2017

Annual *report*

Bone Therapeutics

Table of contents

General Information

Language of this Annual Report

Bone Therapeutics SA published its Annual Report in English. Bone Therapeutics has also prepared a French translation of this Annual Report and is responsible for the consistency between the French and English version of this Annual Report.

Persons responsible for the contents of the Annual Report

The Board of Directors of Bone Therapeutics (see Chapter 11), assumes responsibility for the content of this Annual Report. The Board of Directors declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Annual Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its content.

We undersigned, Thomas Lienard SPRL, with as permanent representative Thomas Lienard, CEO, and Finsys Management SPRL, with as permanent representative Jean-Luc Vandebroek, CFO, on behalf of the Board of Directors of the Company, declare that to the best of our knowledge:

- the annual accounts, are established in accordance with the applicable standards for the preparation of the financial accounts, and do represent a fair and true view of the assets, the financial position and the results of the issuer and the entities which were included in the consolidation;
- the annual report provides a fair and true view of the developments and the results of the Company and of the position of the issuer and of the entities included in the consolidation, as well as a description of the most important risks and uncertainties faced by them.

Statutory auditor

Deloitte Réviseurs d'Entreprises SCCRL, a civil company having the form of a co-operative company with limited liability organised and existing under the laws of Belgium, with registered office at Gateway building, Luchthaven Nationaal 1, boite J, 1930 Zaventem, Belgium, represented by Mrs Julie Delforge (member of the Belgian *Institut des Réviseurs d'Entreprises/ Instituut voor Bedrijfsrevisoren*) is appointed statutory auditor of the Company, for a term of three years ending immediately following the adjournment of the annual general shareholders' meeting of the Company to be held in 2019, resolving upon the financial statements for the fiscal year ended on 31 December 2018.

Forward-looking statements

Certain statements in this Annual Report are not historical facts and are forward-looking statements. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, research and development, financing needs, plans or intentions relating to partnership or acquisitions, competitive strengths and weaknesses, business strategy and the trends which the Company anticipates in the industries and the political, economic, financial, social and legal environment in which it operates and other information that is not historical information.

Words such as "believe", "anticipate", "estimate", "expect", "intend", "predict", "project", "could", "may", "will", "plan" and similar expressions are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, amongst other things, those listed in the Section "Risk Factors".

Market and industry information

Information relating to markets and other industry data pertaining to the Company's business included in this Annual Report has been obtained from internal surveys, scientific publications, section association studies and government statistics. The Company accepts responsibility for having correctly reproduced information obtained from publications or public sources, and, in so far as the Company is aware and has been able to ascertain from information published by those industry publications or public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Company has not independently verified information obtained from industry and public sources. Certain other information in this Annual Report regarding the industry reflects the Company's best estimates based on information obtained from industry and public sources. Information from the Company's internal estimates and surveys has not been verified by any independent sources.

Other available information

The Company has filed its deed of incorporation and must file its restated articles of association and all other deeds and resolutions that are to be published in the Belgian Official Gazette (*Moniteur Belge*) with the clerk's office of the commercial court of Charleroi (Belgium), where such documents are available to the public. The Company is registered with the register of legal entities of Charleroi under company number 0882.015.654. A copy of the most recent restated articles of association, the reports of the Boards of Directors and the minutes of the shareholders' meeting are also available on the Company's

website (www.bonetherapeutics.com) or can be provided upon request to Bone Therapeutics SA, Investor Relations, 37, rue Auguste Piccard, B-6041 Gosselies, Belgium (Tel: +32 71 12 10 00, Fax: +32 71 12 10 01 and e-mail: investorrelations@bonetherapeutics.com).

The Company prepares annual audited and consolidated financial statements. All financial statements, together with the reports of the Board of Directors and the statutory auditor are filed with the National Bank of Belgium, where they are available to the public. Furthermore, as a Company with shares listed and admitted to trading on Euronext Brussels and Paris, the Company publishes an annual financial report (included its financial statements and the reports of the Board of Directors and the statutory auditor) and an annual announcement prior to the publication of the annual financial report, as well as a half-yearly financial report on the first six months of its financial year. Copies of these documents will be made available on the Company's website (www.bonetherapeutics.com) and STORI, the Belgian central storage platform which is operated by the FSMA and can be accessed via its website (www.fmsa.be).

The Company must also disclose price sensitive information and certain other information relating to the public. In accordance with the Belgian Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (Arrêté royal relative aux obligations des émetteurs d'instruments financiers admis à la négociation sur un marché reglementé), such information and documentation will be made available through the Company's website (www.bonetherapeutics.com), press releases and the communication channels of Euronext Brussels.

Availability of the Annual Report

The Annual Report is available in English and in French. The Annual Report will be made available, free of charge, for the public upon request to:

Bone Therapeutics SA
To the attention of Investor Relations
Rue Auguste Piccard 37
B-6041 Gosselies
Belgium
Tel: +32 71 12 10 00
Fax: +32 71 12 10 01
E-mail: investorrelations@bonetherapeutics.com

An electronic version of the Annual Report is also available on Bone Therapeutics' website (www.bonetherapeutics.com). The posting of this Annual Report on the internet does not constitute an offer to sell or a solicitation of an offer to buy any of the shares to any person in any jurisdiction in which it is unlawful to make such offer or solicitation to such person. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Company or on another website does not form part of the Annual Report.

1

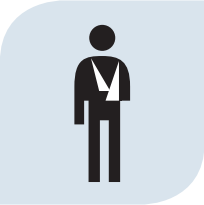
Business Section

Bone Therapeutics

A leading biotechnology company specializing in the development of **cell therapy** products for .

Our unique technology allows us to produce biologically active bone cells that are able to regenerate a healthy bone environment and promote bone regeneration. Our product candidates have been developed for the treatment of severe fractures that show impaired healing, spine disorders and osteonecrosis. Our products are administrable through a minimally invasive, percutaneous approach without open surgery or through a simple injection which works as an addition to the current standard-of-care. By contrast, existing treatments for these conditions are often highly invasive, associated with considerable complications and risks, and often show lack of efficacy. In addition to convincing preclinical data, our products have already shown encouraging clinical results.

Minimally Invasive Bone-Cell Technologies



Targeting **undeserved markets** in **orthopaedics and bone diseases**

Late stage pipeline with **3 Indications** in **Phase II** and **Phase III**

Strong **IP Portfolio, Cell therapy manufacturing assets** and **know-how**

Experienced Management Team, Reinforces Board of Directors, ± 100 employees (30% PhDs)

Headquarters in **Belgium**, Listing on **Euronext Paris & Brussels**

Letter from the CEO and Chairman

Dear Shareholder,

2017 was a year of important catalysts for Bone Therapeutics. We have made significant progress in advancing our product pipeline with delivery of promising clinical data. Simultaneously, we continued to work on a cost-effective and industrial production process and to establish our manufacturing facilities, preparing for the next phase of development of the Company. Furthermore, we are also proud to collaborate with a major player on the Japanese market for the development of our autologous cell therapy product, PREOB®.

We have continued to make good progress in clinical studies with our key allogeneic cell therapy product, ALLOB®, showing very encouraging safety results for the 31 patients analyzed. The early conclusion of the Phase I/IIA study for delayed-union fractures, following strong interim efficacy data further demonstrates the promise of our allogeneic platform. We are confident that the full results of this study which is expected mid this year will further confirm our previous positive findings. In parallel, the Phase IIA lumbar spinal fusion study with ALLOB® equally delivered positive interim efficacy results. With patient recruitment of the Phase II lumbar spinal fusion study now fully finalized, we look forward to reporting topline results in mid-2019.

In September 2017, we signed an exclusive, royalty-bearing license agreement with one of Japan's leading conglomerates, Asahi Kasei Corporation, for the development and commercialization of PREOB® in Japan. This agreement is an important validation of our innovative regenerative technology in the field of orthopaedics and bone diseases, demonstrating its global commercial potential.

We have also made major steps forward in the pivotal Phase III trial with PREOB® for osteonecrosis of the hip. We completed the recruitment of the interim patient cohort in June 2017 and expect to perform an analysis of the interim results in the second half of this year after one-year follow-up.

As we continue with our clinical progress, we have reshaped our Board and senior management team by attracting talented executives with new competencies. We were pleased to welcome Jean-Luc Vandebroek as our new Chief Financial Officer in September last year. Jean-Luc was pivotal in coordinating our recent successful fundraise of approximately € 20 million from existing and new shareholders. This funding will allow Bone Therapeutics to continue the robust pace of development of its unique pipeline of bone cell therapy products further into the clinic.

To top off a year of major progress, we recently received GMP Certification for the new manufacturing site at the Company's headquarters in Gosselies. The transfer from the historic site in Anderlecht is expected to be complete in the course of 2018, centralizing the entire cell production unit at this state-of-the-art manufacturing plant.

We would like to take this opportunity to personally thank all our shareholders. With their continued support and confidence, a strengthened balance sheet and with a fantastic team of talented employees behind us, we will continue to advance our pipeline and continue towards our goal of becoming a leader in the field of bone cell therapy.

Jean Stéphenne
Chairman

Thomas Lienard
CEO

2017 at a glance

Clinical highlights

- In 2017, we continued to make strong progress in the clinical development of ALLOB®, our flagship allogeneic bone cell therapy technology:
    - Completion of recruitment of the first 16 patients in the ALLOB® Phase I/IIA delayed-union study.
    - Strong interim efficacy and safety results from this first cohort led to an early conclusion of the study as recommended by the DSMB.
    - Positive efficacy and safety results reported for the first 15 patients in the Phase IIA lumbar spinal fusion trial.
- Completion of the recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with the autologous bone cell therapy product, PREOB®. Conclusions from the interim analysis are expected in H2 2018.

Corporate highlights

- European Patent Office notified the Company of its intention to grant a key patent for allogeneic bone cell therapy platform.
- Exclusive license agreement signed with Asahi Kasei for the development and commercialisation of PREOB® in Japan.
- Appointment of Damian Marron and Dirk Dembski as Non-Executive directors.
- Jean-Luc Vandebroek appointed as Chief Financial Officer, supporting Company's progress towards commercialisation.

Financial highlights

- The Company ended 2017 with € 8.4 million in cash and cash equivalents. Careful management of resources resulted in a cash utilization of € 11.9 million for the full year 2017 (below Company guidance), compared to € 13.3 million for the full year 2016.
- Operating income of € 4.2 million for the full year 2017, compared to € 4.0 million in full year 2016.
- Operating loss for the period amounted to € 12.3 million, compared to € 12.8 million in full year 2016.

Post-period highlights

- The Company completed patient recruitment of the full set of 32 patients for the Phase IIA lumbar spinal fusion study with efficacy and safety data expected in mid-2019.
- Jean-Stéphenne appointed as new Chairman, further strengthening the Board of Directors.
- Following a successful private placement of convertible bonds, the Company secured in total € 19.45 million in committed funds.

Mission and strategy

Bone Therapeutics provides innovative regenerative products addressing high unmet medical needs in the fields of orthopaedics and bone diseases. The Company is pursuing the following strategy:

- Enhance the development of its commercially oriented, off-the-shelf, allogeneic platform, to maximize benefits for patients and value creation for investors.
- Finalize the ALLOB® Phase II proof-of concept trials for larger indications better suited to an allogeneic approach, building on encouraging clinical data to date.
- Progress and complete Phase III trials with its autologous product PREOB® to deliver proof of concept of a cell therapy product in the field of orthopaedics and bone diseases to ultimately advance towards market authorization.
- Scale-up of manufacturing capabilities.
- Advance the preclinical pipeline.
- Build development and commercial partnerships.

Market opportunity and competitive advantage

Orthopaedics is a large and growing market characterized by limited innovation and high unmet medical need. It is estimated that the overall market will continue to grow in the next few years with a CAGR of approximately 3%[1], mostly driven by an ageing population.

The Company is operating in an area where most treatments show poor or limited efficacy and/or require invasive surgery with the risk of major complications. In addition, most treatments are associated with long hospitalization and recovery time and a persisting risk of re-intervention. Despite a clear need for innovation, there has so far been an absence of new treatments with a regenerative component and there are few new clinical trials ongoing. In bone cell therapy, despite broad interest, clinical development programs are still limited to a small number of indications and companies. Solutions based on pharmacological treatments have remained unsuccessful so far.

Bone Therapeutics is the most advanced clinical stage company developing bone cell products composed of differentiated bone cells (osteoblasts) for the treatment of orthopedic conditions. In its target indications, the Company competes with the standard-of-care, introducing a breakthrough alternative. Adding living bone forming cells as the active regenerative component is expected to increase the efficiency of existing procedures, allowing physicians to offer a minimally invasive approach or an enhancement to the standard-of-care. Given the numerous advantages in production, logistics and costs compared to an autologous approach, Bone Therapeutics has streamlined its strategic priorities and is intensifying its focus on the development of the allogeneic program.

Competitors known by the Company are at a preclinical or early clinical stage of their development. By contrast, Bone Therapeutics has an advanced clinical pipeline which encompasses Phase IIA clinical trials for delayed union fractures and spinal fusion with its allogeneic product ALLOB® and a Phase III clinical study for osteonecrosis of the hip with its autologous product PREOB®.

Outlook for 2018

Bone Therapeutics plans to report the final results from the ALLOB® Phase I/IIA delayed-union study in mid-2018.

A value inflection point is anticipated in the second half of 2018, as the Company expects to present the conclusions of the interim analyis after a one-year follow-up period of the first 44 patients in the Phase III study of PREOB® in osteonecrosis of the hip.

Additionally, the Company has started making preparations for a multicentre, controlled Phase IIB study for the treatment of difficult fractures with ALLOB®.

Cash burn for the full year of 2018 is expected to be in the range of € 15-16 million. Based on its current priorities, the Company will have sufficient cash to carry out its objectives until end Q3 2019.

Expected clinical news

Full safety and efficacy results for the first 16 patients in the Phase I/IIA ALLOB® delayed-union trial.

Conclusions of the interim analysis for the first 44 treated patients in the Phase III osteonecrosis trial with PREOB®

[1] *Based on the Orthopedic Industry Annual Report published April 2017 by Orthoworld.*

Operational review

"Changing the treatment paradigm in orthopaedics"

High unmet medical needs

Bone Therapeutics is a biotechnology company with a broad clinical pipeline of cell products for orthopaedics and bone diseases. These areas are characterized by high unmet medical need due to the lack of efficacious, safe and non-invasive treatments.

Allogeneic and autologous approach

The Company has two products in clinical trials, its allogeneic bone cell therapy product, ALLOB®, and its autologous bone cell therapy product, PREOB®.

For both products, the cells originate from the bone marrow of the iliac crest. In the allogeneic approach, the cells are derived from a healthy donor, in the autologous approach the cells are derived from the patient him or herself. Allogeneic technology has the added benefits of being readily available, scalable and cost-effective, making it better suited to commercialisation and to addressing large markets.

Minimally invasive treatment – enhancing the standard-of-care through cell therapy

The current standard-of-care involves heavy surgery and long recovery periods. The Company is creating a new and unique treatment approach that can be administered via a minimally invasive percutaneous procedure and is expected to offer significant benefits over the standard-of-care, but which works with and is complementary to existing procedures.

An advanced clinical pipeline

The Company has a broad clinical pipeline with two products, ALLOB® and PREOB®, which currently target three indications in three domains and offer the potential for extension towards additional indications.

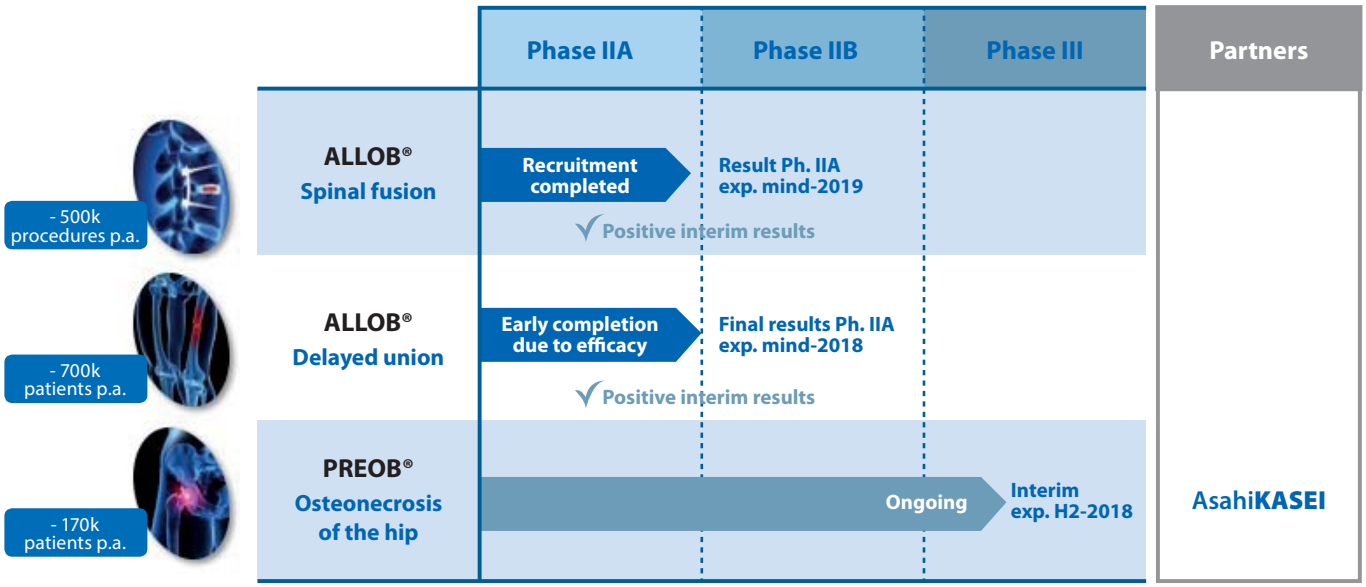


Figure: Clinical pipeline with ALLOB®: allogeneic approach, and PREOB®: autologous approach.

Spinal fusion programs

In the proof-of-concept Phase IIA spinal fusion study, the Company combines the bone-forming cells of its allogeneic product, ALLOB®, with osteoconductive ceramic micro-granules to improve the current standard-of-care in which currently an autograft or synthetic bone substitute is used. The combination of ALLOB® with the micro-granules has the potential to enhance bone growth (as demonstrated in preclinical studies by the Company), bringing advantages in stability and structure. A first cohort of 16 patients with symptomatic degenerative lumbar disc disease who require spinal fusion have been enrolled in the proof-of-concept trial. They were treated according to the standard-of-care, with the addition of a single dose of ALLOB® cells combined with bioceramic granules to promote bone formation and fusion. To assess early onset of bone formation and fusion, the trial was extended with an additional 16 patients. The trial extension was submitted and approved by the Ethics Committee and Competent Authorities.

In September 2017, Bone Therapeutics reported promising interim efficacy and safety results for the Phase IIA lumbar spinal fusion study. In addition to evidence of successful fusion shown by radiological data collected over a 12-month follow-up period (absence of motion in all patients and continuous bone bridges in 9 out of 15 patients), the interim results revealed substantial clinical improvement in function (55% improvement on the Oswestry Disability Index) and a strong reduction in back and leg pain (59% and 90% respectively). Treatment with ALLOB® was well tolerated in all patients. In February 2018, the Company completed the patient recruitment for the study. Given the timing, efficacy and safety data for the full set of 32 patients are expected mid-2019, following a follow-up period of 12 months.

Achievements in 2017

Positive interim efficacy and safety results for the first group of 16 patients in the Phase IIA ALLOB® spinal fusion trial

- Absence of motion in all patients and continuous bone bridges in 9 out of 15 patients.
- Substantial clinical improvement in function and strong reduction in back and leg pain.

Post-period, recruitment of 32 patients required for the study was completed in February 2018.

Next step:

- Efficacy and safety results of the full set of 32 patients expected mid-2019 after a follow-up period of 12 months

Spinal fusion

- Gold-standard surgery for treating a broad spectrum of degenerative spine disorders
- Aims to relieve pain and improve function
- Consists of bridging two or more vertebrae with the use of a cage and graft material
- Up to 25% of patients not satisfied with surgery
- Each year over 1 million spinal fusion procedures in the US, Europe and Japan of which about 0.5 million at lumbar level

Sources: Park et al. Bulletin of the Hospital for Joint Disease 2013 (71) 39-48; Rajaee et al. The Bone and Joint Journal 2014 (96) 807-816. Company estimates detailed in the prospectus dated 20 January 2015.

Delayed union fractures

For severe unhealed fractures, the Company's allogeneic product, ALLOB®, was being evaluated in the Phase I/IIA clinical trial for delayed-union fractures. This clinical trial was based on the minimally invasive implantation of Bone Therapeutics' allogeneic bone-forming cells at the bone defect site.

The Phase I/IIA study was a six-month open-label trial to evaluate the safety and efficacy of ALLOB® in the treatment of delayed-union fractures of long bones. 16 patients with a fracture that had failed to consolidate after a minimum of three and a maximum of seven months received a single percutaneous administration of ALLOB® directly into the fracture site and completed the six-month follow-up. Fracture healing of ALLOB®-treated patients was assessed using clinical evaluation (e.g. general health status and pain) and radiological evaluation (based on CT-scan).

In March 2017, Bone Therapeutics completed recruitment of the first 16 patients into the Phase I/IIA delayed-union study, a six-month, open-label clinical study designed to evaluate the safety and efficacy of ALLOB® in delayed-union fractures of long bones. Subsequently, at the six-month follow-up period in September 2017, the Company announced positive interim efficacy data. The six month data showed that all patients treated met the primary endpoint and ALLOB® was well tolerated. Radiological evaluation of fracture healing showed an improvement of, on average, 4 points on the TUS (Tomographic Union Score) scale, twice the required minimum of 2 points. The health status of patients, as measured by the Global Disease Evaluation (GDE) score, improved by, on average, 48%, compared to the predetermined minimum of 25%. Based on the strong interim efficacy results, the Data and Safety Monitoring Board (DSMB) recommended concluding the trial early.

Achievements in 2017

Completion of recruitment of the first 16 patients in early March 2017.

- The patients were treated without safety concern, which was confirmed by the Safety Monitoring Committee.

Strong interim efficacy results announced in September 2017

- All patients met the primary end point.
- Based on the strong interim efficacy results, DSMB recommended an early conclusion of the trial, allowing the study to advance to the next stage of clinical development.

Next step:

- Full data set of Phase I/IIA study anticipated mid-2018.
- A multicenter, controlled Phase IIB is currently in preparation.

Delayed-union fractures

- Delayed-union: failure to achieve bone union within an adequate period of time (3-7 months)
- In total, about 700 thousand patients per year in the US, Europe and Japan
- Currently a 'wait & see' approach is adopted for delayed-union fractures, delaying the patients' return to a normal life

Sources: Kanakaris et al. Injury 2007 (38S) S77-S84; Company estimates detailed in the prospectus, dated 20 January 2015.

Osteonecrosis of the hip

The Company's autologous product, PREOB®, is currently in Phase III clinical trial for osteonecrosis of the hip.

The pivotal Phase III osteonecrosis study was designed according to the EMA/FDA requirements and is being conducted in study centres in Belgium, France, Germany, the Netherlands and the United Kingdom. The Phase III study is a randomized, double-blind, placebo-controlled pivotal trial that aims to confirm the safety and efficacy of PREOB® in early-stage (non-fractural) osteonecrosis of the femoral head over a 24-month period. The patients received either a single administration of PREOB®, or a placebo into the necrotic lesion using a core decompression procedure.

Results from an earlier exploratory Phase IIB osteonecrosis study, presented at the Annual European Congress for Rheumatology (EULAR) in June 2016, demonstrated a strong and prolonged improvement in pain and function as well as a reduction in fracture risk after treatment with PREOB® compared to standard of care.

In June 2017, the Company announced completion of recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with its autologous bone cell therapy product, PREOB®. A new, optimized analysis was also adopted which is based on an updated clinically relevant endpoint, endorsed by the European Medicines Agency. It uses a composite responder analysis combining the original co-primary variables, without impacting the design and data collection of the study. The more stringent primary endpoint criterion enabled a reduction of the number of patients to be enrolled, to 118 from 130. Conclusions of the interim analysis are expected in second half of 2018 after a one-year follow-up period.

Achievements in 2017

Completion of recruitment of the 44 treated patients required for the planned interim analysis

Next steps:

- Conclusions of the interim analysis are expected in second half of 2018 after a one-year follow-up period.

Osteonecrosis

Painful condition in which the femoral head degenerates, ultimately leading to collapse of the femoral head

- Affecting relatively young people (30-50 years old)
- Nearly 50% will require hip replacement before the age of 40
- The standard-of–care for early-stage osteonecrosis, core decompression, has shown highly variable success rates
- An estimated 175,000 patients per year in the US, Europe and Japan

Sources: Lane Nature Clinical Practice Rheumatology 2006 (2) 562-569; Ciombor et al. Techniques in Orthopaedics 2001 (16) 32-38; Confavreux et al. Joint Bone Spine 2010 (77) 128-132; Company estimates detailed in the prospectus dated 20 January 2015.

Financial review

Highlights

The Company ended 2017 with € 8.41 million in cash and cash equivalent. Careful management of resources resulted in a cash utilization of € 11.89 million for the full year 2017, compared to € 13.31 million for the full year 2016, which was below the Company's guidance.

The Company reported an operating income of € 4.21 million for the full year 2017, compared to € 4.01 million in full year 2016.

Operating loss for the period amounted to € 12.29 million, compared to € 12.80 million in full year 2016.

Post period, following a successful private placement of convertible bonds in March 2018, the Company secured a total of € 19.45 million in committed funds.

Key financials (IFRS)

(€ million)	FY 2017	FY 2016
Operating income	4.21	4.01
Operating expenses	(16.51)	(16.81)
R&D	(13.12)	(13.65)
G&A	(3.39)	(3.16)
Operating result	(12.29)	(12.80)
Net financial result	(0.48)*	(0.28)
Net result	(12.77)	(13.02)
Net cash flow	(11.89)	(13.31)
Operating activities	(11.02)	(11.37)
Investing activities	(0.42)	(0.58)
Financing activities	(0.46)	(1.36)
Cash position at 31 December	8.41	20.30

**Including withholding tax on upfront payment from AK.*

Income statement

In 2017, the Company received a non-refundable upfront payment from Asahi Kasei Corporation for € 1.67 million. The Company recognized this upfront payment over a period of 10 years and only € 0.04 million in 2017. The total (other) operating income amounted to € 4.18 million compared to € 4.00 million in 2016. Other operating income is mainly as a result of grants from the Walloon Region ("Recoverable Cash Advances" - RCAs) which in total amounted to € 2.46 million in 2017. In addition, the Company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of € 0.73 million, an investment tax credit for an amount of € 0.74 million and € 0.24 million in patent and other subsidies.

R&D expenses in 2017 were at € 13.12 million compared to € 13.65 million in 2016. The decrease has been the result of lower R&D costs in ongoing trials and an increase in efficiency of the Company's clinical operations.

General and administrative expenses for the full year 2017 amounted to € 3.39 million compared to € 3.16 million over the same period last year. The slight increase is mainly explained by the development of our activities.

The operating loss in 2017 was at € 12.29 million. In 2016, the Company reported an operating loss of € 12.80 million. The Company had net financial expenses of € 0.29 million in 2017 in line with last year.

The reported net loss in 2017 amounted to € 12.77 million or € 1.86 loss per share (on an undiluted basis). In 2016, the Company had a net loss of € 13.02 million, equivalent to a loss per share of € 1.90 (on an undiluted basis).

Balance sheet

Total assets at the end of December 2017 amounted to € 25.17 million compared to € 38.59 million at the end of December 2016, mainly impacted by the current assets.

The current assets decreased from € 28.47 million to € 14.62 million at the end of December 2017. The decrease is mainly related to the variation of the cash position which amounted to € 8.41 million compared to € 20.30 million in 2016.

The trade and other receivables showed a decrease of € 2.08 million compared to last year as a result of:

- New RCAs recognized during 2017 for an amount of € 1.18 million (increase)
- Amounts received during the course of 2017 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for a total of € 3.42 million (decrease)
- The remaining increase of € 0.15 million in trade and other receivables is on account of the VAT receivable, patent grants receivable and tax credit to be received within one year.

The non-current assets increased from € 10.11 million to € 10.56 million at the end of December 2017. The increase is mostly related to deferred tax assets. Deferred tax assets totaling € 3.61 million represent a tax credit on investment in R&D reimbursable in the foreseeable future (spread over the next seven years), partly offset by the decrease of the property, plant and equipment. The Company invested an amount of € 0.40 million for the new production facility at Gosselies and for the laboratory and production equipment related to the new production facility. The Company recorded an amount of € 0.60 million as net depreciation.

Equity amounted to € 2.38 million at the end of December 2017 compared to € 15.27 million at the end of December 2016.

- The share capital decreased due to the incorporation of the loss carried forward and amounted to € 14.66 million at the end of 2017.
- The retained earnings were impacted by the loss for the period of € 12.77 million.
- Other reserves decreased by € 0.11 million related to the share-based payments.

The non-controlling interest in the Company's affiliate SCTS has been set at "0" and has been represented as a liability on the balance sheet for an amount of € 1.64 million on 31 December 2017. This represents the value of the put option that the parties representing the non-controlling have and which allows them to sell their interest to the Company.

Liabilities amounted to € 22.79 million at the end of December 2017 compared to € 23.32 million at the end of December 2016 with the main decrease coming from both the non-current and current liabilities.

The non-current liabilities decreased from € 12.80 million at the end of 2016 to € 12.19 million on 31 December 2017. They are composed as follows:

- Long term investment credit facilities to finance the infrastructure project for an amount of € 2.38 million (€ 2.63 million at the end of 2016),
- Reimbursable part of the RCAs from the Walloon Region as recognized at the start of the contract for an amount € 6.58 million (€ 6.58 million in 2016),
- Loans from related parties (regional investment offices) for an amount of € 1.51 million (€ 1.77 million in 2016),
- Other non-current liabilities for an amount of € 1.64 million represent the put option explained above (€ 1.64 million in 2016),
- Other items accounting for € 0.08 million.

Current liabilities amount to € 10.60 million at 31 December 2017 compared to € 10.51 million at the end of December 2016. The financial liabilities remained stable compared to last year and amounted to € 1.25 million.

Trade and other payables amounted to € 3.56 million which represented an increase with € 0.46 million compared to the end of December 2016. The increase is mainly related to regular activities.

Other current liabilities amounted to € 5.76 million at the end of December 2017 compared to € 6.15 million at the end of December 2016, showing a net decrease of € 0.39 million due to the recognition of the deferred income related to the existing contract for an amount of € 2.02 million into the comprehensive income. In addition, the Company also recognized an amount of € 1.63 million in relation to the upfront payment received from Asahi Kasei.

Cash flow statement

Cash used for operating activities amounted to € 11.02 million for the full year 2017 compared to € 11.37 million for the full year 2016.

Total operating loss for the period amounted to a loss of € 12.29 million compared to a loss of € 12.80 million over the same period in 2016. The decrease of the net loss in 2017 is mainly explained by the decrease of the R&D expenses over the year.

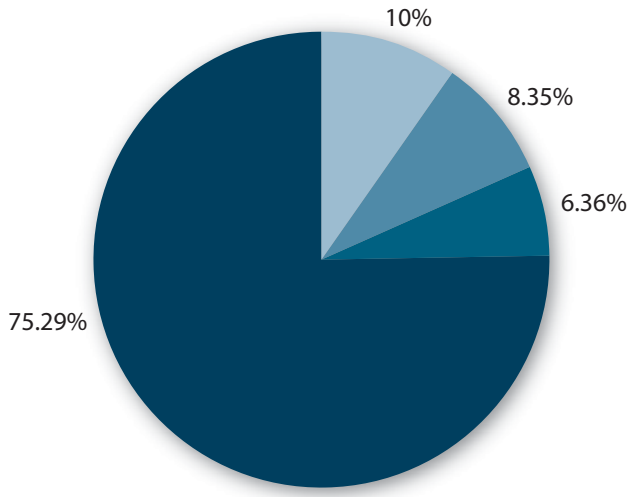
Adjustments for non-cash items amounted to € 2.96 million compared to € 2.57 million during the previous year relating to depreciation, share based payments and recognition of grant income from RCA's, patent subsidies and tax credit. Actual cash received in 2017 for the grant related items amounted to € 2.60 million compared to € 2.75 million in 2016. The Company also received € 1.67 million of upfront payment in relation of the licensing agreement with Asahi Kasei Corporation.

Working capital was positively impacted for the full year 2017 for an amount of € 0.15 million mainly following an increase of trade and other payables for an amount of € 0.46 million and a reduction of trade and receivables of € 0.31 million. Last year, the working capital was positively impacted by the disbursement of the outstanding amount for the investment grant of € 1.31 million.

Cash flow from investing activities showed a net use of € 0.42 million for the full year 2017 compared to € 0.58 million in 2016. This mainly represents investments made in property, plant and equipment related to the finalization of the construction of the facilities at the BioPark in Gosselies.

Cash flow from financing activities amounted to net cash used of € 0.46 million for 2017. In 2017 the amounts reimbursed for existing loans was lower compared to 2016. In particular, a short-term credit facility for an amount of € 1.40 million which served to fund the investments of the new facilities at Gosselies was reimbursed in 2016.

Shareholder structure



Financial calendar 2018

25 April 2018	Full results 2017 & publication Annual Report 2017
4 May 2018	Q1 2018 Business Update
13 June 2018	Annual General Meeting 2018
30 August 2018	Half-year Results 2018
7 November 2018	Q3 2018 Business Update

2

Selected financial information

Consolidated Income Statements *(in thousands of euros)*	**2017**	**2016**	**2015**
Total revenues	**4,213**	**4,007**	**3,824**
Research and development expenses	(13,122)	(13,649)	(12,910)
General and administrative expenses	(3,385)	(3,157)	(3,138)
Operating Loss	**(12,294)**	**(12,799)**	**(12,224)**
Financial Income	197	173	194
Financial Expenses	(489)	(448)	(1,966)
Other	(6)	(6)	(27)
Income taxes	(178)	60	(61)
LOSS FOR THE PERIOD	**(12,769)**	**(13,021)**	**(14,085)**

Consolidated Statements of Financial Position *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Non-current assets	10,558	10,114	8,682
Current assets	14,615	28,471	41,701
Of which cash and cash equivalents	8,411	20,300	33,611
TOTAL ASSETS	**25,173**	**38,585**	**50,383**
Total equity	2,383	15,270	28,147
Non-current liabilities	12,192	12,802	11,693
Current liabilities	10,598	10,512	10,543
TOTAL EQUITY AND LIABILITIES	**25,173**	**38,585**	**50,383**

Consolidated Statements of Cash Flows *(in thousands of euros)*	**2017**	**2016**	**2015**
Net cash used in operating activities	**(11,018)**	**(11,369)**	**(11,765)**
Net cash used in investing activities	**(415)**	**(578)**	**(2,982)**
Net cash used in financing activities	**(456)**	**(1,363)**	**36,781**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(11,889)**	**(13,310)**	**22,035**
CASH AND CASH EQUIVALENTS at beginning of year	**20,300**	**33,611**	**11,577**
CASH AND CASH EQUIVALENTS at end of year	**8,411**	**20,300**	**33,611**

3

Risk factors

3.1 Risk factors related to the Company's business

3.1.1 Early stage of development

3.1.1.1 The Company is at an early stage of its development and has not yet commercialised any of its products.

Clinical development - In Europe, the Company has gained certain clinical experience with respect to autologous (cells originating from the patients - PREOB®) cell products, but has only limited clinical experience in allogeneic (cells originating from healthy donors - ALLOB®) cell products. In particular, the product candidates related to the ALLOB® platform are at an early stage of clinical development, namely in Phase I/IIA. Even though the Company's lead product candidate is in Phase III (PREOB® in osteonecrosis), this is no guarantee for its success. In the USA, the Company has no clinical and only limited regulatory experience. The Company's product candidates may not lead to successful products, as the success of the Company's cell products will be subject to risks and failures inherent to the development of products based on new technologies. These risks include, but are not limited to, the inherent difficulty in avoiding unwanted side effects as well as the unanticipated problems relating to product development, testing, regulatory compliance and additional costs and expenses that may exceed current estimates.

Commercial development - Approved products resulting from the Company's research may not become commercially available for many years, if at all. The Company has not yet commercialised any of its products, as its product candidates are still subject to clinical trials and may not be successful in their commercial development. Successful products require significant development and investment, including testing to demonstrate their safety, their efficacy and their (cost-) effectiveness prior to commercialisation. More efforts and investment will be required to ensure a successful up-scaling of its manufacturing capabilities to support a full commercial roll-out of its products. Furthermore, problems encountered in connection with the development and utilisation of new technologies and the competitive environment in which the Company operates, might limit the Company's ability to develop commercially successful products. In addition, the Company does not anticipate to generate revenue from sales of commercially successful products in the foreseeable future.

3.1.1.2 The Company's limited operating history may make it difficult for a prospective investor to evaluate the success of the Company's business to date and to assess its future viability.

The Company was founded in 2006 and therefore has a limited operating history. To date, the Company's activities have been limited to raising financing, business planning, developing its technology, identifying potential product candidates and undertaking preclinical studies and clinical studies. The Company has not yet demonstrated its ability to obtain marketing approvals or to conduct sales and marketing activities, which are necessary for successful product commercialisation. Also, given its limited operating history, the Company may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. If the Company was to be successful at completing the approval process for one of its product candidates, the Company may consider a transition from the Company's current research and development focus to include a more commercial focus. The Company may not be successful in this transition or may incur greater costs than expected, which would adversely affect the Company's business, prospects, financial condition and results of operation.

3.1.1.3 The absence of similar products on the market generates a number of unknown factors.

The existing treatments (for which the Company aims to develop an alternative through cell technology-based product(s) candidates) are often old techniques, which are painful and invasive. Cell therapy however, is an emerging medical technology, in which few products have yet been proven beneficial, safe and efficient and have obtained marketing authorisation. In general, the early stage of the technology, and consequently the lack of established practices and benchmarks, create uncertainty about prospects and come with inherent risk of unanticipated problems in every stage of the product life, including development, regulations, approvals, reimbursement, market acceptance and operations.

Especially in the orthopaedic field, the Company's innovative cell products would, if and when authorised for marketing, constitute a novel treatment paradigm. To its knowledge, the Company is the only clinical stage company that develops cell products using differentiated bone cells for the treatment of orthopaedic conditions. However other companies are developing similar innovative solutions with the use of (undifferentiated) Mesenchymal Stem cells often in combination with supportive matrices composed of human cadaver bone or other materials. For each of the key indications addressed by the Company the most eminent competitors are described in the business section (section 5.4) of this document. To date, there are no

similar products authorised for commercialisation. The lack of similar products causes uncertainty about the registration, the reimbursement and revenues of the product candidates related to both the PREOB® and ALLOB® platforms and their acceptance by the regulators, third party payers, doctors and patients. The Company cannot give any assurance that it will be able to deal with these unknown factors which may have an adverse effect on the business, the results, the financial situation and the development of the Company.

3.1.2 Pre-clinical and clinical programmes

3.1.2.1 Research programmes and product candidates of the Company must undergo rigorous pre-clinical tests and clinical trials, of which the start, timing of completion, number and results are uncertain and could substantially delay or prevent the products from reaching the market.

The research programmes and product candidates of the Company must undergo rigorous pre-clinical and clinical trials, of which the start, the timing of completion, the number and the results are uncertain. Such trials could delay or prevent the product candidates from reaching the market. Clinical trials may be delayed for a variety of reasons, including, but not limited to, delays in obtaining regulatory approval to commence a trial, in reaching agreement on acceptable terms with prospective research organisations, manufacturing organisations and clinical trial sites, in obtaining approval of the Competent Authorities, in recruiting suitable patients to participate in a trial, in having patients complete a trial or return for follow-up, in obtaining sufficient supplies of clinical trial materials, clinical sites dropping out of a trial and in the availability to the Company of appropriate clinical trial insurances. In particular, the clinical trials related to orthopaedics require longer follow-up periods of up to 24 months. Many factors affect patient enrolment, including, but not limited to, the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, competing clinical trials, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications that the Company is investigating and whether the clinical trial design involves comparison to placebo or standard of care. If the Company experiences lower than expected enrolment in the trials, the trials may not be completed as envisaged or may become more expensive to complete, which may have an adverse effect on the Company's business, prospects, financial condition and results of operations.

3.1.2.2 Uncertain outcome of clinical trials.

The Company's cell products are highly innovative and are based on the ex vivo differentiation of human bone marrow cells with a view to producing osteoblastic cells. Although the Phase II clinical results for the use of these differentiated cells in the treatment of osteonecrosis and non-union fractures showed statistically and clinically relevant benefits and demonstrated satisfying safety and efficacy, the success cannot be guaranteed and may not lead to successful therapy products.

If serious adverse side effects are identified for any product candidate, the Company may need to abandon or limit its development of that product candidate, which may delay, limit or prevent marketing approval, or, if approval is received for the product candidate, require it to be taken off the market, require it to include safety warnings or otherwise limit its sales.

Even if the Company's PREOB® and ALLOB® platform therapy product candidates are in clinical programmes, not all adverse side effects of the product candidates are known or can be foreseen. Important unpredicted side effects from any of the Company's product candidates could arise either during clinical development or, if approved by the Competent Authorities, after the approved product has been commercialised. While the Company's clinical studies for its product candidates to date have demonstrated an acceptable safety profile, the results from future trials may not support this conclusion. Adverse side effects could prevent the Company or any potential future partner from achieving or maintaining market access and market acceptance of the affected product or could substantially increase commercialisation costs and expenses, which would have an adverse effect on the Company's business, prospects, financial condition and results of operations.

3.1.2.3 The Company's business environment is characterised by rapid technological change and complexity which could limit or eliminate the market opportunity for its product candidates.

The changing competitive landscape is a main issue facing the healthcare industry. The Company competes with other companies based on technology, product offering, therapeutic area, intellectual property, geographic area and time to market or other factors. The Company's success depends on, inter alia, the ability to establish a competitive position with respect to all of these factors. The Company believes that its main competitive advantages are its expertise and know-how in cell therapy in general and in cell therapy for bone diseases in particular, the quality (i.e., efficacy and safety) of its product candidates, its knowhow in respect to efficient and robust manufacturing processes, the minimal invasive technique through which its products are administrated and the choice of the indications (i.e., unmet medical needs in the fields of bone diseases and orthopaedics). However, the Company's competitors may have greater financial, human and other resources than the Company does.

Although cell therapy is only an emerging medical technology and to date, there are no competitors of the Company offering similar products on its relevant markets, markets for treatments are in general highly competitive and the fields in which the Company operates are characterised by an increase in innovation. No assurance can be given that competitors of the Company are not currently developing, or will not in the future, develop technologies and products that are equally or more effective, safe and/or economical as the current or future offering of the Company.

3.1.2.4 Failure to successfully identify, develop and commercialise additional products or product candidates could impair the Company's ability to grow.

The Company's main focus is to continue its clinical trials and ultimately to obtain approval of its product candidates for the treatment of osteonecrosis (PREOB®) and delayed-union fractures and lumbar fusion for degenerative disease of the spine (ALLOB®). The Company also runs preclinical research programmes and develops new product candidates. The Company intends to leverage its preclinical research, clinical expertise and manufacturing ability to expand its pipeline to indications for which it believes its products have therapeutic potential. The accumulated data is expected to reduce the time and costs associated with early-stage clinical trials for additional diseases and disorders. However, the identification, selection and development of additional promising products or product candidates require additional resources, whether or not any product or product candidate is ultimately identified. Furthermore, the lack of existing benchmarks in the field of regenerative medicines in general and cellular therapy in particular prevents the Company from relying on existing precedents with respect to such identification, selection and development. The success of the Company's strategy depends partly on the Company's ability to identify, select and develop such products.

3.1.2.5 Dependence on lead product candidate.

PREOB®, with its Phase III clinical trials in Europe for the treatment of osteonecrosis, is currently the Company's most advanced product candidate. Although Bone Therapeutics' products are different and are developed for different indications, failure to successfully develop the Company's products which are currently most advanced in their clinical process may adversely affect the development of its other products. Providing proof of concept with its autologous product PREOB® is also key for the development of its allogeneic cell therapy product ALLOB® in other indications that are expected to be of greater commercial value as they are targeting larger markets.

3.1.3 Authorisation and certification

3.1.3.1 Nearly all aspects of the Company's activities are subject to substantial regulation.

Regulatory risk for current clinical development activities

The Company's product candidates PREOB® and ALLOB® are advanced therapy medicinal products **(ATMPs)** which have been developed in compliance with the European legislation and are classified as tissue engineered products within the European regulatory framework governing advanced therapy in Europe (Regulation 1394/2007). In the US, PREOB® and ALLOB® will fall under the Biological Licence Application regulation. In Japan, PREOB® and ALLOB® will fall under the recently approved legislation for regenerative medicine which allows for conditional marketing approval after Phase II clinical trials. The testing, storage, and distribution of human tissues and cells (intended for human use) and of manufactured products derived from human tissues and cells (intended for human use) is specifically regulated in Europe by Directive 2004/23/EC transposed in national laws.

The Company is registered as a "Tissue Establishment" (according to the Belgian Royal Decree of 28 September 2009 on the determination of general conditions with which banks for human body materials, intermediary structures and the

production units must comply to be recognized *(Arrêté Royale fixant les conditions générales auxquelles les banques de matériel corporel humain, les structures intermédiaires et les établissements de productions doivent satisfaire pour être agréés)* and the Belgian Act of 19 December 2008 on the obtaining and the use of human body materials for human medical application or for scientific research *(Loi relative à l'obtention et à l'utilisation de matériel corporel humain destiné à des applications médicales humaines ou à fin de recherche scientifique), transposing the Directive)*. In addition, the Company's manufacturing site has been inspected by the regional competent authorities (Federal Agency for Medicines and Health Products, Belgium) and is registered as a "Pharmaceutical Establishment" and accredited as a "GMP" facility.

The Company has received approval from Regulatory Agencies and Ethic Committees of several European countries for its clinical trials concerning PREOB® and ALLOB®. However, those approvals are exclusively approvals for clinical trials. The Company has not received approvals for commercialisation yet.

Regulatory risks for future regulatory activities

The international biopharmaceutical industry is highly regulated by governmental bodies **("Competent Authorities")** imposing substantial requirements on almost all aspects of the Company's activities, notably on research and development, manufacturing, preclinical trials, clinical trials, labelling, marketing, sales, handling, transport and storage of human material, record keeping, promotion and pricing of its research programmes and product candidates. In each country where the Company, or any of its partners or licensees, operates, it has to comply with the standards and regulations imposed by the local Competent Authorities. The Competent Authorities include the European Medicines Agency **("EMA")** in the European Union and the national Competent Authorities, and Food and Drug Administration **("FDA")** in the United States.

The Company has to constantly comply with the standards imposed by the Competent Authorities, which are subject to regular reviews and may possibly result in changes in the applicable regulations.

The standards imposed by a Competent Authority and the approval procedure for clinical trials and/or marketing authorisation may vary from country to country (except in Europe where the marketing authorisation is a centralized procedure), *inter alia* in timing, detailed costs and efforts necessary to complete those procedures e.g., different reporting procedures. Moreover, the various reasons for which the Competent Authority's approval of clinical trials may be refused, delayed, suspended or withdrawn are not predictable by the Company. If the Company does not comply with one or more of the standards of the Competent Authorities, in a timely manner or at all, it could experience significant delays in development or commercialisation, additional costs, refusals, suspension, withdrawals of approvals resulting in an adverse effect on the Company's business, prospects, financial condition and results of operations.

Although the basic regulatory frameworks for cell-based medicinal products are in place in Europe and in the USA, regulatory experience for these types of products is limited, and consequently the interpretation of these frameworks may sometimes be difficult to anticipate and the regulatory frameworks themselves will continue to evolve. The EMA and FDA are issuing new guidelines on a regular basis.

Assessing the efficacy of products imposes in general longer clinical trial periods and therefore, the development process is generally longer and more expensive than the development of drugs in the other sectors and of medical devices in orthopaedics.

3.1.3.2 If the Company obtains regulatory approval for a product candidate, the product will remain subject to ongoing regulatory obligations.

Once commercialised, products may be subject to post-authorisation safety studies or other pharmacovigilance or biovigilance activities, may be subject to limitations on their uses or may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective, or when used in a larger population that may be different from the trial population studied prior to introducing the product on the market. Regulatory approval guidelines may change during the course of the product development and review process, making the chosen development strategy suboptimal. This is even more the case in view of the early stage nature and the absence of benchmarks in the area in which the Company conducts its activities, which may still undergo important regulatory changes. These factors may result in significant delays, increased trial costs, significant changes to commercial assumptions or failure of the products to obtain marketing authorisation.

Even if the Company obtains regulatory approval of a Competent Authority in a specific region or country, such approval could include significant restrictions on the indicated uses or marketing of the product. In addition, the Competent Authority may impose ongoing requirements for potentially costly post-approval studies or post-market surveillance.

3.1.3.3 The Company will be subject to market surveillance by the EMA, FDA and other Competent Authorities for compliance with regulations that prohibit the promotion of the Company's products for a purpose or indication other than those for which approval has been granted.

Post-approval, the Company's products may demonstrate different safety and efficacy profiles to those demonstrated in the data on which the approval to test or market such products was based. Such circumstances could lead to the withdrawal or suspension of approval, which could have an adverse effect on the Company's business, financial condition, operating results or cash flows.

3.1.3.4 Maintenance of high standards of manufacturing in accordance with Good Manufacturing Practices and other manufacturing regulations and scale-up of manufacturing.

The Company has its own Good Manufacturing Practices agreement and has obtained three manufacturing and intra-EU distribution authorisations from the Competent Authorities in Belgium, where its current manufacturing facility is located. However, the Company is not relieved from continuously complying with the relevant standards. The Company, and key third party suppliers on which it relies currently or in the future, must continuously comply with Good Manufacturing Practices and the corresponding manufacturing regulations of the Competent Authorities. In complying with these regulations, the Company and its third-party suppliers must expend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against the Company, including the seizure of products and shutting down of production. Any of the third-party suppliers and the Company also may be subject to inspections by the Competent Authorities. If any of the Company's third-party suppliers or the Company itself fails to comply with Good Manufacturing Practices or other applicable manufacturing regulations, the Company's ability to develop and commercialise the products could suffer significant interruptions.

The Company's manufacturing process involves the handling, transport and storage of human materials and the transformation of human body tissue into a treatment product. The Company has obtained a license as a tissue bank for handling autologous human biological materials and a license as a tissue bank for handling allogeneic human biological materials in collaboration with hospital tissue banks. In order to maintain such license, the Company needs to comply with applicable regulations in this respect. Furthermore, the applicable legislation with respect to the handling and transport of human body tissue varies amongst the different jurisdictions in which the Company could envisage operations, potentially impairing relocation and export opportunities.

Moreover, the Company intends to expand, in collaboration with its affiliate SCTS, its manufacturing capacity to meet anticipated demand for products, when authorised for commercialisation, by building a new manufacturing facility. The Company has now completed and validated in 2017 the second phase comprising the first two production zones. The new facilities at the BioPark of Gosselies (south of Brussels) has been validated and inspected by the Belgian Federal Agency for Medicines and Health Products (FAMHP). The GMP certificate has been issued by the FAMHP on 19 December 2017 and the authorization to manufacture the PREOB® investigational medical products according to GMP on 19 January 2018. The Company may not be able to expand the manufacturing capacity within the anticipated timeframe or budget or may not be able to obtain the requisite regulatory approvals for the increase in manufacturing capacity in time, or at all. If the Company does not obtain the necessary approvals for this contemplated expansion in a timely manner, its ability to meet demand for its products would be adversely affected. The Company may have difficulties in finding suitable locations or commercially acceptable terms for the leasing of such facilities. Finally, the Company may have difficulties to ensure sufficient supply of human biological materials.

3.1.4 Reimbursement, commercialisation and market risk factors

3.1.4.1 The future commercial success of the Company's product candidates will depend on the degree of market acceptance of its products among third party payers, doctors, patients and the medical community in general.

To date, the Company has no product authorised for commercialisation, and has not undertaken any steps for registration and/or authorisation. The Company's current product candidates are in different phases of clinical trials and the Company may never have a product that is commercially successful. Even the product candidates in Phase III clinical programmes require further clinical trials, regulatory review, marketing authorisations, significant marketing efforts and substantial investment before they may provide revenue to the Company.

Clinical data are often susceptible to varying interpretations and analyses, so that a product that performed to satisfaction during clinical trials may nonetheless fail to obtain regulatory approval for marketing. Due to the inherent risk in the development of biopharmaceutical products, there is a risk that not all or none of the product candidates of the Company will be successfully developed and commercialised.

In addition, once introduced to the market, the Company's products may not achieve the desired level of acceptance of the products and perception of the advantages of the products by third-party payers, doctors and patients and the medical community in general.

The limited number of scientific publications regarding cell-based technology used to develop the Company's products could adversely affect the benefits, efficacy or safety perception of the Company's products. Efforts to educate the medical community and third-party payers on the benefits of the Company's products may require significant resources and may never be successful, which would prevent the Company from generating significant revenues, or becoming profitable.

In particular with respect to allogeneic cells, the safety concerns associated with human materials may affect the ability to generate revenues from the Company's products. Future medical events or studies that would raise or substantiate concerns about the safety of the raw materials used by the Company or other similar raw materials could negatively impact public perception of all human products and of their procurement process. Further, any failure in screening, whether by the Company or by other manufacturers of these human materials, could adversely affect its reputation, the support it receives from the medical community and overall demand for the Company's products.

3.1.4.2 The price setting, the availability and level of adequate reimbursement by third parties, such as insurance companies, governmental and other healthcare payers is uncertain and may impede the Company's ability to generate sufficient operating margins to offset operating expenses.

The commercial success of the Company's products depends in part on the conditions for setting the sales price of its products and the conditions of their reimbursement by the health agencies, insurance companies or other healthcare payers in the countries where the Company intends to commercialise its products. Considering the innovative nature of the Company's product candidates and the lack of similar products, the possible reimbursement levels are difficult to predict. The Company's ability to adapt an adequate pricing strategy is uncertain. Moreover, there is pressure on healthcare spending, on reimbursement and price levels in most countries, due to inter alia the current context of healthcare cost control, the economic and financial crisis and the increase in healthcare budgets caused by an aging population.

Moreover, the Company's products may not fit within the existing health technology assessment and reimbursement processes applied throughout the different jurisdictions in which the Company envisages to operate, and may be subject to different reimbursement facilities depending on the jurisdiction in which the Company's products are being offered.

3.1.4.3 The Company has no experience in sales, marketing and distribution.

The Company will have to hire, train, incentivise and retain a techno-commercial sales force or enter into a partnership with an industrial partner, gain the support of key opinion leaders, establish referral networks and introduce a new standard of care in orthopaedic treatment, to successfully commercialise its products once they have been approved for commercialisation. The Company has no experience in sales, marketing and distribution. The Company may be or perceived to be EU centred and may encounter difficulties gaining access to the USA or other markets. There is a risk that the Company will not be able to successfully manage its sales, marketing and distribution when its products come on the market, which will have an adverse effect on the Company's business, prospects, financial condition and results of operations.

Furthermore, market conditions may change resulting in the emergence of new competitors or new treatment guidelines, which may require alterations in the marketing and sales strategy or even of its development strategy.

3.1.4.4 The Company might not find suitable industrial partners to pursue the development, the commercialisation or the distribution of its products candidates.

Depending on the region and depending on the product candidate, the Company's strategy may include out-licensing and co-developing its products candidates or partnering for the distribution of products developed and/or commercialised on a stand-alone basis. However, in order to conduct this strategy, the Company may need to find a partner, which has sufficient capacity for conducting research, on an international level or which is capable of distributing and commercialising the products. Therefore, the future international success of the Company may depend on its ability to conclude partnerships and on the ability of its partner(s) to meet the aforementioned characteristics.

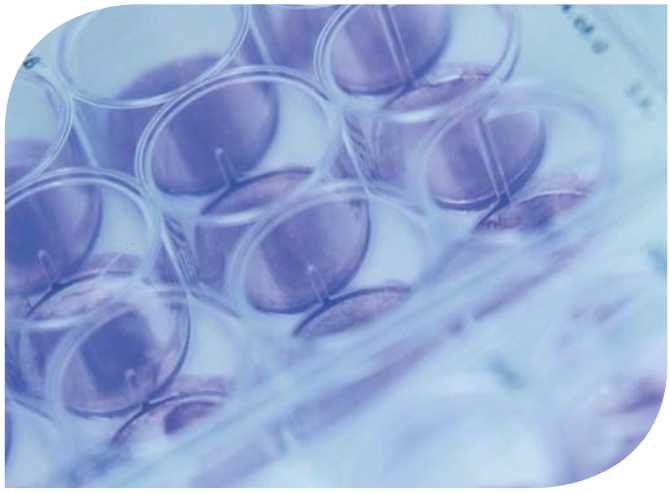
3.1.5 Operational risk factors

3.1.5.1 The Company has obtained significant grants and subsidies. The terms of certain of these agreements may hamper the Company in its flexibility to choose a convenient location for its activities.

