for the production zones following GMP approval of the zones. The Company moved into the administration and R&D facilities at the end of April 2015 and plans his production facilities planned for 2016 (after receiving GMP accreditation). The depreciation will start in July 2015 following the “provisional acceptance” of the completed part of the building.

In 2014, the Group was granted a government grant for a total amount of € 2,908,000 for the new facilities under construction at Gosselies. The grant is payable in three tranches (after 40% of the investment, after 70% of the investment and when the investment is completed). The amount granted correspond to 32% of the total estimated investment (the Company has received € 1,163,077 in July 2015 corresponding to the first tranche of the government grant awarded). The grant is subject to specific conditions, such as employment, location and innovation. If conditions are not met, the Group has to reimburse the grant partially or entirely.

Note 2 – Trade and other receivables

The trade and other receivables are detailed as follows:

(in thousands of euros)	**30/06/2015**	**31/12/2014**
Trade receivables		
Trade receivables	94	8
Write-downs on trade receivables	0	0
Total trade receivables	**94**	**8**
Other receivables		
Receivable related to taxes	608	378
Receivable related to tax credit	0	0
Receivable related to Forgivable loans	3,952	3,998
Receivable related to Patent grants	181	193
Receivable related to other grants	10	12
Receivables related to investment grants	2,908	2,908
Write-downs on other receivables	0	0
Total other receivables	**7,659**	**7,490**
Total trade and other receivables	**7,754**	**7,498**

Trade and other receivables amounted to €7.75 million showing a small increase of €0.26 million compared to the end of December 2014. The increase is mainly explained by the VAT receivable (+€0.23 million). The other items remained largely unchanged and are composed of on one the hand the capital grant mentioned above still to be received from the Walloon Region for an amount of € 2.91 million and on the other hand the amount receivable of € 3.95 million related to forgivable loans. The remaining amount refers to patent grants to be received for an amount of € 0.2 million and taxes to receive for an amount of € 0.61 million.

Note 3 - Cash and cash equivalents

The cash position at the end of June 2015 amounted to €37.22 million and was impacted by the net proceeds of the successful IPO completed in February 2015 amounting to €32.28 million (€37.38 million and €5.1 million of IPO net proceeds) offset by the use of cash for operating, capex and financing purpose.

Note 4 – Equity

On 5 February 2015, through an IPO of 2,013,000 new shares, the Company was able to raise a total amount of € 32.2 million. The share capital was increased by a contribution in cash in the amount of € 6,078,000. The aggregate share premium for this transaction amounted to € 26,122,000.

On the same day, the share capital was also increased by the conversion of the 10,350 Convertible Bonds (with a value of € 1,000 each) issued by the General Meetings of Shareholders of 18 December 2014 and of 8 January 2015. The share capital was increased by a conversion of bonds in the amount of € 3,253,000 through issuance of 1,077,000 shares. The aggregate share premium for this transaction amounted to € 7,097,000.

On 11 February 2015, the share capital was increased by a contribution in cash in the amount of € 911,663 with issuance of 301,875 shares (exercise of the over-allotment option post IPO). The aggregate share premium for this transaction amounted to € 3,918,000.
Following the above mentioned capital increase, the share capital of the Company amounted to € 20,708,000 and was represented by 6,849,654 shares. The share premium accounts before considering the transaction costs amounts to €44.70 million.

In relation to the IPO, the Company has recognized in 2015 a number of costs as set out below:

- Banker fees for € 2,597,000
- External services including lawyers, communication experts € 493,000
- Regulatory fees (Euronext and FSMA) and audit and accounting fees (IFRS) € 97,000
- Insurance € 44,000
- Internal fees € 572,000

On this basis, an amount of € 2.75 million was recognized in equity and € 1.06 million in the statement of profit or loss in 2015. In 2014, an amount of €0.33 million was recorded in equity and an amount of €0.31 million was recorded into the profit and loss accounts.

