Bone Therapeutics

Financial Report

2020

Figure legend front cover (from top to bottom) :

- Cells in 3D
- Test tube with blood analysis in a medical laboratory
- Fluorescent stem cells under confocal microscope
- laboratory ustensils on a table, doctor filsl in documents
- Liquid nitrogen bank containing stem cell suspension

Bone Therapeutics

FINANCIAL REPORT 2020

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1. GENERAL INFORMATION

1.1 Language of this Annual Report

The Company published its Annual Report in English. The Company 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.

1.2 Statutory Auditor

Deloitte Réviseurs d'Entreprises SRL, a civil company having the form of a co-operative company with limited liability organized 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 2022, resolving upon the financial statements for the fiscal year ended on 31 December 2021.

1.3 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".

1.4 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.

1.5 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 Board 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 (e-mail: investorrelations@bonetherapeutics.com and tel: +32 71 12 10 00, fax: +32 71 12 10 01).

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.fsma.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 relatif aux obligations des émetteurs d'instruments financiers admis à la négociation sur un marché réglementé*), 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.

1.6 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.

2. ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BONE THERAPEUTICS SA FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020

2.1. Letter to shareholders

Dear shareholders,

Without doubt, 2020 was an extraordinary year. With the COVID-19 pandemic ferociously spreading and wreaking havoc globally, our social and economic fabrics were pushed to their limit, causing enormous physical, mental and financial hardship. The dramatic impact is still being felt until today.

Delivering strong clinical progress

Despite the turbulent year, we have made strong progress with our lead product, the enhanced viscosupplement JTA-004 for the treatment of osteoarthritic pain in the knee which affects an estimated 250 million patients worldwide. After initiating the pivotal phase 3 clinical trial in May, we were able to swiftly complete the recruitment of the 700+ patients before year end. We are now eagerly awaiting the topline results which are anticipated in the third quarter of 2021. If they confirm the superior pain relief that we saw in the previously completed JTA-004 phase 2b study, this will mean a big leap forward towards the commercialization of our first product.

At the same time, we have advanced our core cell therapy asset, ALLOB, further through the clinic, as we recently started dosing the first patients who have incurred a complex, difficult-to-heal tibial fracture in a phase 2b clinical trial. Difficult fractures, even if a bit less frequent due to lock-down activity restrictions, remain an underserved condition with limited therapeutic options, which can result in lifelong disability and amputations. The phase 2b study will enroll +170 patients in over 40 sites across 7 European countries. Besides providing crucial controlled clinical data, a positive outcome of this study could lead to a valuable treatment for these patients at risk of delayed or non-union fractures.

The clinical progress of ALLOB is further complemented with positive 24-month follow-up data from the spinal fusion phase 2a clinical trial. The results demonstrated that patients treated with ALLOB in spinal fusion procedures showed a high fusion rate and benefited from a persistent, clinically meaningful improvement in function and pain throughout the 2-year follow-up period. The favorable clinical outcome was accompanied by a good safety profile. This promising data provides additional clinical evidence for the potential of our unique allogeneic cell therapy platform to address high unmet medical needs in orthopedics and bone related disorder.

Striving for operational excellence

In addition to our clinical programs, we have strongly streamlined our cell therapy manufacturing capabilities with a partnership with Catalent, a leading contract manufacturer in the cell therapy space. As part of the agreement, our state-of-the-art manufacturing subsidiary, SCTS, is now part of the Catalent family while we concurrently signed an associated supply collaboration. As a result, this partnership grants us access to

Catalent's global network of clinical and commercial manufacturing facilities, and ensures ongoing optimization, sustainability and global reach for the production of ALLOB, significantly increasing our operational flexibility. During the previous years, we have highly optimized the production process of ALLOB to make it consistent, scalable, cost effective and easy to use; factors that are critical for its global commercialization. Consequently, the improved manufacturing process has significantly increased the production yield and product quality while enabling easy shipment and storage at the point of care and is ready for clinical use due to its cryopreserved final form. We have greatly benefited from the decision to implement this optimized production process for the ongoing Phase IIb clinical trial in patients with difficult-to-heal tibial fractures. We were able to produce clinical batches of ALLOB before the study's initiation, which are being shipped to the 40 clinical sites across Europe as the patient recruitment started. And the optimization efforts do not stop here. By collaborating with the cell therapy specialist, Rigenerand, we aim to further improve the process development and manufacturing of our cell therapy platform.

Establishing value creating partnerships

In 2020, we signed a first licensing agreement for ALLOB in China and Southeast Asia. Our Chinese partners Link Health and Pregene have a comprehensive expertise in advanced therapeutics and cell therapies, combined with a proven track record of development and commercial implementation in Chinese and Asian markets and a well-established cell therapy manufacturing capacity. This partnership will generate up to €55M in upfront and milestone payments plus royalties on sales, while dramatically expanding the geographic reach of our bone cell therapies to the vast 1.6B inhabitants of the region.