The Company has entered into several funding agreements with the Walloon Region (the "**Region**") and to a lesser extent with the European Commission, to partially finance its research and development programmes (the "**Research Grants**" and "**Research Subsidies**") and its patent applications (the "**Patent Subsidies**").

Most of the Patent Subsidies provide that the Company must ensure a valorisation of the relevant patent or patent application in a certain area (in most cases in the Region), unless the prior written consent of the Region is obtained. Although the Region may not refuse such consent if the Company proves that its valorising activities outside of the Region's territory are carried out in the framework of a cooperation with an overall positive effect (in terms of technological or economic development) on the Region's territory, this provision restricts the Company in its choice of geographical location to carry out or further develop its activities. Also, if the Region would refuse to provide its consent, the Company may only valorise the relevant patent (application) outside the Region's territory provided that it informs the Region thereof in writing and refunds the entire subsidy related to the relevant patent (application) to the Region.

In addition, the Research Grants provide that the Company must carry out its exploitation activities (the production and commercialisation of products and the realisation of certain services) in relation to the research domain funded in accordance with the relevant Research Grants on the Member States' territory until the end of the exploitation phase as defined in the respective Research Grants. Some of the Research Subsidies also provide that the experimental development activities carried out by the Company in the framework of the exploitation of the research results obtained in the framework of the relevant Research Subsidy must be carried out on the Member States' territory. These provisions affect the Company's ability to relocate its activities. Furthermore, the Company's ability to relocate its activities is limited by the provisions of the SME Agreement, pursuant to which the Company, in order to keep the funding granted to it, must employ a specific number of employees at its site at the BioPark of Gosselies (south of Brussels).



3.1.5.2 The terms of certain grants and subsidies may hamper the Company in the organisation of its activities and its efforts to partner part or all of its products.

The Research Grants, dedicated to support specific research and development programmes of the Company, provide a rigorous timetable for the research and development in relation to, and approval and exploitation of, such programmes. If the Company is unable at any stage to meet the deadlines applicable to the Research Grants, it will need to obtain formal approval from the Region to extend these deadlines. Also, the Research Grants may limit the Company's ability to conduct research with third parties in the field of research covered by the Research Grants and prohibit the granting of any other rights relating to the Company's findings in these fields of research to third parties without the consent of the Region. Furthermore, at the end of the research and development programmes partially financed by the Region through Research Grants, the Company must start reimbursing this funding. The Company may not be able to reimburse this funding under the terms of the agreements governing the Research Grants. In addition, if the Company decides not to enter into an exploitation phase and elects not to reimburse the funding received under any Research Grants, it must transfer all rights in rem relating to the findings of the research to the Region. It is also prohibited from conducting any research for any third party relating to the field of research covered by the Research Grants for a period of 36 or 72 months (as the case may be) following the Company's decision not to enter into the exploitation phase.

Both the Research Subsidies and the Patent Subsidies may prohibit the granting, by way of license, transfer or otherwise, any right to use the results, respectively the patents without the prior consent of the Region. In addition, the Patent Subsidies provide that the Company will lose all or part of its right to any further funding under these Patent Subsidies in the event that the Company ceases to qualify as a "small or medium-sized enterprise".

Also, the subsidies granted to the Company in accordance with the SME Agreement may be recovered by the Region if the Company fails to employ a specific number of employees at its (future) site at the BioPark of Gosselies (south of Brussels).

3.1.5.3 Collaboration with and dependence on SCTS.

The Company has a strong collaborative relationship with SCTS, a service provider for cell product manufacturing, in particular in the bone repair field, and which collaborates with the Company on production, quality control and assurance and storage and distribution of cell products, through a Group of Economic Interest *(Groupement d'Interêt Economique)*. The Company holds 49.9% of SCTS' share capital and has undertaken in the shareholders' agreement to use the services provided by SCTS as soon as they are operational, and pursuant to which the Company has guaranteed a minimum dividend payment of 6.5% to the other shareholders in SCTS.

Such other shareholders are also, whether directly or indirectly, shareholders of the Company, including Sofipôle SA (23.48%) and Sambrinvest SA (12.72%). As of 1 January 2020, the Company may be held to acquire all the shares in SCTS held by the other shareholders pursuant to a put option, at the net asset value *(fonds propres)*, with a minimum of 90% of the subscription price (in aggregate, € 1,150,000). The exercise of the put option could lead to a significant cash-out at the level of the Company and could trigger an early repayment obligation under the certain financing agreements entered into by SCTS. Also, the exercise of the put option by the other shareholders could result in the Company losing its qualification as small enterprise, which in turn may impact its entitlement to further funding in accordance with the Patent Subsidies, certain Research Grants and the SME Agreement.

The Company relies on SCTS' services, in particular for its collaboration on manufacturing optimisation and at a later stage, for the manufacturing of its cell therapy products. In addition, the Company is investing in new facilities at the BioPark of Gosselies (south of Brussels) through SCTS.

Although the Company is by far the largest shareholder of SCTS and has a call option to acquire 100% of the shares until 31 December 2019, the Company has no legal control over SCTS. Although the contractual framework of SCTS is quite restrictive, focussing only on services to be provided to the Company, it cannot be excluded that the corporate interests of SCTS and the Company could diverge. If the Company fails to maintain this collaborative relationship with SCTS, whether on reasonable terms or at all, the research relating to the optimization of the manufacturing process could be delayed and the costs of development and manufacturing could increase. Furthermore, the advanced intertwining of the Company's activities with the development of SCTS may limit future partnering opportunities with other partners.

3.1.5.4 Manufacturing of the Company's products requires human or derived raw materials to be obtained from third parties.

For the development of its research and the conduct of pre-clinical and clinical trials, the Company needs, in particular, human biological materials from diseased or healthy donors. The sourcing of these materials is regulated extensively by the Competent Authorities. The failure to comply with these regulations could cause the Company to be liable or could adversely affect its ability to source these materials. The public perception about the safety of human-derived materials, including bone cells, could adversely affect the market. The inability of the Company to ensure adequate supply and quality of human or derived raw materials may have an adverse effect on the business, the results, the financial situation and the development of the Company.

3.1.5.5 The manufacturing of the Company's products may be more costly than expected.

The Company will have to establish a scalable production platform with supply centres in the relevant regions to manufacture its products. To be able to supply the products at acceptable prices, the Company will have to control its costs and work continuously on the optimization of the manufacturing processes to prolong shelf-life, increase product stability and reduce processing time to increase the span over which the Company can transport the product. The inability of the Company to produce the products at reasonable costs could prevent it from achieving its overall objectives and could thus have an adverse effect on its business, prospects, financial condition and results of operations.

3.1.5.6 The Company may not have or be able to obtain adequate insurance cover in particular in connection with product liability risk.

To date, the Company has liability insurance for its ongoing clinical trials. Nevertheless, additional product liability insurance will be necessary in the future (i.e. when its products are commercialised), which the Company will only install if it is economically viable, taking into account the level of premiums and the risk and magnitude of potential liability. In such cases, the Company might have to deal with liability claims that may not be covered by its insurance, which may harm the Company's business, prospects, financial condition and results of operations.

3.1.5.7 If any product liability claims are successfully brought against the Company or its collaborators, the Company may incur substantial liabilities and may be required to limit the commercialisation of its product candidates.

Product liability claims due to (unpredicted) adverse side effects of the product candidates may be brought against the Company or its collaborators by participants enrolled in clinical trials, practitioners, researchers, other health/research professionals or others using, administering or selling any of the Company's future approved products. The Company may incur substantial liabilities if it cannot successfully defend itself against such claims. From the adverse events reported with the Company's products in clinical trials to date, none have been qualified as severe. To date, no such claims or legal actions have been filed against the Company.

3.1.5.8 The Company's employees, principal investigators, consultants and collaborative partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards.

Fraud or other misconduct by the Company's employees, principal investigators, consultants and collaborative partners could include intentional failures (i) to comply with EMA, FDA or other relevant Competent Authorities' regulations, to provide accurate information to the EMA, FDA and or other relevant Competent Authorities, (ii) to comply with manufacturing standards the Company has established or (iii) to comply with other regulations. If any such actions are alleged and the Company is unable to successfully defend itself or assert its rights, such actions could have a significant impact the Company's business and reputation.

3.1.5.9 The Company's manufacturing and research and development activities may involve the use and disposal of potentially harmful biological materials, hazardous materials and chemicals which create the risk of contamination or injury from these materials, chemicals or agents.

Even if the Company believes that its activities comply with the safety standards under the relevant regulations, the risk of contamination or injury from potentially harmful biological material, hazardous materials and chemicals cannot be

eliminated entirely. Further, the cost of continued compliance with such new or current standards could negatively affect the Company's profitability and its business.

3.1.5.10 The Company is subject to competition for its skilled personnel and challenges in identifying and retaining key personnel could impair the Company's ability to conduct and grow its operations effectively.

The services of the Company's management team are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Company's management team may terminate their employment or services with the Company at any time with relatively short notice. In general, conflicts between key managers may result in the Company losing the services of a manager or otherwise affect the cohesion within the management team. Upon the departure of certain clinical and scientific personnel or members of its management team, the Company's research and development efforts may be seriously and adversely affected. The departure of Mr. Bastianelli, founder and former CEO of the Company might represent such a risk as it is uncertain whether all knowledge has been adequately transferred to or remains within the Company in some form or other.

Certain key managers do not work for the Company on a full time basis. The Chief Clinical and Regulatory Officer, Mr Guy Heynen, works for the Company on a part-time basis (3 days per week). The Chief Medical Officer and certain key managers do not work anymore for the Company. Mr Miguel Forte was hired on 6 March 2017 and decided to leave the Company on 30 October 2017. The Company is currently looking to replace its former Chief Medical Officer.

The Company's ability to compete in the highly competitive health care sector depends on its ability to attract and retain highly qualified management, scientific and medical personnel. Many of the other biotechnology and pharmaceutical companies and academic institutions that it competes against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than the Company does. Therefore, the Company might not be able to attract or retain these key persons on conditions that are economically acceptable. Furthermore, the Company will need to recruit new managers and qualified scientific personnel to develop its business if the Company expands into fields that will require additional skills. The inability of the Company to attract and retain these key persons could prevent it from achieving its overall objectives and could thus have an adverse effect on its business, prospects, financial condition and results of operations.

3.1.6 Intellectual property

3.1.6.1 The Company's patents and other intellectual property rights portfolio is relatively young and may not adequately protect its research programmes and other product candidates, which may impede the Company's ability to compete effectively.

The Company's success will depend in part on the ability of the Company to obtain, maintain and enforce its patents and other intellectual property rights. The Company's research programmes and product candidates are covered by several patent application families, which are either licensed to the Company or owned by the Company. There is one key PREOB® product patent currently granted in the United States, Japan, Singapore and Canada, and one key product ALLOB® patent granted in Singapore, Japan and Australia. The Company cannot guarantee that the current prosecution of its or its licensors' patent applications will result in granted patents in other territories, including in Europe. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against patent offices and other third-party challenges to their validity, scope and/or enforceability. The Company cannot guarantee that it is or has been the first to conceive an invention and to file a patent or a patent application, notably given the fact that patent applications are not published in most countries before an 18-month period has expired after the date of the filing. There can also be no guarantee that the Company will successfully commercialise a product before a specific patent's expiration date. Moreover, the Company may have no or limited

control over the effectiveness of its licensors in preventing the misappropriation of their patents and intellectual property. Because patent law in the biopharmaceutical industry is highly uncertain, there can be no assurance that the technologies used in the Company's research programmes and product candidates are patentable, that patents will be granted to the Company or its licensors under pending or future applications, or that patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that patents granted to the Company or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, hence enabling competitors to circumvent or use them and depriving the Company of the protection it may expect against competitors. Also, taking into account its current patent portfolio and the broad nature of the ULB-028 patent claim, the Company may find it increasingly difficult or impossible to obtain additional or adequate patent protection for improvements and future developments in the same area. If the Company or its licensors do not obtain patents in respect of their products or if the patents of the Company or its licensors are invalidated (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology. The Company cannot guarantee that third parties, contract parties or employees will not claim ownership rights over the patents or other intellectual property rights owned or held by the Company.

3.1.6.2 The Company may not be able to protect and/or enforce its intellectual property rights in all key countries or territories.

Filing, prosecuting and defending patents on all of the Company's product candidates throughout the world would be prohibitively expensive for the Company and its licensors. Competitors may use the Company's technologies in jurisdictions where the Company or its licensors have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where the Company has patent protection but where enforcement is not as well developed as in the United States or the European Union. These products may compete with the Company's products in jurisdictions where the Company or its licensors do not have any issued patents and the Company's patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. Moreover, it cannot be excluded that the debate on the patentability of elements of the human body could lead to a situation whereby the technology developed by or licensed to the Company can no longer be protected by patents or that such patents cannot be enforced against third parties. Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favour the enforcement of patents and other intellectual property rights, particularly those relating to biopharmaceuticals, which could make it difficult for the Company to stop the infringement of its patents or marketing of competing products in contravention of its proprietary rights generally. The inability of the Company to protect and/or enforce its intellectual property rights worldwide could have an adverse effect on its business, prospects, financial condition and results of operations.

3.1.6.3 The Company may infringe on the patents or intellectual property rights of others and may face patent litigation, which may be costly and time consuming and could result in the Company having to pay substantial damages or limit the Company's ability to commercialise its product candidates.

The Company's success will depend in part on its ability to operate without infringing on or misappropriating the intellectual property rights of others. The Company cannot guarantee that its activities, or those of its licensors, will not infringe on the patents or other intellectual property rights owned by others. The Company may expend significant time and efforts and may incur substantial costs in litigation if it is required to defend patent or other intellectual property right claims brought against the Company or its licensors regardless of whether the claims have any merit. Additionally, the Company cannot predict whether it or its licensors will be successful in any litigation. If the Company or its licensors are found to have infringed the patents or other intellectual property rights of others, it may be subject to substantial claims for damages, which could materially impact the Company's cash flow and financial position. The Company may also be required to cease development, use or sale of the relevant research programme, product candidate or process or it may be required to obtain a license for the disputed rights, which may not be available on commercially reasonable terms, if at all. The Company may be unable to develop or commercialise a product, product candidate or research programme, or may cease some of its operations, which may have an adverse effect on the Company's business, prospects, financial condition and results of operations. To date, no patent infringement claim has been made against the Company.

3.1.6.4 Obtaining and maintaining patent protection depends on compliance with various procedural, documentary, fee payment and other similar requirements imposed by governmental patent agencies, and the Company's or its licensor's patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid by the Company and/or its licensors to the relevant patent agencies in several stages over the lifetime of the licensed patents and/or applications. The relevant patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. In many cases, an inadvertent lapse may be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which non-compliance may result in abandonment or lapse of the patent or patent application, resulting in a partial or complete loss of patent rights in the relevant jurisdiction. In such an event, the Company's competitors might be able to use its technologies and those technologies licensed to the Company and this circumstance would have an adverse effect on the Company's business, prospects, financial condition and results of operations.

3.1.6.5 If the Company is not able to prevent disclosure of its trade secrets, know-how, or other proprietary information, the value of its technology and product candidates could be significantly diminished.

The Company relies on trade secret protection to protect its interests in its know-how or other proprietary information and processes for which patents are difficult to obtain or enforce, all of which constitute confidential information. The Company may not be able to protect its confidential information adequately. The Company has a policy of requiring its consultants, contract personnel, advisers and third-party partners to enter into confidentiality agreements. However, no assurance can be given that the Company has entered into the appropriate agreements with all of its consultants, contract personnel, advisers, third-party partners or other parties that have had access to its confidential information. There is also no assurance that such agreements will provide for the meaningful protection of confidential information in the event of any unauthorised use or disclosure of information. Furthermore, the Company cannot provide any assurance that any of its employees, consultants, contract personnel or third-party partners, either accidentally or through wilful misconduct, will not cause serious damage to its programmes and/or its strategy, by, for example, disclosing confidential information to its competitors. It is also possible that confidential information could be obtained by third parties as a result of breaches of physical or electronic security systems of the Company, its consultants, advisers, third-party partners or other parties that have had access to its confidential information. Any disclosure of confidential data into the public domain or to third parties could allow the Company's competitors to learn confidential information and use it in competition against the Company. In addition, others may independently discover the Company's confidential information. Any action to enforce the Company's rights against any misappropriation or unauthorised use and/or disclosure of confidential information is likely to be time-consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable.

3.1.6.6 If the Company fails to comply with its obligations under the agreement pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, the Company could lose the rights to intellectual property that is important to its business.

The Company's activities are dependent - at least in part - on the use of intellectual property rights which are for some projects not owned by it, but have been granted to it pursuant to license agreements and which are important to the business.

In particular, for its clinical programmes, the Company has entered into license agreements with third parties regarding the ULB-028 patent family and sub-license agreements with SCTS regarding the EP member of the ULB-028 patent family, whereby the Company is granted a back-license. Also in preclinical, the Company has been granted exclusive worldwide rights from its former Chief Executive Officer, Enrico Bastianelli SPRL, to develop, manufacture and sell regarding the JTA® technology for which it has entered into a sub-license manufacturing agreement with its affiliate SCTS whereby the Company is granted a back-license.

The conditions under which Company may maintain the rights granted to it include, but are not limited to, the payment of (i) fees upon achievement of certain milestones, (ii) royalties on the (net) sales of relevant licensed products, (iii) a percent-

age of revenues incurred from sub-licensees, as well as the performance of other obligations, such as compliance with research and development obligations and with marketing and distribution arrangements. Furthermore, delays or interruptions in the development or exploitation of the relevant technology may be sanctioned under the terms and conditions of the license agreements. If the Company fails to comply with its obligations under the respective license agreements, the licensor may reduce the scope of the license or terminate the license, resulting in the loss of the use of the related intellectual property rights. Should the Company lose any of its licenses, or if it would be unable to obtain new rights on reasonable terms similar to those which it holds under such license, it might be unable to develop, manufacture or sell its products. This could have an adverse effect on the Company's business, prospects, financial condition and operational results. The termination of certain license agreements could substantially impair the Company's ability to generate revenues.

In particular, the provisions of the license agreement pursuant to which the Company (and its affiliates) has been granted an exclusive and worldwide license in the field of skeletal (bone, joint, any orthopaedic) and dental applications over the technology claimed by the ULB-028 patent family (the **ULB-028 License**) could generate an additional cash-out, as the royalties to be paid by the Company to the ULB on revenues received by the Company from sub-licenses under the agreement are based on estimations, and can be adjusted upwards in function of the actual figures. In addition, if the Company fails to meet the agreed objectives under the ULB-028 License, the Licensor may require the Company to produce a written report summarizing its efforts during the previous year and the milestones to be achieved in the next year, and if the licensor demonstrate that such report is reasonably not satisfactory. An independent expert can be called to evaluate the Licensee's report and the Licensor's objections. ULB has the right to reduce the scope of the license, make it non-exclusive or to terminate it. Any limitation in scope, loss of exclusivity or termination of the ULB-028 License could materially affect the Company's ability to generate revenues.

Also, the Company, together with the Region, entered into two agreements with SCTS regarding the recoverable funding by the Region of a research programme, and the exploitation of its results, conducted by SCTS within the scope of (i) the EP member of the ULB-028 patent family, for the optimisation of the manufacturing process of PREOB and (ii) the BPBONE-001 and BPBONE-002 patent families, for the optimisation of the manufacturing process of JTA® products for the treatment of osteoarthritis. Pursuant to these agreements, SCTS owns the results of these research programmes and has the right to decide, together with the Company, to exploit these results. The Company acts as a guarantor for SCTS under these agreements.

3.1.7 Financial risk factors

3.1.7.1 The Company has a history of operating losses and an accumulated deficit and may never become profitable.

The Company is still in early stages of developing its product candidates and has not completed development of any product. The Company does not anticipate generating revenue from sales for the foreseeable future. It has incurred significant losses since its incorporation in 2006. Under IFRS, the negative retained earnings at 31 December 2016 was € 48,773,000. On 31 December 2017, the Company had an accumulated deficit of € 55,501,000 (see note 15.1.4). These losses resulted principally from costs incurred in research and development, preclinical testing, clinical development of its product candidates as well as costs incurred for research programmes and from general and administrative expenses, and may result in the Company incurring further significant losses for several years. These losses, among other things, will continue to cause the Company's working capital and the shareholders' equity to decrease. There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that the Company may experience fluctuating revenues, operating results and cash flows. As a result, period to period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance. For several years, the accumulated consolidated losses of the Company will increase due to the significant cost of Phase III trials. This will result in an increase in the additional resources necessary for its activities.

3.1.7.2 The Company may need substantial additional funding which may not be available on acceptable terms when needed, if at all.

The Company may require additional funding in the future to sufficiently finance its operations and to take advantage of new business opportunitiess.

The Company's future financing needs will depend on many factors, including the progress, costs and timing of its research and development activities, the clinical trials, the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of maintaining or obtaining manufacturing for its products and product candidates, the costs and timing of establishing sales and marketing capabilities and the terms and timing of establishing collaborations, licence agreements and other partnerships. The Company does not expect its existing capital resources to be sufficient to enable the Company to fund the completion of all its current clinical trials through commercialisation. Accordingly, the Company expects it will need to raise additional funds.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. In addition to non-dilutive financing and grants from the Walloon Region, the Company currently relies on equity financing for additional funding. Changes in regional financing and grant policies, a shift in regional investment priorities or challenges by the European instances may reduce or jeopardise the Company's ability to obtain or retain non-dilutive financing, grants and/or other benefits. Also, future growth of the Company, whether or not including geographical expansion, could limit the Company's eligibility to obtain similar non-dilutive financing or grants.

If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research programmes and product candidates, to grant licences on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favourable to the Company than those it might have obtained in a different context. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialisation of all or part of its product candidates or it may be unable to take advantage of future business opportunities.

3.1.7.3 Fluctuation in interest rates could affect the Group's results and financial position

The Company and in particular its affiliate SCTS, is exposed to interest rate risk. Although interest rate risk arising from the EURIBOR-linked interest rate under SCTS's long term loans may be hedged through the use of financial risk management instruments, fluctuations in interest rate may nonetheless significantly affect its interest expenses. In the concrete for a still outstanding amount of € 2.6 million at the end of 2017 the total interest charge until the end of the contract amounts to € 0.36 million (undiscounted amount) considering the current short term interest rates. An increase of one percent of these interest rates results in an extra charge over the life time of the outstanding loans of € 0.14 million (until the end of 2027). On a short term basis this would lead to an increase of € 25,000 on an annual basis (on average over the next 3 years).

3.2 Risk factors related to the shares

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

A number of factors may significantly affect the market price of the shares including changes in the operating results of the Company and its competitors, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, changes in estimates in relation to the duration or success of the Company's clinical trials, changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates.

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

3.2.2 Future issuances of shares or warrants may affect the market price of the shares and could dilute the interests of existing shareholders

The Company may decide to raise capital in the future through public or private offering of equity securities, convertible debt or rights to acquire these securities. The Company may decide to exclude or limit the preferential subscription rights pertaining attached to the then outstanding securities in accordance with applicable law. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the holders of its securities and could have a negative impact on the share price, earnings per share and net asset value per share.

Also, the dilution resulting from issue and exercise of new warrants could adversely affect the price of shares.

3.2.3 Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights

In the event of an increase in the share capital of the Company in cash, holders of shares and other voting securities are generally entitled to preferential subscription rights (unless these rights are excluded or limited by either a resolution of the shareholders' meeting or a resolution by the meeting of Board of Directors). Certain holders of shares outside Belgium or France may not be able to exercise pre-emption rights unless local securities laws have been complied with. In particular, US holders of the shares may not be able to exercise preferential subscription rights unless a registration statement under the Securities Act is declared effective with respect to the shares issuable upon exercise of such rights or an exemption form the registration requirements is available. The Company does not intend to obtain a registration statement in the USA or to fulfil any requirement in other jurisdictions (other than in Belgium and France) in order to allow shareholders in such jurisdictions to exercise their preferential subscription rights (to the extent not excluded or limited).

3.2.4 The market price of the shares could be negatively impacted by sales of substantial numbers of shares in the public markets

No guarantee can be given that there are no large, unorganised sales by pre-IPO shareholders, who are no longer bound by lock-up arrangements which all ended on 6 August 2016 and by other shareholders which could cause to decrease the Company's share price. Any such large, unorganised sale of shares could have an adverse effect on the Company's share price.

3.2.5 The Company does not intend to pay dividends for the foreseeable future

The Company does not anticipate paying dividends for the foreseeable future. Payment of future dividends to shareholders will be subject to a decision by the shareholders' meeting or the Board of Directors of the Company and subject to legal restrictions pursuant to Belgian corporate law. Furthermore, financial restrictions and other limitations may be included in current or future credit and subsidy agreements.

3.2.6 Certain significant shareholders of the Company may have different interests from the Company and may be able to control the Company, including the outcome of shareholder votes

Currently, the Company is not aware that any of its current shareholders have entered or will enter into a shareholders' agreement with respect to the exercise of their voting rights in the Company. Nevertheless, they could, alone or together, have the ability to elect or dismiss directors, and, depending on how broadly the Company's other shares are held, take certain other shareholders' decisions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Alternatively, to the extent that these shareholders have insufficient votes to impose certain shareholders' decisions, they could still have the ability to block proposed shareholders' resolutions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings were such decisions are submitted to voting by the shareholders. Any such voting by the shareholders may not be in accordance with the interests of the Company or the other shareholders of the Company.

4

About Bone Therapeutics

4.1 General Information

The legal and commercial name of the Company is Bone Therapeutics SA. Bone Therapeutics is registered with the legal entities register (Charleroi) under number 0882.015.654 and was incorporated in Belgium on 16 June 2006, for an indefinite period of time. The Company is a limited liability company incorporated in the form of a 'société anonyme' under the laws of Belgium. The Company's registered office is located at Rue Auguste Piccard 37, 6041 Gosselies (Belgium) (phone: +32 71 12 10 00 and fax: +32 71 12 10 01).

4.2 Important events in the development of Bone Therapeutics' business

Year	Historical Key Milestones
2006	• *Founded as a spin-off from the Université libre de Bruxelles (Brussels, Belgium)*
2007	• *€ 0.9 million raised in seed financing* • *Initiation of operations* • *PREOB® classified as Pharmaceutical Product by the European Medicines Agency* • *PREOB® for osteonecrosis granted ODD status in Europe*
2008	• *€ 4.5 million raised in an equity financing round* • *PREOB® for osteonecrosis granted ODD status in the US*
2009	• Initiation of the allogeneic osteoblastic program (ALLOB®)
2010	• *Certificate of GMP Compliance granted*
2011	• *€ 6.6 million raised in an equity financing round* • *ALLOB® classified as Tissue Engineered Product (non-combined) under ATMP classification 1394/2007EMA* • *Tissue Production Establishment license for PREOB®*
2012	• *IRD patent granted in Europe* • *Approval of PREOB® Phase III osteonecrosis trial in Europe and treatment of first patients* • *Clearance to start PREOB® Phase IIB/III trial for the treatment of non-union fractures* • *Establishment of the Walloon Cell Therapy Platform: infrastructure for clinical trials and commercial production of cell products*
2013	• *€ 6 million raised in an equity financing round* • *ALLOB® Tissue bank/Intermediary Structure license & manufacturing authorization for Europe* • *PREOB® patent granted in JP & US* • *Start of Phase IIA osteoporosis trial for PREOB®* • *ALLOB® granted ODD status for osteonecrosis in Europe* • *Approval of ALLOB® Phase I/II trial in delayed-union fractures* • *€ 3.8 million Marie Curie research grant awarded to the Company and partners* • *Wim Goemaere appointed as Chief Financial Officer of the Company*

2014	• *IRD patent granted in JP & AU* • *ALLOB® patent granted in JP & AU* • *First patient treated with Bone Therapeutics' allogeneic bone cell product ALLOB®* • *ALLOB® granted ODD status for osteonecrosis in the US* • *Clearance to start ALLOB® Phase I/IIA trial for in spinal fusion procedures for degenerative lumbar disc disease* • *Renewal of Certificate of GMP Compliance* • *The Company and partners awarded prestigious M-ERA.net research funding* • *Bone Therapeutics and Kasios collaborate on novel product for spinal fusion* • *Guy Heynen appointed as Chief Clinical and Regulatory Officer of the Bone Therapeutics* • *Safety confirmed in first patient cohort in the ALLOB® Phase I/IIA trial for delayed-union fractures* • *€ 10 million raised in convertible bonds*
2015	• *€ 350,000 raised in convertible bonds* • *Expansion of portfolio of product candidates with new research into innovative combined cell-matrix product* • *Successful € 37 million Initial Public Offering on Euronext Brussels and Euronext Paris* • *Acceleration of ALLOB® Phase I/IIA delayed-union trial* • *Treatment of first patients in ALLOB® Phase I/IIA spinal fusion trial* • *Establishment of US subsidiary* • *Official opening of new headquarters in Gosselies* • *First results of PREOB® Phase IIA osteoporosis trial* • *Safe treatment of second patient cohort in ALLOB® Phase I/IIA delayed-union trial* • *Initiation of pioneering trial for minimally invasive treatment of failed spinal fusion* • *ALLOB® granted ODD status for osteogenesis imperfecta in Europe and the US* • *Awarded € 3 million funding from the Walloon Region* • *Recruitment of the first half of patients in the ALLOB® Phase IIA spinal fusion trial completed*

2016	• *Awarded € 2 million funding from the Walloon Region* • *Expansion of the delayed-union program with ALLOB® into multiple fractures* • *Bone Therapeutics extends Kasios collaboration* • *Recruitment for ALLOB® spinal fusion trial 75% completed and positive efficacy results of first patient* • *Recruitment for the ALLOB® Phase IIA spinal fusion trial completed* • *Additional positive efficacy results for the ALLOB® Phase I/IIA delayed-union fracture trial* • *Celebrating ten years of innovation in bone cell therapy* • *Demonstration of superiority of PREOB® compared to standard of care in Phase IIB osteonecrosis study (data presented at the Annual European Congress for Rheumatology (EULAR))* • *Positive ruling on Belgian Patent Income Deduction* • *Positive safety and efficacy data for the first 8 patients in the ALLOB® Phase IIA spinal fusion trial* • *Enrico Bastianelli stepped down as Chief Executive Officer* • *Thomas Lienard appointed Chief Executive Officer* • *The allogeneic platform ALLOB® and the completion of the Phase III clinical trial in osteonecrosis become the main strategic focus*
2017	• *Awarded € 2.3 million funding from the Walloon Region* • *Dr. Miguel Forte appointed Chief Medical Officer, strengthening Bone Therapeutics' clinical development leadership* • *Recruitment of the first 16 patients in ALLOB® Phase I/IIA delayed-union study completed* • *Strengthening of the Board of Directors with the appointment of Steve Swinson and Damian Marron as Non-Executive Directors* • *Completion of patient recruitment for pivotal interim analysis of Phase III osteonecrosis trial with PREOB®* • *European Patent Office notified the Company of its intention to grant a key patent covering its first-in-class allogeneic bone cell therapy technology* • *Steve Swinson elected as Chairman of the Board and Dirk Dembski appointed as Non-Executive Director* • *Jean-Luc Vandebroek appointed as Chief Financial Officer* • *Strong interim results reported for ALLOB® Phase IIA spinal fusion study* • *All patients met primary endpoint in ALLOB® Phase I/IIA delayed-union study interim analysis, leading to early conclusion of the study* • *Signing of exclusive licensing agreement with Asahi Kasei for the development and commercialization of PREOB® in Japan*
2018	• *Completion of patient recruitment for Phase IIA spinal fusion study with ALLOB®* • *Appointment of Jean Stéphenne as Chairman of the Board* • *Bone Therapeutics successfully raises € 19.45 million of commitments in a private placement of convertible bonds*

4.3 Investments

The Company has completed its investment in new facilities at the Biopark of Gosselies (rue Auguste Piccard 37, 6041 Gosselies) through its subsidiary SCTS.

The new facilities provide accommodation for both the Company's as well as SCTS's activities in respect of production, research and development (including production process development) and is hosting the headquarters of the Company. The modular design of the facility will allow for a progressive increase in production capacity to meet pre-commercial and first commercial requirements for PREOB® and ALLOB®.

The total project represented an initial investment of approximately € 9.50 million, including land for an amount of € 0.23 million and an investment in SISE SA of € 0.28 million (see below). The investment plan has been staged in three phases. A first phase has been completed at the end of March 2015 and includes the entire shell of the building and the completed administration and research and development facilities. The second phase comprising the first two production zones has now been completed and validated in 2017. The facility has been inspected by the inspectorate of the Belgian Federal Agency for Medicines and Health Products (FAMHP). The GMP certificate has been issued by the FAMHP on 19 December 2017 and the authorization to manufacture the PREOB® investigational medical products according to GMP on January 19th, 2018. The registration of the Gosselies site as Production Establishment for human body material, according the Belgian Royal Decree of 28 September 2009 has been introduced with the Blood and Human Body Material division of the FAMHP. A specific PREOB® production on site is foreseen by mid of 2018 pending the outcome of a specific Human Body Material (HBM) inspection. The Company will continue to run its production operations in Q2 2018 at the Galactic Innovation Campus (GIC) at Anderlecht (Brussels). This campus will be retained as long as necessary to guarantee an uninterrupted production. The Company has access at the Anderlecht Campus to a total dedicated space of 800m^2 for production and related activities. At this Brussels based facility two production units are available accommodating two GMP approved production lines for its products PREOB® and ALLOB®. The available capacity meets the requirements for the current clinical & pre-clinical programs. In early Q2 2018, the production activities will be transferred to the new facilities at the Bio Park of Gosselies (south of Brussels). In 2018 the validations necessary to ensure the production of ALLOB® to supply the next clinical trials in 2H2018 will be performed.

The third phase comprises the installation of four more production units, to meet the future production requirements for clinical trials, pre-commercial and the first commercial activities. Further production buildings can be added in future to increase capacity in line with demand. These additional modules fall outside the scope of the aforementioned investment budget.

The total facility represents approximately 3,000 m^2 in total of which 1,700 m^2 of administrative facilities and R&D facilities including an animal house and 1,300 m^2 foreseen for production activities. The new animal house allows the Company to pursue preclinical animal studies required to support the development of clinical and preclinical candidates. These animal studies encompass amongst others efficacy and toxicity studies that are regulatory required.

The investment until 31 December 2017 amounts to € 8.56 million. The investment project until completion of this second phase was fully financed from four different sources. The direct investment for the Company amounts to € 1.27 million representing the equity investment of the Company into SCTS. In addition to the equity investment by the Company an amount of € 1.28 million in equity has been provided for by other shareholders of SCTS, representing the non-controlling interest. A further amount of € 0.87 million in subordinated loans has been provided for by two regional investment bodies (related parties) and € 2.53 million out of a total initial amount of € 2.91 million is provided through an investment grant provided for by the Region under the SME Agreement (unused funds from the initial grant representing € 0.38 million at the end of 2015 were no longer available to fund the project beyond 31 December 2016). Finally, € 3.25 million was provided in bank loans in equal shares by BNP Paribas Fortis SA and ING Banque SA. For the completion of the third phase, the Company will re-estimate the funding requirement at an appropriate point in time. The new units might already incorporate the newest technologies available at that time and could impact the budgetary requirements.

The facility fits in a larger project known as the Walloon Cell Therapy Platform ("PWTC") (*Plateforme Wallonne de Thérapie Cellulaire*) whereby two cell therapy companies[2] have joined forces to build facilities at a joined location at the Biopark of Gosselies (50 km south of Brussels, near the airport Brussels South). PWTC comprises three service companies: SCTS (*Skeletal Cell Therapy Support*), HCTS (*Hepatic Cell Therapy Support*) and SISE (*Société d'Infrastructures, de Services et d'Energies*). SCTS and HCTS will make a maximum use of shared services provided through SISE SA to establish their industrial project, but in the same time maintaining control of their proprietary production processes and know-how by having their own physically separated production infrastructure. The project allows for both companies to considerably expand their production capacity in future. Besides a service provider, SISE SA is also the landowner on which the infrastructure of SCTS is constructed. There is long term (99 years) lease agreement in place between SISE and SCTS.

The Company invests in equipment to support its research and development and production activities on a regular basis.

The table below provides an overview of the Company's principal investments for the financial years ended on 31 December 2015, 31 December 2016 and 31 December 2017 (excluding recognition of the government grant of € 2.53 million mentioned above):

(in thousands €)	2017 new	2016 new	2015 new	Before 2015 new	Total
Building	310	573	2,812	5,005	8,700
Laboratory equipment	86	184	91	1,854	2,215
Land	0	0	0	233	233
Other	7	35	43	183	268
Intangible assets	9	29	52	121	211

- The building relates to the new facilities constructed by SCTS at the BioPark of Gosselies (south of Brussels). The investment for 2015 amounts to € 2,812,000, for 2016 the amount is € 573,000 and for 2017 the amount is € 310,000. At 31 December 2017 the total invested amounts to € 8,700,000.
- Laboratory equipment includes capital expenditure for € 91,000 in 2015, € 184,000 in 2016 and € 86,000 in 2017. At 31 December 2017 the total amount invested amounts to € 2,215,000.
- Land represents a long lease right of 99 years on which the new facilities of the Company are being constructed. The amount is € 233,000.
- Other investments include IT material and office furniture. At 31 December 2017, the total amount invested is € 268,000.
- Intangible assets relate to purchased software. At 31 December 2017, the total amount invested is € 211,000.

At the date of the Annual Report, there are no firm commitments related to the completion of the facilities at Gosselies.

4.3.1 SISE and GIE BOCEGO

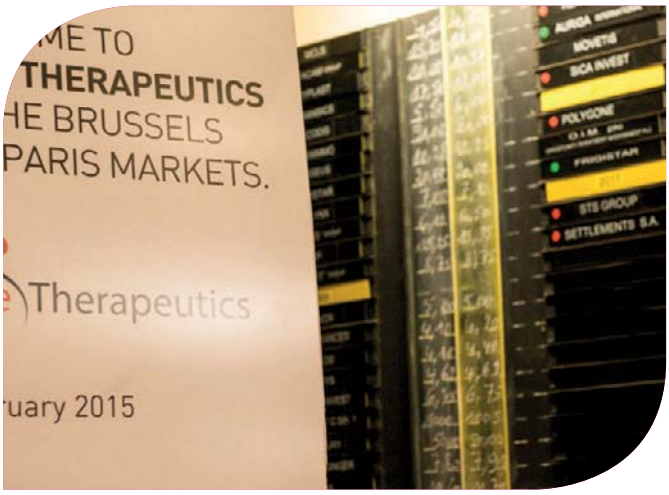
SISE and the Groupement d'Intérêt Economique BOCEGO (consisting of the Company and SCTS) ("**GIE BOCEGO**") have been granted (i) subsidies specifically aimed to support the creation of employment opportunities and the creation of added value by SMEs and (ii) an exemption from property tax in relation to an investment programme for the creation of new job units, under two agreements dated 16 September 2013 between the Region and SISE and 24 April 2014 between the Region and GIE BOCEGO. The subsidies granted under these agreements amount to respectively € 769,792.91 (out of a total initial amount of € 830,370.00), and respectively € 2,531,637.88 (out of a total initial amount of € 2.91 million). The exemption from property tax is valid for a 5-year period in relation to a maximum amount relating to investments in tangible capital assets.

The Company and SCTS have been awarded a subsidy in the amount of € 2,907,692.30 (financed directly by the Walloon Region for an amount of € 1,890,000 and for an amount of € 1,017,692.30 by the European Union), which covers 32.31% of the € 9.0 million estimated construction cost of the building. The total initial projected cost represents € 9.5 million, taking into consideration the related participation in SISE SA, landlease agreements and related costs. The payment of the subsidy took place gradually in accordance with the investment programme and the progress of the construction (after 40% of the investment, after 70% of the investment and after finalisation of the investment). Full pay-out of the amount required completion of the project by the end of 2015. As it was

[2] *Bone Therapeutics SA through SCTS SA and Promethera SA through its subsidiary HCTS (Hepatic Cell Therapy Support) SA.*

decided to complete the third phase of the project at a later stage and as the second phase was not entirely completed by the end of 2015 the total amount which could be claimed for this project was limited to 32.31% of the actual amount spent until that date. At the beginning of 2016 the final amount which could be claimed was agreed upon and amounted to € 2.53 million. The unclaimed funds of € 0.38 million are no longer available. For completion of the third phase, the Company will seek to obtain new similar grants, in case such grants are still available, and in function of the capital needs required for the completion of the third phase.

The grant of the subsidy was made subject to a number of Company-related conditions, which could give rise to a (partial) claim-back by the Walloon Region and the European Union in case of non-compliance therewith. For example, the Company (in its capacity as member of GIE BOCEGO) will need to employ (on average) an additional minimum number of employees (33.75 people based on the final amount claimed at the end of 2015) at its site in Gosselies, as of 1 January 2018 until 31 December 2021. In addition to the aforementioned specific conditions related to the Company, the subsidy agreement also contains more general conditions which are customary for subsidies, such as conditions in relation to information- and publicity related obligations and conditions related to compliance with fiscal, social and environmental regulations.



4.4 Legal proceedings

The Company is not, nor has been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Annual Report which may have or has had in the recent past significant effects on the financial position or profitability.

4.5 Significant change in the financial or trading position of Bone Therapeutics since 31 December 2017

On 7 March 2018, the Company has successfully placed senior, unsecured Convertible Bonds (the "CBs") with a total commitment of € 19.45 million via a private placement.

The CBs are in registered form, denominated € 2,500 each. The CBs do not bear any coupon and have a maturity date of twelve months after issuance. The CBs are convertible to ordinary shares at CB holders' convenience before maturity or are automatically converted at maturity date at the Conversion Price. The Conversion Price will be equal to 92% of the Volume-Weighted-Averaged-Price of the Company's shares as provided by Bloomberg LP of the day immediately preceding CB holder's request of conversion or maturity date, but not lower than the par value (€ 2.14) of the Company's share. Upon conversion of the CBs, the new shares issued shall immediately bear the same right of all other existing shares and could be traded on the Euronext stock exchanges in Brussels and in Paris. The Company has the right to redeem the CB at a price of € 2,577.31 instead of issuing new shares.

Each subscribed CB is accompanied by 19 bond warrants (the "Bond Warrants") in registered form with a warrant term of 19 months. Each Bond Warrant entitles its holder to subscribe to one CB and can be exercised at an exercise price of € 2,500 per CB at the request of the warrant holder at any time during the warrant term. The warrant holders are obliged to exercise at least one of the 19 Bond Warrants each 30 calendar days.

A total amount of € 19.45 million in committed capital has been subscribed during the Offering. Part of the investors have decided to immediately exercise warrants resulting in an immediate gross proceed of € 6.58 million and 565,773 new shares to be created, increasing the total outstanding shares from 6,849,654 to 7,415,427 ordinary shares. The remaining warrants will be exercised providing an additional proceed of € 12.87 million over a maximum period of 19 months.

The Convertible Bonds were offered through an accelerated bookbuilding offering, open to institutional investors and such other investors as permitted under applicable private placement exceptions only. Bryan, Garnier & Co. acted as Sole Bookrunner for the Offering.

5

Business overview

5.1 Bone Therapeutics' activities

The Company is a biotechnology company with an advanced clinical pipeline of cell products for orthopaedic conditions and bone diseases (two Phase IIA and one Phase III clinical studies). These areas are characterized by high unmet medical needs due to the lack of efficacious and safe, non-invasive, treatments. Indeed, the current standard-of-care involves heavy surgery and long recovery periods. The Company is creating a new and unique treatment approach using differentiated bone-forming cells (osteoblasts) administered via a minimally invasive percutaneous procedure or added through a simple addition/injection to the current standard-of-care, expected to offer significant benefits over or enhancing the current standard-of-care.

Solid preclinical foundations and clinical results support the Company's research and development programs. The Company has extensive knowledge of bone physiology and pathophysiology and collaborates closely with prestigious academic and medical institutions. The Company has worldwide rights for a series of patents and technologies related to bone cell products, production methods and their applications.

5.2 Company mission and strategy

The Company aims to be a leading regenerative company providing innovative cell therapy products for high unmet medical needs (defined as a medical need that is not addressed adequately by an existing therapy[3]) in the fields of orthopaedics and bone diseases. To achieve this objective, the Company is pursuing the following strategies:

- Enhance the development of its commercially oriented, off-the-shelf, allogeneic platform, to maximize benefits for patients and value creation for investors.
- Finalize the ALLOB® Phase II proof-of concept trials for larger indications better suited to an allogeneic approach, building on encouraging clinical data to date
- Progress and complete Phase III trials with its autologous product PREOB® to deliver proof of concept of a cell therapy product in the field of orthopaedics and bone diseases to ultimately advance towards market authorization
- Scale-up of manufacturing capabilities
- Advance the preclinical pipeline
- Build development and commercial partnerships

5.3 Technology

The Company's technology platform is based on a unique approach in which mesenchymal stem cells (MSC), derived from bone marrow of patients or donors, are stimulated to differentiate into osteoblasts (i.e., bone-forming cells). There are two important types of cells in the body that are involved in bone homeostasis, namely osteoblasts and osteoclasts, which regulate the dynamic and constant remodelling of the skeleton. Osteoblasts are responsible for bone matrix synthesis and subsequent mineralization, while osteoclasts resorb the bone.

Local implantation of biologically active osteoblastic cells (pre-osteoblasts and osteoblasts) at the bone defect site is intended to mimic the natural process of bone formation and repair.

More specifically, the mode-of-action is dual.

- On the one hand, the osteoblastic cells will replace the defective or missing osteoblasts by new osteoblasts that will form new bone and repair the defective bone.
- On the other hand, the presence of osteoblastic cells will create a healthy bone environment by recruiting haematopoietic and osteoprogenitor cells and secreting matrix proteins.

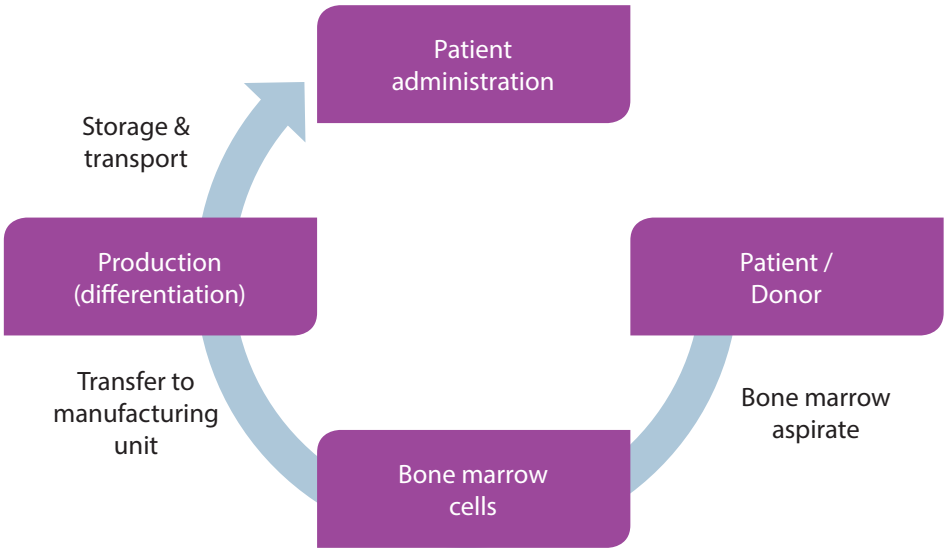
The implanted cells are expected to adhere onto the existing tissue and matrix, where they will produce new bone matrix that will be calcified. Finally, the cells will differentiate into osteocytes and become imbedded into the calcified new bone matrix.

The Company aims to improve:

- Efficacy: by developing innovative cell products - both autologous (originating from patients) and allogeneic (originating from a healthy donor) - composed of differentiated bone-forming cells (also called osteoblastic cells).
- Safety: by offering a minimally invasive approach involving implanting the cells with a needle or trephine directly at the bone defect site through the skin, replacing the need for invasive surgery.

Regarding efficacy, the Company's differentiated cells have already acquired the capacity to form bone and are therefore more likely to have beneficial effects in bone diseases than other types of cells (including undifferentiated cells). Increased safety can also be explained by this differentiation. Acquired function is expected to minimise the toxicity risk due to unwanted biological activities as well as uncontrolled proliferation.

[3] *FDA Guidance for Industry – Available Therapy, July 2004.*



The above diagram shows the manufacturing cycle of the Company's products starting with bone marrow harvesting from the patient (PREOB®) or a healthy donor (ALLOB®) to obtain the stem cells that are expanded and differentiated into bone-forming cells and implanted at the bone defect site.

5.3.1 PREOB®: autologous cell product

PREOB® is a cell-based medicinal product ("**CBMP**") derived from autologous (derived from the patient) bone marrow MSC. A bone marrow aspirate is performed from the iliac crest of the patient under local anaesthesia, after which MSC are isolated, expanded and differentiated. The active part of the product thus comprises human autologous osteoblastic cells – including pre-osteoblasts and osteoblasts. The manufacturing process is performed in strict GMP compliance and follows procedures that ensure aseptic manufacturing, full traceability, and quality control.

PREOB® cells do not express any hematopoietic markers, but rather exhibit the features of osteoblastic cells, including the expression of typical cell surface proteins and the secretion of bone matrix proteins, growth factors and enzymes, which indicates their differentiation away from the MSC towards the osteoblast.

Safety and efficacy of PREOB® administration were confirmed in preclinical studies. Safety parameters, including clinical signs, body weight, blood chemistry and haematology were evaluated. A long-term toxicity study showed that PREOB®, when administered systemically at very high doses, did not cause any excess morbidity or mortality and did not induce any organ toxicity. In addition, tumorigenesis studies showed the absence of tumour development after PREOB® administration in immunodeficient mice (these mice lack the component of the immune system that causes an immune response and consequent rejection of foreign material). Importantly, efficacy studies showed that PREOB® induced significant new bone formation.

The distribution of PREOB® in the body was assessed after systemic as well as local administration of the cells in rodents. When administered systemically, the cells circulated in the body and did not accumulate in non-bone organs such as the brain, heart, lungs, kidney, liver or spleen. Locally administered cells were retained at the fracture site.

5.3.2 ALLOB®: allogeneic cell product

ALLOB® is the Company's allogeneic product that consists of human allogeneic bone-forming cells derived from cultured bone marrow MSC of healthy adult volunteer donors. ALLOB® has been classified as Tissue Engineered Product (non-combined) by the EMA under the ATMP classification 1394/2007.

ALLOB® cells express master osteoblast genes, mesenchymal and bone matrix adhesion markers and display bone-forming properties. The cells are able to adhere, synthesize and mineralize new bone matrix. Engraftment of the ALLOB® cells as well as bone-forming and bone repair capacity was demonstrated in mouse models by local administration at the defect site.

Safety studies did not show changes in clinical signs or in laboratory parameters and no anomalies in microscopic or macroscopic observations. Additionally, no ectopic (meaning in an abnormal location) bone formation could be detected when the cells were injected in muscles. Safety was further investigated by intravenous administration of ALLOB® cells at high doses to immunodeficient mice. These high doses did not cause any excess morbidity or mortality during a 24-week observation period and no evidence for ectopic bone formation or other abnormalities was detected.

[3] *FDA Guidance for Industry – Available Therapy, July 2004.*

Biodistribution studies performed after injection of ALLOB® at the fracture site confirmed that the cells remain on site and do not migrate or accumulate in other non-bone organs, such as brain, heart and lungs.

Additional preclinical experiments were designed to investigate the use of ALLOB® in combination with bioceramic granules for spinal fusion procedures. The bioceramic scaffold is a synthetic bone substitute designed, optimized, and indicated for bone void filling, in particular in spinal fusion procedure. ALLOB® cells were shown to adhere and spread within the pores of the granules. Importantly, ALLOB® cells were shown to migrate out of the granules, adhere and grow in culture.

The efficacy of the ALLOB®/ β-tricalcium phosphate (β-TCP) mix was assessed in vivo and compared to the administration of the granules alone as a control. After 28 days, all animals treated with ALLOB®/β-TCP showed new bone formation, while none of the control animals did.

5.3.3 Administration via a minimally invasive approach

Administration of the cells is achieved via a minimally invasive technique. The cells are administered directly into the bone defect site through a small skin incision using a small-diameter trephine (similar to a large needle). During the implantation, the position of the trephine into the bone defect site is visualized by fluoroscopy (a standard radiography used by orthopaedic surgeons). The simple procedure is performed under anaesthesia in an operating room, taking 20 to 40 minutes in total.

In case of lumbar spinal fusion, ALLOB® is mixed with β-TCP granules and administered locally at the spine surgery site. The procedure includes placement of an interbody (i.e., between the vertebrae) cage and is performed under general anaesthesia in accordance with the standard-of-care procedure of the investigating site.

5.4 Current clinical pipeline and outlook for 2018

Bone Therapeutics' cell therapy products, the autologous PREOB® and the allogeneic ALLOB®, are currently under clinical development for three indications in the field of orthopaedics and bone diseases.

ALLOB® is being evaluated in two Phase II studies:

- Delayed-union fractures: In September 2017, the Company reported positive interim data for its Phase I/IIA study, leading to the early conclusion of the study for strong efficacy. A Phase IIB study is currently in preparation.
- Lumbar spinal fusion: In September 2017, the Company also reported positive interim data for its Phase IIA study. The recruitment for the study was finalized in February 2018.

PREOB® is being evaluated in a Phase III trial in osteonecrosis of the hip. The Company is expecting the conclusions from the interim analysis in the second half of 2018. Moreover, as an important validation of its cell therapy technology, Bone Therapeutics has recently signed an exclusive license agreement with Asahi Kasei Corporation for the development and commercialization of PREOB® in Japan.

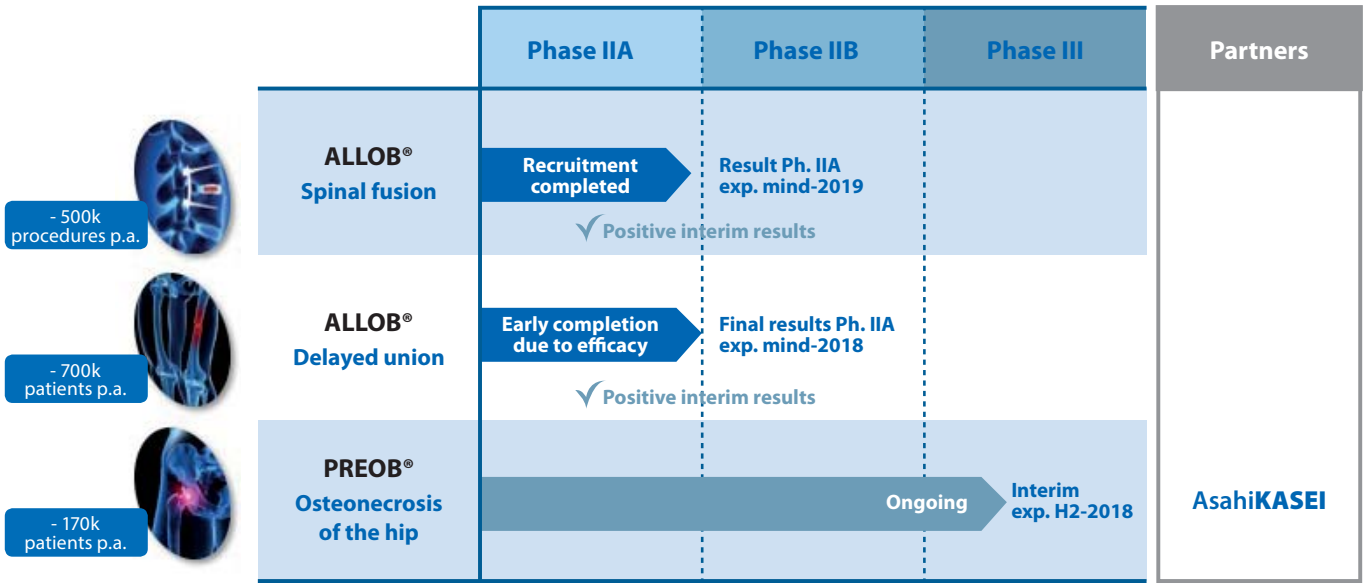


Figure: Clinical pipeline with PREOB®: autologous approach and ALLOB®: allogeneic approach.[4]

[4] *Changes in the pipeline versus last year. As announced on 14 an 19 September 2017 and summarized in the communication of 11 December 2017, the Company decided to discontinue:*

- Rescue lumbar spinal fusion
Given the positive interim Phase IIA results for lumbar spinal fusion, the Company decided to focus its resources on delivering a body of well controlled data on the application of ALLOB® in lumbar spinal fusion, before developing other spine indications. Therefore, and given the investigators' recommendation to optimise the specific procedure used to administer ALLOB® in rescue spinal fusion patients, the development of the indication of rescue spinal fusion has been discontinued and the recruitment of its Phase IIA trial halted. ALLOB® was well tolerated but the limited number of patients enrolled in this study will not allow the Company to draw any relevant conclusion for this indication.