Note 5 – Financial liabilities

Current financial liabilities amounted to €4.07 million representing a decrease of €14.37 million. The decrease €14.37 million is almost entirely related to the conversion of the Convertible bonds (on 18 December 2014 and on 8 January 2015, the Company issued automatically Convertible Bonds for a total amount of € 10,350,000) and the related derivative (valued at € 5,321,000 at 31 December 2014). At IPO, the bonds were automatically converted into a variable number of new shares equal to a fraction whereby the numerator amounts to 166.5% of the nominal value of the bonds, and the denominator was equal to the IPO offer price. The total amount was transferred into the equity of the Company. This decrease is offset by the fact that SCTS has withdrawn additional tranches (for an amount of €0.49 million) from a straight loan facility provided by ING and BNP Paribas Fortis to pre-finance the subsidies to be received from the Walloon Region for the infrastructure project.

As of 31 December 2014, Management concluded that the automatically Convertible Bonds are hybrid financial instruments containing a host debt instrument and an embedded derivative instrument to be separated as not closely related to the host contract. Whereas the debt instrument is subsequently measured at amortized cost using the effective interest rate method, the derivative is measured at fair value with changes in fair value recognized in profit or loss. Management also concluded that the difference between the initial value of the two instruments and the proceeds from the bonds is a transaction between the shareholders and the bondholders in their capacity as future shareholders of the Company. As a result, this difference has been recognized in equity in December 2014.

In this context, management made estimations in measuring the fair value of the derivative instrument on the basis of several assumptions, with the most significant one being the probability that an IPO will be launched based on facts and circumstances available on 31 December 2014. Under this scenario, the fair value of the derivative at IPO date amounted to € 6,650,000 (or 66.5% of € 10,000,000), which corresponds to the fair value of additional shares granted to the bondholders upon conversion. The probability associated with that IPO scenario was estimated at 75%. Together with an estimation of the value of the derivative instrument under the alternative scenario (no IPO) weighted at 25%, management estimated that the initial fair value of the derivative instrument amounted to € 5,321,000 at 31 December 2014. At the date of the IPO transaction, the Company recognized an amount of € 1,329,000 into the statement of comprehensive income which corresponds to the difference between the full amount and the projection amount.

Non-current financial liabilities amounted to €5.44 million compared to €5.83 million at 31 December 2014. The decrease is mainly explained by a reclassification of €0.4 million in current liabilities for debt reaching maturity within the next 12 months.

Note 6 – Other operating income

The other operating income relate to the different grants received by the Group:

(in thousands of euros)	**30/06/2015**	**30/06/2014**
Grants income related to forgivable loans	1,279	1,133
Grants income related to exemption on withholding taxes	313	277
Grants income related to tax credit	299	210
Grants income related to patents	83	59
Other grants income	10	(105)
Total	**1,984**	**1,574**

The Company continues to develop its projects. No new grant convention were signed during the first six months of 2015.

Note 7 – Research and development expenses

The research and development expenses are described as follow:

(in thousands of euros)	**30/06/2015**	**30/06/2014**
Lab fees and other operating expenses	2,765	1,904
Employee benefits expenses	2,249	1,380
Depreciations, amortizations and impairment losses	133	171
Patents costs	124	147
Total	**5,271**	**3,602**

The main movement compared to previous period relates to increased expenses incurred in the context of clinical trials and strengthening of the research team.

Note 8 – General and administrative expenses

The general and administrative expenses are described as follow:

(in thousands of euros)	**30/06/2015**	**30/06/2014**
Employee benefits expenses	1,029	307
Depreciation and amortization expense	30	28
Other expenses	1,012	300
Total	**2,071**	**635**

General and administrative expenses for the first 6 months amount to €2.07 million compared to only €0.6 million over the same period last year. During the first semester of 2015, €1.06 million was accounted for as IPO-expenditure directly impacting the statement of comprehensive income. The remaining €0.4 million relates to the strengthening and the adaptation of the support activities to comply with the new context of operating as a public company.

Note 9 – Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	30/06/2015	30/06/2014
Profit/loss for the period attributable to the owners of the Company (in thousands of euros)	(7,051)	(2,730)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	7,419,287	3,278,696
Basic loss per share (in euros)	**-0.95**	**-0.83**

2.5.5. Financial instrument

The following table provides the category in which financial assets and financial liabilities are classified in accordance with IAS 39 – *Financial Instruments: Recognition and Measurement.*

