Interim Financial Report

H1 2016

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 2016

1. Report of the Board of Directors

During the first six months of 2016 we continued to make strong progress in our ongoing clinical programs. Important safety and efficacy results were obtained in the Phase II studies for osteonecrosis, delayed-union, spinal fusion and osteoporosis. Following promising efficacy results in the first patient group of the osteoporosis study, an important strategic decision was taken to enhance the value of this program with the transition to allogeneic development.

Total operating income in the first six months of 2016 remained stable, amounting € 1.95 million compared with € 1.98 million in the first six months of 2015. The operating loss for the period amounted to € 5.74 million as compared with € 5.36 million in 2015. The Company ended the first six months of 2016 with € 26.60 million in cash and cash equivalents.

Operational Highlights

Osteoporosis program

In March, initial efficacy results from the PREOB® Phase IIA trial for severe osteoporosis were reported. The initial data demonstrated positive effects on pain and osteoporosis blood markers of a single administration of PREOB®. Following this outcome of the first patient cohort, the Company decided to enhance the value of the osteoporosis program by transitioning to allogeneic development. In May, it was announced that preparations were commencing to initiate a Phase II trial for the treatment of severe osteoporosis with Bone Therapeutics' allogeneic "off-the-shelf" product, ALLOB®. This could create a better solution for patients and enhance value creation from a partnership deal for this product.

Spinal fusion studies

In February, Bone Therapeutics presented efficacy data for the first patient to complete the 12-month follow-up in the ALLOB® Phase IIA spinal fusion trial at the Clinical Applications of Stem Cells conference. In this patient, the presence of bone bridges between the vertebrae was shown on CT scans as early as 6 months after treatment and dynamic x-rays demonstrated the absence of motion of the vertebral bodies, indicating successful fusion. Importantly, the patient also experienced pain relief six months after treatment.

Recruitment for the spinal fusion trial was completed in May. The Company decided to further extend the study in response to high clinical demand and to further investigate the detailed dynamics of the fusion. In the extension trial, another 16 patients will be treated and evaluated.

Impaired fracture healing

In January, the Company announced that it is expanding the delayed-union program with ALLOB® into multiple fractures. Twelve patients, diagnosed with multiple delayed-union fractures of long bones, will be enrolled in the study and will receive single percutaneous injections of ALLOB® at two to four fracture sites. The Phase IIA study will thus allow the evaluation of safety and efficacy of higher doses of ALLOB®.

In May, the Company communicated the six-month efficacy results for the first eight patients in the ALLOB® Phase I/IIA delayed-union study. Seven out of eight patients met the primary endpoints and overall 77% radiological and 68% clinical improvement was demonstrated. These data for the second patient cohort are in line with what was reported for the first group and come alongside confirmation of safety in the trial.

Osteonecrosis program

In June, Bone Therapeutics presented data from the Phase IIB osteonecrosis study at the EULAR conference. These data demonstrated long-term effects and superiority of a single administration of PREOB® over standard of care in halting or reversing the progression of the disease.

Corporate developments

The Company further strengthened its ability to deliver its growth strategy with the appointment of Benoît Champluvier as Chief Technology and Manufacturing Officer. Mr Champluvier joins from GlaxoSmithKline Vaccines, where he has more than 20 years' experience of driving innovative and complex bioprocesses, supporting the development and launch of a number of new products. He will be responsible for production and quality control, playing a key role in gearing up Bone Therapeutics' capacity to manufacture both commercial-scale and clinical trial batches at its specialist facility in Gosselies. Mr Champluvier's nomination follows the appointment of Thomas Lienard as Chief Business Officer in November 2015 with responsibility for business development, business operations and strategic planning.

Financial Highlights

Analysis of the income statement

During the first six months of 2016, the operating income amounted to € 1.95 million in line with similar revenues realized during the first half of 2015 (€ 1.98 million). Income resulted from the recognition of recoverable cash advances (€ 1.22 million), partial exemption of withholding tax paid on R&D salaries (€ 0.39 million), tax credit on investments (for € 0.31 million) and patent and other subsidies (€ 0.04 million).