- Non-union fractures:
Following the announcement of strong interim data and the resulting early conclusion for the Phase IIA study for delayed union fractures in September 2017, the Company decided to focus its efforts on ALLOB® in the market of difficult fractures, and prioritize the indication of delayed union fractures (or patients at risk of non-union) with ALLOB®, over the indication of non-union with PREOB®. Bone Therapeutics therefore decided to discontinue recruitment and stop the Phase IIB/III study for non-union fractures with autologous PREOB® once the follow-up of the currently enrolled patients has been completed. PREOB® was well tolerated, but the limited number of patients enrolled in the non-union study due to slow recruitment, will not allow the Company to draw any relevant conclusions in the indication..

Outlook for 2018

Bone Therapeutics plans to report the final results of the ALLOB® Phase I/IIA delayed-union study mid-2018.

A value inflection point is anticipated in the second half of 2018, as the Company expects to present the conclusions of the interim results after a one-year follow-up period of the first 44 patients in its Phase III study of PREOB® in osteonecrosis of the hip.

Additionally, the preparation for a multicentre, controlled Phase IIB study for the treatment of difficult fractures with ALLOB® has been initiated.

5.5 Principal markets

The bone-related disorder industry, in which the Company operates, encompasses various pathologies, from orthopaedic conditions such as severe fractures, and bone fracture risk diseases (hips) to spinal issues such as treatments of degenerating disc disease. Depending on the indication, competition could come from pharmaceutical, biopharmaceutical (including regenerative and cell therapy companies) and/or medical devices companies, as well as from research institutions.

The market space in which the Company operates covers hip surgery, fracture repair, spinal implants, bone growth stimuli and orthobiologics (excluding the osteoporosis market) and represents a global market of around $ 25 billion for the treatment of around 12 million patients, which can be broken down in the following segments:

Segment	Number of patients	Product sales in million USD
Hips	1,400,000	6,140
Fracture repair	8,000,000	6,544
Spinal implants / instrumentation	3,000,000	7,416
Bone growth stimulation	Included above	489
Orthobiologics	Included above	4,739
Total	12,400,000	25,328

- Hips means the global market for implants (prosthesis) used to replace failed hips. (Approximately 10% of these patients are requiring a hip prosthesis due to ON. Treating these patients with PREOB® has a proven benefit of postponing and maybe avoiding the hip replacement.)
- Fracture repairs covers all the materials used today for repairing fresh fractures both internally and externally such as plates, screws, intramedullary nails, pins, wires, staples and external fixators.
- Spinal implants/instrumentation are implants use to treat degenerative disc disease, herniated discs, scoliosis, vertebral fractures such as pedicle screws, plates, rods, hooks, screws, artificial disc motion preserving devices, discectomy tools and vertebroplasty/kyphoplasty products.
- Bone growth stimulation refers to equipment that is used for treating fractures and in support of spinal fusion to stimulate bone growth through ultrasound, pulsed electromagnetic fields and extracorporeal shock wave therapy.
- Orthobiologics are allograft and xenograft bone and tissue; synthetic bone graft substitutes; autologous platelet/plasma systems, cell-based products for tissue repair, growth factors and bone proteins, soft tissue repair, replacement and reinforcement products; anti-adhesion technologies and hyaluronic acid viscosupplements.

In this space, the Company's products target about 1.5 million patients in Europe, the USA and Japan for the three main orthopaedic conditions that the Company currently focuses on: delayed-union fractures, lumbar spinal fusion and osteonecrosis of the hip[5]. The market addressed by the Company is characterized by high unmet medical needs (defined as a medical need that is not addressed adequately by an existing therapy[6]). Indeed, most current treatments are either shown limited efficacy or require invasive surgery at significant risk of major complications. In addition, most treatments are associated with long hospitalization and recovery time after surgery with a persisting risk for re-intervention. Despite this, the fields targeted by the Company have so far remained relatively clear of new treatments and there are almost no reported clinical trials. In bone cell therapy, clinical development programmes are still limited to a small number of indications (e.g., spinal fusion) and companies (e.g., Mesoblast), although there is a growing interest at the level of academic research .

[5] *Orthoworld, The Orthopaedic Industry Annual Report for 2013 (relating to fracture repair procedures and spine procedures) – Transparancy Market Research, Osteoporosis Drugs Market – Global Industry Analysis, Pipeline Analysis, Size, Share, Growth, Trends & Forecast, 2014-2020 (relating to treatment of osteoporosis patients).*

[6] *FDA Guidance for Industry – Available Therapy, July 2004.*

5.5.1 Spinal fusion

Description

Spinal fusion is considered as the gold standard surgery for treating a broad spectrum of degenerative spine disorders, including degenerative disc disease, spondylolisthesis, scoliosis and stenosis, to relieve pain and improve function. Spinal fusion consists of bridging two or more vertebrae with the use of a cage and graft material, traditionally autologous bone graft or bone substitutes such as bioceramics (β-tricalcium phosphate or β-TCP) and cadaver bone – placed into the intervertebral space – for fusing an unstable portion of the spine or immobilizing a painful vertebral motion segment. Even though that spinal fusion surgery is routine, non-union and failure to relieve lower back pain are unfortunately still frequent as on average 30% of spinal fusion patients are not completely satisfied with their surgery[7].

Market Size

Over 1 million spinal fusions are performed each year in Europe and the US, the majority of which are to address degenerative lumbar disc disease. The Company's estimates regarding market size are based on hospital discharge data and market reports. Using these data, the Company estimates that each year 542,000 patients in Europe, the US and Japan undergo lumbar spinal fusion surgery.

One of the most common complications encountered in spinal fusion surgery is failed fusion (complete or partial), reported in approximately 5% to 35% of procedures, which could lead to debilitating pain, deformities, and subsequent revision surgery. Its management is one of the most challenging problems in this field. Procedures to salvage failed lumbar fusions focus on achieving a solid fusion, and consequently relieving and controlling pain and symptoms, minimizing disability, and improving the quality of life. However, revision surgeries are associated with higher procedure-related complication rates, technical difficulties, and longer operative times. Moreover, success rates are poor and not always reliable for both fusion and clinical results.

In recent years, the spinal fusion market has grown considerably; spinal fusions increased by 77% in the US from 2002 to 2011[8]. According to a GlobalData report, this growth is largely the results of the increase in indications for which spinal surgery can be performed. GlobalData estimates that the market will continue to grow, albeit at a smaller annual rate of 5%. On the one hand, the ageing population and sedentary lifestyle support further expansion; on the other hand, changing reimbursement policies may start putting pressure on the market.

Competition

The spinal fusion market is segmented into two product classes, i.e., hardware devices (plates, screws and cages) and bone grafts. These two classes are inter-related as the hardware is needed to stabilise the vertebrae and the grafts are needed to promote fusion. Bone autograft is still perceived as the gold-standard for spinal fusion procedures, despite high safety concerns (in particular donor site pain)[9]. As a wide array of alternatives is now on the market, a gradual shift is observed from bone autograft towards bone substitutes. This overcrowded product class - with over 200 different products available for the surgeons - is currently dominated by major medical device manufacturers. The bone substitutes on the market are (i) allografts, mostly cadaver bone (DBM from Biomet, Zimmer, Synthes, etc.) and (ii) ceramics (Stryker, Baxter, etc.). The market for bone substitutes is characterized by rapid technological change, frequent introduction of new products and evolving surgical practices toward minimally invasive procedures. Experts estimate that this market will be driven mostly by innovation and by the companies' novel positioning as part of a broad therapy system. In such a therapeutic setting, the synergic combination of hardware devices, bone substitutes and adapted surgeries would ensure better therapeutic outcomes.

By contrast, the regenerative segment of the spinal fusion market has little or no competition with only one approved orthobiologic therapy (recombinant growth factors such as Medtronic's Infuse®).

The negative media coverage surrounding Medtronic's Infuse® (along with FDA and US Senate investigations and lawsuits, and decreased sales) has opened the market to alternative therapies[10]. In this changing landscape, the Company believes that its allogeneic cell products, used as an add-on therapy to synthetic bone substitutes in standard fusion procedures, could offer a better treatment option - and will be cost-effective by achieving a faster and more solid fusion.

Companies addressing this field through cell therapy are the following:

- Mesoblast (AUS) completed two phase II study on the use of allogeneic bone marrow derived MPC's (mesenchymal precursor cells) (Neofuse/MPC-25-Osteo) in spinal fusion procedures in 2014 but no further progress on its development has been announced thus far as priorities were given to other applications in their pipeline[11].
  The company has an additional cell therapy product in development for treatment of chronic low back pain caused by disc degeneration which has recently completed patient recruitment for a phase III study.

[7] *Rajaee et al. National trends in revision spinal fusion in the USA: Patient characteristics and complications. The bone and joint journal 2014(96)807-816.*
[8] *Size of spinal fusion market to suffer amid scrutiny. GlobalData, Joseph Gregory, May 6, 2014.*
[9] *Myeroff C and Archdeacon M. Autogenous Bone Graft: Donor sites and Techniques. The Journal of Bone and Joint Surgery. 2011; 93A (23): 2227-36*
[11] *Mesoblast press release dated 26 August 2014 and Mesoblast website.*

- Xcelia (ESP) (see also non-union fractures) has initiated a phase II trial in 2012 with expected completion mid 2018 whereby they are using autologous bone marrow derived stem cells fixed in allogeneic human bone tissue (cadaver bone).
- Novadip Biosciences (BEL) have announced their move into clinical trials with their autologous adipose derived MSC's incorporated in a scaffold product defined by the company as differentiated osteogenic structure.

In conclusion there are only two direct competitors today being active in clinical trials in this field being Xcelia and Novadip Biosciences. The major differences is that the Company is following an allogeneic approach unlike Xcelia and Novadip Biosciences. The Company is also more advanced in its clinical trials.

Overview of cell therapy companies active in lumbar spinal fusion[12].

Companies	Location	Product(s)	Source	Product type	Status
Mesoblast	Australia	Neofuse® / MPC-25-Osteo	Allogeneic	Bone-marrow-derived MPC + scaffold	Ph II completed
Xcelia	Spain	Xcel-Mt-Osteo-Alpha	Autologous	Bone marrow-derived MSC	Ph I/IIA ongoing
Novadip Biosciences	Belgium	Creost®	Autologous	Adipose-derived MSC (3D structure)	Ph I ongoing

MPC: mesenchymal precursor cells; MSC: mesenchymal stem cells.

5.5.2 Delayed-union fractures

Description

Bone is a naturally regenerative organ, and fractures are currently well-managed in the majority of patients. However, there are traumatic situations in which bone fails to regenerate, leading either to a slowed-down regeneration process (delayed-union) or even a totally interrupted regeneration process (non-union).

A delayed-union fracture has been defined as a fracture that has not united within a period of time (3-7 months) that would be considered adequate for bone healing[13]. Inadequate reduction of a fracture leading to instability or poor immobilization may be a reason for delay in fracture union. Other factors such as age, smoking, alcohol consumption or a medical condition can increase the risk of a delayed-union. Currently a "wait and see" approach is mostly adopted in the treatment of delayed-union fractures, sometimes for several months, which delays the patient's return to a normal life and places a significant financial burden on society.

Market Size

In the US, long bone fractures account for approximately 10% of all non-fatal injuries[14]. Close to 10 million fractures occur every year and over 3 million fracture repair surgeries are performed in Europe, the US and Japan. This led to revenues of more than $6.6 billion in the global fracture repair market in 2016, an increase of 4% compared to the year before. This market is expected to continue to grow steadily over the coming years[15]. Major driving factors for the fracture repair devices market are the increase in the elderly population, growing healthcare costs, and the increase in prevention measures for various orthopaedic-related problems. The leading causes of orthopaedic fracture cases are the ageing population, increasing participation in sports and rising number of road accidents. This market is expected to continue to grow steadily over the coming years[16].

The Company has estimated the incidence of delayed-union fractures based on (i) the number of osteosynthesis (orthopaedic external or internal fixation devices) annually performed and (ii) the reported rates of fractures evolving to delayed-union. In the base case scenario, the annual number of addressable patients in Europe, the US and Japan is estimated to be 715,000 for delayed-union.

[12] *Company websites and clinicaltrials.gov*
[13] *Liebergall et al., Stem cell-based therapy for prevention of delayed fracture union. Molecular Therapy 2013 (8), 1631-1638*
[14] *Kanakaris et al., The health economics of the treatment of long-bone non-unions. Injury 2007(38S)S77-S84.*
[15] *Orthoworld. The orthopaedic industry annual report for year ending December 31, 2016.*
[16] *Orthoworld. The orthopaedic industry annual report for year ending December 31, 2016.*

Competition

To its knowledge, the Company is the only clinical stage company that develops bone cell products using differentiated bone cells for the treatment of delayed-union fractures. Bone Therapeutics' allogeneic bone cell products, ALLOB®, is now in a Phase IIA clinical trial for the treatment of delayed-union fractures. Delayed-union fractures are rarely treated by physicians which is reflected in the very limited number (5) of ongoing clinical trials reported on ClinicalTrials.gov for this condition. Therefore, the Company believes that it can play a significant role in creating this new market, given the fact that the Company benefits from being an early actor in the field. Instead of waiting (for the confirmation of a non-union diagnosis), surgeons will be provided with an early non-invasive therapeutic option, offering reduced healing time and yielding substantial cost savings[17].

In the rare cases that delayed-union fractures are surgically treated, the use of osteosynthesis material and bone grafts is a well-established practice for the repair of fractures.

Numerous techniques have been developed ranging from non-invasive procedures (ultrasound and electromagnetic stimulation) to surgical re-interventions using bone auto- or allograft (synthetic bone substitutes or cadaver bone: DBM (demineralized bone matrix) from Biomet, Synthes, etc.). To date, bone autograft remains the gold standard treatment for this condition as it presents 75-85% efficacy and advantageously avoids risks of disease transmission[18]. Yet, associated side-effects are considerable, with complications (pain at harvest site, infection…) reported in 20% of patients (for iliac crest harvest procedures in particular)[19]. Next to bone void filler products in support of bone graft surgeries, Wright Medical Technology (USA) has developed an injectable bone void filler product for unhealed fractures of non-weight-bearing bones for fractures showing a gap smaller than 3mm. This product needs to be mixed with blood or bone marrow.

Apart from bone grafting, OsigraftTM (the ortho-biological product (i.e., protein) rhBMP-7; Olympus Biotech) was, to the Company's knowledge, the only pharmaceutical therapy approved (in a restricted indication) but has now been withdrawn from the market, leaving the space open to new players in the field. Studies have revealed poor results for other "orthobiologics" (rhPDGF from Wright Medical Group (only for the use in ankle and hindfoot arthrodesis), PTH from Lilly and Romosozumab from Amgen/UCB), forcing them to discontinue or put on hold their clinical development. Kuros completed in 2010 and 2011 Phase IIB trials with vPTH (variant of the parathyroid hormone) in combination with a matrix for treating fresh tibia fractures however since then no further news has been announced.

Several biotechnology companies are active in cell therapy for orthopaedic use. Xcelia (ES), the advanced therapy division of the Banc de Sang i Teixits (Blood and Tissue Bank) of the Health Department of the Catalan government has initiated in 2014 a Phase IIA, Pilot Clinical Trial to assess ex-vivo expanded adult autologous MSCs fixed in allogeneic bone tissue (XCEL-MT-OS-TEO-ALPHA) in non-hypertrophic pseudoarthrosis (non-union) of long bones. This trail is currently still recruiting. Novadip Biociences (BEL) has a preclinical stage autologous undiffer-entiated stem cell product mixed with cadaver bone. Safety of the method was tested in a small sample of patients with non-union fractures within the context of hospital exemption. Recently, the Chinese biotechnology company Shanghai iCell Biotechnology announced the initiation of a Phase I/IIA clinical trial in China in which the use of human amniotic epithelial cells (hAECs) – stem cells originating from foetal tissues - for the treatment of non-union fractures in the limb will be test-ed (not yet recruiting). However, the condition investigated in the clinical studies of the aforementioned companies is non-union fractures.

[17] *Heckman et al. The economics of treating tibia fractures. The cost of delayed unions. Bull Hosp Jt Dis. 1997(56)63-72.*

[18] *Friedlaender G, et al. Osteogenic protein-1 (BMP-7) in the treatment of tibial non-unions: a prospective, randomised clinical trial comparing Rhop-1 with fresh autograft. J Bone Joint Surg Am. 2001(83)151-158.*

[19] *Friedlaender G, et al. Osteogenic protein-1 (BMP-7) in the treatment of tibial non-unions: a prospective, randomised clinical trial comparing Rhop-1 with fresh autograft. J Bone Joint Surg Am. 2001(83)151-158.*

5.5.3 Osteonecrosis of the hip

Description

There are non-traumatic situations in which bone fails to regenerate naturally. Certain diseases or conditions, such as osteonecrosis, can indeed alter the bone regeneration system increasing significantly the risk of fracture. This segment has suffered from a dramatic lack of innovation.

Osteonecrosis is a painful condition in which the joint of the hip degenerates progressively, ultimately leading to collapse of the femoral head, requiring a total hip replacement. This condition typically affects relatively young people (30-50 years old[20], only 20% of patient are over 50 years old[21]), where hip replacement is not appropriate due to the limited lifespan of the prosthesis. Unfortunately, due to the lack of alternative treatments, nearly 50% of patients will require a hip replacement before the age of 40. It is estimated that out of the total hip arthroplasties ("THA") performed, which exceed 1.5 million procedures each year in the US and in Europe, about 10% can be attributed to osteonecrosis[22]. The global sales related to hip replacement approached $7 billion in 2016[23]. Assuming 10% of the hip prosthesis market in Europe and the US concerns osteonecrosis, the market of hip replacement for osteonecrosis can be estimated to be close to € 0.7 billion.

Market Size

The incidence of osteonecrosis was calculated by the Company as it is the underlying condition of about 10% of total hip arthroplasties. The Company estimates an annual number of 170,400 osteonecrosis patients in Europe, the US and Japan in a base case scenario.

The Company estimates that, today, two thirds of osteonecrosis patients go undiagnosed or are diagnosed too late. Increased awareness, for example through new treatments, can potentially reduce this number in the future.

Competition

Currently, no treatment has been approved for the management of pre-fractural stage (I & II) osteonecrosis of the femoral head.

Core decompression is the most used therapeutic option for early-stage osteonecrosis: despite the highly variable reported success rates (14-82%[24]) and a controversial efficacy, this surgical procedure dating back to the 1940s is still considered as the standard of care. Other available treatments include (i) conservative interventions (e.g., exercise, electrical stimulation) which are usually used upon diagnosis and (ii) surgical approaches, such as osteotomy or bone graft. These surgeries show good results, but their invasiveness limits their application to advanced stage (III) patients. Other therapeutic options more recently developed (e.g., with growth factors, cement, bone marrow graft) are either perceived to have limited effectiveness or excessive complexity[25].

We observe however an interest in the field as we see several initiatives coming from academic and or governmental organisations to enter into clinical trials with a cell therapy approach using MSCs (undifferentiated cells).

- Xcelia (Spain – see above for more details) evaluates in phase I/II study (started in July 2012 and with an expected completion in December 2018) today the effect of XCEL-MT-OSTEO-ALPHA in osteonecrosis of the femoral head in comparison to the standard treatment of isolated core decompression (24 patients in total). XCEL-MT-OSTEO-ALPHA is a tissue engineering product composed by "ex-vivo" expanded autologous mesenchymal stem cells fixed in allogenic bone tissue.
- Biostar, the Korean Stem Cell Research Institute, completed a phase I/II clinical trial for evaluating the efficacy and safety of an autologous transplantation of adipose tissue derived MSCs in patients with avascular necrosis of the femoral head (treatment of 15 patients – single arm) in March 2015. No further news has been reported on follow-up trials.
- REBORNE, a European research project funded by the 7th Framework Programme initiated in 2010 (with a foreseen financing at the time of 5 years) and coordinated by Inserm, the French National Institute of Health and Medical Research, aims to regenerate bone defects using new biomedical engineering approaches. The main objectives of REBORNE is to develop new biomaterials that stimulates bone tissue formation either in combination with or without adult stem cells, for regenerating bone defects in orthopaedic and maxillofacial surgery. To demonstrate that these new biomaterials and stem cells are safe and at least equally effective as standard treatments, five clinical studies with 20 patients were proposed amongst others a project to treat osteonecrosis of the hip. The status of the clinical studies is unclear as the project website was closed down in the course of 2017.

We observe that projects in this field are more academic in nature and less advanced than the program currently ran by the Company. Bone Therapeutics has a Phase III trial ongoing after having completed a Phase IIB trial in which PREOB®, the autologous cell therapy product used by the Company has been compared with a comparator in a considerably higher number of hips (> 60) than in the other trials discussed above. All companies/organisations are using an autologous cell therapy product (considered adequate for a disease affecting a smaller number of patients – orphan status). The Company is however the only one using differentiated bone forming or osteoblastic cell compared to undifferentiated stem cells as used in the other trials.

[20] Lane NE. Therapy Insight: osteoporosis and osteonecrosis in systemic lupus erythema-tosus. Nature Clinical Practice Rheumatology. October 2006; 2(10): 562-569.

[21] Mont MA, Hungerford DS. Non-traumatic avascular necrosis of the femoral head. J Bone Joint Surg Am. 1995; 77: 459-474

[22] 5-12%: Lieberman et al. OSteonecrosis of the hip: management in the twenty-first century. J Bone Joint Surg Am 2003(84)834-853; 10%: Mankin et al. Nontraumatic necrosis of bone. NEJM 1992(326)1473-1479; 5-18%: Vail et al. The incidence of osteonecrosis. Osteonecrosis – etiology, diagnosis and treatment 1997 p.43-49.

[23] Orthoworld. The orthopaedic industry annual report for year ending December 31, 2016.

[24] Ciombor, Deborah McK, Aaron, Roy K. M.D. Biologically Augmented Core Decompression for the Treatment of Osteonecrosis of the Femoral Head. Techniques in Orthopaedics March 2001; 16(1): pp 32-38.

[25] Zalavras et al. Osteonecrosis of the femoral head: evaluation and treatment. J Am Acad Orthop Surg 2014(22)455-464.

Overview of cell therapy companies active in osteonecrosis[26].

Companies	Location	Product(s)	Source	Product type	Status
Xcelia	Spain	Xcel-Mt-Osteo-Alpha	Autologous	Bone marrow-derived MSC	Ph I/IIA ongoing
Biostar	South Korea	NA	Autologous	Adipose-derived MSC	PhI/II completed in 2015
REBORNE (Academic EU Project)	Europe	REBORNE ORTHO-2	Autologous	Bone marrow–derived MSC	Ph I ongoing

MSC: mesenchymal stem cells.

The Company's products have been designed as an effective add-on therapy to core decompression. It will therefore not compete with, but aim to improve established treatments. While preserving the minimally invasive character of the current standard of care, this approach will address the physiopathogenic mechanisms proposed for the disease, i.e., the implantation of osteoblasts would address cell depletion and dysfunction and local ischemia by secretion of angiogenic factors. In view of the satisfactory efficacy and safety data obtained in the Phase II clinical trial, the Company believes this treatment, if approved, could improve the current standard of care as first-line treatment for early-stage osteonecrosis patients.

5.6 Regulatory framework

In each country where it conducts its research and intends to market its products and product candidates, the Company has to comply with regulatory laws and regulations (hereinafter, collectively the Regulatory Regulations), including regulations laid down by regulatory agencies and by other national or supra-national regulatory authorities (hereinafter, collectively the Competent Authorities), as well as industry standards incorporated by such Regulatory Regulations, that regulate nearly all aspects of the Company's activities.

The Company's pharmaceutical product candidates are subject to substantial requirements that govern among other things their testing, manufacturing, quality control, safety, efficacy, labelling, storage, record keeping, marketing approval, advertising, promotion, pricing, and reimbursement. The process of maintaining continued compliance with the regulatory requirements requires the expenditure of substantial amounts of time and money.

5.6.1 Medicinal product and clinical study regulations

PREOB® and ALLOB® are advanced therapy medicinal products (ATMPs-as defined in regulation 1394/2007) which have been developed in compliance with the European legislation. ALLOB® has been classified as tissue engineered products by EMA on 19 July 2011 based on Regulation 726/2004. Under Regulation 1394/2007, a "tissue engineered product" means a product that contains or consists of engineered cells (cells that have been subject to substantial manipulation or are not intended to be used for the same function in the recipient as in the donor) or tissues, and is presented as having properties for, or is used in or administered to human beings with a view to regenerating, repairing or replacing a human tissue. In the US, PREOB® and ALLOB® will fall under the Biological Licence Application regulation. In Japan, PREOB® and ALLOB® will fall under the new legislation for regenerative medicine which allows for conditional marketing approval after Phase II clinical trials.

The testing, storage, and distribution of human tissues and cells (intended for human use) and of manufactured products derived from human tissues and cells (intended for human use) is specifically regulated (in Europe by Directive 2004/23/EC, which e.g., requires the licensing of tissue establishments).

Bone Therapeutics is registered as a "Tissue Establishment" (according to the Belgian RD2 of 28 September 2009 and the Belgian Law of 19 December 2008 to transposing the Directive).

Bone Therapeutics' Manufacturing Site has been inspected by the Belgian national competent authorities (Federal Agency for Medicines and Health Products, Belgium) and is registered as a "Pharmaceutical Establishment" and accredited as a "GMP" facility by the Belgian Competent Authorities (Federal Agency for Medicines and Health Products), as requested by the Directive 2001/83/EC, 2009/120/EC and regulation EC 1394/2007. Manufacturing Authorization and intra-EU distribution for PREOB®, ALLOB® and JTA-004 has been granted by the Belgian National Competent Authority under the number 1698.

[26] *Company websites and clincialtrials.gov.*

Overview of manufacturing authorizations

Agreement / license	Competent Authority*	Date of approval
Manufacturing authorization and intra-EU distribution authorization for JTA®, PREOB® & ALLOB®	Federal Agency for Medicines and Health Products	Authorization since February 2011, updated on 8 Jan 2013. Last update (JTA-004) on January 2017
GMP agreement	Federal Agency for Medicines and Health Products	Authorization since 23 Jan 2012 (Addition of production site-Gosselies- on 19 December 2017) Authorization for JTA since 29 Sept 2014
Tissue Bank / Production Establishment (PREOB®)	Federal Agency for Medicines and Health Products	Authorization since 30 June 2010
Tissue Bank / Intermediary Structure (ALLOB®)	Federal Agency for Medicines and Health Products	Authorization since 1 March 2013

** In the EU, the national Competent Authority is entitled to grant accreditation to the whole of the EU.*

Competent Authorities are aware of the specificities of cell-based product candidates, and give much attention to their upfront characterisation and to the development of assays to measure their biological activity. The preclinical and clinical development paths are broadly similar in Europe (governed by Directive 2001/20) and in the US. Initially, non-clinical studies are conducted to evaluate the mode of action and safety through *in vitro* and *in vivo* studies. Upon successful completion of preclinical studies, a request for a Clinical Trial Authorisation (CTA, in the EU) or an Investigational New Drug application (IND, in the US), needs to be approved by the relevant Competent Authorities and Ethics Committee for clinical trials to be allowed to start. Clinical trials are typically conducted in sequential phases, Phases I, II, III and IV. Phase IV trials are conducted as post-marketing pharmacovigilance studies to identify and evaluate the causality of any long-term effects during a lengthy period treatment for a greater number of patients. These phases may be compressed, may overlap or may be omitted in some circumstances.

The rate of completion of the Company's clinical trials may be delayed by many factors, including slower than anticipated patient enrolment or adverse events occurring during clinical trials.

Competent Authorities typically have between two and six months from the date of receipt of the CTA application to raise any objections to the proposed trial for ATMPs. USFDA shall provide a written determination one month after FDA receives the IND application. Competent Authorities may also require additional data before allowing studies to commence and could demand that studies be discontinued, for example if there are significant safety issues. In addition to obtaining Competent Authority approval, clinical trials must receive Ethics Committee (in the EU) or Institutional Review Board, "IRB" (in the US) approval for every research site (e.g., hospital) where the clinical trials are conducted.

For most of its studies, the Company sought EMA scientific advice before designing its clinical trials in order to incorporate the requirements of the EMA.

The Company received orphan drug status for PREOB® (EMA: 2007; FDA: 2008) and ALLOB® (EMA: 2013; FDA: 2014) for the treatment of (non-traumatic) osteonecrosis as well as for the osteogenesis imperfecta treatment for ALLOB® product (EMA: 2015; USFDA: 2015). When obtaining orphan designation, the Company benefits from a number of incentives, including protocol assistance, a type of scientific advice specific for designated orphan medicines, and market exclusivity (10 years in Europe and 7 years in the US) once the medicine is on the market. Fee reductions are also available depending on the status of the sponsor and the type of service required.

5.6.2 Marketing approval

Although different terminology is used, the data requirements, overall compliance to GMP, GCP and other regulatory requirements and the assessment and decision making process for marketing approval are similar in the EU and in the US. Upon availability of initial efficacy data from Phase II clinical trials and confirmatory Phase III clinical trial data, the Company may submit a request for marketing authorization to the Competent Authorities (a Marketing Authorization Application (MAA) to EMA in the EU; a Biologics License Application (BLA) to FDA in the US). FDA and/or EMA may grant approval if the quality, safety and efficacy of the medicinal product are proven, deny the approval or request additional studies or data. Following favourable assessment and decision, the products may be commercially launched in the relevant territory. There can be no guarantee that such approval will be obtained or maintained. In practice, effective market launch is often further conditioned upon completion of pricing and reimbursement negotiations with Competent Authorities involved in healthcare and pharmaceutical expenditure at the national or regional level.

When granting marketing authorization, Competent Authorities may impose upon the Company an obligation to conduct additional clinical testing or other post-approval commitments in addition to mandatory pharmacovigilance requirements (referred to as Phase IV clinical trials) (Regulation 1394/2007). Additionally, marketing authorization may be subjected to limitations on the indicated uses for the product. Also, after marketing authorization has been obtained, the marketed product and its manufacturer and marketing authorization holder will continue to be subject to Regulatory Regulations and monitoring by Competent Authorities. The conditions for marketing authorization include requirements that the manufacturer of the product complies with applicable legislation including GMP, related implementing measures and applicable guidelines that involve, amongst others, ongoing inspections of manufacturing and storage facilities.

5.6.3 Pricing and reimbursement

In Europe, pricing and reimbursement for pharmaceuticals are not harmonized and fall within the exclusive competence of the national authorities, provided that basic transparency requirements defined at the European level are met as set forth in the EU Transparency Directive 89/105/EEC. As a consequence, reimbursement mechanisms by private and public health insurers vary from country to country. In public health insurance systems, reimbursement is determined by guidelines established by the legislator or a competent national authority. In general, inclusion of a product in reimbursement schemes is dependent upon proof of the product efficacy, medical need, and economic benefits of the product to patients and the healthcare system in general. Acceptance for reimbursement comes with cost, use and often volume restrictions, which again vary from country to country.

The pricing and reimbursement level for the Company's products will depend on the strength of the clinical data set and, as for most novel therapies, restrictions may apply. In most countries, national Competent Authorities ensure that the prices of registered medicinal products sold in their territory are not excessive. In making this judgment, they usually compare the proposed national price either to prices of existing treatments and/or prices in other countries also taking into account the type of treatment (preventive, curative or symptomatic), the degree of innovation, the therapeutic breakthrough, volume of sales, sales forecast, size of the target population and/or the improvement (including cost savings) over comparable treatments. Given the growing burden of medical treatments on national health budgets, reimbursement and insurance coverage is an important determinant of the accessibility of medicines. The various public and private plans, formulary restrictions, reimbursement policies, patient advocacy groups, and cost-sharing requirements may play a role in determining access to products marketed by the Group. The national Competent Authorities may also use a range of policies and other initiatives intended to influence pharmaceutical consumption. To address the above, the Company integrates as part of its clinical development programs the collection of data aimed at facilitating the evaluation of therapeutic benefit, in terms of efficacy and/or reduction in side effect profile, and of its cost. Concomitantly with marketing authorization applications, the Company will engage in a dialogue with key decision makers at different payers in order to identify unique preferences and concerns by payer type and to obtain insight in the perceived value drivers, reimbursement barriers and price elasticity for its products.

5.7 Material agreements

For information on the Company's material financing agreements see Section 5.9.

For information on the Company's material grants and subsidies agreements see Section 5.10.

The Company has entered in addition into the following other material agreements:

5.7.1 Shareholders' agreement in relation to SCTS

The Company entered into a shareholders' agreement in relation to SCTS dated 30 November 2011 (as amended on 20 February 2013), together with the other shareholders in SCTS (which are, whether directly or indirectly, also shareholders of the Company). This agreement contains a set of provisions governing the rights and obligations of the Company in relation to SCTS. Amongst others, the agreement contains a broad undertaking by the Company to use the services provided by SCTS in accordance with the invoicing policy included in the agreement, which results in undertaking by the Company to guarantee a preferred minimum dividend payment of 6.5% to the other shareholders of SCTS. Also, under the agreement the other shareholders of SCTS have a put option, pursuant to which the Company will be bound, as of 1 January 2020, to acquire the shares of such shareholders which have exercised their put option at net asset value, with a minimum of 90% of the subscription price (in aggregate, € 1,150,000). In addition, the agreement contains a call option right pursuant to which the Company has the right, until 31 December 2019, to acquire the shares held by such other shareholders, for a price generating an internal rate of return of 8% for these shareholders.

5.7.2 License agreement between Université libre de Bruxelles (ULB) and the Company regarding ULB-028 patent family

The Company entered into a license agreement with the ULB regarding the ULB-028 patent family which is owned by the ULB. This agreement provides the Company and its affiliates with an exclusive and worldwide license over the technology claimed by the ULB-028 patent family in the field of skeletal (bone, joint, any orthopaedic) and dental applications. The ULB retains the right to operate this technology for research and educational purposes only. The Company may grant sub-licenses, the identity of such sub-licensee(s) being subjected to prior approval by the ULB. In consideration of the rights granted to the Company, the Company must make payments to the ULB upon achievement of certain development and patent related milestones. In addition, the Company must pay to the ULB (i) single digit royalties based on the net sales of licensed products sold by the Company and (ii) a high single digit percentage of all revenues received from sub-licensees for products as of Phase III and low double digit royalties for products in Phase I or II.

The Company has recognized that it must diligently perform research and development obligations and objectives as set out in the company and development plan and must use its best efforts to promote, market and distribute the above technology in a manner consistent with the said plan. In the case of failure to do so, the Licensor may require the Company to produce a written report summarizing its efforts during the previous year and the milestones to be achieved in the next year, and if the licensor demonstrate that such report is reasonably not satisfactory, an independent expert can be called to evaluate the Licensee's report and the Licensor's objections. If the Company does not succeed to reach the new objectives fixed, either on a mutual agreement by the Parties or by the independent expert, Licensor may either reduce the scope of the agreement or make the agreement non-exclusive or terminate it.

This license agreement will expire on the date of expiry of the last to expire patents in the licensed patent family or ten years after the first commercialization date, whichever is latest. Either party may terminate the agreement if the other party (i) is in breach of its terms and fails or has not taken reasonable steps to remedy the breach within 60 days of receiving written notice to do so, (ii) is declared bankrupt, is the subject of any proceeding related to its liquidation or insolvency, has its assets placed in the hands of a receiver or makes accommodation for the benefits of creditors or (iii) ceases to do business. The Company shall have the right, but shall be under no obligation, to terminate the agreement, within six months prior written notice to ULB. If the company (i) commits an act of dishonesty or fraud with respect to ULB or the bone cell therapy technology or (ii) challenges (or assists others to challenge) ULB's ownership of, or the validity of the ULB-028 patent, ULB shall have the right to terminate the agreement immediately upon written notice to the Company, without court intervention and without having to respect any notice period.

5.7.3 Co-ownership agreement between the Université libre de Bruxelles (ULB), the Université de Liège (ULg)-Patrimoine, le Centre hospitalier universitaire (CHU) de Liège and the Company regarding the ULB-061 patent family

The ULB, the ULg-Patrimoine, the CHU de Liège and the Company entered into a co-ownership agreement dated 18 October 2011 regarding the ULB-061 patent family.

According to this agreement, the Company owns 15% of the claimed invention and related patent rights, the ULB owns 70% of the invention and rights and the ULg and CHU de Liège jointly own the remaining 15%. None of the granted rights can be exercised by a single party but only jointly. While the day-to-day administration of the patent rights and the economic valorisation of the claimed invention will be taken care of by the ULB, all decisions regarding to the geographic scope of the patent rights or their technical content shall be taken jointly by the parties.

The Company was granted a right of first refusal of an exclusive patent license agreement regarding the considered patent family. This license agreement was entered into on 17 April 2014 but was terminated by the Company on 28 January 2017 following strategic review of the Company's portfolio and priorities. Therefore, the co-ownership agreement currently fully governs the ULB-061 claimed invention and patent family rights.

The costs and benefits generated by the patent prosecutions and the operation of the claimed invention shall be shared by the parties according to their respective part in the ownership of the invention and related patents, after a 10% deduction attributed to the ULB for covering its costs for the daily administration of the patent rights and the economic valorisation of the claimed invention.

If the claimed invention is operated by the Company according to its above right of first refusal, the cost of the patent prosecution shall be supported by the Company for the duration of the granted patent license and the benefits of this operation

shall be shared with the other parties according to their part in the ownership of the invention and related patent rights.

Each party is granted a right of first refusal relating to the stake of the other parties in the ownership of the claimed invention and related patent rights, and no party is authorized to assign its part in this ownership before the other parties have exercised their right of first refusal.

Each party shall remain the sole owner of its improvements to the invention. If such improvements are provided jointly by the parties, they shall negotiate their respective part in the ownership of these improvements according to their respective contribution to the latter. This agreement remains in force until the expiration or withdrawal of the last patent. However, each party is authorized to leave the co-ownership after a 5-year time period has lapsed following the signature date of the agreement.

5.7.4 License agreement between Enrico Bastianelli SPRL and the Company regarding the BPBONE-001 and BPBONE-002 patent families

The Company entered into a license agreement with Enrico Bastianelli SPRL regarding the BPBONE-001 and BPBONE-002 patent families (the agreement refers to the priority patent application number claimed for both families, derived from divisional applications of the said priority application) which were owned by Enrico Bastianelli SPRL prior to their transfer to the Company. This agreement provides the Company and its affiliates with a personal and non-transferable, exclusive, worldwide license over the technology claimed by the BPBONE-001 and BPBONE-002 patent families. The Company may grant sublicenses, the choice of sub-licensee(s) being subjected to prior approval by Enrico Bastianelli SPRL.

In consideration of the rights granted to the Company, the Company pays certain moderate lump-sum payments and average low single digit royalties on net sales to Enrico Bastianelli SPRL. Sublicense agreements are subject to royalties in line with Section 5.7.2 "License agreement between Université libre de Bruxelles (ULB) and the Company regarding ULB-028 patent family".

The Company recognizes that it must diligently perform research and development obligations and objectives and must use its best efforts to promote, market and distribute the above technology. In the case of failure to do so, Enrico Bastianelli SPRL may terminate the agreement. If the exploitation of the technology by the Company would be delayed for a period of 15 months in comparison to the objectives except in case of *force majeure*, Enrico Bastianelli SPRL may also terminate the license agreement.

In the event that the Company develops an improvement to the technology, Enrico Bastianelli SPRL is granted a right of first refusal to negotiate license rights over such improvement outside the skeletal diseases and application field for commercial purposes.

The license agreement will expire on the date of expiry of the last to expire patents in the licensed patent family or ten years after the first commercialization date. Either party may terminate the agreement if the other party (i) is in breach of its terms and fails or has not taken reasonable steps to remedy the breach within 60 days of receiving written notice to do so, (ii) is declared bankrupt, has its assets placed in the hands of a receiver or makes accommodation for the benefits of creditors or (iii) ceases to do business. If the development of the technology is not sufficiently supported by public research grants, the Company has also the right to terminate the agreement.

This agreement was succeeded by an agreement entered into on 17 December 2014. This agreement confirms that the assignment of the BPBONE-001 and the BPBONE-002 patent families to the Company has taken place. Reflecting this new reality, the rights granted under both patent families and the related data and know-how are quasi identical as under the previous agreement but within the field of joint diseases and applications.

Other provisions which differ from the previous agreement relate to New Improvements (which can be exploited by the Company subject to payments of 50% of the payments described above), New Patents (which will be owned by the Company and otherwise governed by the same terms and conditions), the Term of the agreement (expiration of the patents) and the consequences of Termination (the ownership of the BPBONE-001 and BPBONE-002 patent families and of any New Patent will automatically be transferred to Enrico Bastianelli SPRL).

This agreement was completed by an agreement entered into on 23 December 2016, which specifies the terms of cooperation between the Company and Enrico Bastianelli SPRL for the exploitation of the technology claimed by the BPBONE-001 and BPBONE-002 patent families. Under this agreement, the parties agree (i) the Company has the exclusive rights to research and develop a number of programs, including the JTA-004 product for the treatment of human knee osteoarthritis (currently in clinical stage) and the improved "JTA NEXT" products, and (ii) Enrico Bastianelli SPRL is granted an exclusive, royalty-free and worldwide license (with right to sub-licence) over the above technology for specific JTA® products and for veterinarian applications which the Company has opted not to develop.

Since June 2017, Enrico Bastianelli SPRL has transferred its agreement rights to Glob-Co SPRL. Glob-Co SPRL is owned by more than 25% by Enrico Bastianelli, its registered office is in Gosselies, Belgium.

5.7.5 Agreement between Enrico Bastianelli SPRL and the Company regarding the BONE-011 patent family

The Company entered into an agreement dated 17 December 2014 with Enrico Bastianelli SPRL regarding their jointly owned BONE-011 patent family.

Under this agreement the Company is granted an exclusive and worldwide license in the field of cell therapy for bone diseases (royalty-free) and in the field of joint diseases and applications (on a royalty bearing basis). These royalties to be paid by the Company are identical to the royalties and percentages which are due under the agreement between the same parties regarding the BPBONE-001 and BPBONE-002 patent families (see Section 5.7.4 "License agreement between Enrico Bastianelli SPRL and the Company regarding the BPBONE-001 and BPBONE-002 patent families").

Should this agreement be terminated, both co-owners will be entitled to freely use their co-owned BONE-011 patent in the field of their respective activities: cell therapy for the treatment of bone diseases for the Company and the other applications for Enrico Bastianelli SPRL.

This agreement was completed by an agreement entered into on 23 December 2016, which specifies the terms of cooperation between the Company and Enrico Bastianelli SPRL for the exploitation of the technology claimed by the BONE-011 patent families. These terms are identical to those established under the agreement between the same parties regarding the BPBONE-001 and BPBONE-002 patent families (see Section 5.7.4 "License agreement between Enrico Bastianelli SPRL and the Company regarding the BPBONE-001 and BPBONE-002 patent families").

Since June 2017, Enrico Bastianelli SPRL has transferred its agreement rights to Glob-Co SPRL. Glob-Co SPRL is owned by more than 25% by Enrico Bastianelli, its registered office is in Gosselies, Belgium.

5.7.6 Sublicense agreement between Enrico Bastianelli SPRL and the Company regarding the BONE-001, BONE-002 and BONE-013 patent families

The Company entered into an agreement dated 13 December 2016 with Enrico Bastianelli SPRL regarding BONE-001, BONE-002 and BONE-013 patent families owned by the Company.

Under this agreement, Enrico Bastianelli SPRL is granted an exclusive, royalty-free and worldwide license over the technology claimed by the BONE-001, BONE-002 and BONE-013 patent families (patent rights, data and know how related to the said patent rights) to use, perform research, develop and manufacture products in specific non-bone applications which the Company has opted not to develop. Said non-bone applications fall into the field of (i) articular applications and enthese/tendon/ligament applications, (ii) inflammatory applications, and applications related to diseases of the immune system, and (iii) endocrine and metabolic applications. Accordingly, the Company pursues its research and development programs in bone/dental/maxillofacial applications, including bone diseases, inflammatory bone-related applications, and orthopaedic bone and spine surgeries.

In the event that the exploitation of the rights granted by the Company to Enrico Bastianelli SPRL within the framework of this agreement would lead to a product or a method that Enrico Bastianelli SPRL intends to develop, sell or supply by a third party or in partnership with a third party, the Company has a right of first refusal to negotiate with Enrico Bastianelli SPRL a license or partnership over such product or method at fair market conditions.

Since June 2017, Enrico Bastianelli SPRL has transferred its agreement rights to Glob-Co SPRL. Glob-Co SPRL is owned by more than 25% by Enrico Bastianelli, its registered office is in Gosselies, Belgium.

5.7.7 Sublicense agreement between SCTS and the Company regarding the EP member of the ULB-028 patent family

This agreement provides SCTS with a personal, non-transferable, royalty-free license over the technology claimed by the ULB-028 patent family (patent rights, data and know how related to the said patent rights) to use, perform research, develop and manufacture products in the name of the Company in the framework of the PROFAB agreement (R&D agreement between SCTS, the Region and the Company). This license applies to the osteoarticular indications and applications field.

The Company is granted a worldwide exclusive back-license over all the results and improvements obtained by SCTS in the above field. In consideration of the said back-license, the Company must pay to SCTS certain determined milestones amounts which correspond to the best estimation of SCTS' R&D expenses but can be adjusted in order to match the real expenses. In addition, the Company must pay single digit royalties to SCTS on the revenues from the manufacturing by the Company of products developed and optimized by SCTS under the PROFAB agreement and low single digit royalties on the

revenues from the manufacturing of such products by SCTS.

SCTS is in charge of the prosecution, maintaining in force and defence of the validity of the members of the licensed patent family. SCTS recognizes that it must diligently perform its research, development and manufacturing obligations and objectives as set out in the PROFAB agreement and in a manner which is consistent with the standards of the Company. The license agreement will expire on the date of expiry of the PROFAB agreement or later if agreed by the parties.

In the case of the exploitation of PROFAB results, the expiry of the PROFAB agreement also makes an end to the reimbursement period of the funding under this agreement. The decision not to exploit PROFAB results in the above field needs to be taken by both SCTS and the Company.

Either party may terminate the agreement if the other party (i) is in breach of its terms and fails or has not taken reasonable steps to remedy the breach within 60 days of receiving written notice to do so, (ii) is declared bankrupt, has its assets placed in the hands of a receiver or makes accommodations for the benefits of creditors or (iii) ceases to do business.

5.7.8 Sublicense agreement between the Company and SCTS regarding the BPBONE-001 and 002 patent families

This agreement provides SCTS with a personal, non-transferable, royalty-free license over the technology claimed by the BPBONE-001 and 002 patent families (patent rights, data and know how related to the said patent rights) to use, perform research, develop and manufacture products under this technology in name of the Company in the framework of the JTA PROD agreement (R&D agreement between the Company, SCTS and the Region). This license applies to the osteoarthritis indications field.

The Company is granted a worldwide exclusive back-license over all the results and improvements obtained by SCTS in the above field. In consideration of the said back-license, the Company must make payments to SCTS in accordance with an agreement between the parties to be set out in a separate document. It is not clear if such separate document has already been agreed between the parties.

SCTS is in charge of the prosecution, maintaining in force and defence of the validity of the members of the licensed patent family. SCTS recognizes that it must diligently perform its research, development and manufacturing obligations and objectives as set out in the JTA PROD agreement and in a manner which is consistent with the standards of the Company.

The license agreement will expire on the date of expiry of the JTA PROD agreement or later if agreed by the parties. In the case of the exploitation of the JTA PROD results, the expiry of the JTA PROD agreement also makes an end to the reimbursement period of the grant under this agreement. The decision not to exploit the PROFAB results in the above field needs to be taken by both SCTS and the Company.

Either party may terminate the agreement if the other party (i) is in breach of its terms and fails or has not taken reasonable steps to remedy the breach within 60 days of receiving written notice to do so, (ii) is declared bankrupt, has its assets placed in the hands of a receiver or makes accommodations for the benefits of creditors or (iii) ceases to do business.

5.7.9 Licence Agreement between the Company and Asahi Kasei Corporation

The Company entered into a license agreement dated 21 September 2017 with Asahi Kasei Corporation, one of Japan's leading industrial companies. This license agreement is an important additional validator of the Company's technology platform and of its global, commercial potential.

Under the agreement, Asahi Kasei is granted an exclusive right to develop, register and commercialize the Company's autologous bone cell therapy product, PREOB®, for the treatment of osteonecrosis of the hip with the potential for other orthopedic and bone applications in Japan. The Company kept all rights on PREOB® for all other territories, such as EU and US. The agreement includes an option for Asahi Kasei to negotiate to extend the scope of the license to Republic of Korea, People's Republic of China and Taiwan ROC.

According to the agreement, Asahi Kasei paid to the Company an upfront non-refundable license fee of € 1,670,000 and will make additional payments up to € 7,500,000 upon the achievement of certain development and commercial milestones. In addition, Asahi Kasei will pay to the Company tiered royalties calculated based on annual net sales of PREOB® in Japan.

5.8 Collaborations

5.8.1 Industrial collaborations

The Company has entered into industrial collaborations with:

- Kasios SPRL (Belgium and France), to develop novel products for spinal fusion procedures. The first collaboration combines the Company's allogeneic product ALLOB® with Kasios' synthetic micro-granules bone substitute. The project was supported by the Walloon Region and ran for two years. A second project aimed to

provide a ready-to-use product for spinal fusion procedures by combining the ALLOB® cells with Kasios' spinal fusion cage with 3D-printed matrix. This project ended in December 2017. Kasios is a France-based company with a Belgian subsidiary (Kasios SPRL) that specializes in synthetic bone substitutes for orthopaedics and dental surgery and has an established expertise in biomaterials.

- Fujifilm Manufacturing Europe B.V. (The Netherlands), to identify the therapeutic advantages of the combined use of recombinant-collagen scaffold and cells for orthopaedic applications. A Marie Curie grant has been awarded (part of the European Commission Seventh Framework Programme for Research and Innovation [FP7]) to support the project. The Dutch manufacturing company is one of the largest Fujifilm production companies outside Japan. This project ended in October 2017.
- CER Groupe (Belgium), to study the immune response of human cells xenografts in a non-animal heterologous model and to study the effect of ALLOB® product on osteomyelitis. Both projects are CWALity [27] projects founded by the Walloon Region. The first project (XENOMOD) ended in April 2017, while the second project (ALLGEL) is still ongoing. CER Groupe is the merger of various non-profit associations, has forged a solid expertise in the field of biomedical research, and is currently recognized by the Walloon Region as a certified Research Centre.

The collaborations with Bio.be and SIRRIS have been respectively ended in July 2015 and November 2016.

5.8.2 Academic / Clinical collaborations

5.8.2.1 Collaboration with the Université libre de Bruxelles

The Company has a core academic, research and license collaboration with the Université libre de Bruxelles and Erasme University Hospital (Brussels). The Université libre de Bruxelles, owner of the ULB-028 patent family entitled "A method for cell differentiation and uses thereof" (see Section 5.7.2 "License agreement between Université libre de Bruxelles (ULB) and the Company regarding ULB-028 patent family") concerning PREOB®, has granted the Company a worldwide and exclusive license to use, modify, perform research, develop, manufacture and commercialize the licensed product in the field of skeletal (bone, joint, any orthopaedic) and dental applications.

5.8.2.2 Collaboration with CHU of Liège (Sart-Tilman)

According to Belgian Law, when human biological material is used for the manufacturing of allogeneic advanced therapy medicinal products, the reception and processing of the human biological material and its distribution to a Pharmaceutical Establishment can be done via an accredited "Intermediary Structure" tissue establishment if the latter has an agreement with an accredited Tissue Bank which remains responsible for the donation, testing, procurement and release of the human biological material. The Company works in collaboration with the LTCG, the accredited Tissue Bank from the CHU based in Liège Sart-Tilman.

5.8.2.3 Collaboration with the Centre for Microscopy and Molecular Imaging (CMMI)

The Company is cooperating for several of its research projects with the Centre for Microscopy and Molecular Imaging (CMMI) that was created in a joint venture between the Université de Mons and Université libre de Bruxelles. The CMMI has created a profound expertise in imaging and cellular labelling that gives the Company access to essential information for preclinical characterization and validation of products and allows better evaluation of safety and efficacy of clinical products in development. Currently, one project, funded by the Walloon Region, is ongoing in cooperation with the CMMI: the "OSTEOMOD" project evaluates and follows the efficacy of fracture repair treatments in vivo in small animals through quantitative and qualitative imaging.

5.8.2.4 Collaboration with the Laboratory of Bone and Metabolic Biochemistry (Université libre de Bruxelles)

Bone Therapeutics is collaborating with the Laboratory of Bone and Metabolic Biochemistry (Université libre de Bruxelles) on the influence of obesity and diabetes on the osteogenic potential of the bone therapy product ALLOB®. This 2-years project, named "LIPO", will seek to better understanding the influence of bone marrow adipocytes on bone metabolism and to validate the osteogenic potential of ALLOB® in this particular environment. This project would open the way to treatment of delayed-union fractures for patients with type 2 diabetes and/or obese patients, who are currently excluded from clinical studies.

[27] *CWALity, Collaboration in Wallonia ability, a platform from the Walloon Region to promote collaboration between PMEs and local research organisms.*

5.9 Financing Agreements

The Company has entered into a number of agreements with its bankers ING Belgique SA/NV and BNP Paribas Fortis SA/NV which cover short (<1 year), medium (1-3 years) and long (>3years) term financing requirements. These requirements are entered into by the Company and /or by SCTS SA. In addition, the Company has obtained a number of loan facilities through regional investment offices (considered as related parties) such as Sambrinvest SA, Fond de Capital à Risque SA, Novallia SA and Sofipôle SA.

Bone Therapeutics SA has the following financing agreements in place:

- Under the framework of the European Regional Development Fund 2007-2013 (ERDF/FEDER) the Company has been granted, through a selection progress organized by the Walloon Region through Novallia SA, a long term subordinated loan for an amount of € 500,000 for a period of 10 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance the development of PREOB® for the treatment of non-union fractures. The loan carries a market-based interest rate and as of the third-year fixed quarterly instalments are due to reimburse the capital. There are no securities provided by the Company in respect of this loan agreement. The loan was granted on 25 May 2012, the loan was received on 21 June 2016 and the final repayment is foreseen on 31 March 2022. The outstanding balance at 31 December 2017 amounts to € 0.27 million.
- Under the framework of the European Regional Development Fund 2007-2013 (ERDF/FEDER) the Company has been granted, through a selection progress organized by the Walloon Region through Novallia SA, a long term subordinated loan for an amount of € 300,000 for a period of 7 years (with a 1-year moratorium in respect of capital reimbursements). The loan serves to finance A Phase IIA, multicentre, open study on the safety and efficacy of allogeneic osteoblastic cells (ALLOB®) implantation in multiple non-infected delayed-union (DU) fractures. The loan carries a market-based interest rate and as of the second-year fixed quarterly instalments are due to reimburse the capital. There are no securities provided by the Company in respect of this loan agreement. The loan was granted on 2 May 2016, received on 11 May 2016 and the final repayment is foreseen on 31 March 2023. The outstanding balance at 31 December 2017 amounts to € 0.26 million.
- A long term subordinated loan has been awarded to the Company by Sambrinvest SA for an amount of € 250,000 for a period of 7 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance research activities related to severe fractures. The loan carries a market-based interest rate and as of the start of the third-year fixed monthly instalments are due to reimburse the capital. There are no securities provided by the Company in respect of this loan agreement. The loan was granted on 24 February 2011, received on 17 July 2012 and the final payment is foreseen on 30 June 2019. The outstanding balance at 31 December 2017 amounts to € 0.08 million.
- Furthermore, the Company has a number of leasing agreements provided by WBC Incubator and Rentys to finance research equipment, representing an amount outstanding of € 0.17 million as per 31 December 2017.

SCTS SA has the following financing agreements in place:

- La SA Fonds de Capital à Risque has provided a subordinated loan to SCTS SA for an amount of € 370,000. This loan fits within the framework of Regional support as referred to under the EFDR/FEDER regulations. The duration of the loan is for 15 years. The loan carries a market-based interest rate payable on a monthly basis. Capital reimbursement is based on fixed monthly instalments but with a two-year moratorium during which no capital reimbursements will take place. There are no securities provided by SCTS SA in respect of this loan agreement. The loan was granted on 27 March 2013, received on 24 February 2014 and the final payment is foreseen on 28 February 2029. The outstanding balance at 31 December 2017 amounts to € 0.32 million.
- Under the framework of the European Regional Development Fund 2007-2013 (ERDF/FEDER) SCTS SA has been granted, through a selection process organized by the Walloon Region through Novallia SA, a subordinated loan for an amount of € 500,000 euro for a period of 10 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance the development work (optimization of production processes) under the "PROFAB" project. The loan carries a market-based interest rate and as of the third-year fixed quarterly instalments are due to reimburse the capital. There are no securities provided by SCTS SA in respect of this loan agreement. The loan was granted on 21 June 2013, received on 17 July 2013 and the final repayment is foreseen on 30 June 2023. The outstanding balance at 31 December 2017 amounts to € 0.34 million.
- The Walloon Region (through a delegated mission for Sofipôle SA) has provided a subordinated loan to SCTS SA for an amount of € 500,000. This loan serves to co-finance the construction project for a platform for cellular therapy in the SCTS building at the BioPark of Gosselies (south of Brussels). The loan is to be repaid in full at the maturity date being 30 June 2028. The loan carries a market-based interest rate payable on a quarterly basis. There are no securities provided by SCTS SA in respect of this subordinated loan. The loan was granted on 10 April 2013, received on 26 November 2015. This loan has been used at the end of the year 2015. The outstanding balance at 31 December 2017 amounts to € 0.50 million.
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- BNP Paribas Fortis SA/NV and ING Belgique SA/NV provided long term investment credit facilities to finance the infrastructure project, each for an amount of € 1,625,000 or € 3,250,000 in total.