In addition to this collaboration, we will continue to actively seek partnerships to develop the ALLOB cell therapy platform in other markets and explore additional business opportunities in the U.S. and Europe. Building on the momentum of the pending announcement of topline results from the phase 3 trial, we expect partnership discussions for JTA-004 to intensify over the course of 2021.

Building a strong financial foundation

With total gross proceeds of €16 million, we have substantially reinforced our financial position to support our future growth. In the process, we are pleased to welcome a new cornerstone shareholder, CPH Banque, underscoring the potential of our current pipeline.

The collaboration with Catalent also economized ALLOB's production resulting in an estimated €2 million annual reduction of fixed costs. The gross proceeds from the acquisition of our manufacturing subsidiary SCTS by Catalent, amounting to €12 million, allowed us to strengthen our balance sheet by restructuring a substantial part of our existing liabilities and greatly reducing our debt burden.

A sharp focus on innovation

As innovation is an integral part of our DNA, we continue to explore new grounds to create better treatment solutions for our patients. By entering a BioWin consortium with our industry and academic partners Cerhum, 3D-Side, mSKIL and IREC, we extended the use of ALLOB in other orthopedic applications. By combining a highly tailored 3D printed scaffold with the differentiated bone forming cells of ALLOB, the enhanced tissue engineered product is expected to exhibit strong bone-forming activities and stimulate bone regeneration, forming a safer and structurally superior alternative to bone autografts.

Drawing on our 15 years of history of stem cell work, we have built a great wealth of know-how and intellectual property in mesenchymal stromal cell (MSC) biology and cell therapies. We are now at the stage where we

can expand this expertise to a broader differentiated MSC based cell and gene therapy treatment portfolio. Taking the advantage of the well-documented immunomodulatory and anti-inflammatory properties of MSCs, we initiated the pre-clinical development, BT-20, a new allogeneic cell therapy product that targets inflammatory conditions. This and other future targets, will further expand the application of our innovative cell therapy platform and broaden our advanced clinical pipeline with potential new breakthrough developments with increased "professionalization" of biology with MSC cells primed for specific therapeutic objectives.

2021 and beyond

With the actions taken last year and a strong team in place, namely with the appointments of Stefanos Theoharis as Chief Business Officer and Tony Ting as Chief Scientific Officer the company will progress through 2021 poised for the next stage of its development and reengineering to be came a proeminent company in the field of cell and gene therapy through the use of MSCs.

Also, later this year, we expect the results from the JTA-004 phase 3 study in patients with knee osteoarthritis which could be a major value inflection point for our company. Additionally, we continue to engage with the US Food and Drug Administration in preparation of the next studies with ALLOB and JTA-004 in the US, a large and important market.

On behalf of the Board and the management team, we would like to thank all our stakeholders for their unwavering support and the trust they have shown in Bone Therapeutics. We are also extremely proud of the tremendous commitment shown by our teams and collaborators during these challenging times.

Building on the strong foundation of the achievements in 2020, we are confident for 2021, continuing the progress we have already made in moving our allogeneic cell therapy and advanced biological products through clinical development while exploring new innovations that meet critical needs of patients.