Research and development expenses increased by 9% to € 6.01 million (€ 5.27 million in H1 2015). The increase mainly relates to the further strengthening of the research and development teams to support the ongoing trials.

General and administrative expenses for the first six months decreased by 29% to € 1.68 million versus € 2.07 million in H1 2015). During the first semester of 2015, € 1.06 million was accounted for as IPO-expenditure, directly impacting the statement of comprehensive income. Excluding the impact of the IPO-expenditures, the G&A expenses increased by € 0.67 million, resulting from further strengthening the G&A team and from business development and investor relation expenses.

As a result, the operating loss amounted to € 5.74 million in 2016 compared with € 5.36 million in 2015.

The net financial loss amounted to € 0.13 million compared with € 1.76 million which resulted from the non-cash impact of the derivative instrument related to the convertible bonds.

As a result, the net loss for the period decreased by 23% to € 5.81 million during the first six months ending 30 June 2016 (compared to € 7.12 million in 2015).

Analysis of the balance sheet

The Company's total assets amounted to € 43.38 million at 30 June 2016 compared with € 50.38 million at the end of December 2015. Current assets decreased by 19% to € 33.81 million at the end of June 2016 (€ 41.70 million in 2015). The decrease is mainly explained by the decrease of the cash position (- € 7.01 million). Cash was impacted by cash used for operating, capex and financing purposes. This decrease is partly offset by the increase of the non-current assets, which increased by 10% to € 9.58 million (€ 8.68 million in 2015). The increase is related to further investments related to the production facility at the Biopark at Gosselies.

The Company's equity decreased from € 28.15 million at the end of December 2015 to € 22.42 million at 30 June 2016, mainly as a result of the incorporation of the loss for the period (for an amount of € 5.81 million).

Liabilities amounted to € 20.97 million in 2016 compared with € 22.27 million at the end of December 2015 with the main decrease linked to the current liabilities.

Current liabilities decreased by 5% to € 9.26 million at 30 June 2016 (compared to € 10.54 million in 2015). The decrease is mainly explained by the decrease in other current liabilities, more in particular the decrease in deferred income related to the recoverable cash advances and patent subsidies. It is partially offset by an increase of € 0.49 million from the current financial liabilities, which amounted to € 2.80 million. This increase of € 0.49 million mainly relates to bank debt (through a reclassification from long term to short term debt).

Non-current liabilities remain stable and amounted to € 11.71 million compared with € 11.70 million at 31 December 2015. The non-current liabilities are impacted by a reclassification of € 0.77 million in current liabilities for debt reaching maturity within the next 12 months. This decrease is offset by the fact that the Company has withdrawn the final tranches (for an amount of € 0.52 million) from a straight loan facility provided by ING to finance the infrastructure project at Gosselies. The Company has also received a new loan from Novallia SA for an amount of € 0.30 million.

Analysis of the cash flow statement

The table in section 2.4 (see below) sets forth the Company's consolidated cash flow statement for the six-month periods ending 30 June 2016 and 30 June 2015.

Cash flow from operating activities represents mainly the net cash used by the Company to finance both clinical and pre-clinical developments and G&A expenses after taking into account:

- cash received through grants and recoverable cash advances 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 € 6.58 million for the first six months of 2016 and € 8.11 million for the first six months of 2015. The reduction in the amount of cash used for operating activities is resulting from movements in working capital (impacted in 2015 by one-off payments related to the IPO process) and a larger amount in cash received from the Walloon Region (grants and subsidies) for an amount of € 0.50 million in 2016 compared with only € 0.04 million in 2015. The operating loss for the first six months of 2016 amounted to € 5.74 million compared with a loss of € 5.36 million over the same period in 2015.

Cash flow from investing activities shows a net use of cash of € 0.78 million for the first six months of 2016 compared with € 0.98 million for the first six months of 2015. This mainly represents further investments made through the Company's affiliate SCTS with respect to the construction of the new facilities at the BioPark at Gosselies and to related investments for production and laboratory equipment.