Although the terms and conditions of the investment credit facilities are different, they have a term of 15 years which can be called upon in function of the progress of the completion of the project. In principle, the applicable interest rate amounts to EURIBOR 3M (the reference rate) increased with a market-based interest rate. SCTS SA has the option to negotiate fixed interest rates for periods up to the end of the contracts. The capital will be repaid in fixed amounts of € 31,250 payable to each bank on a quarterly basis. The reimbursements started at 30 September 2015 and both loans will be fully reimbursed on 30 September 2028.

In addition to the long-term credit facilities, both banks provided a straight loan facility, each for an amount of € 1,450,000 to pre-finance the investment premium granted by the Walloon Region. The contracts were entered into on 27 May 2014. The straight loans facilities were fully drawn at the end of December 2014 and the Company fully reimbursed this loan in 2016. BNP Paribas Fortis SA/NV has, amongst other things, requested the following security in respect of the above loans/facilities to be granted in parity with the security granted to ING Belgique SA/NV:

- a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 27,500 (€ 25,000 for ING Belgique SA/NV);
- a mandate to a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 1,760,000 (€ 1,600,000 for ING Belgique SA/NV);
- a pledge on the subsidies provided by the Walloon Region to SCTS and resulting receivables in the framework of the construction of the infrastructure;
- a pledge on the receivables resulting from services provided by SCTS to SISE SA and to HCTS SA;
- a pledge on the shares held by SCTS in SISE SA (2,800 shares representing 30.9% of the shareholding);
- a pledge on the shares held by the Company in SCTS (12,750 shares representing 49.9% of the shareholding);
- a pledge on an amount of € 22,750 placed on a savings account by SCTS SA representing 6 months of interest on the Roll-over credit facility (annual review as of 30 June 2015) in favor of BNP Paribas Fortis SA/NV;
- a pledge on an amount of € 22,750 placed on a savings account by SCTS SA representing 6 months of interest on the Roll-over credit facility (annual review as of 30 June 2015) in favor of ING Belgique SA/NV; and
- commitment (negative pledge) of SCTS not to pay any dividends and alike without the prior agreement of the banks.

5.10 Grants and subsidies

European Union
European Regional Development Fund

Avec le soutien de la Wallonie

5.10.1 Bone Therapeutics

From incorporation until 31 December 2017, the Company has been awarded non-dilutive financial support from the Walloon Region and by the European Commission totalling € 25,278,000. This financial support has been granted in the form of recoverable cash advances ("**RCAs**") for an amount of € 21,805,000 of which € 18,583,000 has been paid out to the Company as of 31 December 2017, and in the form of (non-refundable) subsidies for an amount of € 3,473,000 of which € 3,219,000 has been paid out to the Company as of 31 December 2017. The Company intends to continue to apply for RCAs and subsidies to fund its development and research programs.

Each subsidy is defined by a contract number and a name (subsidy name).

5.10.1.1 Recoverable cash advances

RCAs are dedicated to support specific research and development programs. After approval/grant, RCA contracts consist of three steps, i.e., the "research phase", the "decision phase" and the "exploitation phase". During the research phase, the Company receives funds from the Walloon Region based on statements of expenses. At the end of the research phase, the Company should within a period of six months decide whether or not to exploit the results of the research program (decision phase). The exploitation phase has a duration of in nearly all cases of 25 years. In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable. The reimbursements of the RCAs to the Walloon Region consist of two elements, i.e., turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum independent of the Company's turnover). As of financial year 2016, the accounting treatment for RCA's strictly follow the IFRS guidelines as foreseen under IAS 39 following a recent advise from the IFRS Interpretation Committee ("IFRS IC"). For a detailed description of the re-

spective accounting treatments we refer to the notes to the consolidated financial statements. 15.2.3.3 "Recoverable cash advances (RCA) – Change in accounting policy".

The Company owns the results of the subsidized research. Subject to certain exceptions, the Company cannot grant to third parties, by way of license or otherwise, any right to use the results of the subsidized research without the prior consent of the Walloon Region. A similar prior consent by the Walloon Region is needed in case of a transfer by the Company of an intellectual property right resulting from the subsidized research or a transfer or license of a prototype or installation. Obtaining such consent from the Walloon Region could give rise to a review of the applicable financial terms.

In case the Company decides not to exploit (or not to continue to exploit) the results under an RCA, then such RCA does not become refundable (or respectively is no longer refundable as of the calendar year after such decision) provided that the Company notifies the Walloon Region of such decision and transfers the rights relating to the relevant field of research to the Walloon Region or an entity designated by it. In such case, the Company may also have to grant (or cause to be granted) an exclusive license to the Walloon Region to the underlying patent(s). Also, in case the Company decided to renounce to its rights to patents which may result from the research, title to such resulting patents will need to be transferred to the Walloon Region. Furthermore, the Company is prohibited from conducting any research on behalf of a third party in the relevant field of research for 36 months or 72 months (as the case may be) following the Company's decision not to exploit the results obtained from the research in the relevant field.

RCAs contracts are governed by the applicable Walloon regulations. These regulations change from time to time.

Contracts granted before 2009 (contracts 5369 and 5827) contain the following specific conditions:

- Funding by the Walloon Region covers **70%** of the budgeted costs;
- Certain activities have to be performed within the Walloon Region;
- In case of an out-licensing agreement or a sale to a third party, the Company will have to pay in principle 10% of the payments received (excl. of VAT) to the Walloon Region;
- The exploitation phase initially foreseen in the contracts had a duration of **10 years**. In the course of 2015, the Company was informed by the Walloon Region that the duration of the exploitation of those contracts was extended to 30 June 2041 (being the equivalent of a 25-year exploitation period);
- Turnover-independent reimbursements, turnover-dependent reimbursements, and amounts due in case of an out-licensing agreement or a sale to a third party, are, in the aggregate, capped (except for interests) at **100%** of the principal amount paid out by the Walloon Region;
- Turnover-dependent reimbursements, 5% (including accrued interest) of the principal amount of the RCA, payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year.

Contracts granted before 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **60%** of the budgeted costs (contracts 6064, 6187, 6700, 6446, 6337, 6539, 6805, 6834, 6855, 7029, 7028, 7187 and 7217); **or** covers **75%** of the budgeted project costs if there is a collaboration with a Company established in Walloon Region (contracts 5993, 6081 and 7186);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase initially foreseen in the contracts had a duration of **10 years**. In the course of 2015, the Company was informed by the Walloon Region that the duration of the exploitation of those contracts was extended from 10 to 25 years;
- Turnover-dependent reimbursements range between 0.007% and 1.28% of turnover realized during a specific year;
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted before 2015 are expressed to be assumed by the Walloon Region by operation of law.

Contracts granted as of 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **55%** of the budgeted costs (contracts 7405 and 7433);
- Certain activities have to be performed within the European Union;

- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of **25 years;**
- Turnover-dependent reimbursements range between 0.847% and 0.90% of turnover realized during a specific year;
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted as of 2015 are expressed to be assumed by the Walloon Region by operation of law.

Contracts granted as of 2016 contain the following specific conditions:

- Funding by the Walloon Region covers **45%** of the budgeted costs (contracts 7539, 7646, 7720 and 1510583);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of **25 years** (except 15 years for contract 7720)**;**
- Turnover-dependent reimbursements are 0.23%, 0.20%, 0.25% and 0.04% respectively for contracts 7539, 7646, 7720 and 1510583 (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- Interests (at Euribor 1 year or at IBOR 1 year if higher and as applicable on the first day of the month in which the decision to grant the relevant RCA was made + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted as of 2016 are expressed to be assumed by the Walloon Region by operation of law.

Changes made to contracts granted before 2015:

During 2015, it was decided to prolong the duration of the exploitation phases of all projects. The duration for those projects has been extended until 31 December 2042.

The Company has contracted the following RCAs with the Walloon Region:

Contract N°	Name	Budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2017 (k€)	Turnover-dependent reimbursement
5369	HOMING*	648	2012-2041	648	410	5%
5827	MATOB*	744	2012-2041	744	430	5%
6064	PREOB*	998	2013-2041	299	201	0.2%
6446	METHODES*	660	2014-2041	198	54	0.073%
5993	JOINTAIC*	432	2014-2042	130	43	0.085%
6834	STABCELL*	395	2015-2041	118	24	0.04%
6805	ALLOB NU*	600	2015-2042	180	40	0.2%
6337	PREOB NU*	2,960	2015-2041	888	178	0.59%
6187-6700	ALLOB*	1,306	2015-2042	392	52	1.2%
6081	GXP*	1,519	2015-2041	456	61	0.007%
6539	MAXBONE*	676	2015-2042	203	7	0.08%
6855	JTA*	600	2016-2042	180	30	0.042%
7029	CRYO*	550	2016-2042	165	17	0.37%
7028	PREOB ON3*	815	2016-2041	244	24	0.05%
7187	BANK*	258	2016-2042	78	0	0.175%
7186	ALLOB IF *	620	2017-2042	186	6	1.28%
7217	MXB BIOPRINTING*	1,000	2017-2042	300	0	0.1093%
7405	MECA OB	1,815	2018-2042	545	0	0.847%
7433	ALLOB SEQ	1,920	2018-2041	576	0	0.90%
7539	LIPO	519	2018-2043	156	0	0.23%
1510583	ALLGEL	155	2019-2043	47	0	0.04%
7646	JTA-NEXT	2,161	2020-2044	648	0	0.20%
7720	RUSTUS	455	2019-2033	136	0	0.25%
TOTAL		21,804		7,517	1,577	

**Exploitation already signified to the Walloon Region*

Out of these contracted RCAs, up to 31 December 2017, € 18,583,000 has been effectively paid out. The remaining € 3,221,000 is expected to be received before mid-2020.

A brief description of the Company's subsidies is given in the Table below.

Subsidy Names	Related Company's Projects & Activities	Description
HOMING	PREOB®	Study of homing properties of PREOB®
MATOB	PREOB®	Study of secretion of extracellular matrix proteins of PREOB®
PREOB	PREOB®	Phase IIB clinical study in osteonecrosis with PREOB®
METHODES	Quality control	Optimisation of QC analytical methods
JOINTAIC	JTA®	Pharmaceutical development of JTA®
STABCELL	PREOB® & ALLOB®	Optimisation of PREOB® and ALLOB® stability
ALLOB NU	ALLOB®	Preclinical and clinical development of ALLOB®
PREOB NU	PREOB®	Non-union clinical study with PREOB®
ALLOB	ALLOB®	Preclinical and clinical development of ALLOB®
GXP	Quality system	Set-up of preclinical, clinical and quality control quality systems
MAXBONE	MXB	Pharmaceutical development of MXB
JTA	JTA®	Pharmaceutical development of JTA®
CRYO	ALLOB®	Development of cryopreservation of ALLOB
PREOB ON3	PREOB®	Phase III clinical study in osteonecrosis with PREOB®
BANK	ALLOB®	Optimization of human biological material supply
ALLOB IF	ALLOB®	Preclinical and clinical development of ALLOB® in spine fusion
MXB BIOPRINTING	MXB	Preclinical development of 3D MXB cell-matrix products
MECA OB	ALLOB®	Study of cell mechanisms implicated in chemotaxis and migration of osteoblastic cells
ALLOB SEQ	ALLOB®	Study of the ALLOB® cells secretome and its impact on the serum profile of key proteins implicated in bone reconstruction in delayed-union fractures phase II study.
LIPO	ALLOB®	Influence of obesity and diabetes on osteogenic potential of ALLOB®
ALLGEL	ALLOB®	Preclinical study of ALLOB® for bone repair in osteitis in small animals
JTA-NEXT	JTA®	Increased stability of JTA-004 and product development of JTA-NEXT
RUSTUS	ALLOB®	Radiographic and tomographic scores during fracture healing

5.10.1.2 Subsidies

Subsidies granted by the Walloon Region are dedicated to funded research programs and patent applications.

Subsidies granted by the Walloon Region and amounting to € 3,473,000 are related to patent applications (contracts 820020, 920572, 820018, 920571, 820060, 820126, 920569, 820127, 820125, 920570, 1120242, 1320011, 1320145, 1320190, 820019, 820046, 820047, 1120198, 1220075, 1320146, 1120197, 1220076, 1320144, 1220028, and 1220029) together the "**Patent Subsidies**") and research programs (contracts n° 1017112, 6559, 607051, 1217891, 1318272, 1318269 and 1318215).

As of 31December 2017, the Company has been granted subsidies related to patent applications totalling € 1,287,000 of which € 1,061,000 has been received. The balance will be granted based on statements of expenses to be submitted to the Walloon Region.

The Company has also been granted subsidies for a total amount of € 2,186,000 of which € 2,158,000 by the Walloon Region to fund:

- 70% of costs of research programs under the contracts with the number 1017112, 6559, 1217891, 1318272 and 1318269 for an amount of € 1,653,000
- 80% of costs of research programs under contract n°1318215 for an amount of € 224,000

and by the European Commission to fund 100% of costs of a research program for an amount of € 309,000 (contract n° 607051).

These Region and European Commission subsidies for research are not refundable. Out of the above mentioned subsidies € 2,158,000 has been effectively paid out on 31 December 2017. The remaining € 28,000 is expected to be received before end of 2018.

In addition, the Company had received non-refundable subsidies from different programs (AWEX, Horizon…) for a total amount of € 274,000.

The Company owns the intellectual property rights which would result from the research programs or with regard to a patent covered by a subsidy. Subject to certain exceptions, the Company cannot grant to third parties, by way of license, transfer or otherwise, any right to use the patents (with regard to the Patent Subsidies) or the results (with regard to Research Subsidies) without the prior consent of the Walloon Region. In addition, certain subsidies contain an obligation for the Company to exploit the patent in the countries where the protection was granted and to make an industrial use of the underlying invention.

In case of bankruptcy, liquidation or dissolution, the rights to the patents covered by the Patent Subsidies relating thereto will be assumed by the Walloon Region by operation of law unless the subsidy is reimbursed, in case of liquidation or dissolution. If the Company would lose its qualification of "small or medium-sized enterprise", the subsidies under the Patent Subsidies will terminate and no additional expenses will be covered by such Patent Subsidies.

5.10.2 Skeletal cell therapy support (SCTS)

Since incorporation, SCTS has been awarded non-dilutive financial support from the Walloon Region totalling € 5,734,000. This financial support has been granted in the form of RCAs for an amount of € 5,333,000 of which € 3,582,000 has been paid out to SCTS as of 31 December 2017, and in the form of (non-refundable) subsidies for an amount of € 395,000, which has been fully paid out.

5.10.2.1 Recoverable cash advances

RCAs are dedicated to support specific research and development programs. After approval/grant, RCA contracts consist of three steps, i.e., the "research phase", the "decision phase" and the "exploitation phase". During the research phase, SCTS receives funds from the Walloon Region based on statements of expenses.

The research and development programs conducted by SCTS relate to three products owned by the Company, being ALLOB®, PREOB® and JTA®. Separate License Agreements have been agreed between the Company and SCTS for ALLOB®, PREOB® and JTA® in this respect. The RCA contracts 6804 and 7620 refer to the License Agreements PREOB®, the RCA contract 7253 refer to the License Agreements JTA®, the RCA contracts 7280 and 7406 refer directly to the License Agreements ALLOB® and the RCA contract 7763 refers directly to the License Agreements for ALLOB® PREOB® and JTA®. The Company is a party to both RCA contracts as guarantor for the obligations of SCTS under the respective RCA contracts.

At the end of the research phase, SCTS and Bone Therapeutics should within a period of six months decide whether or not to exploit the results of the research program (decision phase). The exploitation phase has a duration of 15 years or 25 years. In the event SCTS decides to exploit the results under an RCA, the relevant RCA becomes refundable. The reimbursements of the RCAs to the Walloon Region consist of two elements, i.e., turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum independent of SCTS' turnover). As of financial year 2016, the accounting treatment for RCA's strictly follows the IFRS guidelines as foreseen under IAS 39 following a recent advise from the IFRS Interpretation Committee ("IFRS IC"). For a detailed description of the respective accounting treatments we refer to the notes to the consolidated financial statements. 15.2.3.3 "Recoverable cash advances (RCA) – Change in accounting policy".

Subject to certain exceptions, SCTS and Bone Therapeutics cannot grant to third parties, by way of license or otherwise, any right to use the results of the subsidized research without the prior consent of the Walloon Region. A similar prior consent by the Walloon Region is needed in case of a transfer by SCTS of an intellectual property right resulting from the subsidized research or a transfer or license of a prototype or installation. Obtaining such consent from the Walloon Region could give rise to a review of the applicable financial terms.

In case SCTS decides not to exploit (or not to continue to exploit) the results under an RCA, then such RCA does not become refundable (or respectively is no longer refundable as of the calendar year after such decision), provided that SCTS notifies the Walloon Region, of such decision and transfers the rights in rem relating to the relevant field of research to the Walloon Region or an entity designated by it. In such case, SCTS may also have to grant (or cause to be granted) an exclusive license to the Walloon Region to the underlying patent(s). Also, in case SCTS would decide to renounce to its rights to patents which may result from the research, title to such resulting patents will need to be transferred to the Walloon Region. Furthermore, SCTS is prohibited from conducting any research on behalf of a third party in the relevant field of research for 72 months following the SCTS's decision not to exploit the results obtained from the research in the relevant field.

The RCAs are governed by the currently applicable Walloon regulations from which certain specific characteristics.

Contracts granted before 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **60%** of the budgeted project costs (contracts n°6804 and 7253);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase initially foreseen in the contracts had a duration of **10 years**. In the course of 2015, the Company was informed by the Walloon Region that the duration of the exploitation of those contracts was extended from 10 to 25 years;
- Turnover-dependent reimbursements are 1.28% and 0.10% respectively for contracts 6804 and 7253 (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained under the Contracts granted before 2015 are expressed to be assumed by the Region by operation of law.

Contracts granted as of 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **55%** of the budgeted costs (contracts n°7280, 7406 and 7620);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of **15 years** for contract n°7280 and a duration of **25 years** for contract n°7406 and n°7620;
- Turnover-dependent reimbursements are 0.082%, 0.553% and 0.08% respectively for contracts 7280, 7406 and 7620 (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- Interests (at Euribor 1 year or at IBOR 1 year if higher (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained under the Contracts granted as of 2015 are expressed to be assumed by the Walloon Region by operation of law.

Contracts granted as of 2017 contain the following specific conditions:

- Funding by the Walloon Region covers **45%** of the budgeted costs (contracts 7763);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of **25 years**;
- Turnover-dependent reimbursement is 0.04% respectively for contract 7763 (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- Interests (at Euribor 1 year or at IBOR 1 year if higher and as applicable on the first day of the month in which the decision to grant the relevant RCA was made + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted as of 2017 are expressed to be assumed by the Walloon Region by operation of law.

SCTS has contracted the following RCAs with the Walloon Region:

Contract N°	Name	budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2017 (k€)	Turnover-dependent reimbursement
6804	PROFAB*	734	2015-2042	221	44	1.28%
7253	JTA PROD*	742	2017-2041	224	8	0.1%
7280	MO SELECT	353	2017-2031	106	0	0.082%
7406	CRYOFIN	1,185	2018-2042	355	0	0.553%
7620	EXCIP	1,589	2018-2043	477	0	0.08%
7763	PROSTERIL	729	2020-2045	219	0	0.04%
TOTAL		5,333		1,602	52	

**Exploitation already signified to the Walloon Region*

Out of these contracted RCAs, as of 31 December 2017, € 3,582,000 has been effectively paid out. The remaining € 1,751,000 is expected to be received before end of 2020.

A brief description of SCTS' subsidies is given in the Table below.

Subsidy Names	Related Company's Projects & Activities	Description
PROFAB	PREOB®	Optimisation of PREOB® production
JTA PROD	JTA®	Optimisation of JTA® production
MO SELECT	ALLOB®	Optimisation of bone marrow selection
CRYOFIN	ALLOB®	Optimisation of ALLOB® cryopreservation
EXCIP	PREOB®	Development of a new excipient to increase the stability of PREOB®
PROSTERIL	Quality control	Manufacturing of cell therapy products: aseptic risk assessment, detection methods and product protection techniques

5.10.2.2 Subsidies

SCTS has also been granted a subsidy by the Walloon Region to fund 90% of the costs of a research program for an amount of € 395,000 (contract n°7120). The subsidy is in principle not refundable. As of 31 December 2017, the full amount has been effectively paid out.

SCTS owns the intellectual property rights which would result from the research program. Subject to certain exceptions, SCTS cannot grant to third parties, by way of license, transfer or otherwise, any right to use the results without the prior consent of the Walloon Region.

SCTS does not expect to lose its SME status in a foreseeable future (i.e., next 3 to 4 years).

5.11 Intellectual property

5.11.1 Patents and patent applications owned or licensed by the Company

The Company's research programmes and product candidates are covered by several patent families (patents and patents applications), which are either owned by the Company or licensed to the Company. There is one key PREOB® product patent (ULB-028) currently granted in Japan, Singapore, the US and Canada, and one key ALLOB® product patent (BONE-001) granted in Europe, Japan, Canada, India, Singapore and Australia.

In total, the Company's intellectual property portfolio comprises 9 patent families:

- ULB-028 (WO 2007/093431): Cell populations comprising osteoblastic cells characterised by the expression of certain cell markers, and further comprising the method for obtaining such a cell population.
- BONE-001 (WO 2009/087213): Cell populations comprising osteoblastic cells characterised by the expression of certain cell markers, and further comprising the method for obtaining such a cell population.
- BONE-002 (WO 2009/080749): Therapeutic use of isolated bone-forming cells in the treatment of the inflammatory component of inflammatory rheumatic diseases (IRD).
- BONE-004 (WO 2009/135905): Isolated mesenchymal stem cells (MSC) derived from bone marrow and expressing certain cell-surface markers and methods for obtaining such MSC.
- BONE-006 (WO 2009/135914): Therapeutic use of isolated bone-forming cells in the treatment of bone diseases or conditions associated with immunodeficiency or immunosuppression.
- BONE-011 (WO 2014/049063): Discovery of advantageous properties of solvent/detergent-treated plasma in pharmaceutical formulations, which render the formulations particularly suitable for administration to bone or joints, such as to treat musculoskeletal diseases.
- BPBONE-001 (WO 2009/101194): Intra-articular pharmaceutical composition for use in the treatment and/or the prevention of acute or chronic osteoarticular diseases, such as osteoarthritis, and acute or chronic osteoarticular symptoms (i.e., pain, loss of mobility and/or function).
- BPBONE-002 (WO 2009/101210): Pharmaceutical composition for use in the treatment and/or the prevention of acute or chronic osteoarticular diseases and acute or chronic osteoarticular symptoms, especially osteoarthritis.
- BONE-013 (EP15164903.5): Method for in vitro preservation of cells comprising maintaining adherent mesenchymal stem cells (MSC) or adherent MSC-derived cells in suspension in a composition comprising at least 20% v/v human plasma or human serum or a mixture thereof.

The Company owns the exclusive worldwide license of ULB-028.

The Company owned 15% of the ULB-061, for which the ULB were responsible for the day-to-day administration of the patent rights and the economic valorisation of the claimed invention (see Section 5.6.3). By mutual agreement between ULB, ULg and the Company, the ULB-061 family has been withdrawn as of July 2017.

Overview of patents and patent applications.

Reference	Publication No	Title (product)	Priority date	Territory	End of term
ULB-028	WO 2007/093431	Osteogenic differentiation of bone marrow stem cells, and osteoprogenitor or osteoblastic cells and populations (PREOB®)	16 Feb 2006	JP SG US CA (EP, HK, IN)	16 Feb 2027 16 Feb 2027 30 Aug 2028 16 Feb 2027 under examination
BONE-001	WO 2009/087213	Osteogenic differentiation of bone marrow stem cells and mesenchymal stem cells using a combination of growth factors (ALLOB®)	11 Jan 2008	JP SG AU AU-DIV EP CA IN (CN-DIV, HK, KR, US)	9 Jan 2029 9 Jan 2029 9 Jan 2029 9 Jan 2029 9 Jan 2029 9 Jan 2029 9 Jan 2029 under examination
BONE-002	WO 2009/080749	Human bone-forming cells in the treatment of inflammatory rheumatic diseases (PREOB® & ALLOB®)	21 Dec 2007	AU EP HK JP SG CA KR US	19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 under examination
BONE-004	WO 2009/135905	Mesenchymal stem cells and bone-forming cells (PREOB® & ALLOB®)	7 May 2008	SG AU US JP (CA, EP, HK, IN, KR, US-DIV2)	7 May 2029 7 May 2029 13 Feb 2030 7 May 2029 under examination
BONE-006	WO 2009/135914	Human bone-forming cells in the treatment of conditions and bone diseases associated with immunodeficiency or immunosuppression (PREOB®)	7 May 2008	SG AU EP (HK, JP-DIV2, KR)	7 May 2029 7 May 2029 7 May 2029 under examination
BONE-011	WO 2014/049063	Formulations involving solvent/detergent-treated plasma (S/D plasma) and uses thereof (JTA®)	26 Sep 2013	EP SG (AU, CA, CN, HK, IL, IN, JP, KR, US)	26 Sep 2033 26 Sep 2033 under examination
BPBONE-001	WO 2009/101194	Pharmaceutical composition for use in the treatment and/or the prevention of osteoarticular diseases (JTA®)	13 Feb 2009	EP CN HK SG AU KR KR-DIV CA US IN IL (BZ, ,JP, US-DIV)	13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2030 13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2029 under examination

Reference	Publication No	Title (product)	Priority date	Territory	End of term
BPBONE-002	WO 2009/101210	Pharmaceutical composition for use in the treatment and/or prevention of osteoarticular diseases (JTA®)	16 Feb 2009	SG AU JP US IL IN CA (BZ, CA, EP, KR, US-DIV)	16 Feb 2029 16 Feb 2029 16 Feb 2029 16 Feb 2029 16 Feb 2029 16 Feb 2029 16 Feb 2029 under examination
BONE-013	WO 2016/170112	*In vitro* preservation of therapeutic cells (PREOB® & ALLOB®)	23 Apr 2015	EP, US, JP, AU, BR, CA, CN, HK, IL, IN, KR, RU, SG	under examination

Overview of patent ownership and related contracts.

Reference	Product / Clinical stage	Owner(s)	Contract(s)
ULB-028	PREOB® / Phase II/III	Université libre de Bruxelles (ULB)	Exclusive, worldwide license to the Company sublicense to SCTS* for manufacturing with an exclusive worldwide back-licence to the Company
BONE-001	ALLOB® / Phase II	Bone Therapeutics SA	The Company grants an exclusive right to Glob-Co SPRL for specific non-bone applications
BONE-002	PREOB® & ALLOB® / Phase II/III	Bone Therapeutics SA	The Company grants an exclusive right to Glob-Co SPRL for specific non-bone applications
BONE-004	PREOB® & ALLOB® / Phase II/III	Bone Therapeutics SA	
BONE-006	PREOB® / Phase II/III	Bone Therapeutics SA	
BONE-011	JTA® / First-in-Human JTA Next / Preclinical	Bone Therapeutics SA (50%) Enrico Bastianelli SPRL (50%)	A worldwide exclusive license has been granted to Glob-Co SPRL on a selection of joint diseases and applications Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-license to the Company
BPBONE-001	JTA® / First-in-Human JTA Next / Preclinical	Bone Therapeutics SA	Formerly owned by Enrico Bastianelli SPRL – transferred to the Company subject to payment by the Company of royalties. A worldwide exclusive license has been granted to Glob-Co SPRL on a selection of joint diseases and applications Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-license to the Company

Reference	Product / Clinical stage	Owner(s)	Contract(s)
BPBONE-002	JTA® / First-in-Human JTA Next / Preclinical	Bone Therapeutics SA	Formerly owned by Enrico Bastianelli SPRL – transferred to the Company subject to payment by the Company of royalties. A worldwide exclusive license has been granted to Glob-Co SPRL on a selection of joint diseases and applications Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-license to the Company
BONE-013	Excipient for cell products such as PREOB® & ALLOB® / Phase II	Bone Therapeutics SA	The Company grants an exclusive right to Glob-Co SPRL for specific non-bone applications

** SCTS is an affiliate of the Company (which holds 49.9% of SCTS' share capital).*

5.11.2 Trademarks and designs

On the date of this Annual Report, the Company obtained trademarks for PREOB® ALLOB®, MXB® and JTA® products. International registration of PREOB® under class 5 (goods) and class 42 (services) was obtained in April 2012 in the Benelux, the EU, the US, Canada and Japan. ALLOB® was internationally registered under class 5 and class 42 in February 2012 and in the Benelux, the EU, the US, Canada, Japan and South Korea. International registration of MXB® under class 5 and class 42 was obtained in September 2015 in EU, US, Japan, Korea, and Hong Kong and is currently ongoing for Australia, Israel and Canada. International registration of JTA® under class 5 and class 42 was obtained in September 2015 in the EU, the US, Japan, Korea, China and Hong Kong and is currently ongoing for Australia, Israel and Canada.

5.11.3 Orphan Drug Designation

Orphan Drug Designation (ODD) provides a special status to a drug developed for the treatment of rare diseases or rare medical conditions. When obtaining orphan designation, the Company benefits from a number of incentives, including regulatory assistance and market exclusivity (10 years in Europe and 7 years in the US) once the medicine is approved for commercialisation. Through the ODD scheme, the Company benefits from significant fee reductions (90% or more) in respect of the protocol development and scientific advice and product registration procedure in Europe as well as in the US. The Company received ODD for PREOB® and ALLOB® for the treatment of (non-traumatic) osteonecrosis. PREOB® received ODD for osteonecrosis from the EMA in October 2007 and from the FDA in March 2008. ALLOB® received ODD for osteonecrosis from the EMA in July 2013 and from the FDA in January 2014. In addition, the Company announced that it received ODD for ALLOB® for osteogenesis imperfecta from the EMA and FDA.

5.12 Manufacturing

The Company aims to achieve the following objectives through its manufacturing process:

- Provide adequate production capacity at all stages of the development of the Company;
- Continuous optimization of processes to reduce costs and increase capacity of the available infrastructure;
- Protection of knowhow through in-house production and strictly manage relations with potential contract manufacturers producing for other territories.

The products manufactured by the Company have the following product specifications:

- PREOB® and ALLOB® are cellular-based products consisting respectively in viable human autologous or allogeneic osteoblastic cells derived from *ex vivo* cultured bone marrow mesenchymal stromal cells. They are not genetically modified and not combined.
- Both products are medicinal products which have been developed in compliance with the European legislation and have been classified as a tissue engineered product within the European regulatory framework governing the advanced therapy in Europe (Regulation 1394/2007). Under Regulation 1394/2007, a tissue engineered product means a product that contains or consists of engineered cells (cells that have been subject to substantial manipulation or are not intended to be used for the same function in the recipient as in the donor), administered to human beings with a view to regenerating, repairing or replacing a human tissue.
- In the US, PREOB® and ALLOB® will fall under the Biological License Application regulation.
- In Japan, PREOB® and ALLOB® will fall under the new legislation for regenerative medicine. This new legislation creates opportunities for an accelerated conditional market access for cell products based on Phase II clinical trial results.

The manufacturing process of the Company's products is as follows:

- Two steps can be defined in PREOB® and ALLOB® manufacturing process:
    - The collection/procurement (autologous for PREOB® and allogeneic for ALLOB®) of the human bone marrow (starting material);
    - The manufacturing of PREOB® and ALLOB® in dedicated accredited facilities.
- PREOB® and ALLOB® are manufactured in certified facilities[28].
- Bone marrow donation is performed in accordance with the specific regional legislation governing cell and tissue collection. Bone marrow is harvested by a trained and qualified physician from patients (PREOB®) or from adult alive healthy volunteer donors (ALLOB®). Bone marrow is collected in compliance with the European regulation N° 2004/23/EC and based on specific criteria and methods for tests or examinations (this may be subject to change upon new legislation). The patient or donor selection criteria include relevant factors that may assist in identifying and screening out persons whose donation could present a health risk to the recipients or to themselves. The traceability of the human biological material is maintained from bone marrow procurement to PREOB® or ALLOB® administration. Eligibility criteria for donor selection are based (i) on serology, (ii) on medical history and anamnesis and (iii) on physical/clinical examination. After obtaining written informed consent, bone marrow is aseptically harvested from the posterior iliac crest under local anaesthesia. The bone marrow is collected in a sterile bag (blood bag) and sent out under controlled conditions to the manufacturing facilities[29].
- The PREOB® and ALLOB® manufacturing process consists in the ex vivo culture of human bone marrow-derived mesenchymal stromal cells in order to generate human osteoblastic cells. PREOB® and ALLOB® manufacturing processes have been developed to minimize the number of cell manipulations and to limit the number of reagents entering in contact with the cells. PREOB® and ALLOB® are manufactured following standardized and validated manufacturing process by trained operators. Manufacturing process includes 3 key steps (i) bone marrow and culture medium preparation, (ii) ex vivo culture in specific proprietary culture medium and (iii) cells recovering and conditioning in drug product. At the end of manufacturing, PREOB® and ALLOB® cells are collected, controlled and re-suspended in excipients.
- PREOB® and ALLOB® are provided in a single-use, pre-filled, ready-to-use syringe. They can be provided in several dosages depending on the indication and the size of the bone defect to be treated. They are conditioned to be sent to hospitals under controlled conditions for administration.

[28] *The Company received a GMP agreement for its current facilities at the Galactic Innovation Campus (GIC) building in Brussels from the FAMPH on 23 January 2012. A renewal of the authorization was received following an inspection on 26 January 2014 and 27 January 2014. The Company received authorization under number 1698 IMP for the manufacturing, quality control and intra-EU distribution for both ALLOB® and PREOB®.*

[29] *For its PREOB® product the Company has a license as a Tissue Bank/Production Establishment for human autologous tissue-derived materials by the FAMPH received on 18 July 2011. The license was renewed following inspection on 22 May 2014 (validity form 1 July 2014 to 30 June 2018). For its ALLOB® product the Company has a license as a Tissue Establishment/Intermediary Structure by the FAMPH for human allogeneic tissue-derived materials delivered on 19 February 2013 (validity from 1 March 2013 to 28 February 2017, renewal is under evaluation).*

Facilities and capacity:

- The Company is currently producing at its facilities based at the Galactic Innovation Campus (GIC) building in Brussels with two production lines (PREOB® and ALLOB®) which are both GMP approved. The available capacity meets the requirements for the current pre-clinical and clinical developments.
- The Company's production activities are being transferred to the new facilities at the BioPark of Gosselies (south of Brussels) The new facility has been inspected by the inspectorate of the Belgian Federal Agency for Medicines and Health Products (FAMHP). The GMP certificate has been issued by the FAMHP on 19 December 2017 and the authorization to manufacture the PREOB® investigational medical products according to GMP on 19 January 2018. The registration of the Gosselies site as Production Establishment for human body material, according the Belgian Royal Decree of 28 September 2009 has been introduced with the Blood and Human Body Material division of the FAMHP. A specific PREOB® production on site is foreseen by mid of 2018 pending the outcome of a specific Human Body Material (HBM) inspection.
- The Company will continue to run its production operations in 2Q2018 at the Galactic Innovation Campus (GIC) at Anderlecht (Brussels). This campus will be retained as long as necessary to guarantee an uninterrupted production. The Company has access at the Anderlecht Campus to a total dedicated space of 800m^2 for production and related activities. At this Brussels based facility two production units are available accommodating two GMP approved production lines for its products PREOB® and ALLOB®. The available capacity meets the requirements for the current clinical & pre-clinical programs. In early 2Q2018, the production activities will be transferred to the new facilities at the Bio Park of Gosselies (south of Brussels). In 2018 the validations necessary to ensure the production of ALLOB® to supply the next clinical trials in 2H2018 will be performed.
- In the long term, it is envisaged that production will be organized in a de-centralized way to cover the 3 key regions (EU, US and Japan), in particular in respect of the production of the autologous product PREOB® (patient himself to provide bone marrow as the first step in the production process). With respect to the production of the allogeneic product ALLOB® (product made from bone marrow from independent donors) a further centralized production approach is considered.

5.13 Information technology

The Company uses adequate commercial platforms to support its operations, such as an ERP platform for finance and production purposes.

The Company has implemented in the course of 2017:

- All user stations (130 stations) have been standardized under Windows 10 in a common domain to replace independent stations under Windows 7.
- The Company has migrated its WAN accesses to a new operator, securing them and quintupling its bandwidth.

The Company has reduced its dependency on third parties considerably and can rely now on a much more reliable platform to support its operations. Further investment in this respect are planned for 2018. The Company has begun compliance for GDPR.

5.14 Insurance

The Company has insurance covers in place both for insurance risks in the ordinary course of business as well as business specific insurances. Overall, the Company makes sure to have all coverage in place as required by law and when considered necessary, additional insurance policies were concluded to ensure continuity of business or to ensure that safeguarding or reimbursing third parties from damages occurred through its activities would not put the Company at risk. At all times, the Company considers the scope of the coverage and related the costs of the insurances against the potential risk of damages.

The Company is insured to cover work accidents, both for itself as well as for SCTS, as required by law. In addition, the Company concluded a supplementary policy to ensure it is covered for an amount exceeding the legal minima. In addition, the Company has a policy in place which covers both professional as well as third party liability.

All ongoing clinical trials are covered by insurance policies in accordance with the regulations in place in all countries where these trials are taking place. Property owned by the Company (through the affiliate SCTS) is insured for fire and theft and each company has an insurance for fire and theft for content. The Company has also concluded a D&O policy for the benefit of its directors.

6

Organisational structure

6.1 Organigram

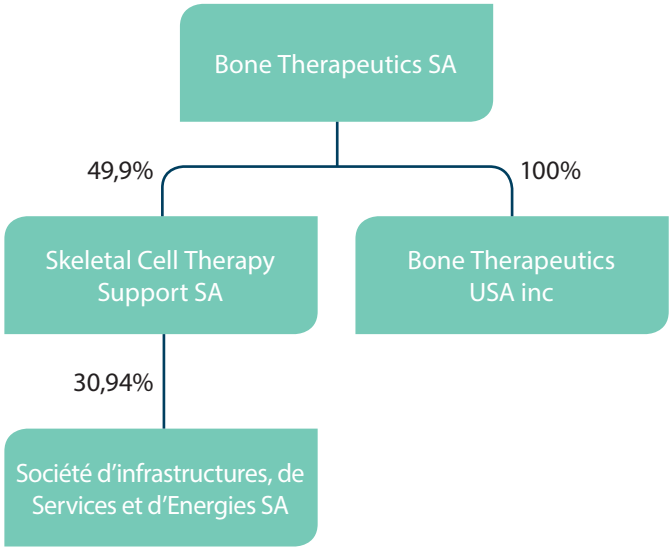
At the date of this Annual Report, Bone Therapeutics SA has the following affiliates:

Belgium

- Skeletal Cell Therapy Support SA ("**SCTS**"), incorporated on 5 December 2011.
- Société d'Infrastructure, de Services et d'Energies SA ("**SISE**"), incorporated on 12 December 2011.

United States of America

- Bone Therapeutics USA Inc., incorporated on 26 March 2015.



6.2 Information on Holdings

The Company holds 49.9% of the shares issued by Skeletal Cell Therapy Support, a limited liability company (*société anonyme*) with registered office at rue Auguste Piccard 37, 6041 Gosselies, Belgium and with company number 0841.570.812 (RLE Charleroi) ("**SCTS**").

The rest of the shares of SCTS are held, directly or indirectly, by certain regional investment bodies, being Sofipôle SA (23.48%) and Sambrinvest SA (12.72%) and seven other private investors.

Until 31 December 2019, the Company has the right to acquire the shares held by the other shareholders of SCTS, for a price generating an internal rate of return of 8% for these shareholders, taking into account the net dividends received (call option). As of 1 January 2020, the other shareholders have the right to sell to the Company their shares in SCTS, at net asset value, with a minimum of 90% of the subscription price (put option).

SCTS is part of the Walloon Cell Therapy Platform ("**PWTC**") comprising three service companies:

- SCTS;
- Hepatic Cell Therapy Support ("**HCTS**"), a limited liability company (*société anonyme*) with registered office at Rue Auguste Piccard 37, 6041 Gosselies, Belgium and with company number 0841.727.891 (RLE Charleroi); and
- Société d'Infrastructures, de Services et d'Energies ("**SISE**"), a limited liability company (*société anonyme*) with registered office at Rue Auguste Piccard 37, 6041 Gosselies, Belgium and with company number 0841.727.101 (RLE Charleroi).

SCTS holds 30.94% of the shares issued by SISE. The rest of the shares of SISE are held by HCTS, Sofipôle SA and Sambrinvest SA.

The Company also holds 100% of the shares issued by Bone Therapeutics USA Inc, an incorporation company with registered office at 10 Milk Street, Suite 1055, 02108 MA Boston and with identification number 001166538 ("BT USA").

7

Property, plant and equipment

7.1 Environment and health and safety

The Company complies in all material respects with the rules on the protection of health and safety of its employees. Such rules provide for measures which in particular aim to eliminate risk factors and accidents at work. The Company aims to ensure the safety and health of employees in all work-related aspects, including when it calls upon persons or services outside the Company, using means and measures of protection of employees. Such means and measures include information and training sessions for the employees, in particular on how to avoid risks or manage risks that cannot be avoided, by giving appropriate instructions to the employees, by promoting collective protection measures and by adapting working conditions, equipment and work methods.

First aid, fire-fighting and employee evacuation related activities are co-ordinated with the co-occupiers of the building at the Galactic Innovation Campus (GIC) in Brussels, with the co-occupiers of the building I-Tech Incubator Campus at the Biopark at Gosselies and with the co-occupiers of the building of the Walloon Cell Therapy Platform ("PWTC") (*Plateforme wallonne de thérapie cellulaire*) at the Biopark at Gosselies. The Company ensures training for a number of employees in respect of first aid.

The Company has set up a service for protection and prevention at its premises, such as the monitoring of the health of employees, provided by an independent health service company. Scientific employees receive an annual medical check-up.

Every employee must take care of his/her safety and health, as well as the safety and health of persons potentially affected by his/her actions or omissions at work. In accordance with the training and instructions given, employees must use equipment, tools and materials related to their business activity properly, must use the personal protection equipment properly and must not disable, arbitrarily change or remove safety devices and must immediately report any work situation that poses a serious and immediate threat.

Similarly, the Company complies in all material respect with environmental rules and regulations with respect to waste, waste management and biological hazard. For example, biological wastes are sterilized, appropriately packages and handled for destruction by specialized external companies.

The Company has an unique permit and an environmental permit (included Class 2), delivered by the IBGE (*Institut Bruxellois pour la gestion de l'environnement*, the ministry for environment of the Brussels Region), for the exploitation of the laboratories at the Galactic Innovation Campus (GIC) building in Brussels and delivered by the SPW-DGO3 (Service Public de Wallonie: Direction générale opérationnelle agriculture, ressources naturelles et environnement), for the exploitation of the laboratories at the Walloon Cell Therapy Platform ("PWTC") (*Plateforme Wallonne de Thérapie Cellulaire*).

7.2 Properties and facilities

At the end of April 2015, the Company has moved a large part of its operational activities to new facilities at the BioPark situated at 6041 Gosselies (south of Brussels), 37 rue Auguste Piccard (also the registered address of the Company). These new facilities are owned by its affiliate SCTS SA. This new facility covers approximately 3000m^2 in total. Almost 1700m^2 are for administrative and R&D purposes and include also an animal house. 1300m^2 are foreseen for production activities. The Company will continue to run its production operations in Q2 2018 at the Galactic Innovation Campus (GIC) at Anderlecht (Brussels). This campus will be retained as long as necessary to guarantee an uninterrupted production. The Company has access at the Anderlecht Campus to a total dedicated space of 800m^2 for production and related activities. At this Brussels based facility two production units are available accommodating two GMP approved production lines for its products PREOB® and ALLOB®. The available capacity meets the requirements for the current clinical & pre-clinical programs. In early Q2 2018, the production activities will be transferred to the new facilities at the Bio Park of Gosselies (south of Brussels). In 2018 the validations necessary to ensure the production of ALLOB® to supply the next clinical trials in 2H2018 will be performed. In addition the Company is renting approximately 350 m^2 of supplementary office space next door to its facilities at Gosselies at the I-Tech Inbubator Campus to host its clinical department.

The facility at Gosselies fits in a larger project known as PWTC or the "Plateforme Wallonne de Thérapie Cellulaire" whereby two cell therapy companies[30] have joined forces to build facilities at a joined location on the Biopark at Gosselies (50 km south of Brussels near the airport Brussels South). PWTC comprises three service companies: SCTS (*Skeletal Cell Therapy Support*), HCTS (*Hepatic Cell Therapy Support*) and SISE (*Société d'Infrastructures, de Services et d'Energies*). SCTS and HCTS will make a maximum use of shared services provided through SISE SA to establish their industrial project, but on the same time maintaining full control of their proprietary production processes and know-how by having their own physically separated building infrastructure. The project allows for both companies to considerably expand their production capacity in future.

Next to providing services SISE SA is also the landowner on which the infrastructure of SCTS SA is constructed. There is long term (99 years) lease agreement in place between SISE SA and SCTS SA which started on 12 June 2013.

Both the new infrastructure under constructions and the long-term land lease right of 99 years are reported as property, plant and equipment in the consolidated financial statements of the Company.

[30] *Bone Therapeutics SA through SCTS SA and Promethera SA through its subsidiary HCTS (Hepatic Cell Therapy Support) SA.*

7.3 Investments

Overview of the Company's principal investments for the financial years ended on 31 December 2015, 31 December 2016 and 31 December 2017.

(in thousands €)	2017 new	2016 new	2015 new	Before 2015 new	Total
Building	310	573	2,812	5,005	8,700
Laboratory equipment	86	184	91	1,854	2,215
Land	0	0	0	233	233
Other	7	35	43	183	268
Intangible assets	9	29	52	121	211

For more details, we refer to the Section 4.3 "Investments".

8

Capital resources

8.1 IFRS Consolidated statement of shareholders'equity

At the end of 2017, the Company's capital amounts to € 14.66 million, represented by 6,849,654 ordinary shares without nominal value. The consolidated share premium amounted to € 42,67 million whereby the costs related to capital increases are deducted from the proceeds from the capital increase through the share premium account. The reconciliation, at consolidated level is shown in the consolidated statement of shareholders' equity below:

	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**	**(21,621)**	**(9,484)**	**0**	**(9,484)**
Total comprehensive income of the period	0	0	(14,144)	**(14,144)**	59	(14,085)
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	486	**486**	0	486
Movement non-controlling interests	0	0	59	**59**	(59)	0
Other	0	0	(13)	**(13)**	0	(13)
Balance at 31 December 2015	**20,708**	**42,670**	**(35,232)**	**28,146**	**0**	**28,146**
Total comprehensive income of the period	0	0	(12,989)	**(12,989)**	(32)	(13,021)
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	123	**123**	0	123
Movement non-controlling interests	0	0	(32)	**(32)**	32	0
Other	0	0	23	**23**	0	23
Balance at 31 December 2016	**20,708**	**42,670**	**(48,108)**	**15,270**	**0**	**15,270**
Total comprehensive income of the period	0	0	(12,752)	**(12,752)**	(18)	(12,769)
Issue of share capital	0	0	0	**0**	0	0
Decrease of share capitral	(6,046)	0	6,046	**0**	0	0
Transaction costs for equity issue	0	(5)	0	**(5)**	0	(5)
Allocation to the legal reserve	0	0	3	**3**	0	3
Share-based payment	0	0	(89)	**(89)**	0	(89)
Movement non-controlling interests	0	0	(18)	**(18)**	18	0
Other	0	0	(27)	**(27)**	0	(27)
Balance at 31 December 2017	**14,662**	**42,665**	**(54,944)**	**2,383**	**0**	**2,383**

8.2 Securities issued by the Company

At 31 December 2017, the Company's capital amounts to € 14,662,801.49, represented by 6,849,654 ordinary shares without nominal value.

The Company has issued 304,760 warrants which give right to subscribe to an equal number of shares. The total of exercisable warrants on 31 December 2017 is 167,300.

8.3 Overview funding

Up to 31 December 2017, the Company has been able to fund its operations with a long-term perspective through the following funding instruments:

- € 65.41 million in net proceeds from private equity placements in Bone Therapeutics SA;
- € 1.28 million in invested cash through the non-controlling interest held by third parties in its affiliate SCTS SA;
- € 31.28 million of non-dilutive funding, mainly through recoverable cash advances, subsidies and patents provided by the Walloon Region and to lesser extent through regular grants. In total, € 25.28 million was granted to Bone Therapeutics SA and € 5.73 million was granted to SCTS SA;
- € 3.25 million as a long-term investment credit provided by BNP Paribas Fortis SA/NV and ING Belgique SA/NV (each for half of the amount) for the construction of the SCTS building at the Biopark of Gosselies (South of Brussels);
- € 2.62 million in loans, provided by related parties (regional investment vehicles) which have been recorded as current and non-current financial liabilities and
- € 2.53 million through an investment grant provided by the Walloon Region on the SCTS building.

9

Research and development, patents and licences

Bone Therapeutics' success and ability to compete depends largely on its ability to protect its property technology and information and to operate without infringing the intellectual property rights of others.

9.1 Intellectual property

The Company's research programmes and product candidates are covered by several patent families (patents and patents applications), which are either owned by the Company or licensed to the Company. There is one key PREOB® product patent (ULB-028) currently granted in Japan, Singapore, the US and Canada, and one key product ALLOB® patent (BONE-001) granted in Japan, Singapore and Australia.

In total, the Company's intellectual property portfolio comprises 9 patent families including the exclusive licence by the Université libre de Bruxelles for the ULB-028 patent. For a detailed description, we refer to Section 5.11.

9.2 Research and developments, patents and licences costs

The Company has incurred several R&D costs over the years.

The R&D expenses are described as follow:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Lab fees and other operating expenses	6,093	6,405	6,462
Employee benefits expenses	6,173	6,472	5,770
Depreciations, amortisations and impairment losses	444	453	326
Patents costs	412	318	352
TOTAL	13,122	13,649	12,910

10

Cell therapy: market trends

10.1 Cell therapy in general

Regenerative medicine is a fast growing domain, with cell-based therapies representing the most mature sub-sector. This area has since several years been characterized by intense academic research and these programmes have recently reached the industry. The larger number of Phase I/II trials compared to more advanced trials demonstrates the start of the move from preclinical research into the clinic. The Alliance for Regenerative Medicine reported in its 2017 Annual Data Report[31] that there are more than 854 regenerative medicine companies worldwide with 946 ongoing clinical trials at the end of 2017. Specifically in the area of stem cell-based treatments, 9 products were available on the market in 2014 (up from 7 in 2012 and five in the three years before). The worldwide stem cell therapy market is estimated to grow at a CAGR of 39.5% from 2015 to 2020[32].

Interest in regenerative medicine and cell therapy is reflected in the amount invested in companies in the field. In 2017, a total amount of $7.5 billion dollar was globally invested in the sector (IPOs, VC/PE, Follow-ons, Corporate partnerships, excluding M&A), comparable to peak investments noted during 2015 of about $9 billion or a 75% increase compared to 2016[33]. The regained interest in cell therapy is further exemplified by the high-profile acquisition of Kite Pharma by Gilead for $11.9 billion.

The increasing funding from various governments and private organizations, the focus on stem cell research by the growing industry and the rising global awareness of stem cell therapies further sustain the growth of the stem cell therapy market.

The increase in legislative guidance and support for diseases targeted by regenerative medicine is also fuelling the industrial development by bringing a clear regulatory path to market and incentives for clinical development. A recent example is Japan, where a new legislation, which allows for conditional marketing approval after Phase II clinical trials, has been passed in order to accelerate the development of new regenerative medicine therapies that could help address areas of significant unmet medical need. The introduction of regulations, such as regulation (EC) 1394/2007 defining tissue-engineered products, demonstrates the growing importance of the regenerative medicine field.

10.2 Orthopaedics

The treatment of bone defects and bone diseases has since long involved the use of bone grafts and implants. These approaches have known little innovation over the past years and often show limited efficacy. The introduction of tissue engineering over the past few decades has generated considerable interest in exploiting the potential of cell-based therapy in orthopaedics. Consequently, we have seen the initiation of several research projects and 'pilot' studies. According to the Alliance for Regenerative Medicine, in 2014 15 stem cell-based products were in preclinical and Phase I trials and 13 products were in Phase II and III clinical trials in the field of musculoskeletal diseases, with the majority (11 out of 13) targeting joint conditions such as cartilage and tendon lesions and arthritis, and only Mesoblasts (referred to in section 5.4.2) being active in the field of bone regeneration, the same as the Company is in. Early-stage initiatives by companies such as Xcelia, Novadip Biosciences or Epibone show however the interest of the industry in regenerative medicine in orthopaedics. According to the Company, Bone Therapeutics is a leader in this field, as it is the only clinical-stage company developing bone cell products using differentiated bone cells for the treatment of orthopaedic conditions.

10.3 Minimally invasive approach

Minimally invasive approaches are performed with minimal incision in the patient's body and facilitate lower hospitalisation and recovery times and ensure minimal trauma and blood loss. These advantages in addition to the increased awareness regarding minimally invasive surgeries, have increased its use by physicians. The trend towards minimally invasive surgery is also attributed to the increasing incidence of various diseases that usually require surgical treatment, the ageing of the global population (elderly people carry a high risk in terms of success of the surgery) and the introduction of technologically advanced products (e.g. visualization and monitoring technologies). The global market for minimally invasive surgery has been estimated to grow at the rate of 10.5% from 2013 to 2019[34].

[31] *ARM Annual data report (2016)*

[32] *RnR Market Research: Stem Cell Therapy Market by Treatment Mode (Autologous & Allogeneic), Therapeutic Applications (CNS, CVS, GIT, Wound Healing, Musculoskeletal, Eye, & Immune System) - Regulatory Landscape, Pipeline Analysis & Global Forecasts to 2020 (2014)*

[33] *ARM Annual data report (2015, 2016, 2017)*

[34] *Transparency Market Research: Minimally invasive surgery Market – Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2013-2019 (2015)*

11

Corporate governance

11.1 General

This section summarizes the rules and principles by which the corporate governance of the Company is organized. Those rules and principles are based on the Corporate Governance Charter of the Company which has been approved by the Board of Directors on 6 February 2015. This charter can be obtained free of charge at the registered office of the Company and is available on the Company's website (www.bonetherapeutics.com, under the section investors / governance).

11.2 Compliance with the Corporate Governance Code

Pursuant to the Belgian Act of 6 April 2010 on the reinforcement of the corporate governance of listed companies and autonomous government enterprises and the amendment of the rules on the exclusion of employment in the bank and financial sector (*Loi visant à renforcer le gouvernement d'entreprise dans les sociétés cotées et les entreprises publiques autonomes et visant à modifier le régime des interdictions professionnelles dans le secteur bancaire et financier*), as implemented by the Royal Decree of 6 June 2010 regarding the designation of the corporate governance code on listed companies (*Arrêté Royal portant désignation du Code de gouvernement d'entreprise à respecter par les sociétés cotées*), Belgian listed companies should comply with the Belgian Code for Corporate Governance issued on 12 March 2009 by the Belgian Corporate Governance Committee (the "**Corporate Governance Code**" or "**CGC**"), unless it discloses the justification why it has decided to deviate from the provisions of the Corporate Governance Code (the rule of *comply or explain*).

The Company's corporate governance charter (the "**Corporate Governance Charter**") was adopted in accordance with the recommendations included in the Corporate Governance Code.

The Board of Directors of the Company intends to comply with the Belgian Corporate Governance Code, except in relation to the following matters:

- Provision 7.7 of the Code: Although at the date of this Annual Report, no options have been granted to non-executive directors, the Company has reserved the possibility to grant variable remuneration (upon advice of the Nomination and Remuneration Committee), such as long-term stock-related incentive plans, to non-executive directors, so that the Company, as a small-sized listed enterprise, could grant options or warrants to non-executive directors if it would be of the opinion that such grant is necessary to attract or retain (internationally) renowned experts with the most relevant skills, knowledge and expertise.
- Provision 2.9 of the Code: At the date of the Annual Report, no Company Secretary has been assigned by the Board. Since the IPO (6 February 2015) the Board has assigned Allen & Overy to provide services in this respect amongst others minuting of board meetings. Given the limited size of the Company the Board is of the opinion there is no need to appoint a full time Company Secretary.