(in thousands of euros)	**IAS 39 Category**	**30/06/2015**	**31/12/2014**
Other non-current financial assets			
Non-current receivables	Loans and receivables	181	181
Trade and other receivables	Loans and receivables	7,146	7,119
Other financial assets	Loans and receivables	0	0
Cash and cash equivalents	Loans and receivables	37,222	11,576
Total financial assets		**44,548**	**18,876**
Non-current financial liabilities			
Finance lease liabilities	At amortized cost	92	110
Government loans	At amortized cost	4,046	4,313
Loans from related parties	At amortized cost	1,307	1,404
Other non-current liabilities			
Put on non-controlling interests	At fair value through profit or loss	1,551	1,501
Current financial liabilities			
Finance lease liabilities	At amortized cost	41	44
Government loans	At amortized cost	450	283
Loans from related parties	At amortized cost	184	144
Convertible bonds	At amortized cost	0	9,745
Other financial liabilities	At fair value through profit or loss	0	5,321
Trade and other payables			
Trade payables	At amortized cost	1,732	2,853
Total financial liabilities		**9,404**	**25,718**

The carrying amounts of financial assets recognized in the consolidated financial statements approximate their fair values. The same situation is applicable for financial liabilities, except as detailed in the following tables.

30/06/2015

(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Finance lease liabilities	92	92	Level 2
Government loans	4,046	4,046	Level 2
Loans from related parties	1,307	1,236	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,551	1,551	Level 3
Current financial liabilities			
Finance lease liabilities	41	41	Level 2
Government loans	450	450	Level 2
Loans from related parties	184	184	Level 2
Other financial liabilities	0	0	Level 3
Total	**7.672**	**7.601**	

	31/12/2014		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Finance lease liabilities	110	110	Level 2
Government loans	4,313	4,305	Level 2
Loans from related parties	1,404	1,309	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,501	1,501	Level 3
Current financial liabilities			
Finance lease liabilities	44	44	Level 2
Government loans	283	283	Level 2
Loans from related parties	144	144	Level 2
Other financial liabilities	5,321	5,321	Level 3
Total	**13,120**	**7,696**	

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.
The financial liabilities subsequently measured at fair value on Level 3 fair value measurement are on the one hand the put option granted by the Group to non-controlling interests in SCTS, which has been fully consolidated. These commitments to purchase equity instruments have been recognized under other non-current liabilities and concern 50.1% of SCTS.

The table below shows the reconciliation of the level 3 fair value measurement:

Reconciliation in thousands of euros	**30/06/2015**	**31/12/2014**
Opening balance	1,501	1,450
Total gains or losses in profit or loss	50	51
Decrease of capital	0	0
Closing balance	**1,551**	**1,501**

The put option has been measured using a discounted cash flow analysis based on significant unobservable inputs, such as expected rate of return (6.5%) and discount rate (3.5%).

If the above unobservable input linked to the expected rate of return was 10% higher/lower while all the other variables were held constant, the carrying amount of the put option would increase/decrease by € 49,000 (for the first half of 2014: increase/decrease by € 47,000).

2.5.6. Related party transactions

Balances and transactions between the Company and its subsidiary, which is a related party of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of € 89,000 (€ 41,000 for the first half of 2014) was charged, being an appropriate allocation of costs incurred by the associate. Furthermore, a liability is recognised in the consolidated statement of financial position for an amount of € 127,000, consisting of trade payables (€ 89,000) and a finance lease liability for the long lease right on the land for an amount of € 38,000, of which € 35,000 is classified as a non-current liability.

As a result of the relationship of the government (i.e. Walloon Region) with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. In total till date, an amount of €20.56 million was granted by the Walloon Region in forgivable loans ("avances récupérables"), patent subsidies and other operational subsidies. The amounts have been and are recognized and reported in the financial statements of the Company to reflect the actual position at any of the reporting date. Next to the government grants, government agencies granted loans to the Group for a total amount of € 1,620,000 (unchanged compared to 31 December 2014).