Cash flow generated from financing activities amounts to € 0.36 million for the first six months of 2016 compared with € 34.74 million for the first six months of 2015 (including the net proceeds of the IPO for an amount of € 34.62 million). Cash inflows in 2016 are as follows:

- long term loans provided by the banks for an amount of € 0.48 million (€ 0.49 million in 2015);
- loans provided by related parties (regional investments bodies – Novallia SA) for an amount of € 0.30 million in 2016 (€ 0.37 million in 2015);
- recoverable cash advances provided to the Company by the Walloon Region (R&D project financing) for an amount of € 0.19 million in 2016 (€ 0.01 million in 2015);
- new financial leases obtained for an amount of € 0.10 million in 2016 (€ 0 in 2015);
- no capital increase in 2016 (€ 37.38 million in 2015 mainly offset by the IPO transaction costs for an amount of € 2.75 million impacting equity).

Financial cash outflows during H1 2016 are as follows:

- reimbursements of recoverable cash advances for an amount of € 0.40 million in 2016 (€ 0.25 million in 2015);
- other reimbursements (lease contracts) and interest paid for an amount of € 0.44 million in 2016 (€ 0.06 million in 2015);

Together these overall in- and out-flows result in net cash used for operating, investing and financing activities for an amount of € 7.01 million in 2016 compared with a cash generated for an amount of € 25.65 million in 2015.

Outlook for the remainder of 2016

In the second half of 2016, Bone Therapeutics will continue its promising Phase II proof-of-concept trials with ALLOB® and plans to communicate important efficacy results of the spinal fusion trial. The Company also expects to complete recruitment for the interim analysis in the Phase I/IIA delayed-union trial. The outcome of this interim analysis, expected in Q2 2017, will determine whether the trial can be stopped at this point and already proceed towards the next phase of development.

An important focus in the second half of 2016 will be the preparation of Bone Therapeutics' first US clinical trial.

Careful cash management will remain a key priority for the Company, with a strong focus on net cash burn. The Company has sufficient cash to carry out its strategic objectives until early 2018. Cash burn for the full year 2016 is expected to be in order of EUR 14.5-16.0 million.

Risks and uncertainties

For a detailed description of the risks associated to the activities of the Company, we refer to the Annual Report 2015 available on the Company's website.

2. Condensed consolidated financial statements for the six-month period ended 30 June 2016

2.1.Interim Condensed Consolidated Statement of Financial Position

ASSETS *(in thousands of euros)*	**Note**	**30/06/2016**	**31/12/2015**
Non-current assets		**9,575**	**8,682**
Intangible assets		63	69
Property, plant and equipment	**1**	6,320	5,793
Investments in associates		283	282
Financial assets		269	205
Deferred tax assets		2,639	2,333
Current assets		**33,809**	**41,701**
Trade and other receivables	**2**	7,038	7,912
Other current assets		167	178
Cash and cash equivalents	**3**	26,604	33,611
TOTAL ASSETS		**43,384**	**50,383**

EQUITY AND LIABILITIES *(in thousands of euros)*	**Note**	**30/06/2016**	**31/12/2015**
Equity			
Equity attributable to owners of the parent		**22,415**	**28,147**
Share capital		20,708	20,708
Share premium		42,670	42,670
Retained earnings		(41,561)	(35,752)
Other reserves		597	520
Non-controlling interests		0	0
Total equity	**4**	**22,415**	**28,147**
Non-current liabilities		**11,713**	**11,693**
Financial liabilities	**5**	10,101	10,118
Deferred tax liabilities		0	0
Other non-current liabilities		1,612	1,575
Current liabilities		**9,256**	**10,543**
Financial liabilities	**5**	2,799	2,313
Trade and other payables		2,251	2,579
Other current liabilities	**6**	4,206	5,590
Total liabilities		**20,969**	**22,236**
TOTAL EQUITY AND LIABILITIES		**43,384**	**50,383**