The Board of Directors will review the Corporate Governance Charter from time to time and adopt such amendments thereto as it deems necessary and appropriate. The Corporate Governance Charter and the Company's articles of association are available at the Company's website and at its registered office, and can be obtained free of charge.

11.3 Board of Directors

11.3.1 Composition of the Board of Directors

The Board of Directors is the main decision-making body of the Company, and has full power to perform all acts that are necessary or useful to accomplish the Company's corporate purpose, save for those acts for which only the shareholders' meeting of the Company has the required powers in accordance with applicable laws or the Company's articles of association. The responsibility for the management of the Company is entrusted to the Board of Directors as a collegial body.

The Board of Directors pursues the long-term success of the Company by providing entrepreneurial leadership, while assessing and managing the risks of the Company.

The Board of Directors is composed of minimum three members as set out in the articles of association and the Corporate Governance Charter.

At least half of the members of the Board of Directors are Non-Executive Directors, and at least three members of the Board of Directors are Independent Directors, within the meaning of *inter alia* Article 526*ter* of the Belgian Companies Code.

The members of the Board of Directors are appointed by the shareholders' meeting of the Company for a renewable term of maximum four years. If a director mandate becomes vacant, the remaining members of the Board of Directors will have the right to temporarily appoint a new director to fill the vacancy. The shareholders' meeting can revoke the mandate of any director at any time.

In principle the Board of Directors meets at least four times a year, and also whenever a meeting is deemed necessary or advisable for its proper functioning. A meeting of the Board of Directors is validly constituted if there is a quorum, which requires that at least half of the members of the Board of Directors or present or represented during the board meeting. In any event, the Board of Directors can only validly deliberate if at least two Directors are present in person.

In preparation of the Company going public in February 2015, the composition of the Board has been changed and aligned with the regulations applicable for public companies. Since IPO, the Board of Directors has been composed of eleven members, being 9 Non-Executive Directors including 5 Independent Directors and 2 Executive Directors.

The table below provides an overview of the mandates held in 2017.

Name	Position	Start or renewal of mandate	End of mandate	Nature of mandate	Professional address
Roland Baron	Director	2015	2019	Independent	Milford Street 33, Boston MA 02118, Unites States of America
Chris Buyse	Director	2017	2021	Independent	Baillet Latourlei 119A, 2930 Brasschaat, Belgium
Dirk Dembski	Director	2017	2019	Independent	Schirnerstraße 14, 41515 Grevenbroich, Germany
Magenta Tree BVBA, with as permanent representative Thierry François	Director	2015	2019	Independent	Ophemstraat 133, 3050 Oud-Heverlee, Belgium
Wim Goemaere BVBA, with as permanent representative Wim Goemaere*	Director	2016	2020	Non-Executive*	Zakstraat 72, 9112 Sinaai, Belgium
Wagram Invest SA, with as permanent representative Michel Helbig de Balzac	Director	2016	2020	Non-Executive	Avenue du Parc 61, 1310 La Hulpe, Belgium
Thomas Lienard SPRL, with as permanent representative Thomas Lienard	Managing Director	2016	2019	Executive	Avenue Coghen 262 bte 7, 1180 Uccle, Belgium
Paul Magrez	Director	2015	2019	Independent	Lindenhoekje 7, 1970 Wezembeek-Oppem, Belgium
Castanea Management Limited with as permanent representative Damian Marron	Director	2017	2021	Independent	Tabernacle Street 69-85, London EC2A 4RR, England
SFPI SA, with as permanent representative Jean-Paul Prieels**	Director	2015	2017	Non-Executive	Avenue Louise 32-46, 1050 Brussels, Belgium
Jean-Paul Prieels**	Director	2017	2019	Independent	Avenue Louise 32-46, 1050 Brussels, Belgium
Marc Nolet de Brauwere van Steeland until 29 June 2017	Director	2015	2017	Independent	Avenue du Verger 35, 1640 Rhodes-Saint-Genèse, Belgium
Swinson SNC Management & Consult, with as permanent representative Steven Swinson until 20 February 2018	Director	2017	2018	Chairman	Chemin de la Dauphine 8, 1291 Commugny, Switzerland
Jean-Jacques Verdickt until 26 May 2017	Director	2016	2017	Non-Executive	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium

** Wim Goemaere was an Executive Director until 30 September 2017*

*** Jean-Paul Prieels has been co-opted in replacement of SFPI SA*

A brief overview of the relevant experience of the Non-Executive Directors in place is set out below.

- **Prof. Dr. Roland Baron** is professor at the Harvard Medical School, Endocrine Unit, Massachusetts General Hospital, and Head of the Division of Bone and Mineral Research and Chair of Oral Medicine at the Harvard School of Dental Medicine since January 2008. He received his DDS and PhD degrees from the Medical School at the University of Paris, France. From 1977 to 2007, Dr. Baron was a professor in the departments of Medicine, Orthopaedics and Cell Biology at Yale University School of Medicine. From 1994 to 2002, he held the position of Vice President and Head of the Bone Diseases Group at Hoechst Marion Roussel and then Aventis. In 2002, he founded ProSkelia, a small pharmaceutical company devoted to the discovery and development of new drugs for bone and hormonal diseases. He has held the positions of President and Chief Scientific Officer of ProSkelia and then ProStrakan, until April 2006. He is the founder and past Editor-in-Chief of BONE, the Official Journal of the International Bone and Mineral Society until 2006. Dr. Baron has published over 330 scientific papers in the field of bone biology and bone diseases.

- **Mr. Chris Buyse** has over 30 years' experience in international finance and financial management. He holds a Master's degree in Applied Economics from the University of Antwerp and an MBA from the Vlerick School of Management in Ghent. From August 2006 to June 2014, he was CFO and Director at ThromboGenics NV, a biotechnology company listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was CFO of CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign, he served as finance manager of WorldCom/MCI Belux, and CFO and CEO ad interim of Keyware Technologies. Before, he held positions in finance at Spector Photo Group, Lyonnaise des Eaux (Suez) and Unilever. He is currently managing partner of Fund+ NV and holds a Director position in several private and public companies.

- **Mr. Dirk Dembski** has held a variety of roles in biotechnology, orthopaedics and medical companies and has built and driven global sales and marketing operations and served in business development positions. He is currently CEO of SpineWelding AG and previously served as Managing Director of bricon GmbH, the German business unit of Naton Medical Group, one of China's largest Medtech companies, where he completed several acquisitions and drove the international business. He also worked as Vice President of Sales, Marketing and Business Development at Olympus Biotech for EMEA, Asia Pacific and Latin America, where he successfully marketed a portfolio of bone growth factors, cell technologies and innovative biomaterials. Dirk Dembski has also worked as director of sales and marketing for Small Bone Innovations, a bone medical technology company which was acquired by Stryker.

- **Mr. Thierry François (permanent representative of Magenta Tree BVBA)** holds a Master's degree of Science in Engineering and Management from the Solvay Brussels School of Economics and Management (ULB), as well as Guberna certificates. He also is a CFA charterholder and a Certified Financial Analyst (EFFAS). With more than 20 years of experience in corporate finance, sell-side equity research and private equity, he is a true expert in corporate governance and asset management. He started his career in 1993 as a university trainee at the BNP Paribas Fortis Bank (Générale de Banque at the time), and worked his way up to Corporate Research Officer (1994-1997). He then moved on to Vermeulen-Raemdonck (part of ING Bank), where he served as a senior financial analyst. In 2000, he returned to Fortis Bank, to take the position as Director Equity Research (2000-2004) and later as Head of Investment Analysts (2004-2011). Since, he operates as an independent investment professional for companies such as Econopolis, Korys and private equity funds. He is the founder and owner of Magenta Tree.

- **Wim Goemaere BVBA, represented by Mr. Wim Goemaere**, (54) (former CFO) is an experienced senior financial executive with over 30 years international business experience, the majority of which he spent within the biotechnology space. After graduating in Applied Economics from KU Leuven (Belgium) in 1987, he began his career at BP where he held various roles in finance until leaving the Company in 1995, to join the Flanders Institute for Biotechnology (VIB) as CFO. Mr. Goemaere played a key role in the Institute's development up to one of Europe's leading research bodies in life sciences. In 2008, he moved to Devgen, a Belgium-based multinational agro-biotech company listed on the NYSE Euronext Brussels, where he held the position of CFO for five years. Mr. Goemaere was instrumental in ensuring endorsement of Devgen in the financial markets and in the take-over of Devgen by Syngenta for € 403 million. Furthermore, he played an important role into the Company's business expansion in Asia.

- **Mr. Michel Helbig de Balzac (permanent representative of Wagram Invest SA)** has a long-standing experience in venture capital as the founder and managing partner of BAMS Angels Fund I SCA (founded in 2005) and Nausicaa Ventures SCA (2009), both investing in early-stage and early-growth new technology companies and located in Louvain-la-Neuve (Belgium). He has particular knowledge in the fields of biotech, medical devices and energy, and represents the funds at the board of several of the investee companies such as Ovizio, Imaging Systems and Bio-Sourcing. He serves as the Chairman of the Board of Directors of Bone Therapeutics between June 2013 and June 2017. Previously, he was an

acknowledged investor and entrepreneur with several high-growth companies. Complementary to venture capital, he has been very active in the development and financing of large-scale renewable energy development projects such as the North Sea offshore wind farm Northwester 2 consortium, comprised of Colruyt, TTR Energy (TPF Group), Incontrol, and his own company Wagram Invest, which was granted a 224 MW area concession in 2013. From 2002 to 2013 he was influential in helping to launch a range of wind farm projects in the Walloon Region. From 2009 to 2014, he was the Chairman of Edora, the Belgian Federation for Renewable Energy, of which he is currently Director, and more recently a board member of the Belgian Offshore Platform association. Mr. Helbig started his professional career in 1985 with McKinsey, where he was active in the steel and paper industries and the insurance and hospital sectors before taking on the responsibility of Administrative Director and General Secretary of their Brussels Office. He then joined Dewaay Bank in 1994 where he led the development of various private banking and corporate finance projects. Mr. Helbig has a broad academic background from UCL (Belgium) in philosophy, political sciences (with a focus on international relations), economic sciences, and European studies, and an MSc degree in Urban and Regional Planning.

- **Dr. Paul Magrez** is a medical doctor and computer scientist with more than 30 years of experience in diagnostics (personalized medicine), clinical biology, biotechnology (vaccines), and pharmaceutical industries. His experience mainly resides in the development of business plans, the search for private and public funding and the business & commercial development. After 15 years in large pharmaceutical companies (UCB, SB, GlaxoWellcome, GSK), in different executive positions, he became CEO of several companies in the field of biotechnology (Innogenetics), in-vitro diagnostics (Biomedical Diagnostics in Paris) and clinical biology (Pasteur CERBA). In 2011, Dr. Magrez founded his own consulting firm in support of SMEs and start-ups, Paul Magrez BVBA. In 2015, together with three other partners, he founded a life sciences investment fund: FUND+.

- **Damian Marron (permanent representative of Castanea Management Limited)** is an experienced life sciences executive with a successful track record of value creation through public and venture capital financing, portfolio planning and turnaround, M&A, licensing agreements and research and marketing collaborations. He has particular competencies in cell therapy, immuno-oncology and orphan diseases. Damian served most recently as Chief Executive Officer of Agalimmune and has also served as Chief Executive Officer of TxCell, a France-based specialist in personalised T-cell immunotherapies, where he led the Company's IPO on Euronext Paris. As Chief Executive Officer of Trophos, France, he helped raise € 34 million in financing and positioned the company for a subsequent acquisition by Roche for € 700 million. Damian Marron also served as Executive Vice President, Corporate Development, for NiCox, where he supported the CEO in financing rounds raising over € 175 million.

- **Dr. Jean-Paul Prieels, PhD (permanent representative of SFPI SA)** holds a PhD in Biochemistry from Université libre de Bruxelles in Belgium. He started his industrial career at Petrofina in 1983 as Biotechnology Manager and joined GlaxoSmithKline Biologicals in 1987. His responsibilities gradually expanded to lead the vaccine preclinical R&D development activities as Senior Vice President of Research & Development at GlaxoSmithKline Biologicals in Rixensart, Belgium, in 2011. His career spans from basic research to applied research and product development. He was instrumental in the development of several commercially available vaccines, such as Rotarix, Cervarix and Synflorix. Today he is Director at Vaximm AG, Abivax SA, Promethera Biosciences, Pluriomics, Themis, Leukocare, Nouscom, Ogeda, Q-Biologicals SA, DNAlytics and PDC*line Pharma. He is member of the Scientific Advisory Board of Singapore Bioprocessing Technology Institute, MolMed SPA and CureVac, and member of the European Vaccine Initiative Board of Stakeholders.

- **Mr. Marc Nolet de Brauwere van Steeland** obtained his Master's degree as a Mining Civil Engineer from the Catholic University of Louvain (UCL) in 1982, then specialized as a Civil Engineer in Industrial Management at the Katholieke Universiteit Leuven (KUL) in 1983. He started his career in the USA in 1984, as manager of the engineering department of Kentucky Prince Coal Corporation, a subsidiary of Petrofina. In 1987, he also took charge of the development of a downstream activity (gold mining) at Chemetech Corporation. He served for these two companies until 1989, then moved on to McKinsey & Company, as an associate. In 1992, he created Dat International SA with an ex-colleague of McKinsey, and set up a distribution network specialized in supply parts from the EEC to local companies in East Africa. Finally, in 1997, he became owner and CEO of Physiol SA. Besides, he was nominated Director at ETEX group in 2003, where he served as chairman of the Audit committee from 2006 to 2013. He became Chairman of the Nominations and Remunerations Committee in 2013. In addition, he actually serves as Director in Aliaxis Group, Biotech Coaching and various start-ups (MyMicroInvest, EndoTools Therapeutics, iSTAR Medical and Synergia Medical). Since 2011 he also is a member of Ashoka Support Network

- **Mr. Steven Swinson (permanent representative of Swinson SNC Management & Consult)** has served in a number of senior roles in orthopaedic medical technology and electronics, including general management, senior strategy, sales, marketing and commercial operation positions at Medtronic International, a global leader in

medical technology. At Medtronic, he led the Spine and Biologics division for Canada and Western Europe, and was Vice President and General Manager for the international spine division. In a 30-year international business career covering Asia, US, Europe and Africa, he has also held senior positions in the diagnostic and medical divisions of General Electric and Hewlett Packard. Steve has a PhD in electrical engineering from the University of Manchester and a MBA from the University of Chicago. Steve Swinson is currently chairman of the board of Vexim, a medical device company specializing in minimally invasive treatment of vertebral fractures and is also on the board of directors of Acteon Group, a leader in dental equipment and imaging products. He became chairman of the Board in July 2017.

- **Mr. Jean-Jacques Verdickt** holds a Master's degree in mechanical engineering from the Leuven Catholic University (UCL). He started his career in 1971 at General Bank, Fortis Bank as from 1998. He served as member of the Board and member of the Executive Committee from 1993 to 2002. In 2004, he became the Chief Executive Officer of Magotteaux, until December 2006 and remained as Director until 2009. He served also as Chairman or non-executive Director of various companies, such as Alcatel Bell, Techspace Aero, Snecma, FREE, Carmeuse, Euroclear (Plc and Bank), IBA…He was also Chairman of Union Wallonne des Entreprises. He is presently director of Logiver, Calyos and other non for profit organizations.

At the date of this Annual Report, none of the Directors and the members of the Management Team have at any time within at least the past five years:

- had any conviction in relation to fraudulent offences; or
- been adjudged bankrupt or entered into an individual voluntary arrangement; or
- been a director of any company at any time of, or within 12 months preceding, any receivership, compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- had his assets from the subject of any receivership or has been a partner of a partnership at the time of, or within 12 months preceding, any assets thereof being the subject of a receivership; or
- been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority; or
- ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

11.3.2 Other mandates

Other than set out in the table below, no member of the Board of Directors or member of the Management Team has, at any time in the previous five years, been a member of the administrative, management or supervisory bodies or partner of any companies or partnerships. Over the five years preceding the date of this Annual Report, the members of the Board of Directors and the members of the Management Team hold or have held in addition to their function with the Company, the following main directorships of administrative, management or supervisory bodies and partnerships.

Board of Directors and/or Management Team Members	Current Mandates	Past Mandates
Roland Baron	Professor, Harvard Medical School and Mass. General Hospital Professor and Chair, Oral Medicine, Harvard School of Dental Medicine Co-Chair of the International Federation of Musculoskeletal Research Societies	President and member of the executive committee of the American Society for Bone and Mineral Research
Chris Buyse	Director at Celyad SA Director at Iteos SA Director at Bioxodes SA Managing partner at Fund+ NV Director at Keyware technologies NV Director at Immo David NV Director at Pinnacle investments NV Director at Creabuild NV Director at Bio Incubator NV Director at Life Sciences Research Partners VZW Director at Francqui Foundation, private foundation Director at Inventiva SA Director at CoBioRes NV	Director at Thrombogenics NV Director at Orgenisis Inc
Dirk Dembski	CEO at SpineWelding AG	Executive Managing Director at Naton Medical Group Vice President Olympus Biotech International
Marc Nolet de Brauwere van Steeland	Managing director at PhysIOL SA Director at Etex SA	N/A
Thierry François (permanent representative of Magenta Tree BVBA)	Manager at Magenta Tree BVBA Chairman of the Belgian Venture Capital & Private Equity Association VZW Director of First Retail International 2 NV Managing Director of Econopolis Wealth Management NV Director of Econopolis Strategy NV Director of Econopolis Switzerland SA Director of EPi BVBA Director EP REA NV	Director at Sofindev II NV Director at Sofindev III NV Director at Re-Vive Brownfield Fund II CVBA

Wim Goemaere (permanent representative of Wim Goemaere BVBA)	Chief Operating Officer at VIB Director Ardoyen VZW Director Bio-incubator Leuven NV	Chief financial officer at Devgen NV Director at Devgen Inc. (US). Director and chief financial officer at Devgen Seeds and Crop Technology PvT (India) and Devgen Seeds and Crop Technology PTE (Singapore) Director at SISE SA Director at Synergia Medical
Michel Helbig de Balzac (permanent representative of Wagram Invest SA)	Managing partner at Nausicaa Ventures SCA Managing director at BAMS Angel Fund I SCA Managing director at Wagram Invest SA Director at Ovizio SA Director at Biosourcing SA CEO at Kyotech 1 SA Director at Belgian Offshore Platform	Director at EDORA ASBL
Thomas Lienard (permanent representative of Thomas Lienard SPRL)	N/A	Managing Director at Lundbeck SA Director Prométhéa ASBL
Paul Magrez	General Manager at Paul Magrez BVBA VC Partner at Fund+ NV	Chief Executive Officer and chairman of the board of directors at BARC NV Chief Executive Officer and chairman of the board of directors at LBS NV Chief Executive Officer and chairman of the board of directors at CRI NV
Damian Marron (permanent representative of Castanea Management Limited)	Director at Agalimmune	CEO and director at TxCell Director at France Biotech CEO at Agalimmune CEO at Cytheris Director at Theralpha
Jean-Paul Prieels	Director of Vaximm AG Board Member of DNAlytics Director of NCardia Director of Themis Director of Leukocare Director of Nouscom	Director at Okairos AG Director of TheraDiag SA Chairman of Immune Health Board Member of Henogen Board Member of Pevion Biotech AG Board Member of Q-Biologicals Director of Abivax SA Director of Promethera Biosciences Director of Euroscreen Director of PDC*line Pharma Director of Masthercell
Guy Heynen	Chief executive officer at Guy Heynen Consulting Independent board member and advisor at Ogeda Independent board member at Pluriomics SA President of the Board of Creativenture SA	Regional Medical Monitor at Pfizer GmbH President of the board and scientific advisor at Progenosis SA

Steve Swinson (permanent representative of Swinson SNC Management & Consult)	Chairman of the board at Vexim Chairman of the board at Acteon Group Chairman of the board at Al-Faisaliah Group (JSC)	Director at KB Medical Vice President Europe & Canada Medtronic Spine & Biologics
Jean-Jacques Verdickt	Director at Logiver SA Manufacturing company director at Calyos SA Chairman of Fonds Verdickt Degroux ASBL Director of Foundation IRSA	Deputy chairman of the board, chairman of the risk committee group, chairman of the audit committee of the bank and member of the Group nomination and remuneration committee at Euroclear Plc, SA and Euroclear Bank SA Director and member of the audit committee at CBC Banque SA Director and chairman of the audit committee at Ion Beam Application SA Director at Snecma SA Director and chairman of the board at Techspace Aero SA Director and chairman of the nomination and remuneration committee at Banque Commerciale du Congo SA Manager at JJ Verdickt SPRL Director of Foundation Free
Jean-Luc Vandebroek (permanent representative of Finsys Management SPRL)	Director at SISE SA	Director of Bihr Europe SA Director of Moteo Two Wheels Europe NV
Benoît Champluvier (permanent representative of B. Champluvier Management and Consulting Services (BCMCS)	Director at SCTS SA	Director Downstream Process & Coordinator New Technologies at GlaxoSmithKline

11.3.3 Activity report

The Board of Directors met 12 times during 2017 to discuss and decide on specific matters. Below is the detail of the attendance:

Board of Directors	Number of attendances[35]
Prof. Roland Baron	12/12
M. Chris Buyse	12/12
M. Dirk Dembski	8/8
Magentra Tree BVBA, represented by M. Thierry François	12/12
Wim Goemaere BVBA, represented by M. Wim Goemaere	12/12
Wagram Invest SA, represented by M. Michel Helbig de Balzac, Chairman	12/12
Thomas Lienard SPRL, represented by M. Thomas Lienard	12/12
M. Paul Magnez	12/12
Castanea Management Limited, represented by M. Damian Marron	8/8
SFPI SA, represented by M. Jean-Paul Prieels	12/12
M. Marc Nolet de Brauwere van Steeland	6/6
Swinson SNC Management & Consult represented by M. Steven Swinson	9/9
M. Jean-Jacques Verdickt	4/4

11.3.4 Performance Evaluation of the Board

Out of the activity report included above it is clear that the Board as a Company organ has been very active with a strong participation and contribution of all its members during the course of 2017.

After the IPO, the Board of Directors has continued to investigate how it could best organize itself to address the challenges ahead and to align with the requirements for listed companies. The Board reflected on the composition of the Board (post IPO) in respect of the number of Board Members, on guaranteeing continuity and on extra skills. Several profiles were identified in areas where it would be opportune to strengthen the Board (industry specific scientific knowledge, corporate finance and business development). Based on these profiles a search was initiated. Amongst a long list of candidates in total 3 candidates where withheld which could qualify as independent Board Members and who could strengthen the board in the areas indicated above. These new members were appointed in the run-up to the IPO. In the same process 3 Non-Executive Directors decided to resign as board member.

It was decided that when board seats become available in the years to come, special efforts will be done to attract new board members of the other sex in accordance with Article 96 §2, 6° of the Belgian Companies Code (and with the law of 28 July 2011) to assure that by 01/01/2021 (for newly listed companies, the legal quota is applicable as from their sixth year on the stock market) the appropriate quorum will be reached. This quota applies to the board as a whole, comprising both executive and non-executive directors.

As of 2015, the Board is responsible for a periodic assessment of its own effectiveness with a view to ensuring continuous improvement in the governance of the Company. In this respect, the Board assesses its size, composition, performance and interaction with the Executive Directors and Management Team at least every two to three years, if required with the assistance of a third party. Such an evaluation was initiated at the end of 2016 with the assistance of an external party. As a result of this exercise the composition of the Board had changed in the course of 2017 to better align that composition with the current needs of the Company.

Such periodic evaluation aims to:

- Assess the operation of the Board in general;
- Verify whether material issues are thoroughly prepared and discussed;
- Evaluate the actual contribution of each director to the operation of the Board, his attendance at the Board and Committee meetings and his constructive involvement in discussions and decision-making;
- Verify the Board's current composition against the Board's desired composition.

[35] *Number of attendances compared to maximum number of attendance considering time of appointment and conflicts of interest*

The contribution of each director is evaluated periodically in order to, taking into account changing circumstances, be able to adapt the composition of the Board. In order to facilitate such evaluation, the directors give their full assistance to the Nomination and Remuneration Committee and any other persons, whether internal or external to the Company, entrusted with the evaluation of the Directors.

Furthermore the Board will assess the operation of the Committees at least every two to three years. For this assessment, the results of the individual evaluation of the Directors are taken into consideration. The Chairman of the Board and the performance of his role within the Board are also carefully evaluated. The Nomination and Remuneration Committee should, where appropriate and if necessary in consultation with external experts, submit a report commenting on the strengths and weaknesses to the Board and make proposals to appoint new Directors or to not re-elect Directors. A director not having attended half the number of meetings of the Board will not be considered for re-election at the occasion of the renewal of his mandate.

In addition the Non-Executive Directors should regularly (preferably once a year) assess their interaction with the Executive Directors and the Management Team. At different occasions during the year 2015 the board together with the executive directors took the opportunity to reflect on how to streamline the interactions between both the non-executive directors and the executive directors including the implementation of a reporting on key performance indicators. For this purpose a bi-monthly report has been introduced in the meantime which informs the non-executive directors in a standardized way of progress made in different areas during the period.

11.3.5 Committees within the Board of Directors

11.3.5.1 General

The Board of Directors has established a nomination and remuneration committee (the "**Nomination and Remuneration Committee**") and an Audit Committee (the "**Audit Committee**"). These committees (the "**Committees**") have a mere advisory role.

The Board of Directors has determined the terms of reference of each Committee with respect to its respective organisation, procedures, policies and activities.

11.3.5.2 Audit Committee

11.3.5.2.1 Role

The Audit Committee supports the Board of Directors in fulfilling its monitoring responsibilities in respect of control in the broadest sense.

11.3.5.2.2 Duties

The Audit Committee is the main contact point of the external auditor. Without prejudice to the legal duties of the Board of Directors, the Audit Committee is entrusted with the development of a long-term audit programme encompassing all of the Company's activities, and is in particular entrusted with:

- monitoring the financial reporting process;
- monitoring the effectiveness of the Company's internal control and risk management systems;
- monitoring the internal audit and its effectiveness, including advising the Board of Directors on its annual assessment of the need for an internal auditor;
- monitoring the statutory audit of the annual and consolidated accounts, including any follow up on any questions and recommendations made by the external auditor;
- reviewing and monitoring the independence of the external auditor, in particular regarding the provision of additional services the Company may require; and
- monitoring the compliance with the legislation and regulations that apply to the Company.

The final responsibility for reviewing and approving the Company's interim and annual financial statements, as presented to the shareholders, remains with the Board of Directors.

11.3.5.2.3 Composition

The Corporate Governance Charter of the Company states that the Audit Committee is composed out of at least three members, all its members being Non-Executive Directors. At least one of the members of the Audit Committee is an independent Director, who has accounting and auditing expertise. This expertise in accounting and auditing implies a degree of higher studies in economics or finance or relevant professional experience in those matters.

The Audit Committee is chaired by one of its members, who may not be the chairman of the Board of Directors.

The duration of the mandate of a member of the Audit Committee will not exceed the duration of his/her mandate as director of the Company.

The following Directors are members of the Audit Committee:

Name	Position	Professional address
Chris Buyse*	Chairman – Independent Director	Baillet Latourlei 119A, 2930 Brasschaat, Belgium
Magenta Tree BVBA, with as permanent representative Thierry François*	Member – Independent Director	Ophemstraat 133, 3050 Oud-Heverlee, Belgium

** both comply with the requirements regarding accounting and audit experience*

Currently the Audit Committee is only counting 2 members which qualify both in respect of being an independent board member as for having the necessary competences and qualifications in respect of accounting and audit matters as well as one of the members having an extensive experience in the management of biotech companies. The Board is of the opinion that considering both the above and the size of the Company and the complexities of the matters faced by the Audit Committee at current and in the near future there is no immediate need to appoint a third member.

11.3.5.2.4 Operation

The Audit Committee will meet at least four times a year and whenever a meeting is deemed necessary or advisable for its proper functioning. Decisions are taken by a majority vote. The Chairman of the Board of Directors has a permanent invitation to attend the meetings of the Audit Committee. The Audit Committee may also invite other persons to attend its meetings.

The Audit Committee meets with the external auditor and the internal auditor (if any) at least twice a year, to discuss matters relating to its terms of reference, issues falling within the powers of the Audit Committee and any issues arising from the audit process and, in particular, any material weaknesses in the internal audit.

During 2017, the Audit Committee met four times.

11.3.5.3 Nomination and Remuneration Committee

11.3.5.3.1 Role

The Nomination and Remuneration Committee makes recommendations to the Board of Directors with respect to the appointment of Directors, the Executive Directors and other members of the Management Team. In addition, the Nomination and Remuneration Committee makes recommendations to the Board of Directors on the Company's remuneration policy, on any remuneration whatsoever granted to the Directors and members of the Management Team and on any agreements or provisions relating to the early termination of employment or collaboration with the Directors and members of the Management Team.

11.3.5.3.2 Duties

The Nomination and Remuneration Committee must ensure in general that the appointment and re-election process of the members of the Board of Directors, the Executive Directors and the members of the Management Team is organised objectively and professionally and, in particular and notwithstanding the legal powers of the Board of Directors, has the following duties:

- draft (re)appointment procedures for members of the Board of Directors and the members of the Management Team;
- nominate candidates for any vacant directorships, for approval by the Board of Directors;
- prepare proposals for reappointments;
- periodically assess the size and composition of the Board of Directors and, if applicable, making recommendations with regard to any changes;
- analyse the aspects relating to the succession of Directors;
- advise on proposals (including, of the management or of the shareholders) for the appointment and removal of directors and of members of the Management Team;
- advise the Board of Directors on proposals made by the Executive Directors for the appointment and removal of Executive Directors and of members of the Management Team;

- prepare and assess proposals to the Board of Directors on the remuneration policy for members of the Board of Directors, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;
- prepare and assess proposals for the Board of Directors on the remuneration policy for the members of the Management Team, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders, at least with regard to the:
    - main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
    - key elements of the remuneration, including the:
    - relative importance of each component of the remuneration package;
    - performance criteria applicable to the variable elements (determination of milestones and their evaluation period); and
    - fringe benefits.
- prepare and assess proposals to the Board of Directors regarding the individual remuneration of members of the Board of Directors and the Management Team, including, depending on the situation, on variable remuneration and long-term incentives, whether or not stock-related, in the form of stock options or other financial instruments, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;
- make proposals to the Board of Directors regarding arrangements on early termination and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;
- submit to the Board of Directors (a) a remuneration report which describes, amongst other things, the internal procedure for the development of a remuneration policy and the determination of the remuneration level for Non-Executive Directors and members of the Management Team and (b) a declaration regarding the remuneration policy applied with respect to the members of the Management Team, including a description of any material changes thereto since the previous financial year;
- advise the Board of Directors on agreements relating to the appointment of the Executive Directors and other members of the Management Team; and
- verify that the variable criteria for setting remuneration for an executive director or a member of the Management Team are expressly stated in the agreement, and that the payment of this variable remuneration only takes place if such criteria are met during the relevant period.
- When performing its duties relating to the composition of the Board of Directors, the Nomination and Remuneration Committee takes into account the criteria for the composition of the Board of Directors, as stated in the terms of reference of the Board of Directors.

11.3.5.3.3 Composition

The Nomination and Remuneration Committee is composed of at least three Directors. All members of the Nomination and Remuneration Committee are Non-Executive Directors, with a majority being independent Directors. The majority of the members has the necessary expertise with regard to remuneration policies, i.e. has a degree in higher education and has at least three years' experience in personnel management matters or matters related to the remuneration of Directors and managers of companies. The Board of Directors considers that all members of the Nomination and Remuneration Committee have sufficient experience in personnel management and matters related to remuneration.

The Nomination and Remuneration Committee is chaired by the chairman of the Board of Directors or by another non-executive member of the Nomination and Remuneration Committee. The chairman of the Board of Directors does not chair the Nomination and Remuneration Committee when dealing with the designation of his or her successor.

The duration of the term of a member of the Nomination and Remuneration Committee will not exceed the duration of his mandate as director of the Company.

The following Directors are members of the Nomination and Remuneration Committee:

Name	Position	Professional address
Paul Magrez	Chairman - Independent	Lindenhoekje 7, 1970 Wezembeek-Oppem, Belgium
Chris Buyse	Member - Independent	Baillet Latourlei 119A, 2930 Brasschaat, Belgium
Wagram Invest SA, with as permanent representative Michel Helbig de Balzac	Member	Rue de Rodeuhaie 1, 1348 Louvain-La-Neuve, Belgium

11.3.5.3.4 Operation

The Nomination and Remuneration Committee meets at least twice a year, and whenever a meeting is deemed necessary and advisable for its proper functioning. Decisions are taken by a majority vote. The chairman of the Board of Directors has a permanent invitation to attend the meetings of the Nomination and Remuneration Committee, except for meetings at which his own appointment, removal or remuneration is discussed. The Nomination and Remuneration Committee may invite other persons to attend its meetings (it being understood that a member of the Board of Directors may not attend the meeting of the Nomination and Remuneration Committee which handles his remuneration).

During 2017, the Nomination and Remuneration Committee met four times with particular emphasis on the:

- performance evaluation 2016 of the Executive Directors including bonus determination
- definition of the objectives 2017 of the Executive Directors
- discussion about a new stock option plan for Board members and employees
- recruitment of new Board members

11.4 Management Team

11.4.1 General

The Board of Directors has established a management team (the "**Management Team**"), which advises the Board of Directors, and which therefore does not constitute a Management Committee (*comité de direction*) under article 524bis of the Belgian Companies Code. The terms of reference of the Management Team have been determined by the Board of Directors.

11.4.2 Management Team

11.4.2.1 Role

The Management Team assists the Executive Directors in the management of the Company. The Management Team reports to and is accountable to the Board of Directors for the discharge of its responsibilities.

11.4.2.2 Duties

The Management Team has the following tasks:

- proposing, developing, implementing and monitoring the Company's strategy, taking into account the values of the Company, its risk profile and key policies;
- supervising compliance with the legislation and regulations that apply to the Company;
- develop, manage and assess internal control systems to allow identification, assessment, management and monitoring of financial and other risks;
- organising, coordinating and monitoring all functions of the Company;
- prepare complete, timely, reliable and accurate financial statements of the Company in accordance with the accounting standards and policies of the Company, and prepare the Company's required disclosure of the financial statements and other material financial and non-financial information;
- supporting the Executive Directors in the day-to-day management of the Company and with the performance of their other duties;
- investigate, draw up and develop policies proposals and strategic or structural projects to be presented to the Board of Directors for approval, report to the Board on their implementation, and provide information that is necessary to the Board to enable it to carry out its duties;
- develop, manage and assess internal control systems to allow identification, assessment, management and monitoring of financial and other risks.

The Management Team reports to and is accountable to the Board for the discharge of its responsibilities.''

11.4.2.3 Composition

The Executive Directors (CEO and CFO) together with the Senior Managers (CBO, CMO, CTMO, CCRO and the Director of Clinical Operations) are members of the Management Team. The Management Team is chaired by the CEO of the Company and in his absence by the CFO. The Members of the Management Team are appointed and may be dismissed by the Board of Directors at any time. The Board of Directors appoints them on the basis of the recommendations of the Nomination and Remuneration Committee, which also assists the Board of Directors on the remuneration policy for the members of the Management Team, as well as their individual remunerations.

The remuneration, duration and the conditions of resignation of the members of the Management Team are governed by the agreements entered into between the Company and each member of the Management Team in respect of their function within the Company.

The following persons were members of the Management Team in 2017:

Name	Title
Thomas Lienard SPRL, represented by Thomas Lienard	Chief Executive Officer and Executive Director
Finsys Management SPRL, represented by Jean-Luc Vandebroek	Chief Financial Officer from 1 September 2017
Wim Goemaere BVBA, represented by Wim Goemaere	Chief Finance Officer until 31 August 2017 and Director from 1 September 2017
Guy Heynen	Chief Clinical and Regulatory Officer
B. Champluvier Management and Consulting Services SPRL (BCMCS), represented by Benoit Champluvier	Chief Technology and Manufacturing Officer
Nora Meskini	Director of Clinical Operations
mC4Tx, represented by Miguel Forte	Chief Medical Officer from 6 March 2017 till 30 October 2017
Enrico Bastianelli SPRL, represented by Valérie Gangji	Chief Medical Officer until 6 March 2017

The former CMO is an active practitioner and provides services to the Company on a regular basis.

At the date of this report, the CCRO works for the Company on a part-time basis (3 days a week).

- **Thomas Lienard SPRL, represented by Mr. Thomas Lienard**, (41) (CEO). Mr. Lienard has over 15 years of national and international sales and marketing experience in the pharmaceutical industry. Prior to joining Bone Therapeutics, Mr. Lienard worked at Lundbeck, where he acted as Managing Director for Belgium and Luxemburg and was vital to the launch of several products. He led a team of up to 80 employees, generating over € 50 million in sales. Before his position at Lundbeck, Mr. Lienard worked at Eli Lilly and Company, where he held various positions in sales and marketing in Europe and the US, including Sales Director Belgium in 2010. Mr. Lienard started his career in 1999 as consultant at McKinsey & Company. Mr. Lienard graduated from Solvay Brussels School of Economics and Management as Master in Business Engineering in 1999 and obtained a Master of Business Administration (MBA) from Harvard Business School in Boston in 2004. Mr. Lienard is the new CEO of the Company as of 10 October 2016.
- **Finsys Management SPRL, represented by Mr. Jean-Luc Vandebroek**, (46) (CFO). Jean-Luc Vandebroek is a seasoned finance executive with extensive international finance experience at major public and privately-owned companies. Jean-Luc has built a successful career spanning 15 years at the Belgian-US retailer, Delhaize Group (now Ahold Delhaize). During this period, he held various senior financial positions with increasing responsibility, including roles as Corporate Director Finance Europe and US and Vice President Finance BeLux. He later became Group Chief Financial Officer at Fluxys, a listed, pan-European gas infrastructure group, where he was responsible for the financing of large infrastructure investments using diverse forms of funding on capital markets. Prior to joining Bone Therapeutics, Jean-Luc served as Director and Chief Financial Officer of Moteo Two Wheels and Bihr Europe, the motorcycle division of Alcopa Group, a Belgian family holding with an annual revenue of around € 1.7 billion.
- **Wim Goemaere BVBA, represented by Mr. Wim Goemaere**, (54) (CFO). Mr. Goemaere is an experienced senior financial executive with over 30 years international business experience, the majority of which he spent within the biotechnology field. After graduating in Applied Economics from KU Leuven (Belgium) in 1987, he began

his career at BP where he held various roles in finance with increasing responsibility until leaving the Company in 1995, to join the Flanders Institute for Biotechnology (VIB) as CFO. He played a key role in the Institute's development up to one of the Europe's leading research bodies in life sciences. In 2008, Mr. Goemaere moved to Devgen, a Belgium-based multinational agro-biotech company listed on NYSE Euronext Brussels, where he held the position of CFO for five years. He was instrumental in ensuring endorsement of Devgen in the financial markets and in the take-over of Devgen by Syngenta for €403 million. Furthermore, he played an important role into the company's business expansion in Asia. Subsequently, Mr. Goemaere was appointed CFO of Bone Therapeutics in 2013 and played a key role in the process of bringing the company to the stock market in 2015. In 2017, he re-joined VIB where he now holds the position of Chief Operating Officer.

- **Dr. Guy Heynen**, (72) (CCRO). Dr. Heynen started his career at the Belgian National Foundation for Research and in research roles at University Hospital, Liege, Belgium where he received his degree in medicine. Dr. Heynen is a specialist in rheumatology and immunology, with extensive experience both in university medical practice and in the pharmaceutical industry. He has over 35 years' experience in medical affairs and regulatory functions at local, regional and international levels and has a particular focus on management, team building and leadership. The majority of his career has been with Pfizer Inc. where he held a number of senior roles including medical director for Pfizer Switzerland, European team leader for the Alzheimer's disease drug Aricept and Medical Team Leader for Pfizer's anti-inflammatory drug franchise based in New York, US. Dr. Heynen also served as medical affairs director at Anbics AG, Switzerland from 2003-2006 and remains a Regional Medical Monitor for Pfizer GmbH Berlin.

- **B. Champluvier Management and Consulting Services (BCMCS) SPRL, represented by Dr. Benoit Champluvier** (57) (CTMO). Dr. Champluvier joined from GlaxoSmithKline Vaccines, where he has more than 20 years' experience of driving innovation and complex bioprocesses, supporting the development and launch of a number of new vaccines. Dr. Champluvier graduated from the Université Catholique de Louvain (UCL) in 1984 with an engineering degree in agronomics and a degree in economics. He then started a PhD in agronomic sciences at the UCL and was a postdoctoral researcher at the Institut für Enzymtechnologie in Jülich, Germany. He started his career at Jungbunzlauer in 1992. He joined GSK in 1993 as junior scientist and subsequently held several roles of increasing responsibilities, such as Manager R&D Fermentation, Manager Immunotherapeutics Process, Director Downstream Process Technology and Director GMP Pilot Plant.

- **Ms. Meskini** (47) (Director of Clinical Operations). Ms. Meskini has over 19 years of experience in the execution and coordination of clinical trials. Prior to her position at Bone Therapeutics, she was Associate Director of the European Clinical Program at Cytori Therapeutics for three years. Earlier, she held positions as Program Director Clinical Operations EMEA and Senior Clinical Research Manager EMEA at Biosense Webster (Johnson & Johnson).

- **mC4Tx SPRL, represented by Dr. Miguel Forte** (58) (CMO). Miguel Forte has significant regenerative medicine and cell therapy industry experience, most recently as Chief Operating and Medical Officer at TxCell, a French biotechnology company specializing in immune cell therapy, and as Chief Commercialization Officer and Chair of the Commercialization Committee at the International Society of Cellular Therapy (ISCT). With over 20 years' industry experience, he has gained broad expertise in medical and regulatory affairs, ranging from leading early and late stage clinical trials to market authorization and the launch of new biologic products for various indications. Prior to TxCell, Miguel Forte held several leadership positions in large pharmaceutical companies, including as Vice President, Global Medical Affairs at UCB, and various senior positions at the European Medicines Agency, Bristol-Myers Squibb, Abbott, and Wellcome Laboratories (now part of GSK). Miguel Forte graduated in Medicine from the University of Lisbon, specializing in infectious diseases and obtained a PhD in Immunology at the University of Birmingham. He is currently Associate Professor in Health Sciences and Pharmacy at the University of Aveiro and the University of Lisbon.

- **Enrico Bastianelli SPRL, represented by Prof. Dr. Valérie Gangji** ((49) (CMO). Dr. Gangji has acquired a broad experience in rheumatology in general and bone diseases in particular. She started her career in the Rheumatology Department of the Erasme University Hospital in Brussels, Belgium in 1993. After a general rheumatology path, Dr. Gangji further specialized in osteo-articular disorders and rehabilitation, and is now head of the bone and rehabilitation unit of the Rheumatology Department of Erasme University Hospital (Brussels, Belgium). She also recently became co-director of the pain clinic. In 1998, she started her pioneering works on stem cell transplantation, work from which she obtained her PhD degree. Since 1997, she has conducted several clinical studies in osteonecrosis, arthritis and osteoporosis (protocol design, submission, recruitment of patients, follow-up, publication of results…). She managed to show for the first time that the graft of bone marrow in the necrotic area improves the clinical symptoms and the evolution of the lesion to a fracture state. Each year, she is the main investigator in 3 to 4 clinical studies. She is a board member of several professional rheumatology associations. From 2007 to 2012, Dr Gangji was VP ARCO for Europe, the international osteonecrosis association. Dr. Gangji is Dr. Enrico Bastianelli's spouse.

11.4.3 Operation

The Management Team meets regularly whenever it is required for its proper functioning.

The CEO and the CFO have been appointed as Executive Directors of the Company and can be removed by the Board of Directors of the Company. The CEO and the CFO are entrusted by the Board of Directors with the day-to-day management of the Company.

11.5 Scientific Advisory Board

11.5.1 Role

The Company has established a scientific advisory board, which acts as the expert panel of the Company. This expert panel consists of the key thought leaders in fields of expertise relevant to the Company and assists the Company with the following matters:

- Provide strategic guidance for program development;
- Provide a neutral view on the progress of technology and science;
- Provide external validation of intellectual property or new technologies.

11.5.2 Composition

The scientific advisory board is currently composed of the following experts:

- **Prof. Dr. Roland Baron**, Professor and chair at Harvard Medical School and Mass. General Hospital, founder and CSO ProSkelia (Paris) from 2002 to 2006, vice-president R&D "Bone Diseases & Hormonal Disorders" at Aventis Pharma from 1995 to 2002.
- **Prof. Dr. David Scadden**, Professor and co-director at Harvard Stem Cell Institute, director at Centre for Regenerative Medicine, founder of Fate Therapeutics (Boston).
- **Prof. Dr. Joseph Lane**, Professor and orthopaedic surgeon at the Hospital for Special Surgery in New York, assistant dean at Weill Cornell Medical College of New York, expert in orthopaedics and metabolic bone diseases.
- **Prof. Dr. Steven Goldring**, Professor, chair and CSO at the Hospital for Special Surgery in New York, professor of medicine at Harvard Medical School (Boston) from 1996 to 2006, expert in Rheumatology.
- **Prof. Dr. Sundeep Khosla**, Professor Physiology & Medicine at the Mayo Clinic in Minnesota, President of the American Society for Bone & Mineral Research from 2010 to 2011, expert in osteoporosis and bone biology.

11.6 Internal control and risk management systems

11.6.1 Internal mechanism

- The role of the Executive Directors & Management Team is to develop and maintain adequate control system to assure:
  - the realization of company objectives;
  - the reliability of financial information;
  - the adherence to applicable laws and regulations;
  - monitor the internal and external impact of the risks identified by its Committees, and the management of the risks identified.
- The Audit Committee has guiding, supervisory and monitoring role with respect to the Executive Directors & Management Team, as regards the development, maintenance and execution of internal controls and:
  - assists the Board of Directors in respect of control issues in general;
  - acts as the interface between the Board of Directors and the external auditors of the Company.
- No internal audit role has been assigned at this point in time as the size of the business does not justify a permanent role in this respect - typical internal audit activities will be outsourced from time to time whereby the Audit Committee will determine frequency of these audits and select topics to be addressed
- In 2015, the Company took measures to improve the controls and the efficiency of the payment process and implemented tools to allow for a more detailed budget follow-up.
- Based on observations made by the external auditors in respect of payroll process, the recoverable cash advances process, the expenditure process and the process for capitalisation of the R&D costs, an action plan was established for implementation in the course of 2016.
- In 2017, a new budgeting process was implemented. Each department was asked to provide a separate budget which were subsequently integrated into a global company budget. The new budgeting procedures was designed

to provide a stronger involvement to the departments of the Company providing a more accurate forecast of the spending on a more granular level. A monthly reporting of the actual spending was also installed such that each department could follow their spending compared to their budgets creating an additional level of cost-awareness.

11.6.2 Risk analysis

We refer to Chapter 3 of this Annual Report for a detailed risk analysis of the Company.

11.6.3 Financial risk management

11.6.3.1 Liquidity risk management

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's main sources of cash inflows at current are obtained through capital increases, subsidies, government loans and where appropriate loans from commercial banks to finance long term requirements (investment in infrastructure). A key objective of the Board together with the Executive Directors is to ensure that the Company remains adequately financed to meet its immediate and medium term needs.

If necessary and appropriate the Company assures itself of short term borrowing facilities to cover short term cash requirements.

11.6.3.2 Interest rate risk management

The Company has limited interest rate risk on long term investments loans concluded through its subsidiary SCTS on 15 July 2014 which are currently financed at variable interest rates linked to EURIBOR 3M. This risk has been quantified by means of a sensitivity analysis mentioned under section 3.1.7.3. For these long-term loans the Company is permanently monitoring the short-term interest rates versus options to swap these rates with a long-term interest rate (IRS) in function of the remaining term of the loan.

Other longer-term loans granted by regional investment bodies but also including the turnover independent reimbursements (30%) related to RCA's concluded as of 2009 are carrying fixed interest rates. The group at current does not undertake any hedging.

11.6.3.3 Credit risk

The Company believes that its credit risk, relating to receivables, is limited because currently almost all of its receivables are with public institutions. Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk, to which the Group is theoretically exposed as at the balance sheet date, is the carrying amount of the financial assets. At the end of the reporting period no financial assets were past due, consequently no financial assets were subject to impairment.

11.6.3.4 Foreign exchange risk

The Company is currently not exposed to any significant foreign currency risk.

However, should the Company enter into long term collaboration agreements with third parties for which revenues would be expressed in a foreign currency, the Company might in such case consider to enter into a hedging arrangement to cover such currency exposure (in case the related expenditure is planned in local currency). The Company will also monitor exposure in this respect following the establishment of its US subsidiary. At current, there is no significant exposure in USD.

11.6.4 Controls, supervision and correctives actions

Within the Board of Directors, an annual strategy meeting is organised:

- The management presents strategic plans for the different aspects of the business;
- The Board of Directors reviews these plans and selects between strategic options when necessary;
- The Board reviews on a regular basis the validity of the strategic options chosen and redirect where necessary.

The Executive Directors develop a long term financial plan (minimum 3 years looking forward) incorporating the strategy decided upon – this plan is updated on a regular basis to keep it in line with the strategy plans.

The Executive Directors develop an annual budget which is approved by the board and which is closely monitored during the year. Deviations are reported to the board and corrective action is taken when necessary.

The Company has implemented an ERP system in support of its financial and logistics management. This system will be evaluated at regular intervals in how far it meets the needs of

the organization. Where and when necessary, the system will be further upgraded to address new needs or to strengthen controls.

In general supervision and monitoring of the operations of the Company is done on a permanent/daily basis at all levels within the Company. As a general policy deviations are reported at all times to the supervisory level.

11.7 Market abuse regulations

In its Governance Charter, the Company established several rules to prevent illegal use of inside information by Directors, Shareholders, Management members and employees, or the appearance of such use.

These prohibitive provisions and the monitoring of compliance with them are primarily intended to protect the market. Insider dealing attacks the very essence of the market. If insiders are given the opportunity to make profits on the basis of inside information (or even if the mere impression thereof is created), investors will turn their back on the market. A decreased interest may affect the liquidity of listed shares and prevents optimal company financing.

An Insider can be given access to inside information within the scope of the normal performance of his duties. The Insider has the strict obligation to treat this information confidentially and is not allowed to trade financial instruments of the Company to which this inside information relates.

The Company keeps a list of all persons (employees or persons otherwise working for the Company) having (had) access, on a regular or occasional basis, to Inside Information. The Company will regularly update this list and transmit it to the FSMA whenever the FSMA requests the Company to do so.

11.8 Remuneration report

11.8.1 Procedure

The Nomination and Remuneration Committee, set up by the Board, is responsible for outlining a remuneration policy for the executive and non-executive directors.

11.8.1.1 Directors

Board members are remunerated based on a benchmarking exercise done on a regular basis by the REMCO with other peer companies to ensure that this remuneration is fair, reasonable and competitive and is sufficient to attract, retain and motivate the Directors of the Company. In this respect the Remco and the Board shared the view that all board members independent and non-independent, should be compensated equally with a fixed compensation. For the Chairman and the chairs of the committees the board proposed a supplementary compensation.

Without prejudice to the powers granted by law to the Shareholders Meeting, the Board may set and revise at regular intervals the rules and the level of compensation for its Directors.

11.8.1.2 Executive Directors and the Management Team

The remuneration of the Executive Directors and the remuneration of the members of the Management Team are determined by the Board of Directors on recommendations made by the Remuneration Committee, further to recommendations made by the Executive Directors (except where their own remuneration is concerned). The Company strives to offer a competitive remuneration within the sector.

11.8.2 Remuneration policy

11.8.2.1 Director's remuneration

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

The following remuneration policy is in place for the Non-Executive Directors' remuneration.

The Non-Executive Directors received a fixed remuneration in consideration for their membership of the Board of Directors and their membership of the Committees, with the exception of Jean-Jacques Verdickt, who renounced the right to any remuneration in this respect.

Upon advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the shareholders' meeting to grant stock options or warrants in order to attract or retain Non-Executive Directors with the most relevant skills, knowledge and expertise. Insofar as this grant of stock options or warrants constitutes variable remuneration in accordance with Article 554 of the Belgian Companies Code, such a remuneration will be submitted for approval to the annual general shareholders meeting.

The Nomination and Remuneration Committee recommends the level of remuneration for Non-Executive Directors, subject to approval by the Board of Directors and, subsequently, by the shareholders' meeting. The Nomination and Remuneration Committee benchmarks Directors' compensation against peer

companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various Committees.

The remuneration package for the Non-Executive Directors was revised and approved by the shareholders' meeting of the Company held on 26 May 2016 and consists of a fixed annual fee of € 20,000 for the Non-Executive Directors (with the exception of Mr. Jean-Jacques Verdickt), and € 40,000 for the Chairman. Such fee is supplemented (i) with a fixed annual fee of € 5,000 for members of the Audit Committee (with the exception of Mr. Jean-Jacques Verdickt), to be increased by € 5,000 for the Chairman of the Committee and (ii) with a fixed annual fee of € 5,000 for members of the Nomination and Remuneration Committee, to be increased by € 5,000 for the Chairman of the Committee. Any changes to these fees will be submitted to the shareholders' meeting for approval. The Executive Directors will not receive any specific remuneration in consideration for their membership of the Board of Directors.

The total remuneration for the Non-Executive Directors for 2017 amounts to € 223,490. The table below provides an overview of the remuneration per Non-Executive Directors.

	Remuneration
Non-Executive Directors	EUR
Wagram Invest SA with permanent representative Helbig de Balzac	35,000
Chris Buyse	35,000
Paul Magrez	30,000
Magenta Tree BVBA with as permanent representative Thierry François	25,000
Swinson SNC Management & Consult, with as permanent representative Steven Swinson	21,667
Roland Baron	20,000
SFPI SA with as permanent representative Jean-Paul Prieels	20,000
Castanea Management Limited with as permanent representative Damian Marron	11,667
Dirk Dembski	10,000
Marc Nolet de Brauwere van Steeland	10,000
Wim Goemaere BVBA with as permanent representative Wim Goemaere	5,000
Jean-Jacques Verdickt	0

On an individual basis, a remuneration of € 24,000 was paid to Mr. Roland Baron for his role of CSO consultant for the Company.

All Directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

There are no loans outstanding from the Company to the members of the Board of Directors. There are no employment or service agreements that provide for notice periods or indemnities between the Company and Non-Executive Directors.

Also, any agreement, entered into or extended on or after 3 May 2010, between the Company and a Non-Executive Director, which would provide for a variable remuneration, must be submitted for approval to the next annual shareholders' meeting.

The table below provides an overview of significant positions held directly or indirectly on 31 December 2017 of shares by the Non-Executive Members of the Board of Directors. The overview must be read together with the notes referred to below.

	Shares	
Non-Executive Directors	Number	%
Wagram Invest SA with permanent as representative Michel Helbig de Balzac[36]	314,730	4.59%
Chris Buyse[37]	0	0.00%
Paul Magrez	0	0.00%
Magenta Tree BVBA with as permanent representative Thierry FrançoisP	0	0.00%
Swinson SNC Management & Consult, with as permanent representative Steven Swinson	0	0.00%
Roland Baron	1,750	0.03%
SFPI SA with as permanent representative Jean-Paul Prieels[38]	401,406	5.86%
Castanea Management Limited with as permanent representative Damian Marron	0	0.00%
Dirk Dembski	0	0.00%
Marc Nolet de Brauwere van Steeland	166,562	2.43%
Wim Goemaere BVBA with as permanent representative Wim Goemaere	0	0.00%
Jean-Jacques Verdickt[39]	177,892	2.60%

None of the Non-Executive Directors hold warrants on 31 December 2016.

The following Non-Executive Directors hold warrants on 31 December 2017:

	Warrants	
Non-Executive Directors	Number	%*
Wim Goemaere	39,800	0.56%

** calculated as the percentage of all outstanding shares and warrants (7,123,214)*

11.8.2.2 Remuneration of the CEO and the other Executive Directors and the Management Team

11.8.2.2.1 Remuneration policy

The remuneration package applicable in 2017 for the Executive Directors and the members of the Management Team is in line with the remuneration levels in comparable companies for these functions. The Company does not intend to substantially change the policy in 2018.