The remuneration of key management personnel has been described as follow:

	Period ended 30 June	
(in thousands of euros)	2015	2014
Number of management members	4	3
Short-term benefits	372	342
IPO related bonus	572	0
Post-employment benefits	0	0
Other long-term benefits	0	0
Share-based payments	243	0
Termination benefits	0	0
Total	**1,187**	**342**
Number of warrants granted (in units)	159,800	0
Shares owned (in units)	110,820	110,820

Transactions with the non-executive directors can be summarized as follows:

	Period ended 30 June	
(in thousands of euros)	2015	2014
Share-based payments	0	0
Management fees	87	0
Total	**87**	**0**
Number of warrants granted (in units)	0	0
Shares owned (in units)	1,430,568	2,124,505

2.5.7. Contingent liabilities

Management uses its judgement to estimate the portion of forgivable loans for which there is reasonable assurance that the terms for forgiveness will be met. Consistently with past practices, management expects that it will decide to exploit the results of the R&D project, which triggers the repayment of a portion of the loan (typically 30%). Similarly, management expects that revenue potentially generated from the R&D project within 10 years after the exploitation date is insignificant considering the length of the products' development cycle, and consequently that there is reasonable assurance that the remaining part (typically 70%) of the loan will be forgiven. This latter part treated as government grants contains a contingent liability as there might be scenarios under which the Company will have to repay a portion of it.

As of 30 June 2015, the total amount of forgivable loans released in income amounts to € 11,235,000 compared to € 9,956,000 at the end of last year. This amount corresponds to the maximum contingent liability. For part of this amount, repayment will indeed occur only if the Company generates revenue for such an amount and in such a timing that the probability associated with this scenario is assessed to be remote

2.5.8. Events and updates after 30 June 2015

Government Grant

The Company has received € 1,163,077 in July 2015 corresponding to the first tranche of the government grant awarded (for a total amount of € 2,908,000) related to the construction of the new building in Gosselies.

3. Responsibility statement

The Board of Directors, represented by all its members, declares that, to the best of its knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2015, which have been prepared in accordance with IAS 34 'Interim Financial reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation as a whole, and that the interim report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

4. Auditor's Report

Bone Therapeutics SA/NV

Report on review of the condensed interim consolidated financial information for the six-month period ended 30 June 2015

To the Board of Directors

In the context of our appointment as the company's statutory auditor, we report to you on the condensed interim consolidated financial information. This condensed interim consolidated financial information comprises the condensed interim consolidated balance-sheet as of 30 June 2015, the condensed interim consolidated statements of comprehensive income, the condensed interim statements of change in equity and the condensed interim consolidated statement of cash flows for the period of six months then ended, as well as selective notes 1 to 9.

Report on the condensed interim consolidated financial information

We have reviewed the condensed interim consolidated financial information of Bone Therapeutics SA/NV ("the company") and its subsidiary (jointly "the group"), prepared in accordance with International Financial Reporting Standard IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

The condensed interim consolidated statement of financial position shows total assets of 51.300 (000) EUR and the condensed interim consolidated statements of comprehensive income shows a consolidated loss (group share) for the period then ended of 7.051 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the condensed interim consolidated financial information in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim consolidated financial information based on our review.

Scope of review

We conducted our review of the condensed interim consolidated financial information in accordance with International Standard on Review Engagements (ISRE) 2410 – *Review of interim financial information performed by the independent auditor of the entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the condensed interim consolidated financial information.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed interim consolidated financial information of Bone Therapeutics SA has not been prepared, in all material respects, in accordance with IAS 34 – *Interim Financial Reporting* as adopted by the European Union.

Liège, 22 September, 2015

The statutory auditor

DELOITTE Bedrijfsrevisoren / Reviseurs d'Entreprises
BV o.v.v.e. CVBA / SC s.f.d. SCRL
Represented by Julie Delforge

Certain statements, beliefs and opinions in this report are forward-looking; they reflect the Company or, as appropriate, the Company directors' current expectations and projections about future events. By their nature, forward-looking statements involve a number of 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 risks, uncertainties and assumptions could adversely affect the outcome and financial effects of the plans and events described herein. A multitude of factors including, but not limited to, changes in demand, competition and technology, can cause actual events, performance or results to differ significantly from any anticipated development. Forward looking statements contained in this report regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. As a result, the Company expressly disclaims any obligation or undertaking to release any update or revisions to any forward-looking statements in this report as a result of any change in expectations or any change in events, conditions, assumptions or circumstances on which these forward-looking statements are based. Neither the Company nor its advisers or representatives nor any of its subsidiary undertakings or any such person's officers or employees guarantees that the assumptions underlying such forward-looking statements are free from errors nor does either accept any responsibility for the future accuracy of the forward-looking statements contained in this document or the actual occurrence of the forecasted developments. The reader is advised not to place any undue reliance on forward-looking statements, which speak only as of the date of this document.