2.2.Interim Condensed Consolidated Statements of Comprehensive Income

(in thousands of euros)	Note	For the six-month period ended June 30, 2016	2015
Revenue		0	0
Other operating income		1,953	1,984
Total operating income	**7**	**1,953**	**1,984**
Research and development expenses	**8**	(6,014)	(5,271)
General and administrative expenses	**9**	(1,681)	(2,071)
Operating profit/(loss)		**(5,742)**	**(5,358)**
Interest income		191	130
Financial expenses		(314)	(1,897)
Exchange gains/(losses)		*(5)*	*(2)*
Share of profit/(loss) of associates		*1*	*5*
Result Profit/(loss) before taxes		**(5,870)**	**(7,122)**
Income taxes		60	0
PROFIT/(LOSS) FOR THE PERIOD		**(5,809)**	**(7,122)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(5,809)**	**(7,122)**
Basic and diluted loss per share (in euros)	**10**	**(0.85)**	**(1.07)**
Profit/(loss) for the period attributable to the owners of the Company		(5,638)	(7,051)
Profit/(loss) for the period attributable to the non-controlling interests		(171)	(71)
Total comprehensive income for the period attributable to the owners of the Company		(5,638)	(7,051)
Total comprehensive income for the period attributable to the non-controlling interests		(171)	(71)

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

	Attributable to owners of the parent					
(in thousands of euros)	**Share capital**	**Share premium**	**Retained earnings**	**Total equity attributable to owners of the parent**	**Non-controlling interests**	**TOTAL EQUITY**
Balance at 1 January 2015	**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	6,990	30,390	0	**37,380**	0	37,380
Transaction costs for equity issue	0	(2,788)	0	**(2,788)**	0	(2,788)
Conversion of Convertible Bonds	3,253	13,397	0	**16,650**	0	16,650
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**	**42,670**	**(28,497)**	**34,879**	**0**	**34,882**
Balance at 1 January 2016	**20,708**	**42,670**	**(35,232)**	**28,146**	**0**	**28,146**
Total comprehensive income of the period	0	0	(5,638)	**(5,638)**	(171)	(5,809)
Issue of share capital	0	0	0	**0**	0	0
Transaction costs for equity issue	0	0	0	**0**	0	0
Share-based payment	0	0	86	**86**	0	86
Movement non-controlling interests	0	0	(171)	**(171)**	171	0
Other	0	0	(9)	**(9)**	0	(9)
Balance at 30 June 2016	**20,708**	**42,670**	**(40,964)**	**22,415**	**0**	**22,415**

2.4.Interim Condensed Consolidated Cash Flow Statement

(in thousands of euros)	**For the six-month period ended June 30, 2016**	**2015**
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(5,742)	(5,358)
Adjustments for:		
Depreciation, Amortization and Impairments	282	163
Share-based compensation	86	243
Grants income related to recoverable cash advances	(1,218)	(1,279)
Grants income related to patents	(36)	(83)
Grants income related to tax credit	(306)	(299)
Other	(15)	34
Movements in working capital:		
Trade and other receivables (excluding government grants)	222	(422)
Trade and Other Payables	(384)	(1,156)
Cash generated from operations	**(7,117)**	**(8,158)**
Cash received from grants related to recoverable cash advances	438	32
Cash received from grants related to patents	59	12
Cash received from grant tax credit	37	0
Net cash used in operating activities	**(6,583)**	**(8,114)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	21	25
Purchases of property, plant and equipment	(786)	(996)
Purchases of intangible assets	(17)	(7)
Payments to acquire financial investments	0	(1)
Net cash used in investing activities	**(782)**	**(978)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	188	14
Repayment of government loans	(402)	(250)
Proceeds from loans from related parties	300	0
Reimbursements of loans from related parties and of financial lease liabilities	(116)	(20)
Proceeds from other financial loans	476	491
Interests paid	(186)	(119)
Proceeds from issue of equity instruments of the Company (net of issue costs)	0	34,622
New financial lease liabilities	98	0
Net cash provided by financing activities	**358**	**34,737**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(7,007)**	**25,646**
CASH AND CASH EQUIVALENTS at beginning of period	**33,611**	**11,577**
CASH AND CASH EQUIVALENTS at end of period	**26,604**	**37,222**

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. The shares of the Company are publicly listed on NYSE Euronext Brussels and Paris since 6 February 2015.