The key components of this policy can be summarized as follows:

- The Company wants to offer a market competitive compensation to allow the recruitment, retention and motivation of expert and qualified professionals and considering the scope of their responsibilities.
- The remuneration will be structured to allow to link an appropriate part of the remuneration to individual performance and the performance of the Company and to align the interest of the individual as much as possible with the interest of the Company and its shareholders.
- For this purpose key performance indicators (company and or individual) are agreed upon in advance. These indicators can be operational or financial in nature (progress in clinical and pre-clinical programmes, financial management of key financial parameters, realization of collaborations or concluding new grants, investor relation activities, compliance matters and regulatory approvals and successful completion of audits). The valuation period is aligned with the fiscal year.
- The variable remuneration will be partly in cash and partly in shares, warrants or other instruments allowing to acquire shares through schemes to be approved by the annual shareholder meeting.
- The variable remuneration will only be paid when the key performance indicators agreed upon in advance are effectively met. The remuneration committee will evaluate

[36] *Through Naussica Ventures SCA and Business Angels Fund I SCA*
[37] *Through LSRP VZW*
[38] *All shares held by SFPI SA*
[39] *Through JJ Verdickt & consorts*

the realization of the performance criteria and will make a proposal in respect of the variable remuneration to the board.

- The Company's articles of association explicitly allow to deviate from what has been defined under Article 520ter of the Belgian Companies Code (by decision of the General meeting date: 5 February 2015). Article 520ter stipulates that: "Unless provided otherwise in the articles of association or approved by the annual general shareholders' meeting, (a) variable remuneration for leaders must be based, at least for 25%, on performance criteria measured over a period of at least two years and for (another) 25% on performance criteria measured over a period of at least three years and (b) shares may only be definitively acquired by Directors and leaders and stock options or other rights to acquire shares may only be exercised by leaders at the earliest three years after they have been granted to them. The rules set out under (a) above, do not apply if the variable remuneration represents 25% or less of the total annual remuneration of the leader."
- In accordance with Article 554 of the Belgian Companies Code, which applies to agreements with leaders entered into or extended after 3 May 2010, any such agreement which includes a provision providing for a severance package exceeding 12 months' remuneration, or, on motivated advice of the Nomination and Remuneration Committee, exceeding 18 months, must be submitted for prior approval to the next annual shareholders' meeting. Any proposal to grant a higher severance package must be communicated to the works council (or to other designated bodies or persons representing the employees, if this council does not exist; i.e., the employee representatives in the committee for the prevention and protection in the workplace or, in the absence of this committee, to the trade union delegation) at least thirty days prior to the publication of the convening notice of the next annual general shareholders meeting, which may then give its advice to the annual general shareholders meeting, at the latest on the day of publication of the convening notice of the annual general shareholders meeting. This advice is published on the website of the Company.
- In accordance with Article 520bis of the Belgian Companies Code, the criteria for granting variable remuneration to leaders must, as of 1 January 2011, be included in the contractual or other provisions governing the relevant legal relationship. The variable remuneration can only be paid out if the milestones for the reference period have been met. If the aforementioned obligations are not complied with, the variable remuneration may not be taken into account for calculating the severance pay.
- The Company currently does not foresee in a specific pension plan neither for the CEO nor for the other members of the Management Team.

In accordance with Article 96, §3 of the Belgian Companies Code, this remuneration report includes the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis.

Following his resignation as CEO it was agreed that Enrico Bastianelli continued to provide support to the Company until 11 April 2017. For these services a total amount of € 137,000 was paid for the period 10 October 2016 until 11 April 2017. For the period 11 April 2017 up to 10 October 2017 an amount of € 137,000 was paid as a non-compete fee.

In the financial year 2017, Bone Therapeutics paid a total remuneration of € 281,000 (outside variable component) to Thomas Lienard SPRL in his capacity of (interim-) CEO. This includes:

- A fixed remuneration of € 265,000;
- A variable component of maximum 35% of the annual remuneration in relation to the realisation of objectives for 2017
- Other of € 16,000 (car and group insurance)

The Management Team (excluding the CEO) in place during 2017 was as follows:

- Wim Goemaere BVBA, represented by Wim Goemaere, CFO – until 30 September 2017
- Finsys Management SPRL, represented by Jean-Luc Vandebroek – from 1 September 2017
- B. Champluvier Management and Consulting Services (BCMCS) SPRL, represented by Benoit Champluvier, CTMO
- Enrico Bastianelli SPRL, represented by Valérie Gangji, CMO – until 6 March 2017
- mC4Tx, represented by Miguel Forte, CMO – from 6 March 2017 till 30 October 2017
- Guy Heynen, CCRO
- Nora Meskini, Director of Clinical Operations

Currently, all members of the Management Team are engaged on the basis of a service agreement except for Nora Meskini, Director of Clinical Operations which is employed under a regular employee contract. The contracts with all members of the management team can be terminated at any time, subject to certain pre-agreed notice periods not exceeding 12 months, which may, at the discretion of the Company, be replaced by a corresponding compensatory payment.

The total fees paid to the members of the Management Team (excl. the CEO) amounted to € 1,047,000 (outside variable component) in 2017 (full company costs but excluding VAT and stock based compensation).

This includes:

- A fixed remuneration of € 1,018,000
- A variable component of maximum 30% of the annual remuneration in relation to the realisation of objectives for 2017
- Other of € 29,000 (car and group insurance)

The Management Team does not hold any shares of the Company on 31 December 2017 but holds 60,000 warrants.

The table below provides an overview of the shares and warrants held by the members of the Management Team on 31 December 2017.

	Shares		Warrants	
Managers	Number	%	Number	%**
Thomas Lienard SPRL	-	-	24,000	0.34%
B. Champluvier Management and Consulting Services (BCMCS)	-	-	16,000	0.22%
Guy Heynen	-	-	20,000	0.28%

*** calculated as the percentage of all outstanding shares and warrants (7,123,214)*

All the warrants mentioned above have been accepted. They are all vested.

Guy Heynen, CCRO was granted 20,000 warrants out of Plan C. Thomas Lienard SPRL and B. Champluvier Management and Consulting Services (BCMCS) were granted 40,000 warrants in total out of Plan A. The vesting and other conditions of these warrant plans are explained under section 14.4 of this document.

11.8.2.3 Severance provisions and payments

- **Thomas Lienard**

The management agreement between Thomas Lienard SPRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and Thomas Lienard SPRL may terminate the management agreement by means of a six months' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event Thomas Lienard SPRL commits a serious breach of its obligations under the management agreement. Thomas Lienard SPRL may terminate the management agreement with immediate effect in the event the Company commits a serious breach of its obligations under the management agreement, in which case he will receive an indemnity corresponding to six months' fees. In addition, in the event of a change of control of the Company, the Company must pay an indemnity corresponding to a year's fees to Thomas Lienard SPRL if the management agreement is terminated within the year of the change of control or during the 30 days preceding such an event, unless Thomas Lienard SPRL commits a serious breach of its obligations under the management agreement. This change of control indemnity will also be due in the event the services to be procured by Thomas Lienard SPRL under the management agreement are unilaterally and materially reduced within two years of the change of control and if Thomas Lienard SPRL terminates the management agreement because of this reduction.

The management agreement also provides for a non-compete clause preventing Thomas Lienard SPRL and Thomas Lienard in person from engaging in any activities in the European Union or in the United States that are similar to those being pursued by the Company or SCTS during the term of the management agreement or for a period of three years after termination of the management agreement.

- **Jean-Luc Vandebroek**

The management agreement between Finsys Management SPRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and Finsys Management SPRL may terminate the management agreement by means of a six months' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event Finsys Management SPRL commits a serious breach of its obligations under the management agreement. Finsys Management SPRL may terminate the management agreement with immediate effect in the event the Company commits a serious breach of its obligations under the management agreement, in which case he will receive an indemnity corresponding to six months' fees. In addition, in the event of a change of control of the Company, the Company must pay an indemnity corresponding to a year's fees to Finsys Management SPRL if the

management agreement is terminated within the year of the change of control, unless Finsys Management SPRL commits a serious breach of its obligations under the management agreement. This change of control indemnity will also be due in the event the services to be procured by Finsys Management SPRL under the management agreement are unilaterally and materially reduced within two years of the change of control and if Finsys Management SPRL terminates the management agreement because of this reduction.

- **Benoit Champluvier**

The management agreement between B. Champluvier Management and Consulting Services SPRL (BCMCS SPRL) and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and BCMCS SPRL may terminate the management agreement currently respecting a three months' notice period. As of 1 July 2017, this notice period will be 6 months. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event BCMCS SPRL commits a serious breach of its obligations under the management agreement. BCMCS SPRL may terminate the management agreement with immediate effect in the event the Company commits a serious breach of its obligations under the management agreement, in which case he will receive an indemnity corresponding to the above mentioned notice periods.

The management agreement also provides for a non-compete clause preventing BCMS SPRL and Benoit Champluvier in person from engaging in any activities in the European Union or in the United States that are similar to those being pursued by the Company or SCTS during the term of the management agreement or for a period of three years after termination of the management agreement.

- **Nora Meskini**

Nora Meskini has an employment contract with the Company. In the event of termination of the employment contract, the legal provisions of Belgian law apply.

11.8.2.4 Claw back provisions

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

12

Related party transactions

12.1 General

Each member of the Management team and each Director needs to focus to arrange his or her personal business to avoid direct and indirect conflicts of interest with the Company. The Company's corporate governance charter contains specific procedures when potential conflicts could appear.

12.2 Conflicts of interest of Directors

There is a conflict of interest when the administrator has a direct or indirect financial interest adverse to that of the Company. In accordance with Article 523 of the Companies Code, a director of a limited company which *"has, directly or indirectly, an interest of an economic nature in a decision or an operation under the Board of Directors"* is held to follow a particular procedure. If members of the Board, or of the Management Team or their permanent representatives are confronted with possible conflicting interests arising from a decision or transaction of the Company, they must inform the Chairman of the Board thereof as soon as possible. Conflicting interests include conflicting proprietary interests, functional or political interests or interests involving family members (up to the second degree).

If Article 523 of the Belgian Companies Code is applicable, the Board member involved must abstain from participating in the deliberations and in the voting regarding the agenda items affected by such conflict of interest. Below is an overview of the meetings of the Board of Directors in which the conflict of interest procedure has been applied.

12.2.1 Board of Directors of 21 February 2017

Before the start of the deliberation, Thomas Lienard SPRL (with as permanent representative Thomas Lienard) and Wim Goemaere BVBA (with as permanent representative Wim Goemaere) declare having a potential conflict of interest, as defined in Article 523 of the Company Code.

This conflict of interest arises from the fact that Thomas Lienard SPRL and Wim Goemaere BVBA are respectively the CEO and the CFO of the Company and the beneficiaries of a bonus for which the Board must determine the objectives to be achieved.

Justification of the decision to be taken:

The Board believes that variable compensation is an important element of a human resources policy that is both incentive and motivating for management and that the choice of appropriate and ambitious objectives in line with the Company's strategic choices is essential to align the interests of management with the interests of the Company.

Financial Consequences for the Corporation:

The Board does not decide on the maximum amount of the annual bonus, which was agreed before with the beneficiaries, but only on the objectives to be achieved in order to obtain the 2017 bonus. The decision has therefore no additional financial impact for the Company but will only determine the conditions for granting the annual bonus.

Social Interest:

Considering the above arguments, the Board is of the view that the decisions are taken and fit within the context of the Company's corporate interest.

The two aforementioned directors do not participate in the deliberations or the vote on these items on the agenda. In compliance with the Article 523 of the Company Code, the Company's statutory auditor will be informed of these conflicts of interest.

DELIBERATIONS AND DECISIONS

Assessment of 2016 objectives and 2017 objectives

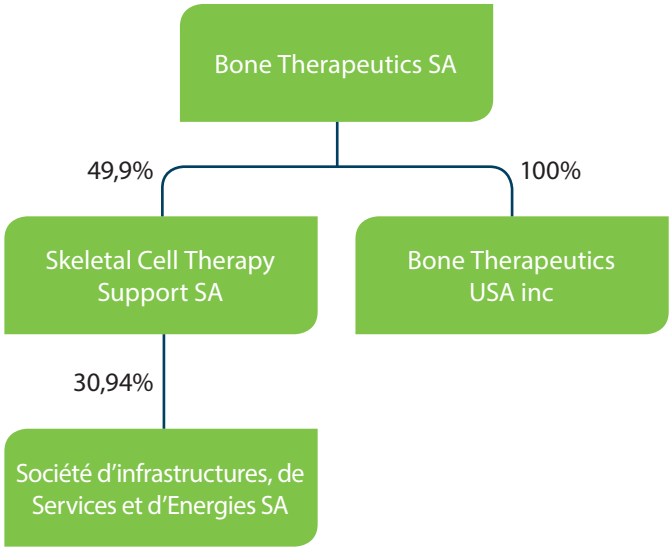
The Chairman of the Nomination and Remuneration Committee reminded the other non-executive directors of the 2016 objectives of the CEO and the CFO and presented the Nomination and Remuneration Committee's recommendations concerning (i) the achievement of the objectives for 2016 and (ii) the common and personal objectives for 2017, as sent to the non-executive directors before the meeting. The Board approved the recommendations of the Nomination and Compensation Committee.

12.3 Existing conflicts of interest of members of the Board of Directors and of the Management Team and related party transactions

Currently, as far as the Company is aware, none of the other members of the Board of Directors have a conflict of interest within the meaning of Article 523 of the Belgian Companies Code that has not been disclosed to the Board of Directors. Other than potential conflicts arising in respect of compensation-related matters, the Company does not foresee any other potential conflicts of interest in the near future.

12.4 Related Party Transactions

At the date of this Annual Report, Bone Therapeutics SA has the following affiliates:



12.4.1 Transactions with SCTS

The Company has granted SCTS three personal, non-transferable royalty-free licenses to use, perform, research, develop and manufacture products in name of the Company. A first license is granted by the Company to SCTS over the technology claimed by the ULB-028 patent family, in the framework of the PROFAB and EXCIP agreements entered into by the Company and SCTS (i.e. a research and development agreement between the Company, SCTS and the Region). A second license is granted by the Company to SCTS over the technology claimed by the BPBONE-001 and 002 patent families in the framework of the JTA PROD agreement (i.e. also a research and development agreement between the Company, SCTS and the Region). A third license is granted by the Company to SCTS over the technology claimed by the BONE-001 patent family; in the framework of the MO SELECT and CRYOFIN agreements (i.e. also a research and development agreement between the Company, SCTS and the Region).

As the Company and SCTS operate together closely whereby both companies are occupying the same building (owned by SCTS) and staff employed by SCTS is operating under a consultancy arrangement on administrative and research projects for account of Bone Therapeutics, agreements have been put in place to govern this relation and a VAT grouping was established between the two companies (effective as of 1 January 2016).

12.4.2 Transactions with Bone Therapeutics USA Inc.

In course of 2017, expenses related to all activities executed through Bone Therapeutics USA Inc. have been re-invoiced to Bone Therapeutics SA at 31 December 2017.

12.4.3 Transactions with SISE

SISE leases a land to SCTS in the context of a long lease right (99 years) and performs certain infrastructure and maintenance services for the Company and SCTS.

12.4.4 Transactions with the Walloon Region

As a result of the relationship of the Walloon Region with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. The Company (and SCTS) have obtained a number of loan facilities through re-gional investment offices, such as Sambrinvest SA, Fond de Capital à Risque SA, Novallia SA and Sofipôle SA. Also, since its incorporation and until 31 December 2017, the Company has been awarded non-dilutive financial support from the Walloon Region, amounting to in aggregate € 31.28 million, in the form of both recoverable cash advances and subsidies.

12.4.5 Transactions with the Management Team

There is no transactions with the Management Team.

For information on the Management Team remuneration, see Section 11.8.2.2 "Remuneration of the CEO and the other Executive Directors and the Management Team".

12.5 Transactions with affiliates

Article 524 of the Belgian Companies Code provides for a special procedure which must be followed for transactions with Bone Therapeutics' affiliated companies or subsidiaries. Such a procedure does not apply to decisions or transactions that are entered into the ordinary course of business at usual market conditions or for decisions and transactions whose value does not exceed one percent of the Companies' consolidated net assets.

13

Employees

13.1 Number of employees

On 31 December 2017, the Company employs 94 employees in total. The table below shows the evolution of employment since 2014 and does not take into account the temporary workers and the management members.

As of 31 December	2014		2015		2016		2016	
	BT	SCTS	BT	SCTS	SCTS	BT	BT	SCTS
R&D	34	35	57	37	57	35	53	31
Administration	2	1	5	2	4	5	6	4
Total	36	36	62	39	61	40	59	35
Total of BT and SCTS	72		101		101		94	

To support its growth, staff was recruited throughout all departments but in particular the clinical department, the production department and the pre-clinical department.

30% of employees are qualified to PhD level. Scientific specialization domains include cellular and molecular biology, pharmaceutical sciences, veterinary medicine, physiology and life sciences. Eleven different nationalities are working at Bone Therapeutics today.

13.2 Arrangements for involving the employees in the capital of the Company

The Company has created a pool of warrants to grant to employees. Reference is made to Section 14.4.2.1 for more detailed information on the warrant plan A for employees.

14

Shares and shareholders

14.1 History of capital - Capital increase and issuance of shares

14.1.1 Securities issued by the Company

At the date of 31 December 2017, the Company's capital amounts to € 14,662,801.49, represented by 6,849,654 ordinary shares without nominal value.

The Company has issued 304,760 warrants which give right to subscribe to an equal number of shares. On the date of this Annual Report, 183,800 warrants have been granted.

14.1.2 History of capital

At the occasion of the incorporation of the Company (at the time, a private limited liability company (*société privée à responsabilité limitée*) on 16 June 2006, the share capital amounted to € 18,550.00, represented by 1,855 shares with a nominal value of € 10, of which one third was paid-up in cash.

On 5 September 2006, the share capital was increased by a contribution in cash in the amount of € 356,450.00 with issuance of 35,645 shares without nominal value, of which two thirds was paid-up in cash. Following the capital increase, the share capital of the Company amounted to € 375,000 and was represented by 37,500 shares.

On 7 March 2007, the Company was converted into a limited liability company (*société anonyme*) and the share capital was increased by a contribution in cash in the amount of € 525,000.00 with issuance of 52,500 shares without nominal value, of which two thirds was paid up in cash. At the occasion of the capital increase, two classes of shares were created, whereby the shares existing prior to the aforementioned capital increase were allocated to class A, and the shares issued pursuant to the aforementioned capital increase were allocated to class B. The nominal value of the class A shares was cancelled, and all class A shares were paid-up in cash for two thirds. Following the capital increase, the share capital of the Company amounted to € 900,000.00 and was represented by 90,000 shares (of which 37,500 shares were class A shares and 52,500 shares were class B shares).

On 12 November 2008, the existing classes of shares were abolished and the share capital was increased by a contribution in kind in the amount of € 84,800.00 with issuance of 8,480 shares. The new shares were issued at a price of € 73.11 per share (of which € 10 in capital and € 63.11 in issuance premium). The aggregate issuance premium amounted to € 535.000 and was subsequently incorporated in the share capital by another capital increase without issuance of new shares. Following both capital increases, the share capital of the Company amounted to € 1,520,000.00 and was represented by 98,480 shares.

On the same day, the share capital of the Company was again increased by a contribution in cash of € 650,197.96 with issuance of 42,126 shares. The new shares were issued at a price of € 91.39 per share (of which € 15.43 in capital and € 75.96 in issuance premium). The aggregate issuance premium amounted to € 3,199,802.04 and was subsequently incorporated in the share capital of the Company by another capital increase without issuance of new shares. Following both capital increases, the share capital of the Company amounted to € 5,370,000.00 and was represented by 140,606 shares.

On 13 January 2011, the share capital was increased by a contribution in cash in the amount of € 992,825.00 with issuance of 25,997 shares. The new shares were issued at a price of € 160 per share (of which € 38.19 in capital and € 121.81 in issuance premium). The aggregate issuance premium amounted to € 3,166,695.00. Following the capital increase, the share capital of the Company amounted to € 6,362,825.00 and was represented by 166,603 shares.

On 24 November 2011, the share capital was increased by a contribution in cash in the amount of € 580,258.86 with issuance of 15,194 shares. The new shares were issued at a price of € 160 per share (of which € 38.19 in capital and € 121.81 in issuance premium). The aggregate issuance premium amounted to € 1,850,781.14. Following the capital increase, the share capital of the Company amounted to € 6,943,083.86 and was represented by 181,797 shares. On the same day, the Company approved a stock option plan, with issue of a pool of 12,000 warrants to the benefit of the key personnel of the Company.

On 27 November 2012, the share capital was increased by a contribution in cash in the amount of € 1,473,790.29 with issuance of 38,591 shares. The new shares were issued at a price of € 65.79 per share (of which € 38.19 in capital and € 27.60 in issuance premium). The aggregate issuance premium amounted to € 1,065,111.60. Following the capital increase, the share capital of the Company amounted to € 8,416,874.47 and was represented by 220,388 shares. On the same day, the Company issued two anti-dilution warrants to 32 shareholders following an agreement between the existing shareholders, the first of which was exercised on the same day and the share capital was increased following such exercise in the amount of 32 eurocents with issuance of 71,772 shares and the second of which was subsequently cancelled (see below). Following the capital increase, the share capital of the Company amounted to € 8,416,874.47 and was represented by 292,160 shares.

On 10 June 2013, the share capital was increased by a contribution in cash in the amount of € 870,732.00 with issuance of 22,800 shares. The new shares were issued at a price of € 65.79 per share (of which € 38.19 in capital and € 27.60 in issuance premium). The aggregate issuance premium amounted to

€ 629,280.00. Following the capital increase, the share capital of the Company amounted to € 9,287,606.47 and was represented by 314,960 shares.

On 24 February 2014, the shareholders of the Company resolved upon a share split, dividing the 314,960 shares, without nominal value, each representing 1/314,960th of the share capital of the Company by 10, creating 3,149,000 shares, without nominal value, each representing 1/3,149,600th of the share capital of the Company. On the same day, the share capital was increased by a contribution in cash in the amount of € 580,488.00 with issuance of 152,000 shares. The new shares were issued at a price of € 6.579 per share (of which € 3.819 in capital and € 2.760 in issuance premium). The aggregate issuance premium amounted to € 419,520.00. Following the capital increase, the share capital of the Company amounted to € 9,868,094.47 and was represented by 3,301,600 shares.

On 10 July 2014, the share capital was increased by a contribution in cash in the amount of € 598,208.16 with issuance of 156,640 shares. The new shares were issued at a price of € 6.579 per share (of which € 3.819 in capital and € 2.760 in issuance premium). The aggregate issuance premium amounted to € 432,326.40. Following the capital increase, the share capital of the Company amounted to € 10,466,302.63 and was represented by 3,458,240 shares.

On 18 December 2014, the extraordinary general shareholders' meeting of the Company resolved to abolish the second anti-dilution warrants issued on 27 November 2012, further to a waiver by the holders thereof.

On 8 January 2015, the extraordinary general shareholders' meeting of the Company resolved to cancel the stock option plan (and the outstanding pool of 12,000 warrants) issued on 24 November 2011.

On 5 February 2015, though 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 with issuance of 2,013,000 shares. 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 contribution in cash 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.

On 30 October 2017, the share capital was decreased by an incorporation of losses of an amount of € 6,045,571.41 without any reduction of shares.

On 7 March 2018, a total amount of € 19.45 million in committed capital has been subscribed during the Offering. Part of the investors have decided to immediately exercise warrants resulting in an immediate gross proceed of about € 6.58 million and 565,773 new shares to be created, increasing the total outstanding shares from 6,849,654 to 7,415,427 ordinary shares. The remaining warrants will be exercised providing an additional proceed of € 12.87 million over a maximum period of 19 months.

On 9 March 2018, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by € 1,210,754 with issuance of 565,773 shares. The aggregate share premium for this transaction amounts to € 4,791,588.

On 11 April 2018, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by € 94,873 with issuance of 44,333 shares. The aggregate share premium for this transaction amounts to € 297,617.

Following the above mentioned capital increase, the share capital of the Company amounts to € 15,968,428 and was represented by 7,459,760 shares. The statutory share premium accounts before considering the cost of the capital operation amounts to € 5.09 million.

Date	Transaction	Number and class of shares issued	Issue price per share (€) including issuance premium	Capital movement (€)	Share capital after transaction (€)	Aggregate number of shares after capital increase
16/06/2006	Incorporation	1,855	10	18,550	18,550.00	1,855
05/09/2006	Capital increase	35,645	10	356,450	375,000	37,500
07/03/2007	Capital increase	52,500 B	10	525,000	900,000	37,500 A 52,500 B
12/11/2008	Capital increase	8,480	73.11	84,800	984,800	98,480
12/11/2008	Incorporation issuance premium	None	Not applicable	535,200	1,520,000	98,480
12/11/2008	Capital increase	42,126	91.38	650,197.96	2,170,197.96	140,606
12/11/2008	Incorporation issuance premium	None	Not applicable	3,199,802.04	5,370,000.00	140,606
13/01/2011	Capital increase	25,997	160	992,825	6,362,825	166,603
24/11/2011	Capital increase	15,194	160	580,258.86	6,943,083.86	181,797
27/11/2012	Capital increase	38,591	65.79	1,473,790.29	8,416,874.15	220,388
27/11/2012	Capital increase	71,772	0.01	0.32	8,416,874.47	292,160
10/06/2013	Capital increase	22,800	65.79	870,732.00	9,287,606.47	314,960
24/02/2014	Share split	None	Not applicable	Not applicable	Not applicable	3,149,600
24/02/2014	Capital increase	152,000	6.579	580,488	9,868,094.47	3,301,600
10/07/2014	Capital increase	156,640	6.579	598,206	10,466,302.63	3,458,240
05/02/2015	Capital increase	2,012,500	16.00	6,077,750.00	16,544,052.63	5,470,740
05/02/2015	Conversion convertible bonds	1,077,039	9.51	3,252,657.78	19,796,710.41	6,547,779
11/02/2015	Exercise of the over-allotment option	301,875	16.00	911,662.50	20,708,372.90	6,849,654
30/10/2017	Incorporation of losses	None	Not applicable	6,045,571.41	14,662,801.49	6,849,654
09/03/2018	Capital increase	565,773	10.61	1,210,754.22	15,873,555.71	7,415,427
11/04/2018	Capital increase	44,333	8.85	94,872.62	15,968,428.33	7,459,760

14.2 Authorised capital

In accordance with the articles of association, the extraordinary general shareholders' meeting of the Company authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth *in extenso* in the articles of association and in Section 14.3 below.

This authorisation is valid for a period of five years and was given on 16 January 2015. The Board of Directors may increase the share capital of the Company within the framework of the authorised capital for an amount of up to € 19,796,710. When increasing the share capital within the limits of the authorised capital, the Board of Directors may, in the Company's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the Company or its subsidiaries.

Article 603 of the Company Code limits the capital increase that may be carried out by the Board of Directors, within the framework of the authorized capital, to the amount of the company's share capital. Following the incorporation of losses carried forward as of 30 October 2017, the share premium was reduced to zero (in the statutory accounts of the Company) and the share capital of the company to € 14,662,801 represented by 6,849,654 common shares. Accordingly, the capital increase carried out by the Board of Directors, within the framework of the authorized capital, may not exceed € 14,662,801.

No transactions have been taken under the authorized capital during 2017.

14.3 Changes in capital

14.3.1 Changes to the share capital by the shareholders of the Company

At any given time, the shareholders' meeting can resolve to increase or decrease the share capital of the Company. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the articles of association.

14.3.2 Capital increases by the Board of Directors of the Company

Subject to the same quorum and majority requirements that apply to an amendment of the articles of association, the shareholders' meeting can authorise the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the shareholders. This authorisation needs to be limited in time (i.e. it can only be granted for a renewable period of maximum five years) and in scope (i.e. the authorised share capital may not exceed the amount of the share capital at the time of the authorisation).

On 16 January 2015, the extraordinary shareholders' meeting of the Company granted the authorisation to the Board of Directors to increase the Company's share capital, in one or several times, with a maximum amount that cannot exceed the amount of the Company's share capital upon completion of the contemplated capital increase (excluding issuance premiums, if any) in the framework of the initial public offering of the Company.

If the Company's share capital is increased within the limits of the authorised share capital, the Board of Directors is authorised to request payment of an issuance premium. This issuance premium will be booked on a non-available reserve account, which may only be decreased or disposed of by a resolution of the shareholders' meeting subject to the same quorum and majority requirements that apply to an amendment of the articles of association.

The Board of Directors can make use of the authorised share capital for capital increases subscribed for in cash or in kind, or effected by incorporation of reserves, issuance premiums or revaluation surpluses, with or without issue of new shares. The Board of Directors is authorised to issue Convertible Bonds, bonds cum warrants or warrants within the limits of the authorised share capital and with or without preferential subscription rights for the existing shareholders.

The Board of Directors is authorised, within the limits of the authorised share capital, to limit or cancel the preferential subscription rights granted by law to the existing shareholders in accordance with article 596 and following of the Belgian Companies Code. The Board of Directors is also authorised to limit or cancel the preferential subscription rights of the existing shareholders in favour of one or more specified persons, even if such persons are not members of the personnel of the Company or its subsidiaries.

This authorisation became effective upon completion of the offering (on 6 February 2015) and was granted for a term of five years commencing from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Moniteur belge; 23 February 2015*), and can be renewed.

In principle, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorization of the Board of Directors to increase the Company's share capital in cash or in kind, while limiting or cancelling the preferential subscription right, is suspended. However, the Company's extraordinary shareholders' meeting held on 16 January 2015 expressly granted the Board of Directors the authority to increase the Company's share capital, in one or several times, from the date of the FSMA's notification to the Company of a public takeover

bid on the financial instruments of the Company and subject to the limitations imposed by the Belgian Companies Code. This authorization has become effective upon completion of the offering (on 6 February 2015) and is granted for a period of three years from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Moniteur belge*).

14.4 Warrant plans

14.4.1 Warrant plans issued

The Company has issued three warrant plans:

- On 24 February 2014, two warrant plans were created and approved by the extraordinary general shareholders' meeting of the Company:
  - a plan which consisted in the issue of 113,760 warrants for employees, consultants and Directors (plan A);
  - a plan which consisted in the issue of 46,000 warrants for the CEO and the CFO (plan B).
- On 18 December 2014, the extraordinary general shareholders' meeting of the Company approved a third plan for the issue of the 145,000 warrants for the CEO, CFO and CCRO (Plan C).

On 26 May 2016, the extraordinary shareholders' meeting of the Company approved a fourth plan for the issue of the 137,500 warrants for any natural or legal person performing professional services, of which the majority will be for the beneit of the employees of the Company or its subsidiaries. This warrants' plan has been cancelled in 2017.

On the date of the publication of this report, the following warrants were granted in accordance with the abovementioned plans:

Plan	New CEO	Former CFO	CCRO	CTMO	Former CEO	Total
Plan A[2]	24.000	-	-	16,000	-	40,000
Plan B[1] [3]	-	4,800	-	-	0	4,800
Plan C[4]	-	35,000	20,000	-	67,500	122,500
Total	**24,000**	**39,800**	**20,000**	**16,000**	**67,500**	**167,300**

[1]The remaining warrants under plan B, being 31,200 warrants, have been cancelled by the Board of Directors on 8 January 2015.
[2]24,000 warrants have been granted in December 2016 and accepted in February 2017
[3]As the conditions were not respected anymore, the 10,000 warrants have been cancelled.
[4]As the conditions were not respected anymore, the 22,500 warrants have been cancelled.

14.4.2 Summary of the outstanding warrant plans

The relevant terms and conditions of the Company's existing warrant plans are set out below:

14.4.2.1 Plan A

- **Vesting**: 1/3 on the first anniversary of the grant of the warrants, 1/3 on the second anniversary of the grant and 1/3 on the third anniversary of the grant, under the conditions that the beneficiary is working for the Company. Warrants will vest immediately in case of a change of control, an initial public offering or a public takeover bid.
- **Exercise period**: when vested, the warrants are exercisable during 2 specific defined periods during the year or during additional periods to be determined by the Board of Directors of the Company, but not later than 10 years following the creation of these warrants.
- **Exercise price**: the exercise price will be determined by the Board of Directors of the Company, in accordance with the rules applicable to listed companies.
  - at the closing price of the share of the day preceding the day of the offer; or
  - the 30-day average price of the share of the 30 calendar days preceding the date of the offer.
- **Term**: ten years. All warrants that have not been exercised within the ten year period as of their creation become null and void.

14.4.2.2 Plan B

- **Vesting**: the warrants subject to a service vesting period starting on the grant date and ending at the earliest of (i) the date of the initial public offering of the Company and (ii) the first anniversary of the grant.
- **Exercise period**: the warrants are exercisable as from the vesting date until February 2019. After having become exercisable, the warrants can be exercised during 2 specific defined periods during each year or during additional periods to be determined by the Board of Directors of the Company, but not later than 5 years following the creation of these warrants.
- **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, *i.e.* 18 December 2014).
- **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

14.4.2.3 Plan C

- **Vesting**: 25% on the date of the initial public offering of the Company (or 1 January 2016 in the event no initial public offering takes place), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.
- **Exercise period**: the warrants are exercisable as from the vesting date until December 2019.
- **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, i.e. 18 December 2014).
- **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

14.4.2.4 Plan D

This warrant plan was cancelled in 2017.

14.5 Elements which by their nature would have consequences in case of a public take-over bid on the Company

- At the date of this Annual report, the share capital of the Company amounts to € 15,968,428 and is fully paid-up. It is represented by 7,415,427 shares, each representing a fractional value of € 2.14 or one 7,459,760th of the share capital. The Company's shares do not have a nominal value.
- Other than the applicable Belgian legislation on the disclosure of significant shareholdings and the Company's articles of association, there are no restrictions on the transfer of shares.
- There are no agreements between shareholders which are known by the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- There are no holders of any shares with special voting rights.
- There is no external control over the employee incentive plans; warrants are granted directly to the beneficiary.
- Each shareholder of Bone Therapeutics is entitled to one vote per share. Voting rights may be suspended as provided in the Company's articles of association and the applicable laws and articles.
- The rules governing the appointment and replacement of board members and amendment to articles of association are set out in the Company's articles of association and in the Company's corporate governance charter.
- The powers of the board of directors, more specifically with regard to the power to issue or redeem shares are set out in the Company's articles of association. The board of directors was not granted the authorization to purchase its own shares "to avoid imminent and serious danger to the Company" (i.e., to defend against public takeover bids). The Company's articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- The Company is a party to the following significant agreements which, upon a change of control of the Company or following a takeover bid can enter into force or, subject to certain conditions, as the case may be, can be amended, be terminated by the other parties thereto or give the other parties thereto (or beneficial holders with respect to bonds) a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:
    - Investments credit of € 1,625,000 of 31 May 2013 between ING Belgique SA and Skeletal Cell Therapy Support SA – Specification clauses and special conditions for investment loans (Edition 2005):
    - ING Belgique SA – General regulation for credits (Edition 2012);
    - BNP Paribas Fortis SA – Terms of New Facilities for Companies (4 March 2014);
    - BNP Paribas Fortis SA – Terms of New Facilities for Companies (20 December 2001);

- Convention for the grant of a subordinated loan of 27 March 2013 between Fonds de Capital à Risque SA (the Lending Company) and Skeletal Cell Therapy Support SA (the Borrowing Company);
- Convention for the grant of a subordinated loan of 24 February 2011 between Sambrinvest SA (the Lending Company) and Bone Therapeutics SA (the Borrowing Company);
- Convention for a subordinated loan of 25 May 2012 between Novallia SA (the Lender) and Bone Therapeutics SA (the Borrower);
- Convention for a subordinated loan of 2 May 2016 between Novallia SA (the Lender) and Bone Therapeutics SA (the Borrower);
- Convention for a subordinated loan of 21 June 2013 between Novallia SA (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);
- Convention for a subordinated loan of 10 April 2013 between Sofipôle SA (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);
- Convention for a subordinated loan of 10 April 2013 between Sofipôle SA (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);

- The Acting Chief Executive Officer and the Chief Financial officer are currently entitled to a 12-month salary payment in case their employment is terminated upon a change of control of the Company;

No takeover bid has been instigated by third parties in respect of the Company's equity during the previous financial year and the current financial year.

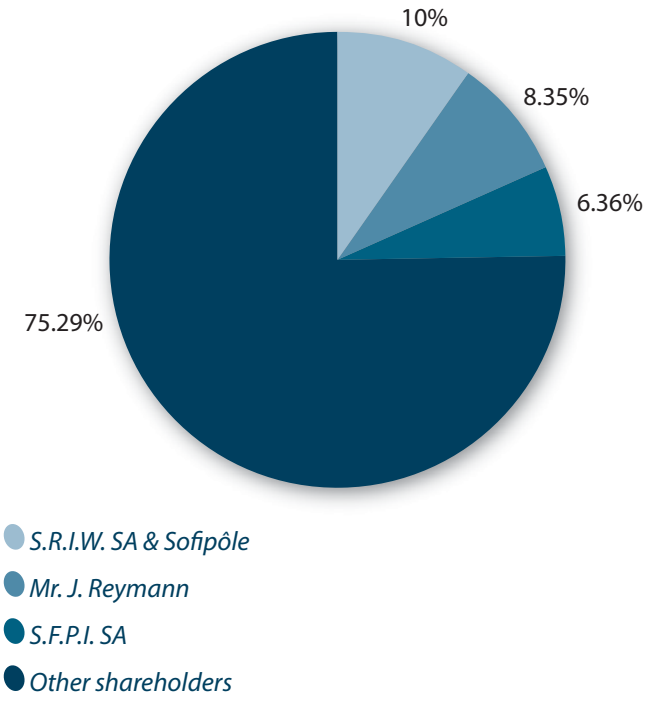
14.6 Transparency

The articles of the association of the Company do not impose any additional notification obligations other than the notification obligations required in accordance with Belgian law. The voting rights of the major shareholders of the Company differ in no way from the rights of other shareholders of the Company.

14.7 Shareholders

On 31 December 2017, there are 6,849,654 shares representing a total share capital of the Company of € 14.662.801,49. There are only ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company. The total number of issued warrants on 31 December 2017 is 304,760. On the date of this Annual Report, 183,800 warrants have been granted.

The table below provides an overview of the shareholders that have notified the Company of their ownership of securities of the Company. This overview is based on the most recent transparency declaration submitted to the Company.



14.8 Dividends and dividend policy

14.8.1 Entitlement to dividends

Dividends can only be distributed if, following the declaration and payment of the dividends, the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements prepared in accordance with Belgian GAAP (*i.e.*, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortised activated costs of incorporation and extension and the non-amortised activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, pursuant to the Belgian Company Code and the articles of association, the Company must allocate at least 5% of its annual net profits under its statutory non-consolidated accounts to a legal reserve until the reserve equals 10% of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on ordinary shares expires five years after the date the Board of Directors has declared the dividend payable, whereupon the Company is no longer under an obligation to pay such dividends.

14.8.2 Dividend policy

The Company has never declared or paid any dividends on its shares.

The Company's dividend policy will be determined by, and may change from time to time by determination of, the Company's Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors. The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out in the Belgian Company Code.

Belgian law and the Company's articles of association do not require the Company to declare dividends. The Board of Directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders in the near future.

15

Consolidated financial statements

15.1 Consolidated financial statements as of 31 December 2017, 2016 and 2015 under IFRS

15.1.1 Consolidated statement of financial position

Assets *(in thousands of euros)*	**Note**	**31/12/2017**	**31/12/2016**	**31/12/2015**
Non-current assets		**10,558**	**10,114**	**8,682**
Intangible assets	15.2.5.1	30	56	69
Property, plant and equipment	15.2.5.2	6,302	6,385	5,793
Investments in associates	15.2.5.3	297	291	282
Financial assets	15.2.5.6	317	299	205
Deferred tax assets	15.2.5.4	3,611	3,083	2,333
Current assets		**14,615**	**28,471**	**41,701**
Trade and other receivables	15.2.5.5	5,938	8,013	7,912
Other current assets		266	158	178
Cash and cash equivalents	15.2.5.7	8,411	20,300	33,611
Total assets		25,173	38,585	50,383

Equity and liabilities *(in thousands of euros)*	**Note**	**31/12/2017**	**31/12/2016**	**31/12/2015**
Equity attributable to owners of the parent		**2,383**	**15,270**	**28,147**
Share capital		14,663	20,708	20,708
Share premium		42,665	42,670	42,670
Retained earnings		(55,501)	(48,773)	(35,752)
Other reserves		557	665	520
Non-controlling interests		**0**	**0**	**0**
Total equity	15.2.5.8	2,383	15,270	28,147
Non-current liabilities		**12,192**	**12,802**	**11,693**
Financial liabilities	15.2.5.9	10,551	11,167	10,118
Deferred tax liabilities	15.2.5.4	0	0	0
Other non-current liabilities	15.2.5.10	1,641	1,635	1,575
Current liabilities		**10,598**	**10,512**	**10,543**
Financial liabilities	15.2.5.9	1,251	1,242	2,313
Trade and other payables	15.2.5.11	3,583	3,120	2,579
Current tax liabilities	15.2.5.4	0	61	61
Other current liabilities	15.2.5.12	5,764	6,150	5,590
Total liabilities		22,791	23,315	22,236
Total equity and liabilities		25,173	38,585	50,383

15.1.2 Consolidated statement of comprehensive income

(in thousands of euros)	Note	2017	2016	2015
Revenue	15.2.6.1	41	0	0
Other operating income	15.2.6.2	4,172	4,007	3,824
Total operating income		**4,213**	**4,007**	**3,824**
Research and development expenses	15.2.6.3	(13,122)	(13,649)	(12,910)
General and administrative expenses	15.2.6.4	(3,385)	(3,157)	(3,138)
Operating profit/(loss)		**(12,294)**	**(12,799)**	**(12,224)**
Interest income	15.2.6.6	197	173	194
Financial expenses	15.2.6.6	(489)	(448)	(1,966)
Exchange gains/(losses)	15.2.6.6	(12)	(15)	(26)
Share of profit/(loss) of associates	15.2.6.6	7	9	(1)
Result Profit/(loss) before taxes		**(12,591)**	**(13,081)**	**(14,025)**
Income taxes	15.2.6.7	(178)	60	(61)
Profit/(loss) for the period		**(12,769)**	**(13,021)**	**(14,085)**
Total comprehensive income of the period		(12,769)	(13,021)	(14,085)
Basic and diluted loss per share (in euros)	**15.2.6.8**	**(1.86)**	**(1.90)**	**(2.14)**
Profit/(loss) for the period attributable to the owners of the Company		(12,752)	(12,989)	(14,144)
Profit/(loss) for the period attributable to the non-controlling interests		(18)	(32)	59
Total comprehensive income for the period attributable to the owners of the Company		(12,752)	(12,989)	(14,144)
Total comprehensive income for the period attributable to the non-controlling interests		(18)	(32)	59

15.1.3 Consolidated statement of cash flow

(in thousands of euros)	Note	2017	2016	2015
Cash flow from operating activities				
Operating profit/(loss)		(12,294)	(12,799)	(12,224)
Adjustments for :				
Depreciation, Amortisation and Impairments	15.2.5.1 & 15.2.5.2	524	537	394
Share-based compensation		(89)	123	486
Grants income related to recoverable cash advances	15.2.6.2	(2,459)	(2,454)	(2,123)
Grants income related to patents	15.2.6.2	(201)	(56)	(207)
Grants income related to tax credit	15.2.6.2	(754)	(750)	(736)
Other		16	35	(24)
Movements in working capital:				
Trade and other receivables (excluding government grants)		(309)	1,586	1,171
Trade and Other Payables		463	338	(788)
Other current liabilities (excluding government grants)		(3)	(4)	0
Cash generated from operations		**(15,105)**	**(13,445)**	**(14,052)**
Cash received from licensing agreement		1,670	0	0
Cash received from grants related to recoverable cash advances	15.2.6.2	2,390	1,976	2,267
Cash received from grants related to patents		88	62	19
Cash received from grants related to tax credit		117	37	0
Income taxes paid	15.2.6.7	(178)	0	0
Net cash used in operating activities		**(11,018)**	**(11,369)**	**(11,765)**
Cash flow from investing activities				
Interests received		0	28	143
Purchases of property, plant and equipment	15.2.5.2	(406)	(579)	(3,048)
Purchases of intangible assets	15.2.5.1	(9)	(26)	(52)
Payments to acquire financial investments		0	0	(24)
Net cash used in investing activities		**(415)**	**(578)**	**(2,982)**
Cash flow from financing activities				
Proceeds from government loans	15.2.6.2	1,024	847	972
Repayment of government loans	15.2.6.2	(510)	(402)	(283)
Dividends paid		(60)	0	0
Proceeds from loans from related parties	15.2.5.9	0	300	500
Reimbursements of financial lease liabilities and loan from related parties	15.2.5.9	(434)	(426)	(188)
Reimbursements of bank debt	15.2.5.9	(250)	(1,396)	1,437
Interests paid	15.2.6.6	(227)	(286)	(279)
Proceeds from issue of equity instruments of the Company (net of issue costs)	15.2.5.8	0	0	34,622
Net cash used in financing activities		**(456)**	**(1,363)**	**36,781**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(11,889)	(13,310)	22,035
CASH AND CASH EQUIVALENTS at beginning of year		20,300	33,611	11,577
CASH AND CASH EQUIVALENTS at end of year		8,411	20,300	33,611

15.1.4 Consolidated statement of changes in 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 1 January 2015	**10,466**	**1,671**	**(21,621)**	**(9,484)**	**0**	**(9,484)**
Total comprehensive income of the period	0	0	(14,144)	**(14,144)**	59	(14,085)
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	486	**486**	0	486
Movement non-controlling interests	0	0	59	**59**	(59)	0
Other	0	0	(13)	**(13)**	0	(13)
Balance at 31 December 2015	**20,708**	**42,670**	**(35,232)**	**28,146**	**0**	**28,146**
Total comprehensive income of the period	0	0	(12,989)	**(12,989)**	(32)	(13,021)
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	123	**123**	0	123
Movement non-controlling interests	0	0	(32)	**(32)**	32	0
Other	0	0	23	**23**	0	23
Balance at 31 December 2016	**20,708**	**42,670**	**(48,108)**	**15,270**	**0**	**15,270**
Total comprehensive income of the period	0	0	(12,752)	**(12,752)**	(18)	(12,769)
Issue of share capital	0	0	0	**0**	0	0
Decrease of share capital	(6,046)	0	6,046	**0**	0	0
Transaction costs for equity issue	0	(5)	0	**(5)**	0	(5)
Allocation to the legal reserve	0	0	3	**3**	0	3
Share-based payment	0	0	(89)	**(89)**	0	(89)
Movement non-controlling interests	0	0	(18)	**(18)**	18	0
Other	0	0	(27)	**(27)**	0	(27)
Balance at 31 December 2017	**14,662**	**42,665**	**(54,944)**	**2,382**	**0**	**2,382**

15.2 Notes to the consolidated financial statements

15.2.1 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 as the "**Group**") are active in regenerative therapy specialising 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 the field of cell therapy for orthopaedics and bone diseases.

The consolidated financial statements of Bone Therapeutics SA for the twelve months ended 31 December 2017 include Bone Therapeutics SA and its affiliates. These were authorised for issue by the Board of Directors on 24 April 2018.

15.2.2 Summary of significant accounting policies

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

15.2.2.1 Statement of compliance

The Group's consolidated financial statements for the year ended 31 December 2017 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

15.2.2.2 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 2017.

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 12 (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed by the EU)
- Amendments to IAS 7 Statement of Cash Flows - Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017)
- Amendments to IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017)

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 31 December 2017:

- Annual improvements to IFRS Standards 2014-2016 Cycle: Amendments to IFRS 1 and IAS 28 (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in the EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2018)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- Amendments to IFRS 4 Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2018)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (the effective date has been deferred indefinitely, and therefore the endorsement in the EU has been postponed)
- Amendments to IAS 28 Long term interests in Associates and Joint Ventures (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the EU)
- Amendments to IAS 40 Transfers of Investment Property (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments (applicable for annual periods beginning on or after 1 January 2019, but not yet endorsed in the 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, except for the IFRS 16 (but less than € 0.50 million) and for IFRS 15.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB (International Accounting Standards Board) issued IFRS 15 - Revenue from Contracts with Customers. The IASB issued then a clarification to IFRS 15 in April 2016 as part of a joint project with the FASB to develop a comprehensive standard on revenue recognition. The standard is to be applied for reporting periods beginning on 1 January 2018 or later. The standard replaces the current standards IAS 18 Revenue and IAS 11 Construction Contracts as well as their interpretations.

In respect of the transition to IFRS 15, entities have the choice to either apply a full retrospective application or to apply a modified retrospective application. The Group plans to adopt the new standard on the required effective date using the full retrospective method (this approach requires a restatement of the comparative period).

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard establishes a five-step approach to revenue recognition:

- Step 1: Identifying contract(s) with a customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract;
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Up to 2016, the Group was not generating revenue from contracts with customers, therefore there will be no impact on the opening retained earnings as of 1 January 2017 under the full retrospective approach. In September 2017, the Group entered into a patent and know-how license agreement with Asahi Kasei Cooperation ("AKC") in which an upfront non-refundable payment was received € 1.67 million. In addition, this contract incorporates multiple development milestone payments, sales-based milestone payments and royalty payments.

Under IAS 18 the upfront non-refundable payment was deferred as the upfront-fee could not be regarded as related to a separate transaction (it was negotiated in conjunction with the pricing of other elements), and apart from providing a license on some of Bone Therapeutics' IP, there is a continuing involvement of the Company to provide technical assistance (reflected by a maximum number of FTE hours on a yearly basis) to AKC as foreseen in the contract. As a result, the upfront non-refundable payment was recognised on a linear basis over the expected period of involvement as to the provision of technical assistance to AKC.

Under IFRS 15, two distinct performance obligations could be identified (step 2 of the model), the provision of a license on some of the Company's IP and the provision of technical assistance. The license is considered as a right to use under IFRS 15. Revenue in respect of a distinct license that is a right to use shall be recognised at a point in time under IFRS 15 when the license is granted to AKC. The license is granted in 2017, therefore, that portion of the transaction price that is allocated to the license (step 4 of the model) will be recognised in 2017. The portion of the transaction price to be recognised in 2017 with respect to the license will be higher compared to the portion of the deferred revenue under IAS 18 (the upfront non-refundable payment) that was recognised in 2017. The Management of the Company determined that the allocation to the provision of the technical assistance would lead to an immaterial amount. The stand-alone selling price of the license will be then fully recognised at 2017.

In determining the transaction price, the transaction price is initially limited to the upfront non-refundable payment. The development milestones under the contract that qualify as variable consideration, are initially not considered because of the related constraint principles under IFRS 15.

15.2.2.3 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.

15.2.2.4 Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities directly or indirectly controlled by the Company.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant

activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

15.2.2.5 Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

In its consolidated financial statements, the Group uses the equity method of accounting for investments in associates and joint ventures. Under the equity method, the investment is initially recognised at cost in the consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture or when the investment is classified as held for sale.

15.2.2.6 Intangible assets

Intangible assets acquired separately or in the context of a business combination

Intangible assets are recognised if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of that asset can be measured reliably. Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. Any directly attributable cost of preparing the asset for its intended use is also included in the cost of the intangible asset. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by the Group.

Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Subsequent to initial recognition, intangible assets acquired in a business combination are subject to amortisation and impairment test, on the same basis as intangible assets that are acquired separately.

Intangible assets	Estimated useful life
Software	3 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets

Consistently with industry practices, management concluded that development costs incurred by the Group do not meet the recognition conditions before Phase III of the related development project is finalised.

15.2.2.7 Property, plant and equipment

Property, plant and equipment are recognised as assets at acquisition or production cost if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured

reliably. The cost of an item of property, plant and equipment comprises its purchase or production price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, together with the initial estimation of the costs of dismantling and removing the asset and restoring the site on which it is located, if applicable.

After initial recognition at historical cost, property, plant and equipment owned by the Group are depreciated using the straight-line method and are carried on the balance sheet at cost less accumulated depreciation and impairment. Depreciation begins when the asset is capable of operating in the manner intended by management and is charged to profit or loss, unless it is included in the carrying amount of another asset. The components of an item of property, plant and equipment with a significant cost and different useful lives are recognised separately. Lands are not depreciated. The residual value and the useful life of property, plant and equipment are reviewed at least at the end of each reporting period. The depreciation method is also reviewed annually.

Property, plant and equipment	Estimated useful life
Buildings	20 years
Office furniture	4 years
Lab equipment	3 to 5 years
IT equipment	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

15.2.2.8 Leases

The Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Finance leases

Assets held under finance leases by the Group are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the consolidated statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated over their estimated useful live on a systematic basis consistent with the depreciation policy for depreciable assets that are owned by the Group or, if shorter, over the lease term. Lease payments are apportioned between finance expenses and the reduction of the lease obligation.

Assets owned by the Group and leased to third parties under finance leases are derecognised and a receivable is recognised as an asset in the consolidated statement of financial position for an amount equal to the net investment in the lease contract. The recognition of financial income is made based on pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

Assets held by the Group under operating leases are not recognised in the statement of financial position. Operating lease payments are recognised as expenses in the period in which they are incurred on a straight-line basis over the lease term.

Assets owned by the Group and leased to third parties under operating leases are not derecognised from the statement of financial position. Rental income from operating lease is recognised as income on a straight-line basis over the lease term. The depreciation method used for the assets leased under operating leases is consistent with the method used for similar assets that are not subject to a lease agreement.

15.2.2.9 Impairment of tangible and intangible assets

At the end of each reporting period, the Group assess whether there is any indications that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amounts of intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised whenever recoverable amount is below carrying amount. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss on goodwill can never be reversed.

15.2.2.10 Financial assets

Financial assets are classified in one of the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, available-for-sale financial assets (AFS) and held-to-maturity investments.

Loans and receivables

Loans and receivables (trade and other receivables) are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at their fair value, plus transaction costs. After their initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. An impairment loss is recognised if there is any indication that the Group might not recover all the amounts due. Gains or losses are recognised in the statement of profit and loss when the financial asset recognised at amortised cost is derecognised or impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset (or a financial liability) and of allocating interest income or expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows (or outflows) through the expected life of the financial instrument or, where appropriate, a shorter period so as to determine the net carrying amount for the financial asset (or the financial liability).

Receivables related to government grants, including recoverable cash advances ("avances récupérables"), are recognised when there is reasonable assurance that the Group will comply with the conditions attaching to them and the grant will be received, which generally corresponds to the date at which the Group obtains a confirmation letter from the authorities (see "government grants" below).

15.2.2.11 Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, as well as short-term deposits with a maturity of three months or less.

15.2.2.12 Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities classified as other liabilities include borrowings contracted by the Group and trade and other payables, including the portion of recoverable cash advances ("*avances récupérables*") that is expected to be reimbursed. They are initially measured at their fair value less transaction costs, which corresponds to the present value of amounts expected to be reimbursed for recoverable cash advances recognised as financial liabilities to the extent no interest is charged on these loans. Subsequently, financial liabilities are measured at amortised cost using the effective interest method less repayments of principal. Interest expense is recognised using the effective interest rate.

Financial liabilities at fair value through profit or loss include all derivative financial liabilities, except those designated as hedging instruments.

Automatically convertible bonds

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized through the income statement over the life of the instrument.

15.2.2.13 Income tax

The tax currently payable is based on taxable profit for the year, which differs from profit as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Income tax for the current and prior periods is recognised as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid, exceeds the amount due. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and tax losses carried-forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses carried-forward can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The measurement reflects the Group's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

15.2.2.14 Governments grants

Government grants are assistance by government, government agencies and similar bodies, whether local, national or international, in the form of transfers of resources to the Group in return for past or future compliance with certain conditions.

The Group recognises a government grant only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and the grant will be received. As such, a receivable is recognised in the statement of financial position and measured in accordance with the accounting policy mentioned above (see "loans and receivables").

With respect to Recoverable Cash Advances or RCA's ("Avances Récupérables") whereby in case of successful project completion and a positive decision by the Company to exploit the results of the project, 30% of the amount will be reimbursed through a fixed reimbursement schedule and up to 170% under the form of royalties, the amount recognized as a grant is the difference between the fair value of the expected reimbursement and the actual amount received by the Company as a RCA. The Group recognises the portion of the RCA that is expected to be reimbursed as a liability. This liability is initially measured at fair value and subsequently at amortised cost, where the carrying amount of a liability is determined by using the effective interest rate. Furthermore the discount rate is not adjusted every year.

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.

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 (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 addition, the benefit of a government loan without interest or at a below market rate of interest is treated as a government grant and measured as the difference between the initial discounted value of the loan and the proceeds received or to be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs which the grants are intended to compensate. As a result, grants relating to costs that are recognised as intangible assets or property, plant and equipment (grants related to assets or investment grants) are deducted from the carrying amount of the related assets and

recognised in the profit or loss statement consistently with the amortisation or depreciation expense of the related assets. Grants that intend to compensate costs that are expensed as incurred are released as income when the subsidised costs are incurred, which is the case for grants relating to research and development costs as incurred.

Government grants that become receivable as compensation for expenses or losses already incurred are recognised in profit or loss of the period in which they become receivable.

The portion of grants not yet released as income is presented as deferred income in the statement of financial position. In the statement of comprehensive income, government grants are presented as other operating income or financial income depending on the nature of the costs that are compensated.

15.2.2.15 Share-based payments

A share-based payment is a transaction in which the Group receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the Group's shares or other equity instruments of the Group. The accounting for share-based payment transactions depends on how the transaction will be settled, that is, by the issuance of equity, cash, or both equity or cash.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, if any, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

15.2.2.16 Employee benefits

The Company offers post-employment, death, disability and healthcare benefit schemes to certain categories of employees.

Disability, death and healthcare benefits granted to employees of the Company are covered by an external insurance company, where premiums are paid annually and expensed as they were incurred.

As a consequence of the law of 18 December 2015, the minimum guaranteed rates of return were modified as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75% (1.75% for 2016);
- for the contributions paid until end December 2015, the previously applicable minimum rate of return (i.e 3.25%) continues to apply until the date of leaving of the participants (in case of insured plans).

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

Due to the fact that the Belgian law prescribes that the employer would guarantee a minimum rate of return on the contributions, such plans are classified as defined benefit plans under IFRS.

The cost of providing benefits is determined using the projected unit credit (PUC) method, with actuarial valuations being carried out at the end of each annual reporting period.

15.2.2.17 Revenue Recognition

The Group is currently not generating revenue from contracts with customers. Most income recognised by the Group is resulting from government grants.

Licensing revenues

The licence agreement with Asahi Kasei Corporation contracted in September 2017 includes non-refundable upfront fees, milestones payments (the receipt of which is dependent upon the achievement of certain development or commercial milestones), and tiered royalties based on annual net sales. The revenue recognition can be summarized as follows:

- Upfront payment

Non-refundable upfront payments received in connection with research and development collaboration agreements and for which there are subsequent deliverables are initially reported as deferred income and are recognized as revenue when earned over the period of the development collaboration.

- Milestone payments

Research milestone payments are recognized as revenues when achieved. In addition, the payments have to be acquired

irrevocably and the milestone payment amount needs to be substantive and commensurate with the magnitude of the related achievement. Milestones payments that are not substantive, not commensurate or that are not irrevocable are recorded as deferred income revenue. Revenue from these activities can vary significantly from period due to the timing of milestones.

15.2.2.18 Events after the reporting period

Events after the reporting period which provide additional information about the Group's position at the closing date (adjusting events) are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes if material.

15.2.3 Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The followings are areas where key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years:

15.2.3.1 Investment in SCTS

Despite a holding of 49.9% in SCTS, management concluded that the Company controls SCTS considering the combination of the following elements:

- The purpose and design of SCTS are specific to the Company's needs with respect to R&D and production activities, including the construction of a building specific to the production needs of the Company;
- The Company reached the majority on all general assemblies of SCTS since its incorporation; and
- The Company has the option to buy (call option) the SCTS shares held by other shareholders as from 1 January 2014.

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Current assets	3,723	4,571	5,635
Non-current assets	6,782	6,345	5,838
TOTAL ASSETS	10,505	10,915	11,473
Current liabilities	3,391	3,517	4,189
Non-current liabilities	4,881	5,258	4,898
Equity	2,233	2,141	2,385
TOTAL EQUITY & LIABILITIES	10,505	10,916	11,472

(in thousands of euros)	2017	2016	2015
Revenue	4,066	3,785	2,813
Expenses	(4,113)	(4,028)	(2,695)
Profit (loss) of the year	**(48)**	**(244)**	**118**

15.2.3.2 Put and call on non-controlling interests in SCTS

The Company has granted to the 50.1% non-controlling interests in SCTS an option to sell (put option) their SCTS shares to the Company. This put option is exercisable as from 1 January 2020 at a strike price amounting to the net assets of SCTS multiplied by the percentage held, with a minimum price floored at 90% of the share subscription value. This put option on non-controlling interests (own equity instrument) gives rise to a gross liability that is initially recognised against equity and measured at the present value of the redemption amount (strike price). This gross liability is subsequently measured at fair value with changes in fair value recognized in profit or loss.

In this context, management made estimations in measuring the expected net assets of SCTS on 1 January 2020 taking into account that the SCTS shareholders' agreement prescribes in substance that a minimum return of 6.5% shall be reached on the investment as from the fourth year of SCTS incorporation. The expected net assets value has been discounted to the reporting date using a rate of 1.1%.

In the statement of financial position on 31 December 2017, the fair value of the gross liability for the put option on non-controlling interests in SCTS amounts to € 1,641,000 (€ 1,635,000 in 2016).

In addition, the Company holds an option to buy (call option) the 50.1% non-controlling interests in SCTS. This call option is exercisable from 1 January 2014 until 31 December 2019 at such a strike price that non-controlling interests realize an internal rate of return reaching 8% on capital contributed to SCTS. This call option is a derivative financial asset of the Company. Considering however that the strike price is based on a return of 8% whereas the minimum agreed return is limited to 6.5% as from the fourth year of SCTS incorporation, management concluded that this call option will always be out of the money. As a result, the fair value of this derivative financial asset is negligible.

15.2.3.3 Recoverable cash advances (RCA) – Change in accounting policy

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 1.08% 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 15.2.5.9 "Financial liabilities".

15.2.3.4 Recognition of deferred tax assets

Deferred tax assets are recognised only if management assesses that these tax assets can be offset against taxable income within a foreseeable future.

This judgment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

Since inception, the Company has reported losses, and as a consequence, the Company has unused tax losses. Therefore, management has concluded that deferred tax assets should not be recognised as of 31 December 2017, except for the deferred tax asset related to the R&D tax credit as this is independent from future taxable profit.

The Company has applied for an income tax credit -that corresponds to a percentage of qualifying R&D costs to which the income tax rate (33.99%) is applied. In case of insufficient current tax payable against which to set off the tax credit, the latter is carried-forward to the following four years. At the end of this period, the balance of the unused tax credit is paid by the tax authorities. Considering that R&D tax credits are ultimately paid by the authorities, the related benefit is treated as a government grant and released as other operating income when the R&D costs compensated by the grant are expensed.

15.2.3.5 Automatically Convertible Bonds

On 18 December 2014 and on 8 January 2015, the Company issued automatically Convertible Bonds for a total of € 10,350,000. The bonds bear interest at a rate of 7% per annum. At IPO date, 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 is equal to the IPO offer price. If the IPO had not taken place, the bonds would have been automatically converted on 30 September 2015 into new shares at a fixed conversion ratio of € 11 per share. Under this latter scenario (no IPO), the holders of the instrument would be granted anti-dilutive rights until 30 September 2017.

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 amortised 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 recognised in equity, which amount to € 5.48 million (included € 0.15 million of transaction costs).

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 would amount 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. In 2015, the Company has recorded the difference (€ 1,329,000) into the statement of comprehensive income.

The transaction costs amounting to € 467,000 that have been incurred on the issuance of the bonds have been allocated to the debt component and the equity component on the basis of their relative initial values. In 2015, the Company recognised an amount of € 282,000 in the statement of comprehensive income. The difference has been recorded in 2014.

15.2.3.6 IPO costs

In 2015, the Company has incurred costs in connection with the IPO for an amount of € 3.81 million in early 2015 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

Considering that the IPO will also result in the issuance of new shares, management decided to apply a rationale allocation of the costs determined between (i) costs linked to equity transactions that are immediately deducted from the equity of the Company (reported under share premium), and (ii) other costs relating to the IPO that are expensed in the statement of comprehensive income. In this context, management identified the following three types of IPO related costs:

- Costs entirely incremental to the issue of new shares that are recognised in equity, such as success fees proportionate to funds actually raised;
- Costs linked to promotional activities and general overheads that are immediately expensed, such as fees for promotional campaigns; and
- Other IPO related costs, such as lawyer fees to develop the IPO prospectus, that were allocated between expense and equity based on the proportionate increase in capital and share premium.

On this basis, an amount of € 2.75 million was recognised in equity and € 1.06 million in the statement of comprehensive income 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 statement of comprehensive income.

15.2.3.7 Measurement of share-based payments

Management determined the fair value of equity-settled share-based payments (warrants plans) at grant date using the Black-Scholes pricing model. Significant inputs of this model, as the expected life of the warrant and volatility, are detailed in note 15.2.5.8.

15.2.3.8 Going Concern

The 2017 consolidated results of the Company show a loss of € 12.77 million, and the consolidated statement of financial position includes a loss carried forward of € 55.50 million. Nevertheless, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern considering:

- The Company successfully raised € 19.45 million of Commitments in Convertible Bond Placement on 7 March 2018. At the date of the Annual Report, the Company already received an amount of about € 7.23 million. The remaining warrants will be exercised providing an additional proceed of € 12.22 million over a maximum period of 18 months
- An annual projected cash burn between € 15.00 million and € 16.00 million (excluding capital raise)
- An assumed continuous support from the Walloon Region by which the Company expects to receive through non-dilutive financing instruments, in the same order of magnitude as received in the past.
- The intention of the Company to raise new funds in the capital markets and/or to develop alternative funding strategies in the coming year if needed and/or when the opportunity arises.

Considering all these elements, the Board is of the opinion that the Group will have enough liquidity to support its activities in line with the group's strategic focus for a period of at least 12 months.

15.2.4 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.

All non-current assets are located in Belgium.

15.2.5 Notes relating to the statement of financial position

15.2.5.1 Intangible assets

The intangible assets consist only of purchased software.

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Acquisition cost	208	199	172
Accumulated amortisation and impairment	(178)	(143)	(103)
Intangible assets	30	56	69

Cost *(in thousands of euros)*	**Software**	**Clinical developments**	**Total**
Balance at 1 January 2015	**121**	**0**	**121**
Additions	52		**52**
Balance at 31 December 2015	**172**	**0**	**172**
Additions	26		**26**
Balance at 31 December 2016	**199**	**0**	**199**
Additions	9		**9**
Balance at 31 December 2017	**208**	**0**	**208**

Accumulated amortisation and impairment *(in thousands of euros)*	**Software**	**Clinical developments**	**Total**
Balance at 1 January 2015	**(67)**	**0**	**(67)**
Amortisation expense	(36)		(36)
Balance at 31 December 2015	**(103)**	**0**	**(103)**
Amortisation expense	(40)		(40)
Balance at 31 December 2016	**(143)**	**0**	**(143)**
Amortisation expense	(35)		(35)
Balance at 31 December 2017	**(178)**	**0**	**(178)**

15.2.5.2 Property, plant and equipment

Property, plant and equipment consist mainly of buildings, laboratory equipment and a property under construction:

ASSETS *(in thousands of euros)*	31/12/2017	31/12/2016	31/12/2015
Acquisition cost	9,285	8,881	7,805
Accumulated depreciation and impairment	(2,983)	(2,497)	(2,013)
Property, plant and equipment	6,302	6,385	5,793

Property, plant and equipment (PPE) at the end of December 2017 amount to € 6.31 million, it decreased by € 0.07 million compared to the end of 2016.

Cost *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Properties under construction	Total
Balance at 1 January 2015	**1,854**	**107**	**76**	**233**	**0**	**2,052**	**4,322**
Additions	91	17	26	0	0	2,912	**3,046**
Government grant awarded	0	0	0	0	(2,471)	2,471	**0**
Adjustment on government grant not used	0	0	0	0	0	437	**437**
Transfer	0	0	0	0	6,671	(6,671)	**0**
Balance at 31 December 2015	**1,945**	**124**	**102**	**233**	**4,200**	**1,201**	**7,805**
Additions	530	35	0	0	15	567	**1,147**
Adjustment on government grant not used	0	0	0	0	(60)	0	**(60)**
Balance at 31 December 2016	**2,474**	**160**	**102**	**233**	**4,154**	**1,768**	**8,881**
Additions	86	7	1	0	0	310	**403**
Transfer	0	0	0	0	2,068	(2,068)	**0**
Balance at 31 December 2017	**2,560**	**167**	**102**	**233**	**6,222**	**10**	**9,285**

Total investment at acquisition cost at the end of 2017 amounts to € 9.29 million. This amount contains € 11.83 million of actual investments reduced with € 2.53 million of investment grants (for the details of the conditions, see section 4.3.1). There is no committed expenditure on 31 December 2017 related to the building investments (2016: € 310,000).

The Company invested an additional amount of € 0.31 million for the completion of the production facility in Gosselies and € 0.09 million for the laboratory and production equipment to be installed in there.

The balance of € 6.22 million under "building" represents the net investment (net of investment grants) in the facilities currently in use at Gosselies.

The table below shows the changes in the accumulated depreciation and impairment of property, plant and equipment at the end of 2017.

Accumulated depreciation and impairment *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Properties under construction	Total
Balance at 1 January 2015	**(1,498)**	**(84)**	**(71)**	**(3)**	**0**	**0**	**(1,656)**
Depreciation expense	(225)	(15)	(8)	(3)	(106)	0	**(357)**
Balance at 31 December 2015	**(1,722)**	**(99)**	**(79)**	**(6)**	**(106)**	**0**	**(2,013)**
Depreciation expense	(235)	(20)	(7)	(2)	(324)	0	**(589)**
Government grant recognition	0	0	0	0	105	0	**105**
Balance at 31 December 2016	**(1,957)**	**(119)**	**(86)**	**(9)**	**(325)**	**0**	**(2,497)**
Depreciation expense	(206)	(21)	(7)	(2)	(360)	0	**(597)**
Government grant recognition	0	0	0	0	110	0	**110**
Balance at 31 December 2017	**(2,164)**	**(140)**	**(93)**	**(11)**	**(575)**	**0**	**(2,983)**

Carrying amount *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Properties under construction	Total
Balance at 31 December 2015	222	26	23	227	4,094	1,201	**5,793**
Balance at 31 December 2016	517	41	16	225	3,819	1,768	**6,385**
Balance at 31 December 2017	**397**	**26**	**10**	**222**	**5,638**	**10**	**6,302**

Furthermore, SCTS obtained on 30 June 2013 -a long-term financing instrument through BNP Paribas Fortis SA/NV and ING Belgique SA/NV to finance part of the construction of the new facilities. Each one of the banks foresees an amount of € 1,625,000 euro (see section 5.9 for more details).

These instruments have a term of 15 years and was called upon in function of the progress of the completion of the project.

BNP Paribas Fortis SA/NV has, amongst other things, requested a number of securities in respect of the above loans/facilities to be granted in parity with the security granted to ING Belgique SA/NV. Amongst others this concerns the following:

- a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 27,500 (€ 25,000 for ING Belgique SA/NV);
- a mandate to a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 1,760,000 (€ 1,600,000 for ING Belgique SA/NV).

15.2.5.3 Investments in associates

The investment in associates relates solely to the investment in "*Société d'Infrastructures, de Services et d'Energies*" ('SISE'). The Group holds 30.94% in SISE and has significant influence over this entity since its incorporation. SISE is responsible for rendering infrastructure and maintenance services. The associate is accounted for using the equity method in the consolidated financial statements.

The investment in associates recognised in the consolidated statement of financial position can be reconciled as follows:

ASSETS *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Balance at 1 January	**291**	**282**	**283**
Acquisition of investment	0	0	0
Capital increase/decrease	0	0	0
Net income from associates	15	9	(1)
Dividend paid to other associates	(7)	0	0
Other	(2)	0	0
Balance at 31 December	297	291	282

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

(in thousands of euros)	**31/12/2017**	**31/12/2016**	**31/12/2015**
Profit (loss) before interest and taxation	39	27	19
Finance costs and other finance expenses	8	1	(21)
Taxation	0	(0)	(0)
Profit (loss) for the year	48	28	(2)
Profit (loss) attributable to owners of the company	15	9	(1)

(in thousands of euros)	**31/12/2017**	**31/12/2016**	**31/12/2015**
Non-current assets	2,490	2,505	2,640
Current Assets	346	450	643
Total Assets	2,836	2,955	3,283
Current liabilities	853	859	1,219
Non-current liabilities	1,024	1,157	1,154
Total Liabilities	1,877	2,016	2,373
Net assets	959	939	911
Group's share of net assets	297	291	282

The Group granted no loans to associates.

15.2.5.4 Deferred Tax

The following tables detail the amounts recognised in the consolidated statement of financial position with respect to deferred taxes.

Deferred taxes by source of temporary differences

(in thousands of euros)	Assets			Liabilities		
	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015
Property, plant and equipment	0	0	0	86	147	67
Intangible assets	1,187	2,990	5,406	0	0	0
Trade and other receivables	0	0	0	843	1,724	428
Financial liabilities	1,021	1,150	706	0	0	0
Other non-current liabilities	558	556	535	0	0	0
Other current liabilities	242	403	0	0	0	712
Total temporary differences	3,008	5,099	6,647	929	1,871	1,208

Tax credits and tax losses carried forward and temporary differences

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Tax credits	3,844	3,207	2,495
Tax credits related to notional interest deduction	104	141	141
Tax losses	11,052	11,627	8,924
Total	15,000	14,975	11,559

Deferred tax assets and liabilities recognised

(in thousands of euros)	Assets			Liabilities		
	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015
Deferred tax assets/(liabilities)	**18,008**	**20,074**	**18,206**	**929**	**1,871**	**1,208**
Unrecognised deferred tax assets	(13,235)	(14,995)	(14,504)	0	0	0
Total deferred taxes	**4,773**	**5,079**	**3,702**	**929**	**1,871**	**1,208**
Offsetting	(929)	(1,871)	(1,208)	(929)	(1,871)	(1,208)
Total recognised deferred taxes	3,844	3,207	2,495	0	0	0

The following table presents an overview of the deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognized:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Tax credits	(0)	(0)	(0)
Tax credits related to notional interest deduction	305	415	415
Tax losses	32,517	34,207	26,254
Temporary differences	6,117	9,496	16,002
Total	38,939	44,117	42,671

The unrecognised tax credits related to notional interest deduction expire in 2020. There is no expiry date on the other sources of deferred tax assets.

Furthermore, the deferred tax asset on the tax credit has been treated as a government grant and presented as other operating income in the consolidated statement of comprehensive income (see note 15.2.6.1).

At closing 2017, there are no unrecognised deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates.

15.2.5.5 Trade receivables and other receivables

The trade and other receivables can be detailed as follows:

Trade and other receivables	Total		
(in thousands of euros)	**31/12/2017**	**31/12/2016**	**31/12/2015**
Trade receivables			
Trade receivables	59	1	9
Write-downs on trade receivables	0	0	0
Total trade receivables	59	1	9
Other receivables			
Receivable related to taxes	422	392	574
Receivable related to tax credit	232	124	162
Receivable related to recoverable cash advances	5,001	7,322	5,680
Receivable related to patent grants	225	170	170
Receivable related to other grants	0	3	10
Receivables related to investment grants	0	0	1,308
Total other receivables	5,879	8,012	7,903
Total trade and other receivables	5,938	8,013	7,912

Trade and other receivables amount to € 5.94 million showing a decrease of € 2.08 million compared to the end of December 2016. The decrease of the receivables related to recoverable cash advances (- € 2.32 million - further reconciled under note 15.2.6.2) is partially offset by the increase of the amount of tax credit to be received in 2018 and by the receivables related to the patent grants.

15.2.5.6 Financial assets

Non-current financial assets amounting to € 0.32 million relate to restricted amounts mainly representing warranty in respect of the Galactic's building lease commitments.

15.2.5.7 Cash and cash equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	**31/12/2017**	**31/12/2016**	**31/12/2015**
Cash at bank and in hand	5,507	3,585	3,787
Short-term bank deposits	2,904	16,715	29,824
Total	8,411	20,300	33,611

The cash position at the end of December 2017 amounted to € 8.41 million, a reduction of € 11.89 million mainly due to cash used in operating activities.

The short-term bank deposits have an original maturity date not exceeding 3 months.

15.2.5.8 Equity

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Share capital	14,663	20,708	20,708
Share premium	42,665	42,670	42,670
Retained earnings	(55,501)	(48,773)	(35,752)
Total outside reserves	1,826	14,605	27,626
Reserves	557	665	520
Total Equity	2,383	15,270	28,146

The share capital has decreased from € 20.71 million in 2016 to € 14.66 million in 2017. In October 2017, the General Meeting decided to reduce the share capital of the Company, without cancellation of any securities for a total amount of € 6.05 million by absorption of the carried forward losses of the Company such as they appear on the balance sheet of 30 June 2017.

15.2.5.8.1 Non-controlling interests

The gross liability relating to the put option on non-controlling interest in SCTS (see note 15.2.3.2) has been recognised against equity, as a reduction of non-controlling interests. Considering however that this gross liability exceeds the amount of non-controlling interests, the balance has been recognised as deduction of group equity (retained earnings) and the amount reported as non-controlling interest is nil.

15.2.5.8.2 Share-based payments scheme

The Company has put in place 3 different warrant plans in the course of 2014. The extra plan implemented in the course of 2016 was cancelled in 2017.

In accordance with the terms of these plans, as approved by shareholders at the extraordinary general meetings held on 24 February 2014 and 18 December 2014, the beneficiaries may be granted warrants which on exercise can each be used to subscribe to one ordinary share of the Company (equity-settled share-based payments). No amounts are paid or payable by the beneficiary on grant of the warrant. The warrants carry neither rights to dividends nor voting rights.

The following plans were established during the years 2014:

Plan	Beneficiaries	Number of warrants issued	Number of warrants granted	Exercise price of warrants granted	Expiry
Warrant Plan A	Employees, consultants or Directors	113,760	40,000	€ 7.72 and € 8.77	February 2024
Warrant Plan B	CEO, CFO	46,000	4,800	€ 11	February 2019
Warrant Plan C	CEO, CFO, CCRO	145,000	122,500	€ 11	December 2019
TOTAL		304,760	167,300		

For relevant terms and conditions of the Company's existing warrant plans, please refer to section 14.4.2.

The main terms and the fair value at grant date of warrants granted out of Plan A, Plan B and C are as follows:

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan B	4,800	22/12/2014	1/02/2019	11	3.76
(2) Warrant Plan C	122,500	22/12/2014	18/12/2019	11	4.11
(3) Warrant Plan A	24,000	19/12/2016	23/02/2023	7.72	3.10
(4) Warrant Plan A	16,000	31/08/2017	23/02/2023	8.77	3.18

The fair value of the warrants has been determined at grant date based on the Black-Scholes formula. The variables, used in this model, are:

	Plan A - TL	Plan A - BC	Plan B	Plan C
Number of warrants granted	24,000	16,000	14,800	145,000
Exercise price (in €)	7.72	8.77	11	11
Fair value of the share at grant date	7.72	8.77	11	11
Expected dividend yield	0	0	0	0
Expected volatility	35.80%	35.80%	43.52%	43.52%
Risk-free interest rate	0.00%	0.00%	0.05%	0.05%
Duration in years	6.15	5.15	4.11	4.99
Fair value (in €)	3.1	3.18	3.76	4.11

There was no warrant exercised in 2017. At closing 2017, all the warrants of Plan B and Plan C are vested. The expenses relating to these plans are disclosed in point 15.2.6.5.

15.2.5.8.3 Transaction costs in relation to share capital transactions and in relation to the convertible bonds

In 2015, the Company has recognized € 3.81 million of transaction costs in relation to the IPO. On this basis, an amount of € 2.75 million was recognized in equity and € 1.06 million in the statement of comprehensive income 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 statement of comprehensive income. For more detail, please refer to section 15.2.3.6.

For the transaction costs in relation to the convertible bonds, please refer to section 15.2.3.5.

15.2.5.9 Financial liabilities

Financial liabilities are detailed as follows:

	Non-current			Current			Total		
(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015	31/12/2017	31/12/2016	31/12/2015
Finance lease liabilities	82	195	79	121	194	33	203	389	111
Government loans	6,583	6,582	5,671	627	557	408	7,211	7,139	6,078
Loans from related parties	1,511	1,765	1,706	253	241	199	1,765	2,006	1,904
Bank debt	2,375	2,625	2,663	250	250	1,674	2,625	2,875	4,337
Total financial liabilities	**10,551**	**11,167**	**10,118**	**1,251**	**1,242**	**2,313**	**11,803**	**12,409**	**12,431**

Finance lease liabilities

The finance lease liabilities relate to the leases of laboratory equipment (lease term of 3 or 5 years) for an amount of € 165,000 and the long lease right on the land (lease term of 99 years) on which the new facilities at Gosselies are constructed, for an amount of € 38,000. The decrease is mainly related to the reimbursement of the leasing contracts for the laboratory and production equipment for the production facility in Gosselies.

The Group has options to purchase the equipment for a fixed amount at the end of the lease term. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying the obligations under finance leases related to laboratory and production equipment are fixed at respective contract dates ranging from 2.2% to 5% per annum.

The future minimum lease payments related to these finance leases can be reconciled as follows to the liabilities recognised in the consolidated statement of financial position:

Future minimum lease payments *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Not later than 1 year	126	222	35
Later than 1 year and not later than 5 years	63	194	62
Later than 5 years	273	276	279
Less: future finance charges	(259)	(303)	(265)
Present value of minimum lease payments	203	389	111

Finance lease liabilities *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Not later than 1 year	121	194	33
Later than 1 year and not later than 5 years	57	170	55
Later than 5 years	25	25	24
Present value of minimum lease payments	203	389	111

Government loans

The government loans relate to the repayable part of recoverable cash advances (not linked to turnover) and are detailed in note 15.2.6.2. Interest is charged to this repayable part at a rate based on Euribor 1 year + 100 basis point or IBOR 1 year + 100 basis point if higher.

Bank debt

In respect of non-current debts, the Company has taken up two long term investment credit facilities from BNP Paribas Fortis SA/NV and ING Belgique SA/NV to finance the Infrastructure project for a total amount of € 2.66 million. Those 2 loans have a term of 15 years and the applicable interest rate amounts to EURIBOR 3M (the reference rate) increased with a margin of 2.5%. SCTS SA has the option to negotiate fixed interest rates for periods up to the end of the contracts. For more details about the pledges, we refer to the section 5.9 of this Annual Report.

In relation with IAS 7, the Company has recognised a total financial liability of € 11.80 million in 2017.

Reconciliation of liabilities arising from financing activities *(in thousands of euros)*	**31/12/2016**	**Cash flows**	**Non-cash changes**		**31/12/2017**
			New contracts	**Change in estimated cash flows**	
Finance lease liabilities	389	(187)	0	0	203
Government loans	7,139	(539)	392	218	7,211
Loans from related parties	2,006	(241)	0	0	1,765
Bank debt	2,875	(250)	0	0	2,625
Total liabilities from financing activities	12,409	(1,216)	392	218	11,803

15.2.5.10 Other non-current liabilities

According to the SCTS shareholders' agreement, the Company has granted to the 50.1% non-controlling interests in SCTS an option to sell (put option) their SCTS shares to the Company (see note 15.2.3.2 for more details).

15.2.5.11 Trade and other payables

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Trade payables	2,808	2,327	1,818
Other payables	775	793	761
Total trade and other payables	3,583	3,120	2,579

Trade payables (composed of supplier's invoices and accruals for supplier's invoices to receive at reporting date) are non-interest bearing and are in general settled 30 days from the date of invoice.

The increase of € 0.46 million is mainly related to larger number of invoices received at year-end 2017 compared to 2016. Other payables include solely short-term employee benefits liabilities and remain stable compared to last year.

15.2.5.12 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)	31/12/2017	31/12/2016	31/12/2015
Deferred income on grants related to recoverable cash advances	4,029	5,976	5,428
Deferred income on licensing agreement	1,629	0	0
Deferred income on grants related to patents	106	171	156
Other	0	3	7
Total	5,764	6,150	5,591

The deferred income related to the grants on the recoverable cash advances is detailed in note 15.2.6.2.

The Company deferred the upfront payment received from AK over a period of 10 years. Please find more detail in note 15.2.6.1.

15.2.6 Notes relating to the statement of comprehensive income

15.2.6.1 Revenues

The Company received an amount of € 1.67 million from Asahi Kasei for the signature of the licensing agreement. Based on IAS18's recognition, the Company has decided to recognize the amount of the duration of the performance obligation (10 years). In 2017, the Company has recognized an amount of € 0.04 million.

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Licence	41	0	0
Other	0	0	0
Total	41	0	0

15.2.6.2 Other operating income

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

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Grants income related to recoverable cash advances	2,459	2,454	2,123
Grants income related to exemption on withholding taxes	732	747	709
Grants income related to tax credit	741	750	736
Grants income related to patents	201	56	207
Other grants income	30	0	49
Total	4,163	4,007	3,824

Recoverable cash advances

The recoverable cash advances (“*Avances récupérables*”) are granted to support specific research and development programmes. After the approval of these loans by the government (i.e. Walloon Region), a receivable is recognised for the loan to be received and presented as other receivables (see note 15.2.5.5). These loans become refundable under certain conditions, including the fact that the Group decides to exploit the R&D results of the project. In such case, part of the loan (30%) becomes refundable based upon an agreed repayment schedule, whereas the remaining part (70% and up to 170%) only becomes refundable to the extent revenue is generated within 10 or 25 years after the date at which exploitation has been decided. Accordingly, if no revenue is generated within that period of 10 or 25 years, any non-refunded part of the loan will ultimately not be repaid.

RCA’s are partially recognized as a financial liability at the time of signing the agreement as explained in section 15.2.3.3 above and corresponding to the present value of the expected reimbursements discounted at a rate ranging between 1.08% and 17.1%. The difference between the actual amount received and the amount recognized as financial liability is considered as a government grant and is presented under the caption “deferred income”. The deferred income is released as “other operating income” as the R&D costs compensated by the grant are incurred. The part of the grant representing the discount effect on the minimum refundable amount is released as interest income over the period of the interest free loan.

The receivable related to the recoverable cash advances is reconciled as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Opening balance	**7,322**	**5,680**	**3,998**
New grants	739	3,155	3,898
New loans	355	1,310	1,023
Cash received	(3,415)	(2,823)	(3,239)
Closing balance	5,001	7,322	5,680

The movements related to the debt of the government loans are detailed in the following table:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Opening balance	**7,139**	**6,079**	**4,596**
New loans	355	1,310	1,023
Repayment	(510)	(398)	(254)
Unwind of discount	226	148	715
Closing balance	7,210	7,139	6,079

The deferred income related to the recoverable cash advances recognised in the consolidated statement of financial position can be reconciled as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Opening balance	**5,976**	**5,423**	**4,320**
Released as operating income	(2,459)	(2,454)	(2,123)
Released as finance income	(226)	(148)	(667)
Increase on new grants	739	3,155	3,898
Closing balance	4,029	5,976	5,428

Grants related to tax credit

For more detail on this section, see note 15.2.3.4.

Grants related to the exemption of withholding taxes for researchers

Companies that employ scientific researchers and qualify as "R&D center" benefit from a partial exemption from payment of withholding tax on the salaries of scientific staff. They must transfer to the tax authorities only 20% of the withholding tax due on the salary of these researchers while the remaining amount is considered to be a government grant. These grants are recognised in the consolidated statement of comprehensive income at the same moment the related personnel expenses are incurred.

Grants related to patents

The Group receives government grants related to patents. On average, the grants received cover 70% of the fees incurred in the process of obtaining patents.

Considering that patent costs are expensed as incurred, related patent grants are immediately recognised as other operating income when the patent fees are incurred.

15.2.6.3 Research and development expenses

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Lab fees and other operating expenses	6,093	6,405	6,462
Employee benefits expenses	6,173	6,472	5,770
Depreciations, amortisations and impairment losses	444	453	326
Patents costs	412	318	352
Total	13,122	13,649	12,910

Research and development expenses amounted to € 13.12 million for the full year 2017, showing a decrease of € 0.53 million (-4%) from 2016 to 2017. The decrease has been the result of lower R&D costs in ongoing trials and an increase in efficiency of the Company's clinical operations.

15.2.6.4 General and administration expenses

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Employee benefits expenses	1,796	1,702	1,847
Depreciation and amortisation expense	78	81	66
Other expenses	1,511	1,374	1,225
Total	3,385	3,157	3,138

General and administrative expenses for the full year 2017 amounted to € 3.39 million compared to € 3.16 million over the same period last year. The slight increase is mainly explained by the development of our business activities.

15.2.6.5 Employee benefit expenses

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Short term benefits	6,591	6,531	5,886
Social security cost	1,180	1,257	1,034
Post-employment benefits and other benefits	246	228	190
Share-based compensation	(89)	123	486
Other expenses	42	36	21
Total	7,970	8,174	7,617

15.2.6.5.1 Post-Employment Benefit Plan

The Group has a group insurance plan based on defined contributions for some employees, for which the insurance company guarantees an interest rate until retirement (type 'branche 21 / tak21'). The contributions are a flat percentage of the salary depending on the category of personnel, entirely paid by the employer. By law, the employer has to guarantee a minimum rate of return on the contributions.

Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would not have a material impact. The accumulated reserve (individualized reserves accumulated with the insurer) amounts to € 0.14 million and the accumulated contribution paid amounts to € 0.06 million.

15.2.6.4.2 Average number of employees in full time equivalents during the year:

Average number of employees	31/12/2017	31/12/2016	31/12/2015
Research and development	86	90	80
General and administrative	8	10	5
Total	94	100	85

15.2.6.6 Financial result

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Interest income on bank deposits	2	25	67
Interest income on government loans	196	148	126
Total interest income	**197**	**173**	**193**
Interest on borrowings	(192)	(222)	(34)
Interest on government loans	(196)	(148)	(126)
Interest on obligations under finance leases	(35)	(18)	(16)
Interest on convertible bonds	0	0	(98)
Transaction costs on convertible bonds	0	0	(282)
Fair value impact of derivative related to convertible bonds	0	0	(1,329)
Fair value gain or losses	(66)	(60)	(74)
Other	0	0	(10)
Total financial expenses	(488)	(448)	(1,969)
Exchange gains/(losses)	(12)	(15)	(26)
Share of profit/(loss) of associates	7	9	(1)
Total financial result	(297)	(282)	(1,801)

Financial income amounts to € 0.20 million and is composed of interest income on bank deposits and income recognition on government loans in particular the minimum refundable amount of the recoverable cash advances referred to in note 15.2.6.2 which come at a below market rate interest.

Financial expenses amount to € 0.36 million in 2017 are mainly linked to the interests on borrowings and the interests on government loans. The variation is mainly explained by the impact of the fair value of the fair value gains or losses which relate to the changes in fair value of the put option on non-controlling interests recognised as other non-current financial liabilities (see note 15.2.5.9) and amounts to € 0.06 million.

15.2.6.7 Income taxes

For the fiscal year 2017, the Company recorded an amount in taxes of € 0.17 million related to the withholding tax related to the upfront payment from AK. The Company also recorded an amount of € 0.01 million for its affiliate SCTS.

Current tax	31/12/2017	31/12/2016	31/12/2015
in respect of the current year	178	0	61
in respect of prior years	0	(61)	0
Total income taxes	178	(61)	61

The Group has recognized an income tax of € 12,000 in 2017 related to the 2017 fiscal year.

(in thousands of euros)	Bone Therapeutics	SCTS
Profit (loss) before tax - BEGAAP	(14,961)	113
Losses carried forward	(34,181)	(25)
Other	4,932	(53)
Total profit (losses) carried forward	(44,210)	34
Belgian statutory income tax rate	33,99%	33,99%
Income taxes	0	12

15.2.6.8 Earnings per share

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

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Profit/loss for the period attributable to the owners of the Company	(12,769)	(13,021)	(14,144)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	6,849,654	6,849,654	6,599,860
Basic loss per share (in euros)	(1.86)	(1.90)	(2.14)

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2017 and 2016 as the inclusion of these instruments would have an adverse effect, i.e. reducing the loss per share. The impact of the dilutive instruments on the weighted average on ordinary shares would be as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Impact on weighted average number of ordinary shares outstanding			
Share-based payment plan - warrants	167,300	159,800	159,800

15.2.7 Financial instruments and financial risk management

15.2.7.1 Overview of financial instruments

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**	**31/12/2017**	**31/12/2016**	**31/12/2015**
Other non-current financial assets				
Non-current receivables	Loans and receivables	317	299	205
Trade and other receivables	Loans and receivables	5,226	7,496	7,177
Cash and cash equivalents	Loans and receivables	8,411	20,300	33,611
Total financial assets		13,953	28,096	40,993
Non-current financial liabilities				
Finance lease liabilities	At amortised cost	82	195	79
Government loans (RCA)	At amortised cost	6,583	6,582	5,671
Loans from related parties	At amortised cost	1,511	1,765	1,706
Bank debt	At amortised cost	2,375	2,625	2,663
Other non-current liabilities				
Put on non-controlling interests	At fair value through profit or loss	1,641	1,635	1,575
Current financial liabilities				
Finance lease liabilities	At amortised cost	121	194	33
Government loans (RCA)	At amortised cost	627	557	408
Loans from related parties	At amortised cost	253	241	199
Bank debt	At amortised cost	250	250	1,674
Trade and other payables				
Trade payables	At amortised cost	2,808	2,327	1,818
Total financial liabilities		16,252	16,372	15,825

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

	31/12/2017		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	317	317	Level 2
Trade and other receivables	5,226	5,226	Level 2
Cash and cash equivalents	8,411	8,411	Level 2
Total financial assets	13,953	13,953	
Non-current financial liabilities			
Finance lease liabilities	82	82	Level 2
Government loans	6,583	8,148	Level 3
Loans from related parties	1,511	1,799	Level 2
Bank debt	2,375	2,664	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,641	1,641	Level 3
Current financial liabilities			
Finance lease liabilities	121	121	Level 2
Government loans (RCA)	627	627	Level 2
Loans from related parties	253	253	Level 2
Bank debt	250	250	Level 2
Trade and other payables			
Trade payables	2,808	2,808	Level 2
Total financial liabilities	16,252	17,901	

	31/12/2016		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	299	299	Level 2
Trade and other receivables	7,496	7,496	Level 2
Cash and cash equivalents	20,300	20,300	Level 2
Total financial assets	28,096	28,096	
Non-current financial liabilities			
Finance lease liabilities	195	195	Level 2
Government loans	6,582	8,496	Level 3
Loans from related parties	1,765	2,371	Level 2
Bank debt	2,625	2,978	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,635	1,635	Level 3
Current financial liabilities			
Finance lease liabilities	194	194	Level 2
Government loans (RCA)	557	557	Level 2
Loans from related parties	241	241	Level 2
Bank debt	250	250	Level 2
Trade and other payables			
Trade payables	2,327	2,327	Level 2
Total financial liabilities	16,372	19,244	

	31/12/2015		
(in thousands of euros)	**Carrying amount**	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	205	205	Level 2
Trade and other receivables	7,177	7,177	Level 2
Cash and cash equivalents	33,611	33,611	Level 2
Total financial assets	40,993	40,993	
Non-current financial liabilities			
Finance lease liabilities	79	79	Level 2
Government loans	5,671	6,421	Level 3
Loans from related parties	1,706	2,108	Level 2
Bank debt	2,663	3,057	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,575	1,575	Level 3
Current financial liabilities			
Finance lease liabilities	33	33	Level 2
Government loans (RCA)	408	408	Level 2
Loans from related parties	199	199	Level 2
Bank debt	1,674	1,674	Level 2
Trade and other payables			
Trade payables	1,818	1,818	Level 2
Total financial liabilities	15,825	17,371	

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 the put option granted by the Group to non-controlling interests in SCTS, which has been fully consolidated. The government loans related to the recoverable cash advances are measured at amortised costs (fair value is disclosed above).

Put Option granted by the Group to non-controlling interests in SCTS:

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	**31/12/2017**	**31/12/2016**	**31/12/2015**
Opening balance	1,635	1,575	1,501
Impact of the dividend paid	(60)	0	0
Total gains or losses in profit or loss	66	60	74
Closing balance	1,641	1,635	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 (1.1%). See also note 15.2.3.2 of these consolidated financial statements on significant judgements.

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 € 62,000 (2016: increase/decrease by € 52,000).

Sensitivity Analysis on government loans related to the recoverable cash advances:

The fair value has been calculated as the weighted average of a best case, base case and worst case scenario for each project. The weight given to each scenario is as follows:

- Best case given the weight of the probability of success (PoS) determined by the Management based on the analysts' reports (ranging from 20% to 40%) to each project whereby the project is successfully commercialized and a maximum of the commitments vis-à-vis the Walloon Region are honored.
- Worst case: the Company stops all activity in 2020 and will only honor its fixed commitments up to that date. Probability for this scenario has been set at 10% for all projects
- Base case: the Company honors only the fixed commitments (non-turnover related reimbursements) for each of the projects. The probability for this scenario has been set between 50% and 70%.

Based on those scenario, the fair value, after discounting fixed commitments at rates between 1.08% and 2,91% and the turnover dependent reimbursements at a rate of 17.10% (average rate used by the analysts following the Company) amounts to € 8.78 million.

When applying a sensitivity analysis on the above varying the ponderations between the best and base case scenario (decreasing/increasing the PoS of the projects) and varying the discount rate used for discounting the turnover dependent reimbursements (using a discount rate for a more mature biotech company) we obtain the following results:

	Impact of PoS*				
in thousands €	**-40%**	**-20%**	**0**	**+20%**	**+40%**
DCF with discount rate of 17,10% used for turnover dependent reimbursement	8,196	8,437	8,775	9,181	9,586
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12,50%**	8,841	9,185	9,668	10,248	10,827

** decrease/increase of best case versus increase/decrease of base case with the worst case scenario remaining at the same level.*

*** DCF used for turnover dependant reimbursements.*

If the interim analysis, based on a 12-month follow-up of patients, documents a strong sign of efficacy for PREOB®, the study recruitment could lead to an early conclusion of the trial. Conclusions of the interim analysis after a 12-month follow-up are expected in H2 2018. Based on those result, the PoS of PREOB® could increase up to 50%. In this case, the impact will be € 1.58 million (with a discounting factor of 17.10%) and € 2.25 million (with a discounting factor of 12.50%).

15.2.7.2 Credit risk

The Company believes that its credit risk, relating to receivables, is limited because currently almost all of its receivables are with public institutions. Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk, to which the Group is theoretically exposed as at the balance sheet date, is the carrying amount of the financial assets. At the end of the reporting period no financial assets were past due, consequently no financial assets were subject to impairment.

15.2.7.3 Liquidity risk

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Company's main sources of cash inflows are obtained through capital increases, subsidies, government loans and where appropriate loans from commercial banks to finance long term requirements (investment in infrastructure). A key objective of the Board together with the Executive Directors is to ensure that the Company remains adequately financed to meet its immediate and medium term needs.

If necessary and appropriate the Company assures itself of short term borrowing facilities to cover short term requirements.

The following table details the Group's remaining contractual maturity of its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

31/12/2017 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Bank debt**	**Total**
Within one year	126	662	329	313	1,429
>1 and <5 years	63	3,802	1,026	1,191	6,082
>5 and <10 years	15	1,726	397	1,348	3 485
>10 and <15 years	15	940	543	126	1,624
>15 years	243	1,320	0	0	1,563

31/12/2016 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Bank debt**	**Total**
Within one year	222	580	324	320	1,448
>1 and <5 years	194	3,358	1,024	1,216	5,791
>5 and <10 years	15	2,322	521	1,379	4,236
>10 and <15 years	15	894	610	383	1,902
>15 years	246	1,342	0	0	1,588

31/12/2015 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Bank debt**	**Total**
Within one year	35	408	286	315	1,043
>1 and <5 years	62	3,833	1,222	1,242	6,359
>5 and <10 years	15	1,841	473	1,410	3,739
>10 and <15 years	15	614	610	646	1,885
>15 years	249	695	0	0	944

15.2.7.4 Interest rate risk

The Company has limited interest rate risk on long term investments loans (related to bank debts) concluded through its subsidiary SCTS on 15 July 2014 which are currently financed at variable interest rates linked to EURIBOR 3M. This risk has been quantified by means of a sensitivity analysis mentioned under section 3.1.7.3. For these long-term loans the Company is permanently monitoring the short-term interest rates versus options to swap these rates with a long-term interest rate (IRS) in function of the remaining term of the loan.

Other longer term loans granted by regional investment bodies but also including the turnover independent reimbursements (30%) related to RCA's (related to government loans) concluded as of 2009 are carrying fixed interest rates. The Group at current does not undertake any hedging.

15.2.7.5 Foreign exchange risk

The company is currently not exposed to any significant foreign currency risk.

However should the Company enter into long term collaboration agreements with third parties for which revenues would be expressed in a foreign currency, the Company might in such case consider to enter into a hedging arrangement to cover such currency exposure (in case the related expenditure is planned in local currency). The Company will also monitor exposure in this respect following the establishment of its US subsidiary.

15.2.8 Related-party transactions

The structure of the group has been described in Chapter 6.

For more detail about the related-party transactions, please refer to Chapter 12.

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.

15.2.8.1 Transactions with SISE

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of € 482,000 (2016: € 309,000) 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 € 187,000, consisting of trade payables (€ 149,000) and a finance lease liability for the long lease right on the land (€ 38,000, of which € 35,000 as a non-current liability).

15.2.8.2 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. However, the principal amounts recognised in the financial statements relate to government grants for a total of € 31.28 million (see chapter 5, section 5.10). Next to the government grants, government agencies granted loans to the Group for a total amount of € 2.42 million.

15.2.8.3 Transactions with the Management Team

The remuneration of Directors of the Board and the management team during the year was as follows:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Short-term benefits	1,653	1,612	1,563
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Share-based payments	(89)	123	486
Termination benefits	0	0	0
Total	1,564	1,735	2,049

For more details according to the remuneration of the management, we refer to section 11.8.

15.2.9 Commitments

Operating leases relate to leases of offices (lease term of 3 years) and company cars (lease term of 4 years). The Group does not have an option to purchase the leased assets at the expiry of the lease periods. For the period ended 31 December 2017 minimum lease payments for a total amount of € 560,000 have been recorded in the consolidated statement of comprehensive income (2016: € 472,000).

The following table presents the future non-cancellable operating lease commitments:

(in thousands of euros)	31/12/2017	31/12/2016	31/12/2015
Not later than 1 year	557	550	393
Later than 1 year and not later than 5 years	545	258	222
Later than 5 years	0	0	0
Total	1,102	808	615

15.2.10 Events after the reporting period

The annual consolidated financial statements on 31 December 2017 were authorised for issue by the Board of Directors of the Company on 24 April 2018. Accordingly, events after the reporting period are those events that occurred between 1 January 2018 and 24 April 2018.

On 7 March 2018, the Company successfully raised € 19.45 million of Commitment in Convertible Bond Placement. As a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 1,210,754 with issuance of 565,773 shares on 9 March 2018. The aggregate share premium for this transaction amounts to € 4,791,588. Following the capital increase, the share capital of the Company amounted to € 15.87 million and was represented by 7,415,427 shares. The share premium accounts before considering the cost of the capital operation amounts to € 49.49 million.

On 11 April 2018, as a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 94,872.62 with issuance of 44,333 new shares. The aggregate share premium for this transaction amounts to € 297,616.68. Following the capital increase, the share capital of the Company amounted to € 15.97 million and was represented by 7,459,760 shares. The share premium accounts before considering the cost of the capital operation amounts to € 49.79 million..

15.3 Annual report of the Board of Directors on the consolidated financial statements of Bone Therapeutics SA

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the accounting year that ended 31 December 2017 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

15.3.1 Financial and strategic highlights of 2017

Key Highlights

- In 2017, we continued to make strong progress in the clinical development of ALLOB®, our flagship allogeneic bone cell therapy technology:
  - Completion of recruitment of the first 16 patients in the ALLOB® Phase I/IIA delayed-union study. Strong interim efficacy and safety results from this first cohort led to an early conclusion of the study as recommended by the DSMB. The Company plans to report final results of the study in mid-2018.
  - Positive efficacy and safety results reported for the first 15 patients in the Phase IIA lumbar spinal fusion trial. Post period, the Company completed patient recruitment of the full set of 32 patients for the Phase IIA lumbar spinal fusion study with efficacy and safety data expected in mid-2019.

- European Patent Office notified the Company of its intention to grant a key patent for allogeneic bone cell therapy platform.

- Completion of the recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with the autologous bone cell therapy product, PREOB®. Conclusions from the interim analysis are expected in H2 2018.
- Exclusive license agreement signed with Asahi Kasei for the development and commercialisation of PREOB® in Japan.

Financial and Corporate Highlights (including post-period)

- The Company ended 2017 with € 8.4 million in cash and cash equivalents. Careful management of resources resulted in a cash utilization of € 11.9 million for the full year 2017 (below Company guidance), compared to € 13.3 million for the full year 2016.
- Operating income was € 4.2 million for the full year 2017, compared to € 4.0 million in full year 2016.
- Operating loss for the period amounted to € 12.3 million, compared to € 12.8 million in full year 2016.
- Following a successful private placement of convertible bonds in March 2018, the Company secured a total of € 19.45 million in committed funds.
- Appointment of Jean Stéphenne as the new Chairman of the Board of Directors (post period) and Damian Marron and Dirk Dembski as Non-Executive Directors.
- Appointment of Jean-Luc Vandebroek as Chief Financial Officer, supporting the Company's progress towards commercialisation.

Key Financials (IFRS)

(€ million)	FY 2017	FY 2016
Operating income	4.21	4.01
Operating expenses	(16.51)	(16.81)
R&D	(13.12)	(13.65)
G&A	(3.39)	(3.16)
Operating result	(12.29)	(12.80)
Net financial result	(0.48)*	(0.28)
Net result	(12.77)	(13.02)
Net cash flow	(11.89)	(13.31)
Operating activities	(11.02)	(11.37)
Investing activities	(0.42)	(0.58)
Financing activities	(0.46)	(1.36)
Cash position at 31 December	8.41	20.30

**Including withholding tax on upfront payment from AK.*

Operational highlights (including post-period)

ALLOB®

In March 2017, Bone Therapeutics completed recruitment of the first 16 patients into the Phase I/IIA delayed-union study, a six-month, open-label clinical study designed to evaluate the safety and efficacy of ALLOB® in delayed-union fractures of long bones. Subsequently, at the six-month follow-up period in September 2017, the Company announced positive interim efficacy data. The six month data showed that all patients treated met the primary endpoint and ALLOB® was well tolerated. Radiological evaluation of fracture healing showed an improvement of, on average, 4 points on the TUS (Tomographic Union Score) scale, twice the required minimum of 2 points. The health status of patients, as measured by the Global Disease Evaluation (GDE) score, improved by, on average, 48%, compared to the predetermined minimum of 25%. Based on the strong interim efficacy results, the Data and Safety Monitoring Board (DSMB) recommended concluding the trial early. The Company plans to report final results of the study in mid-2018.

Also in September 2017, Bone Therapeutics reported promising interim efficacy and safety results for the Phase IIA lumbar spinal fusion study. In addition to evidence of successful fusion shown by radiological data collected over a 12-month follow-up period (absence of motion in all patients and continuous bone bridges in 9 out of 15 patients), the interim results revealed substantial clinical improvement in function (55% improvement on the Oswestry Disability Index) and a strong reduction in back and leg pain (59% and 90% respectively). Treatment with ALLOB® was well tolerated in all patients.

In February 2018, the Company announced the completion of patient recruitment into the Phase IIA lumbar spinal fusion study and, following a follow-up period of 12 months, efficacy and safety data for the full set of 32 patients are expected in mid-2019.

Bone Therapeutics was notified by the European Patent Office (EPO) in June 2017 of its intention to grant a key patent covering Company's first-in-class allogeneic cell therapy technology. The patent will expand IP protection for both the manufacturing methods and the distinct cell type used in its allogeneic cell therapy technology into selected EU member states until 2029.

PREOB®

In June 2017, the Company announced completion of recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with its autologous bone cell therapy product, PREOB®. Conclusions of the interim analysis after a 12-month follow-up are expected in H2 2018.

In September, the Company signed an exclusive, royalty-bearing license agreement with one of Japan's leading industrial companies, Asahi Kasei Corporation. The license agreement covers the development and commercialisation of PREOB®, in Japan. Bone Therapeutics received an upfront payment of €1.7 million from Asahi Kasei and is eligible to receive up to €7.5 million from development and commercial milestone payments, as well as tiered royalties based on annual net sales of PREOB® in Japan.

Corporate highlights

In September 2017, the Company appointed Jean-Luc Vandebroek as Chief Financial Officer. With his extensive international finance experience from major public and privately-owned companies, Jean-Luc will oversee the Company's financial planning needs as it continues to mature and bring its innovative cell therapy products closer to the market.

In February 2018, Jean Stéphenne was appointed Chairman of the Board of Directors. Jean Stéphenne is a highly-experienced life sciences executive, who has served in senior leadership roles at a large number of biotechnology and pharmaceutical companies, most recently as Chairman of TiGenix. Together with the Board of TiGenix, he oversaw the clinical development and European marketing authorisation of its most advanced allogeneic cell therapy product for the treatment of complex perianal fistulas in Crohn's disease, resulting in the announced acquisition of the company for € 520 million by Takeda. Before joining TiGenix, Jean Stéphenne was a Member of the Corporate Executive Team of GlaxoSmithKline (GSK) and Chief Executive of GSK Biologicals (now GSK Vaccines). During his 40-year tenure at GSK Vaccines, he grew a company of 50 people into a fully integrated worldwide leader in vaccine development, with 12,000 employees.

The Company also welcomed Damian Marron and Dirk Dembski to its Board of Directors, further expanding its leadership experience in the fields of orthopaedics and cell therapy. Damian Marron is an experienced life sciences executive, having served as Chief Executive Office at the biotech companies, Agalimmune and TxCell, specialists in immune-oncology and immune-cell therapy respectively. Dirk Dembski has held a variety of roles in biotechnology and orthopaedics companies.

In March 2018, the Company successfully secured € 19.45 million of commitment via a private placement of convertible bonds, subscribed by international and local investors. Each subscribed convertible bond is accompanied by 19 bond warrants, exercisable to a convertible bond each. Several investors decided to immediately exercise warrants resulting in immediate gross proceeds of approximately € 6.58 million. The remaining warrants will be exercised providing additional proceeds of € 12.87 million over a maximum period of 19 months.

Outlook 2018

Bone Therapeutics plans to report the final results from the ALLOB® Phase I/IIA delayed-union study in mid-2018.

A value inflection point is anticipated in the second half of 2018, as the Company expects to present the conclusions of the interim results after a one-year follow-up period of the first 44 patients in the Phase III study of PREOB® in osteonecrosis of the hip.

Additionally, the Company has started making preparations for a multicentre, controlled Phase IIB study for the treatment of difficult fractures with ALLOB®.

Cash burn for the full year of 2018 is expected to be in the range of € 15-16 million. Based on its current priorities, the Company will have sufficient cash to carry out its objectives until end Q3 2019.

15.3.2 Financial review of the year ending 31 December 2017

15.3.2.1 Analysis of the consolidated statement of comprehensive income

The following table includes information relating to the Company's audited statement of comprehensive income for the years ended 31 December 2017, 2016 and 2015.

(in thousands of euros)	2017	2016	2015
Revenue	41	0	0
Other operating income	4,172	4,007	3,824
Total operating income	**4,213**	**4,007**	**3,824**
Research and development expenses	(13,122)	(13,649)	(12,910)
General and administrative expenses	(3,385)	(3,157)	(3,138)
Operating profit/(loss)	(12,294)	(12,799)	(12,224)
Interest income	197	173	194
Financial expenses	(489)	(448)	(1,966)
Exchange gains/(losses)	(12)	(15)	(26)
Share of profit/(loss) of associates	7	9	(1)
Result Profit/(loss) before taxes	(12,591)	(13,081)	(14,025)
Income taxes	(178)	60	(61)
Profit/(loss) for the period	**(12,769)**	**(13,021)**	**(14,085)**
Total comprehensive income of the period	**(12,769)**	**(13,021)**	**(14,085)**
Basic and diluted loss per share (in euros)	(1.86)	(1,90)	(2,14)
Profit/(loss) for the period attributable to the owners of the Company	(12,752)	(12,989)	(14,144)
Profit/(loss) for the period attributable to the non-controlling interests	(18)	(32)	59
Total comprehensive income for the period attributable to the owners of the Company	(12,752)	(12,989)	(14,144)
Total comprehensive income for the period attributable to the non-controlling interests	(18)	(32)	59

In 2017, the Company received a non-refundable upfront payment from Asahi Kasei Corporation for € 1.7 million. The Company recognized this upfront payment over a period of 10 years and only € 0.04 million in 2017. The total (other) operating income amounted to € 4.18 million compared to € 4.00 million in 2016. Other operating income is mainly as a result of grants from the Walloon Region ("Recoverable Cash Advances - RCAs") which in total amounted to € 2.46 million in 2017. In addition, the Company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of € 0.73 million, an investment tax credit for an amount of € 0.74 million and € 0.24 million in patent and other subsidies.

R&D expenses in 2017 were at € 13.12 million compared to € 13.65 million in 2016. The decrease has been the result of lower R&D costs in ongoing trials and an increase in efficiency of the Company's clinical operations.

General and administrative expenses for the full year 2017 amounted to € 3.39 million compared to € 3.16 million over the same period last year. The slight increase is mainly explained by the development of our activities.

The operating loss in 2017 was at € 12.29 million. In 2016, the Company reported an operating loss of € 12.80 million. The Company had net financial expenses of € 0.29 million in 2017 in line with last year.