The Company and its affiliates Skeletal Cell Therapy Support SA "**SCTS**" and Bone Therapeutics USA Inc "**BT US**" (together with the Company referred to as the "**Group**") are active in regenerative therapy for addressing unmet medical needs in the field of bone diseases and orthopaedics. The Company combines in-depth knowledge of bone diseases and stem cell science, a strong expertise in both cell manufacturing for human use and cell therapy clinical trials and regulatory affairs, which have allowed to establish a leadership position in its field.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 August 2016.

2.5.2. Summary of significant accounting policies

The Company's interim consolidated financial statements for the 6-month period ended 30 June 2016 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS") and with IAS 34 Interim Financial Reporting.

The same accounting policies and methods of computation are followed in these interim consolidated financial statements as were applied in the consolidated financial statements of the Company for the year ended 31 December 2015, except for the recoverable cash advances ("RCA") from the Walloon Region. The related change in accounting policies is further described below.

Recoverable cash advances – Change in accounting policy

On 10 May 2016, the IFRS Interpretation Committee ("IFRS IC") published the final agenda decision IAS 20 – Accounting for repayable cash receipts. In this context, the IFRS IC clarified that an RCA gives rise to a financial liability in the scope of IAS 39 Financial Instruments: Recognition and Measurement. This financial liability is initially measured at fair value and any difference with the cash to be received from the Walloon Region is treated as a government grant in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Subsequent to the initial recognition, the financial liability is measured at amortised cost using the effective interest method on the basis of the estimated contractual cash flows with changes in value due to a change in estimated cash flows recognised in profit or loss, in accordance with IAS 39 Financial Instruments: Recognition and Measurement, paragraph AG8.

The accounting policy previously applied by the Group was to treat RCA as forgivable loans in the scope of IAS 20. On this basis, the portion of the RCA for which there was a reasonable assurance that the Group will meet the terms for forgiveness was recognised as a government grant. The portion of RCA expected to be reimbursed was recognised as a financial liability from the inception of the RCA agreement. Because Management had reasonable assurance not to reimburse the portion of the RCA depending on future revenue to be generated within the exploitation period defined in the RCA agreement, only the portion of the RCA depending on the decision to exploit the result of the R&D project (typically 30% in nominal terms) was recognised as a financial liability. The revenue-dependent portion of RCA was disclosed as a contingent liability in the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets with reassessment of the probability of repayment at each reporting date.

In this context, the accounting policy with respect to RCA has been changed in order to align it with the above guidance issued by the IFRS IC. The Group has therefore estimated the fair value of RCA (including the revenue-dependent portion) at inception of the RCA agreement on the basis of probability weighted scenarios of future cash outflows discounted at a rate ranging between 2.66% and 17.1 %. Based on the outcome of this estimation, it appears that the difference with the amount initially recognised as a financial liability under the previous accounting policy is insignificant. As the measurement after initial recognition based on expected cash flows was already applied by the Group, the change in the accounting policy has no effect on the financial statements. Please see also Note 5 on Financial liabilities.

New and revised IFRS standards and interpretations effective 2016

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 2016.

- 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)
- 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)
- Amendments to IAS 1 Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016)
- 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)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016)
- 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)

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 USD is the functional currency for Bone Therapeutics USA Inc. 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

Property, plant and equipment amounted to € 6.32 million at 30 June 2016 showing an increase of € 0.53 million. The increase is explained by further investments for an amount of € 0.37 million related to the production facility at Gosselies and by the acquisition of laboratory and production equipment for an amount of € 0.39 million. The production activities on this site are expected to start during H1 2017. The increase is offset by the amount of depreciation recorded over the first six months of 2016 for an amount of € 0.23 million.

Note 2 – Trade and other receivables

The trade and other receivables are detailed as follows:

Trade and other receivables	**Total**	
(in thousands of euros)	**30/06/2016**	**31/12/2015**
Trade receivables		
Trade receivables	2	9
Write-downs on trade receivables	0	0
Total trade receivables	**2**	**9**
Other receivables		
Receivable related to taxes	364	574
Receivable related to tax credit	124	162
Receivable related to recoverable cash advances	5.025	5.680
Receivable related to Patent grants	203	170
Receivable related to other grants	12	10
Receivables related to investment grants	1.308	1.308
Write-downs on other receivables	0	0
Total other receivables	**7.036**	**7.903**
Total trade and other receivables	**7.038**	**7.912**

Trade and other receivables amounted to € 7.04 million showing a decrease of € 0.88 million compared to the end of December 2015. The decrease results from the reduction of the receivables related to the forgivable loans (€ 0.66 million) and to the decrease of the VAT receivable (- € 0.21 million). The other items remained largely unchanged.