The reported net loss in 2017 amounted to € 12.77 million or € 1.86 loss per share (on an undiluted basis). In 2016, the Company had a net loss of € 13.02 million, equivalent to a loss per share of € 1.90 (on an undiluted basis).

15.3.2.2 Analysis of the consolidated statement of financial position

The table below shows the audited consolidated balance sheet on 31 December 2017, 2016 and 2015.

Assets *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Non-current assets	**10,558**	**10,114**	**8,682**
Intangible assets	30	56	69
Property, plant and equipment	6,302	6,385	5,793
Investments in associates	297	291	282
Financial assets	317	299	205
Deferred tax assets	3,611	3,083	2,333
Current assets	**14,615**	**28,471**	**41,701**
Trade and other receivables	5,938	8,013	7,912
Other current assets	266	158	178
Cash and cash equivalents	8,411	20,300	33,611
Total assets	25,173	38,585	50,383

Total assets at the end of December 2017 amounted to € 25.17 million compared to € 38.59 million at the end of December 2016, mainly impacted by the current assets.

The current assets decreased from € 28.47 million to € 14.62 million at the end of December 2017. The decrease is mainly related to the variation of the cash position which amounted to € 8.41 million compared to € 20.30 million in 2016.

The trade and other receivables showed a decrease of € 2.08 million compared to last year as a result of:

- New RCA'S recognized during 2017 for an amount of € 1.18 million (increase)
- Amounts received during the course of 2017 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for a total of € 3.42 million (decrease)
- The remaining increase of € 0.15 million in trade and other receivables is on account of the VAT receivable, patent grants receivable and tax credit to be received within one year.

The non-current assets increased from € 10.11 million to € 10.56 million at the end of December 2017. The increase is mostly related to deferred tax assets. Deferred tax assets totaling € 3.61 million represent a tax credit on investment in R&D reimbursable in the foreseeable future (spread over the next seven years), partly offset by the decrease of the property, plant and equipment. The Company invested an amount of € 0.40 million for the new production facility at Gosselies and for the laboratory and production equipment related to the new production facility. The Company recorded an amount of € 0.60 million as net depreciation.

Equity and liabilities *(in thousands of euros)*	31/12/2017	31/12/2016	31/12/2015
Equity			
Equity attributable to owners of the parent	2,383	15,270	28,147
Share capital	14,663	20,708	20,708
Share premium	42,665	42,670	42,670
Retained earnings	(55,501)	(48,773)	(35,752)
Other reserves	557	665	520
Non-controlling interests	0	0	0
Total equity	**2,383**	**15,270**	**28,147**
Non-current liabilities	**12,192**	**12,802**	**11,693**
Financial liabilities	10,551	11,167	10,118
Deferred tax liabilities	0	0	0
Other non-current liabilities	1,641	1,635	1,575
Current liabilities	**10,598**	**10,512**	**10,543**
Financial liabilities	1,251	1,242	2,313
Trade and other payables	3,583	3,120	2,579
Current tax liabilities	0	0	61
Other current liabilities	5,764	6,150	5,590
Total liabilities	**22,791**	**23,315**	**22,236**
Total equity and liabilities	25,174	38,585	50,383

Equity amounted to € 2.38 million at the end of December 2017 compared to € 15.27 million at the end of December 2016.

- The share capital decreased due to the incorporation of the loss carried forward and amounted to € 14.66 million at the end of 2017.
- The retained earnings were impacted by the loss for the period of € 12.77 million.
- Other reserves decreased by € 0.11 million related to share-based payments.

The non-controlling interest in the Company's affiliate SCTS has been set at "0" and has been represented as a liability on the balance sheet for an amount of € 1.64 million on 31 December 2017. This represents the value of the put option that the parties representing the non-controlling have and which allows them to sell their interest to the Company.

Liabilities amounted to € 22.79 million at the end of December 2017 compared to € 23.32 million at the end of December 2016 with the main decrease coming from both the non-current and current liabilities.

The non-current liabilities decreased from € 12.80 million at the end of 2016 to € 12.19 million on 31 December 2017. They are composed as follows:

- Long term investment credit facilities to finance the infrastructure project for an amount of € 2.38 million (€ 2.63 million at the end of 2016),
- Reimbursable part of the RCAs from the Walloon Region as recognized at the start of the contract for an amount € 6.58 million (€ 6.58 million in 2016),
- Loans from related parties (regional investment offices) for an amount of € 1.51 million (€ 1.77 million in 2016),
- Other non-current liabilities for an amount of € 1.64 million represent the put option explained above (€ 1.64 million in 2016),
- Other items accounting for € 0.08 million.

Current liabilities amounted to € 10.60 million at 31 December 2017 compared to € 10.51 million at the end of December 2016. The financial liabilities remained stable compared to last year and amounted to € 1.25 million.

Trade and other payables amounted to € 3.56 million which represented an increase with € 0.46 million compared to the end of December 2016. The increase is mainly related to regular activities.

Other current liabilities amounted to € 5.76 million at the end of December 2017 compared to € 6.15 million at the end of December 2016, showing a net decrease of € 0.39 million due to the recognition of the deferred income related to the existing contracts for an amount of € 2.02 million into the comprehensive income. In addition, the Company also recognized an amount of € 1.63 million in relation to the upfront payment received from Asahi Kasei.

15.3.2.3 Analysis of the consolidated cash flow statement

The following table sets forth the Company's consolidated cash flow statement for the years ended 31 December 2017, 2016 and 2015. This table is presented in further detail under the section "Consolidated statement of cash flows" of the Consolidated financial statements for the period ended 31 December 2017.

Consolidated Statements of Cash Flows *(in thousands of euros)*	**2016**	**2016**	**2015**
Net cash used in operating activities	(11,018)	(11,369)	(11,765)
Net cash used in investing activities	(415)	(578)	(2,982)
Net cash provided by financing activities	(456)	(1,363)	36,781
Net increase (decrease) in cash and cash equivalents	(11,889)	(13,310)	22,035
Cash and cash equivalents at beginning of year	20,300	33,611	11,577
Cash and cash equivalents at end of year	8,411	20,300	33,611

Cash used for operating activities amounted to € 11.02 million for the full year 2017 compared to € 11.37 million for the full year 2016.

Total operating loss for the period amounted to a loss of € 12.29 million compared to a loss of € 12.80 million over the same period in 2016. The decrease of the net loss in 2017 is mainly explained by the decrease of the R&D expenses over the year.

Adjustments for non-cash items amounted to € 2.96 million compared to € 2.57 million during the previous year relating to depreciation, share based payments and recognition of grant income from RCA's, patent subsidies and tax credit. Actual cash received in 2017 for the grant related items amounted to € 2.60 million compared to € 2.75 million in 2016. The Company also received € 1.67 million of upfront payment in relation of the licensing agreement with Asahi Kasei.

Working capital was positively impacted for the full year 2017 for an amount of € 0.15 million mainly following an increase of trade and other payables for an amount of € 0.46 million and a reduction of trade and receivables of € 0.31 million. Last year, the working capital was positively impacted by the disbursement of the outstanding amount for the investment grant of € 1.31 million.

Cash flow from investing activities showed a net use of € 0.42 million for the full year 2017 compared to € 0.58 million in 2016. This mainly represents investments made in property, plant and equipment related to the finalization of the construction of the facilities at the BioPark in Gosselies.

Cash flow from financing activities amounted to net cash used of € 0.46 million for 2017. In 2017 the amounts reimbursed for existing loans was lower compared to 2016. In particular, a short-term credit facility for an amount of € 1.40 million which served to fund the investments of the new facilities at Gosselies was reimbursed in 2016.

15.3.3 Headcount evolution

On 31 December 2017, the Company employs 94 employees in total. The table below shows the evolution of employment since 2014 and does not take into account the temporary workers and the management members.

As of 31 December	2014		2015		2016		2017	
	BT	SCTS	BT	SCTS	SCTS	BT	BT	SCTS
R&D	34	35	57	37	57	35	53	31
Administration	2	1	5	2	4	5	6	4
Total	36	36	62	39	61	40	59	35
Total of BT and SCTS	72		101		101		94	

To support its growth, staff was recruited throughout all departments but in particular the clinical department, the production department and the pre-clinical department.

30% of employees are qualified to PhD level. Scientific specialization domains include cellular and molecular biology, pharmaceutical sciences, veterinary medicine, physiology and life sciences. Eleven different nationalities are working at Bone Therapeutics today.

15.3.4 Corporate governance statement

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

15.3.5 Remuneration report

We would like to refer to Chapter 11, section 11.8 ("Remuneration report").

15.3.6 Risks

We would like to refer to Chapter 1 ("RISK FACTORS").

15.3.7 Going concern

We would like to refer to section 15.2.3.8 ("GOING CONCERN").

15.3.8 Events occurred after the end of the financial year

The annual consolidated financial statements on 31 December 2017 were authorised for issue by the Board of Directors of the Company on 24 April 2018. Accordingly, events after the reporting period are those events that occurred between 1 January 2018 and 24 April 2018.

On 7 March 2018, the Company successfully raised € 19.45 million of Commitment in Convertible Bond Placement. As a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 1,210,754 with issuance of 565,773 shares on 9 March 2018. The aggregate share premium for this transaction amounts to € 4,791,588. Following the capital increase, the share capital of the Company amounted to € 15.87 million and was represented by 7,415,427 shares. The share premium accounts before considering the cost of the capital operation amounts to € 49.49 million.

On 11 April 2018, as a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 94,872.62 with issuance of 44,333 new shares. The aggregate share premium for this transaction amounts to € 297,616.68. Following the capital increase, the share capital of the Company amounted to € 15.97 million and was represented by 7,459,760 shares. The share premium accounts before considering the cost of the capital operation amounts to € 49.79 million.

15.4 Auditor's report on the consolidated financial statements for the year ended 31 December 2017

Statutory auditor's report to the shareholders' meeting of Bone Therapeutics SA for the year ended 31 December 2017

(Consolidated financial statements)

In the context of the statutory audit of the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiary (jointly "the group"), we hereby submit our statutory audit report to you. This report includes our report on the consolidated financial statements together with our report on other legal, regulatory and professional requirements. These reports are one and indivisible.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 26 May 2016, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2018. We have performed the statutory audit of the consolidated financial statements of Bone Therapeutics SA for 3 consecutive periods.

Report on the audit of the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 25 173 (000) EUR and the consolidated income statement shows a consolidated loss for the year then ended of 12 769 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2017 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Going Concern • The consolidated statement of financial position shows a loss for the year then ended of 12 769 (000) EUR and losses carried forward of 55 501 (000) EUR. As part of the preparation of the consolidated financial statements, the Board of Directors is responsible for assessing the group's liquidity risk and related ability to continue as a going concern. • The assessment of the liquidity risk has been identified as a key audit matter as it requires significant judgment estimating the level of cash required for the coming twelve months that will lead to the ability of the group to continue its activity until the general assembly that will approve the financial statements ending 2018. **Reference to disclosures** We refer to the Consolidated Financial Statements, including notes to the Consolidated Financial Statements: note 15.2.3.8	• We have assessed the governance, processes and internal controls put in place at group level to conclude over the use of the going concern assumption. We tested the design and implementation of these internal controls. • We have spent audit effort to review and challenge the assumptions used by the management. We evaluated and tested the assumptions, methodologies and data used by the group in respect of projected future cash flows from operating, financing and investing activities. We assessed the reliability of the forecasted cash flows by comparing with the historical performance, analyzing the current cost structure, the commitments and the potential cash-in linked to grants and partnerships. • We have assessed the historical accuracy of management's estimates. • We have specifically focused on the sensitivity of the projected future cash flow to assess the liquidity risk of the group at the date of the general assembly that will approve the financial statements ending 2018. • We have deeply inquired over any material uncertainty to disclose in the financial statement. • Finally, we have evaluated the disclosure about liquidity risk and the related going concern assumption.
Repayable Cash Advances received from Walloon Region • The group received some important repayable cash advances (RCA) from the Walloon Region to support specific R&D programs. • These RCA become refundable under certain conditions, including the fact that the group decides to exploit the R&D results of the project. In such case, the fixed part of the RCA (30%) becomes refundable based upon an agreed repayment schedule, whereas the variable part (from 70% up to 170%) becomes refundable to the extent revenue is generated within a timeframe of 25 years. The refunding of the variable part is fixed as a percentage of the revenue generated during the timeframe.	• We have assessed the group's management process and internal control with respect to the RCA for determining the valuation of the financial liability. We tested the design and implementation of these internal controls. • We have challenged the management assumptions taking into account the industry best practices and the current environment of the group. • We have assessed and evaluated the appropriateness of the different scenario and percentage of success linked to each scenario

- Taking into account the recent guidance from the IFRS Interpretation Committee, a financial liability should be recognized in accordance with IAS39 to reflect the portion that will be reimbursed. The measurement of these financial liability occurs in two stages. The first, being at the initial recognition, where the financial liability has to be valued at fair value based on the present values of probability-weighed scenarios. Subsequently, at year-end, the financial liability will be remeasured to reflect the present value of the most probable scenario. The difference is recognized in income statement.
- As of 31 December 2017, the financial liability associated with these RCA amounts to 7 211 (000) EUR and corresponds to the present value of the not yet reimbursed fixed part.
- The appropriate valuation of the financial liability as of 31 December 2017 is significant to our audit. Indeed, beside the significance of the amounts under consideration, the valuation of the financial liability linked to these RCA involves a high judgment from management with an important assumption being the definition of the most probable scenarios.
- Also important is the valuation at fair value of the financial liability at the initial recognition. Considering that measurement involves, on top of the assumptions linked to the different scenarios and the corresponding probabilities, the estimate linked to the future revenue as basis for determining the present value linked to the reimbursement of the variable part.

Reference to disclosures

We refer to the Consolidated Financial Statements, including notes to the Consolidated Financial Statements: notes 15.2.3.3., 15.2.6.2., 15.2.2.14. and 15.2.7.1.

based on discussion with management and our understanding of the R&D activity.

- We have assessed the level of revenue generated as basis to determine the reimbursement of the variable part.
- Finally, we have evaluated the notes linked to the sensitivity analysis of the fair value of these RCA in the consolidated financials statements.

Responsibilities of the board of directors for the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes any public disclosure about the matter.

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Report on other legal, regulatory and professional requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in the annual report.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary (Revised in 2018) to the International Standards on Auditing (ISA), our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements and other matters disclosed in the annual report, as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements and other matters disclosed in this report

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for the period ended 31 December 2017 and it has been established in accordance with the requirements of article 119 of the Companies Code.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the directors' report on the consolidated financial statements, i.e.:

- 2. of the annual report - Selected Financial Information;
- 3.1 of the annual report - Risk Factors Related to the Company's Business;
- 15.3 of the annual report - Annual report of the Board of Directors on the consolidated financial statements of Bone Therapeutics SA;

is free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement. We do not express any kind of assurance on the annual report.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 134 of the Companies Code, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Liège, 24 April 2018

The statutory auditor

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

15.5 Auditor's report on the consolidated financial statements for the year ended 31 December 2016

Deloitte.

Statutory auditor's report to the shareholders' meeting of Bone Therapeutics SA on the consolidated financial statements for the year ended 31 December 2016

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 38 585 (000) EUR and the consolidated income statement shows a consolidated loss (group share) for the year then ended of 12 989 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA) as adopted in Belgium. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
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Member of Deloitte Touche Tohmatsu Limited

Bone Therapeutics SA
Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2016

Unqualified opinion

In our opinion, the consolidated financial statements of Bone Therapeutics SA give a true and fair view of the group's net equity and financial position as of 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, 18 April 2017

The statutory auditor

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

15.6 Auditor's report on the consolidated financial statements for the year ended 31 December 2015

Deloitte.

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Bone Therapeutics SA

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 50.383 (000) EUR and the consolidated statement of comprehensive income shows a consolidated loss (group share) for the year then ended of 14.144 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een cooperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Bone Therapeutics SA give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, 25 March 2016

The statutory auditor

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

16

Statutory accounts

16.1 Condensed Statutory Annual Accounts

In accordance with Art. 105 of the Belgian Companies' Code, the condensed statutory financial statements of Bone Therapeutics SA are presented here. These condensed statements have been drawn up using the same accounting principles for preparing the full set of statutory financial statements of Bone Therapeutics SA for the financial year ending 31 December 2017. These financial statements were as such prepared in accordance with the applicable accounting framework in Belgium and with the legal and regulatory requirements applicable to the financial statements in Belgium.

The management report, the statutory financial statements of Bone Therapeutics SA and the report of the statutory auditor will be filed with the appropriate authorities and are available at the Company's registered offices. The statutory auditor has issued an unqualified report on the statutory financial statements of Bone Therapeutics SA. The full set of the statutory financial statements is also available on the Company's website www.bonetherapeutics.com.

16.1.1 Balance sheet

ASSETS *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Non-current assets	**5,206**	**10,390**	**17,697**
Formation expenses	1,351	1,984	2,629
Intangible assets	2,165	6,741	13,339
Property plant and equipment	174	150	240
Financial fixed assets	1,515	1,515	1,489
Current assets	**14,674**	**25,566**	**37,544**
Amounts receivable for more than one year	3,598	3,094	2,317
Trade and other receivables	3,555	2,976	3,012
Investments	2,849	16,660	29,265
Cash and cash equivalents	4,542	2,680	2,751
Deferred charges and accrued income	130	156	198
TOTAL ASSETS	19,879	35,956	55,241

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**31/12/2015**
Equity	**8,570**	**23,531**	**40,293**
Share capital	14,663	20,708	20,708
Share premium	0	44,702	44,702
Accumulated profits (losses)	(6,093)	(41,879)	(25,117)
Non-current liabilities	**4,067**	**4,032**	**4,093**
Current liabilities	**7,242**	**8,393**	**10,856**
Current portion of amounts payable after one year	841	705	541
Trade debts	3,261	3,411	2,487
Taxes remuneration and social security	533	528	546
Other amounts payable	2,052	1,777	2,514
Accrued charges and deferred income	555	1,972	4,768
Total liabilities	**11,309**	**12,425**	**14,949**
TOTAL EQUITY AND LIABILITIES	19,879	35,956	55,241

16.1.2 Statutory income statement

(in thousands of euros)	Year ended 31 December 2017	2016	2015
Revenue and Operating income	**17,508**	**17,418**	**14,560**
Turnover	1,670	0	0
Own construction capitalized	10,638	10,761	10,558
Other operating income	5,200	6,658	4,002
Operating charges	**(32,225)**	**(33,949)**	**(22,911)**
Services and other goods	(11,551)	(11,551)	(11,288)
Remuneration, social security, pensions	(3,898)	(4,082)	(3,335)
Depreciation and amounts written off fixed assets	(15,975)	(18,011)	(7,209)
Other operating charge	(801)	(177)	(1,078)
Exceptional expenses	0	(128)	0
Operating profit/(loss)	(14,717)	(16,531)	(8,351)
Financial income	3	33	128
Financial expenses	(80)	(263)	(141)
Result Profit/(loss) before taxes	(14,794)	(16,761)	(8,364)
Income taxes	(167)	0	0
PROFIT/(LOSS) FOR THE PERIOD	(14,961)	(16,761)	(8,364)

16.2 Annual report of the Board of Directors on the statutory financial statements of Bone Therapeutics SA

Dear Shareholders,

We are pleased to present to you the statutory financial statements for the fiscal year ended 31 December 2017.

16.2.1 Operational and corporate highlights of 2017

Key Highlights

- In 2017, we continued to make strong progress in the clinical development of ALLOB®, our flagship allogeneic bone cell therapy technology:
  - Completion of recruitment of the first 16 patients in the ALLOB® Phase I/IIA delayed-union study. Strong interim efficacy and safety results from this first cohort led to an early conclusion of the study as recommended by the DSMB. The Company plans to report final results of the study in mid-2018.
  - Positive efficacy and safety results reported for the first 15 patients in the Phase IIA lumbar spinal fusion trial. Post period, the Company completed patient recruitment of the full set of 32 patients for the Phase IIA lumbar spinal fusion study with efficacy and safety data expected in mid-2019.
  - European Patent Office notified the Company of its intention to grant a key patent for allogeneic bone cell therapy platform.
- Completion of the recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with the autologous bone cell therapy product, PREOB®. Conclusions from the interim analysis are expected in H2 2018.
- Exclusive license agreement signed with Asahi Kasei for the development and commercialisation of PREOB® in Japan.
- Jean-Luc Vandebroek appointed as Chief Financial Officer, supporting Company's progress towards commercialisation.
- Appointment of Jean Stéphenne as the new Chairman of the Board of Directors (post period) and Damian Marron and Dirk Dembski as Non-Executive Directors.

- Following a successful private placement of convertible bonds, the Company secured in total € 19.45 million in committed funds.

Operational highlights

ALLOB®

In March 2017, Bone Therapeutics completed recruitment of the first 16 patients into the Phase I/IIA delayed-union study, a six-month, open-label clinical study designed to evaluate the safety and efficacy of ALLOB® in delayed-union fractures of long bones. Subsequently, at the six-month follow-up period in September 2017, the Company announced positive interim efficacy data. The six month data showed that all patients treated met the primary endpoint and ALLOB® was well tolerated. Radiological evaluation of fracture healing showed an improvement of, on average, 4 points on the TUS (Tomographic Union Score) scale, twice the required minimum of 2 points. The health status of patients, as measured by the Global Disease Evaluation (GDE) score, improved by, on average, 48%, compared to the predetermined minimum of 25%. Based on the strong interim efficacy results, the Data and Safety Monitoring Board (DSMB) recommended concluding the trial early. The Company plans to report final results of the study in mid-2018.

Also in September 2017, Bone Therapeutics reported promising interim efficacy and safety results for the Phase IIA lumbar spinal fusion study. In addition to evidence of successful fusion shown by radiological data collected over a 12-month follow-up period (absence of motion in all patients and continuous bone bridges in 9 out of 15 patients), the interim results revealed substantial clinical improvement in function (55% improvement on the Oswestry Disability Index) and a strong reduction in back and leg pain (59% and 90% respectively). Treatment with ALLOB® was well tolerated in all patients.

In February 2018, the Company announced the completion of patient recruitment into the Phase IIA lumbar spinal fusion study and, following a follow-up period of 12 months, efficacy and safety data for the full set of 32 patients are expected in mid-2019.

Bone Therapeutics was notified by the European Patent Office (EPO) in June 2017 of its intention to grant a key patent covering Company's first-in-class allogeneic cell therapy technology. The patent will expand IP protection for both the manufacturing methods and the distinct cell type used in its allogeneic cell therapy technology into selected EU member states until 2029.

PREOB®

In June 2017, the Company announced completion of recruitment of the 44 treated patients required for the planned interim analysis of the Phase III trial for the treatment of osteonecrosis of the hip with its autologous bone cell therapy product, PREOB®. Conclusions of the interim analysis after a 12-month follow-up are expected in H2 2018.

In September, the Company signed an exclusive, royalty-bearing license agreement with one of Japan's leading industrial companies, Asahi Kasei Corporation. The license agreement covers the development and commercialisation of PREOB®, in Japan. Bone Therapeutics received an upfront payment of €1.7 million from Asahi Kasei and is eligible to receive up to €7.5 million from development and commercial milestone payments, as well as tiered royalties based on annual net sales of PREOB® in Japan.

Corporate highlights

In September 2017, the Company appointed Jean-Luc Vandebroek as Chief Financial Officer. With his extensive international finance experience from major public and privately-owned companies, Jean-Luc will oversee the Company's financial planning needs as it continues to mature and bring its innovative cell therapy products closer to the market.

In February 2018, Jean Stéphenne was appointed Chairman of the Board of Directors. Jean Stéphenne is a highly-experienced life sciences executive, who has served in senior leadership roles at a large number of biotechnology and pharmaceutical companies, most recently as Chairman of TiGenix. Together with the Board of TiGenix, he oversaw the clinical development and European marketing authorisation of its most advanced allogeneic cell therapy product for the treatment of complex perianal fistulas in Crohn's disease, resulting in the announced acquisition of the company for € 520 million by Takeda. Before joining TiGenix, Jean Stéphenne was a Member of the Corporate Executive Team of GlaxoSmithKline (GSK) and Chief Executive of GSK Biologicals (now GSK Vaccines). During his 40-year tenure at GSK Vaccines, he grew a company of 50 people into a fully integrated worldwide leader in vaccine development, with 12,000 employees.

The Company also welcomed Damian Marron and Dirk Dembski to its Board of Directors, further expanding its leadership experience in the fields of orthopaedics and cell therapy. Damian Marron is an experienced life sciences executive, having served as Chief Executive Office at the biotech companies, Agalimmune and TxCell, specialists in immune-oncology and immune-cell therapy respectively. Dirk Dembski has held a variety of roles in biotechnology and orthopaedics companies.

In March 2018, the Company successfully secured € 19.45 million of commitment via a private placement of convertible bonds, subscribed by international and local investors. Each subscribed convertible bond is accompanied by 19 bond warrants, exercisable to a convertible bond each. Several investors

decided to immediately exercise warrants resulting in immediate gross proceeds of approximately € 6.58 million. The remaining warrants will be exercised providing additional proceeds of € 12.87 million over a maximum period of 19 months.

16.2.2 Outlook 2018

Bone Therapeutics plans to report the final results from the ALLOB® Phase I/IIA delayed-union study in mid-2018.

A potential value inflection point is anticipated in the second half of 2018, as the Company expects to present the conclusions of the interim analysis after a one-year follow-up period of the first 44 patients in the Phase III study of PREOB® in osteonecrosis of the hip.

Additionally, the Company has started making preparations for a multicentre, controlled Phase IIB study for the treatment of difficult fractures with ALLOB®.

Cash burn for the full year of 2018 is expected to be in the range of € 15-16 million. Based on its current priorities, the Company will have sufficient cash to carry out its objectives until end Q3 2019.

16.2.3 Financial review

The statutory accounts are drawn up in accordance with BEGAAP and have been approved by the Board of Directors on 24 April 2018.

16.2.3.1 Important notice prior to the discussion of the financials – change in accounting principles

Following the new guidelines issued by the CNC in 2016 ("Commission des normes comptables") under number 2016/27 the Company changed the accounting for the capitalization and the subsequent amortization of the R&D expenditure (reported under the caption "Own Construction Capitalized"). As of the fiscal year 2016, R&D expenses for pre-clinical and clinical research (until the completion of the phase III) are capitalized, as it was the case before (in order to meet fiscal requirements to be able to continue to benefit from the tax credit for R&D investments) but amortization of these assets no longer takes place over a period of 3 years but are fully amortized in the year of capitalization itself. The change in approach impacts the income statement of 2017 for an amount of € 8.86 million in respect of depreciation/amortization reported whereby an amount of € 15.97 million is reported.

A second impact relates to the other operating income whereas up to the end of 2015 income relating to the recognition of recoverable cash advances (RCA's) was always first recognized as deferred income at the time of claiming the grant (following the progress of the works). Deferred income was subsequently recognized as other operating income over an equivalent period of 3 years, similar to the depreciation of the R&D expenses. As of the fiscal year 2016 other operating revenue is, in line with amortization rule as described above, immediately recognized at the time of claiming the grant following the progress of the works. The impact of this change in valuation rule for the fiscal year 2017 amounts to € 2.30 million whereby under the previous rules an amount of € 0.38 million would have been recognized in the income statement compared to € 5.20 million recognized in the income statement below. On the balance sheet no deferred income will be presented anymore in line with the direct credit to "other operating income" on the income statement of the amounts claimed as grants as referred to above.

The same applies as well for the recognition of the tax credit for R&D investments whereby in 2017 the full amount of € 0.74 million claimed was recorded as other operating income compared to only one third of this amount which would have been recognized as other operating income under the rules applicable in 2015 .

16.2.3.2 Income statement

(in thousands of euros)	Year ended 31 December 2017	2016	2015
Revenue and Operating income	17,508	17,418	14,560
Turnover	1,670	0	0
Own construction capitalised	10,638	10,761	10,558
Other operating income	5,200	6,658	4,002
Operating charges	(32,225)	(33,949)	(22,911)
Cost of goods sold	0	0	0
Services and other goods	(11,551)	(11,551)	(11,288)
Remuneration, social security, pensions	(3,898)	(4,082)	(3,335)
Depreciation and amounts written off fixed assets	(15,975)	(18,011)	(7,209)
Other operating charge	(801)	(177)	(1,078)
Exceptional expenses	0	(128)	0
Operating profit/(loss)	(14,717)	(16,531)	(8,351)
Financial income	3	33	128
Financial expenses	(80)	(263)	(141)
Result Profit/(loss) before taxes	(14,794)	(16,761)	(8,364)
Income taxes	(167)	0	0
PROFIT/(LOSS) FOR THE PERIOD	(14,961)	(16,761)	(8,364)

In 2017, the revenue and operating income remained stable compared to last year. The Company recognized an amount of € 1.67 million of upfront payment related to the Licensing Agreement with Asahi Kasei Corporation in revenue. Other operating income decreased by € 1.46 million. The revenue recognized on recoverable cash advances ("avances récupérables") decreased by € 1.46 million which is explained by the change of accounting principles applied from 2016 (see 16.2.3.1). Other operating income represents also revenue recognized patent subsidies, recovery of withholding taxes and R&D tax credit which remain unchanged.

Total operating charges excluding depreciation charges (services and other goods, remuneration, social security charges and pension charges and other operating charges) amount to € 16.25 million compared to € 15.94 million for 2016. Operating charges are mainly impacted by an increase of the other oper-ating charges (+ € 0.62 million). The increase is resulting from the recognition in 2017 of the fixed debt for projects supported by the Walloon Region for which the Company decided that the results of these projects would be further exploited. In 2017 this was the case for 4 projects (only 1 project in 2016). Services and other goods caption remain stable compared to 2016. For the payroll caption, the decrease is explained by the slight decrease of the FTE during the year (56.5 FTE during 2017 for 60.7 FTE during 2016).

Depreciation is amounting to € 15.98 million compared € 18.01 million over the same last year with the decrease entirely due to the full impact of the change in valuation principles in 2016 and explained above (the capitalized R&D expenses of 2014 have been fully depreciated as of today).

The operating loss amounts to € 14.72 million in 2017 compared to € 16.53 million in 2016. The reported net loss in 2017 is at € 14.96 million compared to € 16.76 million in 2016. The Company recognized a tax of € 0.17 million on the upfront payment from the licensing agreement.

16.2.3.3 Balance sheet

(in thousands of euros)	2017	2016	2015
Non-current assets	5,206	10,390	17,697
Current Assets	14,674	25,566	37,544
of which cash :	*7,391*	*19,340*	*32,016*
Total Assets	**19,879**	**35,956**	**55,241**
Current liabilities	7,242	8,393	10,856
Non-current liabilities	4,067	4,032	4,093
Total Liabilities	**11,309**	**12,425**	**14,949**
Net assets	8,570	23,531	40,293

Total assets per 31 December 2017 amount to € 19.88 million, compared to € 35.96 million at the end of the December 2016. The reduction in current assets amounting to € 10.89 million is mainly on account of the reduction of the cash position of the Company in line with the use of cash for operational, financial and investment activities. Non-current assets were reduced with € 5.18 million. This decrease is mainly on account of the intangible fixed assets and more in particular capitalized R&D expenses due to the implementation of new valuation rules in 2016 as explained above and whereby newly capitalized amounts in 2017 were amortized in full in the same year and not over a period of 3 years as we the case in previous years. The investments made before 1 January 2016 continue to be amortized over a 3-year period. The non-current assets are composed as follows:

Non-current assets *(in thousands of euros)*	31/12/2017	31/12/2016	Movement
Formation expenses	1,351	1,984	(633)
Intangible assets	2,165	6,741	(4,576)
Property plant and equipment	174	150	23
Financial fixed assets	1,515	1,515	0
Total	5,206	10,390	(7,307)

The participations made by the Company in Bone Therapeutics USA INC and in Skeletal Cell Therapy Support SA reported under financial fixed assets is valued at acquisition cost and remain unchanged. As per 31 December 2017, the Board of Directors is confident that there are no factors indicating the need for an impairment on these participations.

Current assets have decreased by € 10.89 million amounting to € 14.67 million at the end of December 2017. Current assets are composed as follows:

Non-current assets *(in thousands of euros)*	31/12/2017	31/12/2016	Movement
Amounts receivable for more than one year	3,598	3,094	504
Trade and other receivables	3,555	2,976	579
Investments	2,849	16,660	(13,811)
Cash and cash equivalents	4,542	2,680	1,862
Deferred charges and accrued income	130	156	(26)
Total	25,566	25,566	(10,892)

Amounts receivable for more than one year amount to € 3.60 million and correspond to the long term part of the tax credit to be received. Trade and other receivables amount to € 3.56 million, of which € 0.85 million trade debtors and € 2.70 million other amounts receivable. In total € 0.75 million relates to intercompany receivables, € 1.97 million relates to receivables related to recoverable cash advances ("avances récupérables") and patent subsidies and € 0.23 million relates to the tax credit. The remaining amount is mainly related to receivables of VAT and to the National Social Security Office. Investments and cash and cash equivalents amount to € 7.39 million at 31 December 2017, compared to € 19.34 million at the end of the previous year.

The equity is composed as follows:

Equity *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**Movement**
Share capital	14,663	20,708	(6,046)
Share premium	0	44,702	(44,702)
Accumulated profits (losses)	(6,093)	(41,879)	35,786
Total	8,570	23,531	(14,961)

Per 31 December 2017, the net equity amounts to € 8.57 million compared to € 23.53 million in the previous year. The share capital and the share premium were reduced by the incorporation of the accumulated losses at 30 June 2017 (for a total of € 50.75 million). The accumulated losses of € 6.09 million correspond to the loss from July 2017 to December 2017. The total loss of the year 2017 amounts to € 14.96 million.

The liabilities are composed as follows:

Liabilities *(in thousands of euros)*	**31/12/2017**	**31/12/2016**	**Movement**
Non-current liabilities	**4,067**	**4,032**	35
Current liabilities	**7,242**	**8,393**	(1,151)
Current portion of amounts payable after one year	841	705	136
Trade debts	3,261	3,411	(150)
Taxes remuneration and social security	533	528	5
Other amounts payable	2,052	1,777	274
Accrued charges and deferred income	555	1,972	(1,417)
Total	11,309	12,425	(1,116)

Total liabilities amount to € 11.31 million on 31 December 2017, compared to € 12.43 million at the end of previous year.

Non-current liabilities relate to the amount reimbursable by means of fixed instalments (30%) for recoverable cash advances received from the Walloon Region. These are recognized as a debt at the time the Company is deciding on the exploitation of the results obtained out of the research project co-financed with this non-dilutive funding. During 2017 new debt was recognized for four projects (€ 0.80 million of which € 0.04 million was recognized in short term). The amount was offset by reimbursements made by the Company to the Walloon Region for projects for which the Company decided to go into exploitation. In addition, an amount of € 0.44 million is reported under non-current liabilities for loans granted by Sambrinvest and Novallia (€ 0.62 million in 2016).

Current liabilities amount to € 7.24 million and show a decrease of € 1.15 million compared to the end of 2016. The decrease is mainly related to the movement on the caption accrued charges and deferred income for an amount of € 1.42 million following the implementation of a change in valuation rules in 2016 for the recognition of the recoverable cash advances into the income statement as explained above under section 16.2.3.1.

16.2.3.4 Appropriation of the result

The Company ended the year with a loss of € 14.96 million. Carried forward losses at the end of 2016 amounted to € 41.88 million. The Board of Directors proposes to appropriate the loss for 2017 to losses carried forward. Losses carried forward after appropriation therefore amounts to € 6.09 million.

(in thousands of euros)	**31/12/2017**
Loss for the period	(14,961)
Loss carried forward for the year	(56,840)
Incorporation to share capital and share premium	50,747
Total loss carried forward	(6,093)

16.2.4 Capital increases

The Company successfully raised € 19.45 million of Commitment in Convertible Bond Placement on 7 March 2018. On 9 March 2018, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increase by € 1,210,754 with issuance of 565,773 shares. The aggregate share premium for this transaction amounts to € 4,791,588. Following the capital increase, the share capital of the Company amounts to € 15.87 million and is represented by 7,415,427 shares.

16.2.5 Corporate Governance statement

16.2.5.1 Corporate Governance Code

This section summarizes the rules and principles by which the corporate governance of the Company is organized. Those rules and principles are based on the corporate governance charter of the Company which has been approved by the Board of Directors of 6 February 2015. This charter can be obtained free of charge at the registered office of the Company and is available on the Company's website (www.bonetherapeutics.com, under the section investors / governance).

16.2.5.2 Compliance with the Corporate Governance Code

Bone Therapeutics' Corporate Governance Charter is based on the provisions of the Belgian Corporate Governance Code (2009 edition). It supplements the corporate governance guidelines contained in the Belgian Companies Code and in the articles of association of the Company.

However, the Board is of the opinion that the Company is justified in not adhering to certain principles of the Belgian Corporate Governance Code, considering the specific nature, size and organization of the Company. Any deviation from the Corporate Governance Code will be indicated, and the reason for such deviation ("comply or explain") either in this Corporate Governance Charter, or in the annual Statement on Corporate Governance included in the Annual Report.

These deviations include:

- Provision 7.7 of the Code: Although at the date of this Annual Report, no options have been granted to non-executive directors, the Company has reserved the possibility to grant variable remuneration (upon advice of the Nomination and Remuneration Committee), such as long-term stock-related incentive plans, to non-executive directors, so that the Company, as a small-sized listed enterprise, could grant options or warrants to non-executive directors if it would be of the opinion that such grant is necessary to attract or retain (internationally) renowned experts with the most relevant skills, knowledge and expertise.
- Provision 2.9 of the Code: At the date of the Annual Report, no Company Secretary has been assigned by the Board. Since the IPO (6 February 2015) the Board has assigned A&O to provide services in this respect amongst others minuting of board meetings. Given the limited size of the Company the Board is of the opinion there is no need to appoint a full time Company Secretary.

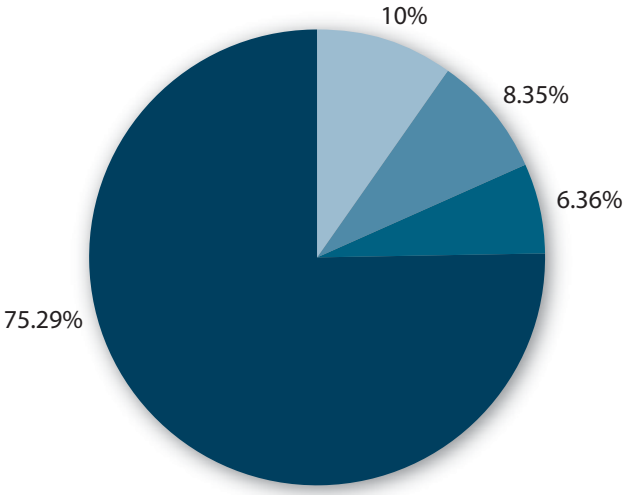
16.2.5.3 Control environment

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

16.2.5.4 Shareholders' structure at balance sheet date

On 31 December 2017, there are 6,849,654 shares representing a total share capital of the Company of € 14,662,801.49. There are only ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company. The total number of issued warrants on 31 December 2017 is 304,760. The total of exercisable warrants on the same date is 167,300.

The chart below provides an overview of the shareholders that have notified the Company of their ownership of securities of the Company. This overview is based on the most recent transparency declaration submitted to the Company.



16.2.5.5 Composition of the Board of Directors and its Committees

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

16.2.6 Remuneration report

We would like to refer to Chapter 11, section 11.8 ("Remuneration report").

16.2.7 Risk

We would like to refer to Chapter 1 ("RISK FACTORS").

16.2.8 Listing of elements which by their nature would have consequences in case of a public take-over bid on the Company

We would like to refer to Chapter 14 ("Shares and Shareholders").

16.2.9 Research and development

Bone Therapeutics entire efforts on date are going to R&D activities. Pre-clinical research are aimed at further broadening the pipeline and supporting the ongoing clinical developments. Production support the clinical trial programs and within production continuous efforts are made to further optimize the production process. All this happens within a strictly regulated environment. As such almost the entire costs of the Company are linked to R&D as well as during 2017 as in the years to come. In 2017 this represented an amount of € 10.64 million compared to € 10.76 million in 2016.

16.2.10 Use of authorized capital

In accordance with the articles of association, the Extraordinary General Shareholders' Meeting of Bone Therapeutics SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association.

This authorization is valid for a period of five years and was given on 5 February 2015. The Board of Directors may increase the share capital of the Company within the framework of the authorized capital for an amount of up to € 19,796,710. When increasing the share capital within the limits of the authorized capital, the Board of Directors may, in the Company's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the Company or its subsidiaries.

Article 603 of the Company Code limits the capital increase that may be carried out by the Board of Directors, within the framework of the authorized capital, to the amount of the company's share capital. Following the incorporation of losses carried forward as of 30 October 2017, the share premium was reduced to zero (in the statutory accounts of the Company) and the share capital of the company to € 14,662,801 represented by 6,849,654 common shares. Accordingly, the capital increase carried out by the Board of Directors, within the framework of the authorized capital, may not exceed € 14,662,801.

16.2.11 Conflict of interest according article 523 of the Company Code

We refer to Chapter 12 ("Related Party Transactions").

16.2.12 Going concern assessment

The 2017 statutory results of the Company show a loss of € 14.961,000, and the statutory statement of financial position includes a loss carried forward of € 6,093,000 after incorporation into the share capital and the share premium. Nevertheless the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern considering that a group level:

- The Company successfully raised € 19.45 million of Commitments in Convertible Bond Placement on 7 March 2018. At the date of the Annual Report, the Company already received an amount of about € 7.23 million. The remaining warrants will be exercised providing an additional proceed of € 12.22 million over a maximum period of 18 months.
- An annual projected cash burn between € 15.00 million and € 16.00 million (excluding capital raise).
- An assumed continuous support from the Walloon Region by which the Company expects to receive through non-dilutive financing instruments, in the same order of magnitude as received in the past.
- The intention of the Company to raise new funds in the capital markets and/or to develop alternative funding strategies in the coming year if needed and/or when the opportunity arises.

Considering all these elements, the Board is of the opinion that the Group will have enough liquidity to support its activities in line with the group's strategic focus for a period of at least 12 months.

16.2.13 Subsequent events

The annual consolidated financial statements on 31 December 2017 were authorised for issue by the Board of Directors of the Company on 24 April 2018. Accordingly, events after the reporting period are those events that occurred between 1 January 2017 and 24 April 2018.

On 7 March 2018, the Company successfully raised € 19.45 million of Commitment in Convertible Bond Placement. As a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 1,210,754 with issuance of 565,773 shares on 9 March 2018. The aggregate share premium for this transaction amounts to € 4,791,588. Following the capital increase, the share capital of the Company amounted to € 15.87 million and was represented by 7,415,427 shares. The statutory share premium accounts before considering the cost of the capital operation amounts to € 4.79 million.

On 11 April 2018, as a result of the conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increase by € 94,872.62 with issuance of 44,333 new shares. The aggregate share premium for this transaction amounts to € 297,616.68. Following the capital increase, the share capital of the Company amounted to € 15.97 million and was represented by 7,459,760 shares. The statutory share premium accounts before considering the cost of the capital operation amounts to € 5.09 million.

16.2.14 Discharge of the Board of Directors and the statutory auditor

We ask you to approve the annual accounts as drawn up by the Board of Directors and audited by the statutory auditor. We ask you to grant the Directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2017 the discharge of liability for the exercise of their respective mandates during the said fiscal year.

16.2.15 Summary of valuation rules

16.2.15.1 Principles

The valuation rules have been prepared by the Board of Directors in accordance with the requirements of the Royal Decree of 30 January 2001.

16.2.15.2 Specific rules

Company Formation Expenses

Formation expenses are recorded as intangible fixed assets at their nominal value and depreciated over a period of 5 years. The debt issuance costs are directly recognized into the profit and loss.

Intangible assets

R&D costs excluding administrative and financial costs are recognized as assets in an intangible asset account and amortized pro rata basis over the year for the R&D costs capitalized as from 1 January 2016. For R&D costs capitalized before this change in accounting rules, amortization continues to be applied over a three year period.

Receivables from third parties

Receivables are valued at their face value. Non-interest bearing long term Receivables will be actualized using an appropriate discount rate.

Advance cash payment

Upon signing agreements with the Walloon Region, advance cash payment will be recorded (when received) and will be debited in line with the part of the expenses reported and claimed which, granting body considers as being paid through the advances.

Recoverable cash advances (*RCA's or Avances récupérables*)

Revenue recognition of Recoverable cash advances is linked to R&D expenses which according to the new valuation principle applicable as of 1 January 2016, are amortized at 100% in the year of capitalization. For RCA's linked to R&D expenses, which were capitalized before the fiscal year 2016, and which are amortized over a 3 year period, revenue recognition of RCA's will kept in line with the amortizing over this 3 year period.

When the decision is made to exploit the results of the work financed through the recoverable cash advances, the recoverable advances are recognized in debt in full during the year the decision was taken. At the same time, the recoverable cash advance is recognized at 100% in other operating charges. The amount of the debt corresponds to plan set out in an agreement with the Walloon Region.

In case the project is abandoned, the remaining part of the capitalized R&D will be depreciated in an accelerated way and the revenues that are related will also be recognized in an accelerated way.

16.2.16 Fees paid to auditors for audit and other activities

Detail of audit and non-audit fees paid during 2017 in €	Amount
Statutory and IFRS audit fees Bone Therapeutics	28,700
Statutory audit fees SCTS	9,700
Statutory audit fees GIE BOCEGO	1,500
Total audit fees Deloitte for FY17	39,900
Report art.596 Company Code	3,000
Total non-audit fees Deloitte and related parties	3,000
TOTAL	42,900

17

Appendix A – abbreviations and definitions

Abbreviations

ATMP	Advanced Therapy Medicinal Product
β-TCP	β-tricalcium phosphate
BMP	Bone Morphogenetic Protein
CAGR	Compound Annual Growth Rate
CBMP	Cell-Based Medicinal Product
CCRO	Chief Clinical and Regulatory Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHU	*Centre Hospitalier Universitaire*
CMO	Chief Medical Officer
DBM	Demineralized Bone Matrix
DU	Delayed Union (fracture)
EFDR/FEDER	European Regional Development Fund (Fonds Européen de Développement Régional)
EEA	European Economic Area
EMA	European Medicines Agency
ERP (platform)	Enterprise Resource Planning (platform)
EU	European Union
FDA	Food and Drug Administration (in the US)
FSMA	Financial Services and Markets Authority in Belgium
(Autorité des services et marchés financiers)	Financial Transaction Tax
FTT	Financial Transaction Tax
GAAP	(Belgian) Generally Accepted Accounting Principles
GMP	*Good Manufacturing Practice*
GIE	Groupement d'Intérêt Economique (Economic Interest Grouping)
hAEC	human Amniotic Epithelial Cell
HCTS	*Hepatic Cell Therapy Support SA*
IBGE	Institut Bruxellois pour la Gestion de l'Environnement
IFRS	International Financial Reporting Standards
IND	Investigational New Drug application (in the US)
IRD	Inflammatory Rheumatic Disease
MSC	Mesenchymal Stem Cells
NU	Non-Union (fracture)
ODD	Orphan Drug Designation
ON	Osteonecrosis
PDGF	Platelet-Derived Growth Factor
PPP	Public-Private Partnership
PTH	*ParaThyroid Hormone*
PWTC	Plateforme Wallonne de la Thérapie Cellulaire
(Walloon Platform for cell therapy)	Rheumatoid Arthritis
raRCA(s)	Recoverable Cash Advance(s)
RA	Rheumatoid Arthritis
rh	*recombinant human*
SCTS	Skeletal Cell Therapy Support SA
SISE	Société d'Infrastructures, de Services et d'Energies SA
SME	Small and Medium Enterprise
SF	*Spinal Fusion*
THA	*Total Hip Arthroplasty*
ULB	*Université libre de Bruxelles*
ULg	*Université de Liège*

Definitions

Additional Shares	The existing shares in the Company covered by the Over-allotment Option.
Advanced therapy medicinal product	Medicine for human use that are based on gene therapy, somatic cell therapy or tissue engineering (EMA classification 1394/2007).
Allogeneic	Said for tissues or cells when the donor is different from the recipient (i.e., the patient)
Audit Committee	The audit committee installed by the Board of Directors.
Autologous	Said for tissues or cells when the donor is the same as the recipient (i.e., the patient).

Belgian Company Code	The Belgian Act of 7 May 1999 containing the companies code (Code des sociétés)
Biovigilance (MCH)	The process of monitoring, reporting and preventing all risks associated with the therapeutic use of products derived from human biological materials, in accordance with the Belgium law (as issued on 12 December 2003 and as amended on 17 July 2017).
Board of Directors	The board of directors of the Company.
Business Day	Any day, other than a Saturday or Sunday, on which banks are generally open for general business in Brussels.
CHU	Centre Hospitalier Universitaire de Liège
Competent Authority (Regulatory Agency)	National organization that regulates medicinal products for human use in accordance with the European directives and national law. Clinical trials of medicinal products in human subjects require authorisation by the competent authority.
Core Decompression	Surgical procedure for the treatment of osteonecrosis of the femoral head, that consists in drilling a small hole into the femoral neck and through the necrotic bone area. This is intended to reduce internal bone pressure and increased blood flow.
Belgian Corporate Governance Code	The Belgian code as issued on 9 December 2004 by the Belgian Corporate Governance Committee and as amended on 12 March 2009.
Company	Bone Therapeutics SA.
Corporate Governance Charter	The corporate governance charter of the Company.
Delayed-union fracture	A medical condition defined as a fracture that has not united within a period of time that would be considered adequate for bone healing.
Ethics Committee	Established committee that ensures that research conducted within a hospital complies with moral and ethical principles. Clinical trials of medicinal products in human subjects require positive opinion by the ethic committee.
Euronext Brussels	The regulated market operated by Euronext Brussels SA/NV.
Euronext Paris	The regulated market operated by Euronext Paris SA.
Ex vivo	Taking place outside the organism.
Executive Directors	Directors entrusted with the day-to-day management of the Company.
GMP (Good manufacturing practise)	Tart of quality assurance which ensures that products are consistently produced and controlled to the quality standards appropriate to their intended use.
Group	*The Company and SCTS.*
GIE BOCEGO	Groupement d'Intérêt Economique BOCEGO, consisting of the Company and SCTS.
HCTS (Hepatic Cell Therapy Support SA)	A limited liability company incorporated under the laws of Belgium with registered office at avenue Georges Lemaitre 62, 6041 Gosselies and registered with the register of legal entities under number 0841.727.891.
Homeostasis	Self-regulating process by which biological systems tend to maintain internal stability.

Hospital Exemption	Allows hospitals and medical practitioners to provide ATMP-classified products to patients, e.g., in case of high unmet medical need because there is no authorized ATMP alternative available. Said products are custom-made for an individual patient, prepared on a non-routine basis, and used within the same Member State in a hospital under the exclusive professional responsibility of a medical practitioner.
Inflammatory Rheumatic Diseases	Autoimmune diseases characterized by inflammation and loss of function of muscles, joints, bones and other tissues producing symptoms such as pain, swelling and stiffness (e.g., osteoarthritis, rheumatoid arthritis, ankylosing spondylitis…)
JTA Technology	Enhanced hyaluronan-based bone void fillers, and viscosupplements for osteoarthritis (including JTA-004 ad JTA NEXT)
Management Team	The team consisting of the CEO, CFO, CCRO and CMO.
M-ERA.net	A EU funded network which has been established to support and increase the coordination of European research programmes and related funding in materials science and engineering.
Mesenchymal stem cells	Multipotent stem cells that can convert into cell types such as bone cells, cartilage cells, fat cells, etc.
MXB	A combined cell-matrix product of Bone Therapeutics for large bone defects and maxillofacial applications.
Net Cash Burn	Sum of cash used/generated in operational, investment and financing activities excluding net proceeds of equity raising.
New Shares	The new shares initially offered in the Offering, including the new shares offered as a result of the possible exercise of the Increase Option.
Nomination and Remuneration Committee	The nomination and remuneration committee of the Company installed by the Board of Directors.
Non-union fracture	A medical condition characterised by a failure to achieve bone union within 6-9 months as, all reparative processes have ceased, hence requiring additional surgical intervention.
Orphan Drug Designation	A special status to a drug developed for the treatment of a rare disease or medical condition. This enables the product to gain exclusivity when reaching market and creates additional value (e.g., easier marketing approval, extended exclusivity periods, fee reduction etc.) This status was received for PREOB® and ALLOB® in osteonecrosis of the femoral head by the EMA and the FDA.
Offer Price	The single price in euro at which the Offered Shares shall be purchased.
Offered share	The New Shares and the shares of the Company covered by the Over-allotment Option.
Offering	A public offering in Belgium and France to Retail Investor and a private placement to certain Institutional Investors in certain jurisdictions outside the United States in accordance with Regulation S under the Securities Act.
Osteoarthritis	A degenerative joint disease.
Osteoblast	Bone-forming cell.
Osteoclast	Bone-resorbing cell.

Osteocyte	A terminal bone forming cell embedded in mineralized bone matrix.
Osteogenesis	The capacity to produce new bone
Osteonecrosis (of the hip)	A medical condition characterized by the death of bone cells and loss of the associated marrow elements. It is a painful condition in which the joint degenerates progressively, ultimately leading to collapse of the femoral head.
Osteoporosis	A medical condition characterized by an excessive loss of bone mass leading to bone fragility and increased risk of fracture.
Osteosynthesis	A surgical procedure perfomed to stabilize a fracture by mechanical devices such as metal plates, pins, rods, wires or screws.
Over-allotment Option	The option granted to Bryan, Garnier & Co Ltd., acting both for itself and Kepler Capital Markets and Banque Degroof.
Orthobiologics	Substances (e.g., growth factors) naturally found in human body, which are used as a drug (in higher concentrations) to improve bone healing.
Phase I/IIA	A first-in-man proof-of-concept pilot study in which the product will be administered to humans for the first time and in which efficacy parameters will be assessed. This is the case for ALLOB® in delayed-union.
Phase IIA	A proof-of-concept pilot study in which the product has already been administered to human – in general in another indication - and in which efficacy parameters will be assessed. This is the case for and for ALLOB® in spine fusion.
Phase III	A pivotal study in which the product has already been shown to be safe and efficacious in the indication, and in which the safety and efficacy will be further confirmed in a larger groups of patients. This is the case for PREOB® in osteonecrosis and non-union.
Phase IV	Studies done after the product has been marketed to gather information on the drug's effect in various populations and any side effects associated with long-term use.
Pharmacovigilance	The process of collecting, monitoring and evaluating adverse events in clinical trials for safety purpose.
Prospectus	This document, as well as any supplement thereto.
Regulation S	Regulation S under the Securities Act.
Rheumatoid arthritis	A chronic systemic inflammatory disease affecting the joints.
Scaffold	Scaffolds in orthopaedics are surgical implants that replace and/or strengthen injured musculoskeletal tissues. Besides providing structural integrity, scaffolds form a substrate for cells to growth. Scaffolds are composed of natural material derived from autograft, allograft, xenografts or plants, synthesized from synthetic polymers, ceramics or metals, or are a composite of the aforementioned materials.
Scoliosis	A medical condition that causes abnormal curvature of the spine.
Securities Act	The United States Securities Act of 1933, as amended.
Significant shareholder	A shareholder holding at least 5% of the share capital.

Skeletal Cell Therapy Support SA	A limited liability company incorporated under the laws of Belgium with registered office at avenue Georges Lemaitre 62, 6041 Gosselies and registered with the register of legal entities under number 0841.570.812.
SME Agreement	The agreement dated 24 April 2014 between the Walloon Region and Groupement d'Intérêt Economique BOCEGO (consisting of the Company and SCTS) (BOCEGO).
Société d'Infrastructures, de Services et d'Energies SA	A limited liability company incorporated under the laws of Belgium with registered office at avenue Georges Lemaitre 62, 6041 Gosselies and registered with the register of legal entities under number 0841.727.101.
Spinal fusion	A surgical procedure that consists of bridging two or more vertebrae to obtain fusion of an unstable portion of the spine or to immobilize a painful vertebral motion segment.
Spondylolisthesis	A condition in which one or more vertebrae slips out of place onto the vertebra above and below it/them
Stenosis	A narrowing of a channel or a vessel… In this document, spinal stenosis is the narrowing of spaces in the spine (backbone) which causes pressure on the spinal cord and nerves.
Third party payer	An institution or company that provides reimbursement to health care providers for services rendered to a third party (i.e., the patient).
Tissue Bank	An entity that is licensed, accredited or regulated under federal or state law to engage in the recovery, screening, testing, processing, storage or distribution of human biological materials. The Company has obtained a license as a tissue bank for handling autologous human biological materials and a license as a tissue bank for handling in collaboration with hospital tissue banks allogeneic human biological materials.
Viscosupplementation	A treatment using intra-articular injection of hyaluronan-based preparations which absorb shocks and provide lubrication in order to decrease pain and improve mobility.
Warrants	Warrants issued by the Company.