Note 3 - Cash and cash equivalents

The cash position at the end of June 2016 amounted to € 26.60 million, a reduction of € 7.00 million mainly due to cash used in operating activities.

Note 4 – Equity

The Company's equity decreased from € 28.15 million at the end of December 2015 to € 22.42 million (a decrease of € 5.73 million) at 30 June 2016 mainly as a result of the incorporation of the loss for the period (amounting to € 5.81 million).

Note 5 – Financial liabilities

Financial liabilities are detailed as follows:

	Non-current		Current		Total	
(in thousands of euros)	**30/06/2016**	**31/12/2015**	**30/06/2016**	**31/12/2015**	**30/06/2016**	**31/12/2015**
Finance lease liabilities	111	79	81	33	192	111
Government loans (RCA)	5.348	5.671	515	408	5.863	6.078
Loans from related parties	1.891	1.706	216	199	2.107	1.904
Bank debt	2.750	2.663	1.987	1.674	4.737	4.337
Total financial liabilities	**10.101**	**10.118**	**2.799**	**2.313**	**12.900**	**12.431**

Non-current financial liabilities amounted to € 10.10 million compared to € 10.12 million at 31 December 2015. The decrease is mainly explained by a reclassification of € 0.77 million in current liabilities for debt reaching maturity within the next 12 months. This decrease is offset by the fact that the Company has withdrawn the final tranche (for an amount of € 0.52 million) from a straight loan facility provided by ING to finance the infrastructure project at Gosselies. The Company has also received a new loan from Novallia SA for an amount of € 0.30 million.

Current financial liabilities amounted to € 2.80 million representing an increase of € 0.49 million. The increase € 0.49 million is almost entirely related to the bank debt through a transfer from long term to short term debts.

A total amount of € 21.47 million (of which € 1.12 million has already been repaid), has been granted as government loans (RCA) on 30 June 2016 compared to the amount of € 5.86 million recognized in the above table as government loans (RCA). The difference results from the estimation of the fair value of the RCA at inception of the RCA agreement on the basis of probability weighted scenarios of future cash outflows discounted at a rate ranging between 2.66% and 17.1 %.

Note 6 – Other current liabilities

Other current liabilities consist of the deferred income related to the government grants as detailed in the following table:

(in thousands of euros)	**30/06/2016**	**31/12/2015**
Deferred income on grants related to recoverable cash advances	3,993	5,428
Deferred income on grants related to patents	212	156
Other	1	7
Total	**4,206**	**5,590**

Note 7 – Other operating income

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

(in thousands of euros)	**30/06/2016**	**30/06/2015**
Grants income related to recoverable cash advances	1,218	1,279
Grants income related to exemption on withholding taxes	390	313
Grants income related to tax credit	306	299
Grants income related to patents	36	83
Other grants income	4	10
Total	**1,953**	**1,984**

Note 8 – Research and development expenses

The research and development expenses are described as follow:

(in thousands of euros)	**30/06/2016**	**30/06/2015**
Lab fees and other operating expenses	2,683	2,765
Employee benefits expenses	2,943	2,249
Depreciations, amortizations and impairment losses	238	133
Patents costs	150	124
Total	**6,014**	**5,271**

The research and development expenses for the first 6 months amount to € 6.01 million compared to € 5.27 million over the same period last year. Increased expenses mainly related to strengthening of the research team to support the ongoing trials.

Note 9 – General and administrative expenses

The general and administrative expenses are described as follow:

(in thousands of euros)	**30/06/2016**	**30/06/2015**
Employee benefits expenses	755	1,029
Depreciation and amortization expense	42	30
Other expenses	884	1,012
Total	**1,681**	**2,071**

General and administrative expenses for the first 6 months amount to € 1.68 million compared to € 2.07 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 net increase, disregarding IPO-expenditures in 2015 amounts to € 0.67 million. This increase relates in part (€ 0.30 million) to the strengthening of the teams for business development, IT and general services and in part (€ 0.37 million) to other business development and investor relations expenses.

Note 10 – Earnings per share

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

	30/06/2016	**30/06/2015**
Profit/loss for the period attributable to the owners of the Company (in thousands of euros)	(5,638)	(7,051)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	6,599,860	6,599,860
Basic loss per share (in euros)	**-0.85**	**-1.07**

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**	**30/06/2016**	**31/12/2015**
Other non-current financial assets			
Non-current receivables	Loans and receivables	269	205
Trade and other receivables	Loans and receivables	6,674	7,339
Other financial assets	Loans and receivables	0	0
Cash and cash equivalents	Loans and receivables	26,604	33,611
Total financial assets		**33,547**	**41,154**

Non-current financial liabilities			
Finance lease liabilities	At amortized cost	111	79
Government loans (RCA)	At amortized cost	5,348	5,671
Loans from related parties	At amortized cost	1,891	1,706
Other non-current liabilities			
Put on non-controlling interests	At fair value through profit or loss	1,612	1,575
Current financial liabilities			
Finance lease liabilities	At amortized cost	81	33
Government loans	At amortized cost	515	408
Loans from related parties	At amortized cost	216	199
Other financial liabilities	At fair value through profit or loss	0	0
Trade and other payables			
Trade payables	At amortized cost	1,741	1,818
Total financial liabilities		**11,515**	**11,487**

The financial liabilities subsequently measured at fair value on Level 3 fair value measurement are 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	**30/06/2016**	**31/12/2015**
Opening balance	1,575	1,501
Total gains or losses in profit or loss	37	74
Closing balance	**1,612**	**1,575**

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 (2.9%).

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 € 51,000 (H1 2016). For the first half of 2015, the increase/decrease would have been € 49,000.

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.

	30/06/2016		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Loans from related parties	1,891	2,205	Level 2

	31/12/2015		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Non-current financial liabilities			
Loans from related parties	1,706	2,108	Level 2

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.

2.5.6.1 Transactions with SISE

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of € 147,000 (€ 89,000 for the first half of 2015) 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 € 110,000, consisting of trade payables (€ 74,000) and a finance lease liability for the long lease right on the land for an amount of € 36,000, of which € 33,000 is classified as a non-current liability.

2.5.6.2 Transactions with the Walloon Region

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 € 25.24 million was granted by the Walloon Region in recoverable cash advances ("avances récupérables"), patent subsidies and other operational subsidies. Next to the government grants, government agencies granted loans to the Group for a total amount of € 2.42 million (€ 2.12 million at 31 December 2015).

2.5.6.3 Transactions with the Management Team

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

	Period ended 30 June	
(in thousands of euros)	2016	2015
Number of management members	6	4
Short-term benefits	518	372
IPO related bonus	0	572
Post-employment benefits	0	0
Other long-term benefits	0	0
Share-based payments	86	243
Termination benefits	0	0
Total	**604**	**1,187**
Cumulative number of warrants granted (in units)	159,800	159,800
Shares owned (in units)	105,566	110,820

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

	Period ended 30 June	
(in thousands of euros)	2016	2015
Share-based payments	0	0
Management fees	101	87
Total	**101**	**87**
Number of warrants granted (in units)	0	0
Shares owned (in units)	1,430,568	1,430,568

2.5.7. Events and updates after 30 June 2016

The interim financial report of 30 June 2016 were authorized for issue by the Board of Directors of the Company on 26 August 2016. Accordingly, events after the reporting period are those events that occurred between 1 July 2016 and 26 August 2016. No such events occurred during this period.

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 2016, 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

Report on review of the condensed interim consolidated financial information for the six-month period ended 30 June 2016

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 2016, 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 10.

Report on the condensed interim consolidated financial information

We have reviewed the condensed interim consolidated financial information of Bone Therapeutics SA ("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 43.384 (000) EUR and the condensed interim consolidated statements of comprehensive income shows a consolidated loss (group share) for the period then ended of 5.638 (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, 29 August 2016

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.