Sincerely,

Jean Stéphenne, Chairman

Miguel Forte, CEO

2.2. Business overview

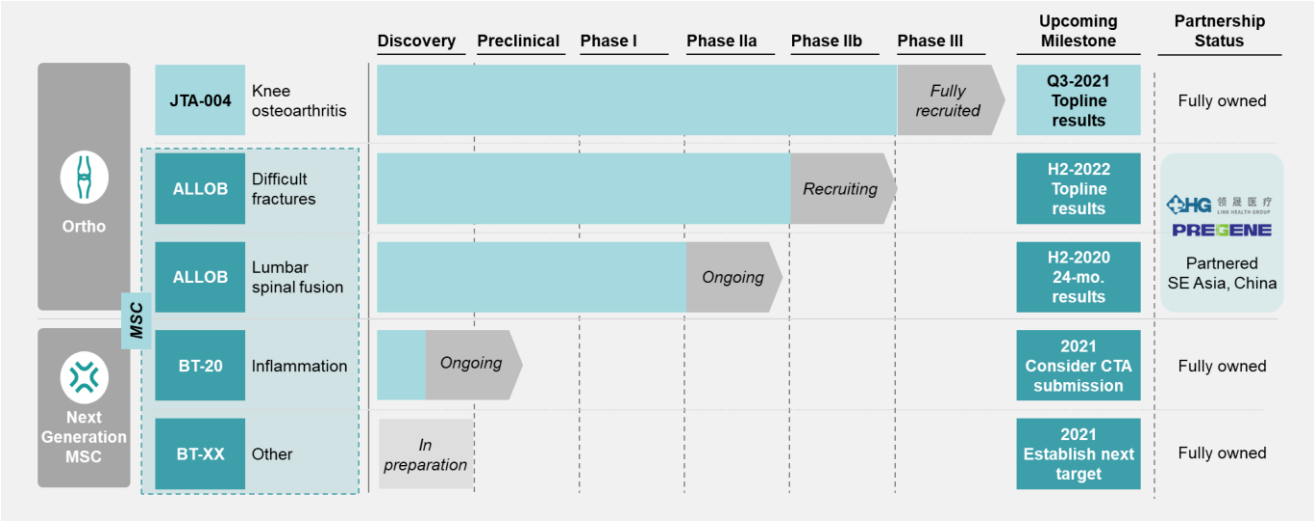
Bone Therapeutics at a glance

Bone Therapeutics is a leading Belgium based biotech company focused on the development of innovative products to address high unmet needs in orthopedics and other diseases. The Company has a diversified portfolio of cell and biologic therapies at different stages ranging from pre-clinical programs in immunomodulation to mid-to-late-stage clinical development for orthopedic conditions, targeting markets with large unmet medical needs and limited innovation.

The two late phase products (JTA, ALLOB) and their three indications (Knee Osteoarthritis, Difficult factures, and Lumbar spinal fusion) represent over $12 billion in market value. The annual market size growth varies from 3% (Lumbar Spinal Fusion) to 6% (Knee Osteoarthritis)[1].

In addition, Bone therapeutics has built a strong IP protection with 96 issued or pending patents worldwide (36 for JTA and 60 for ALLOB) covering methods, products and applications.

Product portfolio and clinical pipeline



JTA-004

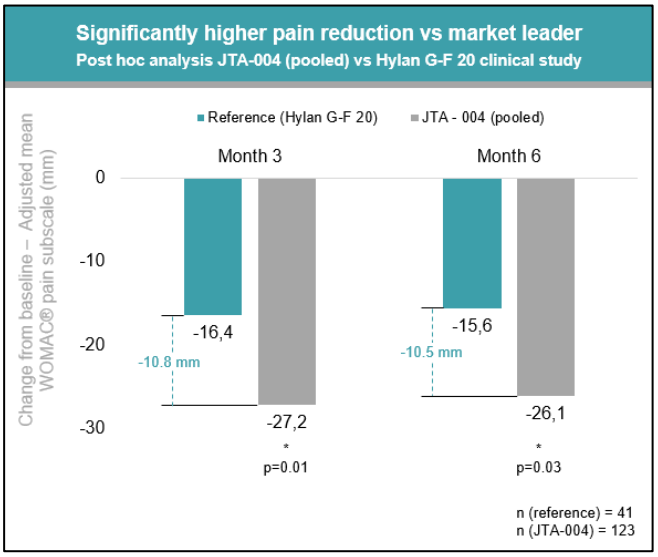
JTA-004 is a next generation of intra-articular injectable for the treatment of osteoarthritic pain in the knee. Consisting of a unique patented mix of plasma proteins, hyaluronic acid - a natural component of knee synovial fluid, and a fast-acting analgesic, JTA-004 intends to provide added lubrication and protection to the cartilage of the arthritic joint and to alleviate osteoarthritic pain.

Osteoarthritis (OA), also known as degenerative joint disease, is the most common chronic joint condition in which the protective cartilage in the joints progressively break down resulting in joint pain, swelling, stiffness and limited range of motion. The knee is one of the joints that are mostly affected by osteoarthritis, with an

[1] MediPoint: Bone Grafts & Substitutes – Global Analysis and Market Forecasts, March 2017, Global Data
MediPoint: Spinal Fusion – Global Analysis and Market Forecasts, December 2016, Global Data
Opportunity Analyzer: Osteoarthritis - Analysis and Forecasts to 2026, September 2017, Global Data. Viscosupplementation: Global Analysis and Market Forecasts, April 2017, Global Data

estimated 250 million cases worldwide[2]. The prevalence of knee osteoarthritis (KOA) is expected to increase in the coming years due to increasingly aging and obese population. Currently, there is no cure for KOA and treatments focus on relieving and controlling pain and symptoms, preventing disease progression, minimizing disability, and improving quality of life. Most drugs prescribed to KOA patients are topical or oral analgesics and anti-inflammatory drugs. Ultimately, severe KOA led to highly invasive surgical interventions such as total knee replacement.

In a completed Phase IIb study involving 164 patients, JTA-004 showed an improved pain relief at 3 and 6 months compared to Hylan G-F 20, the global market leader in osteoarthritis treatment.



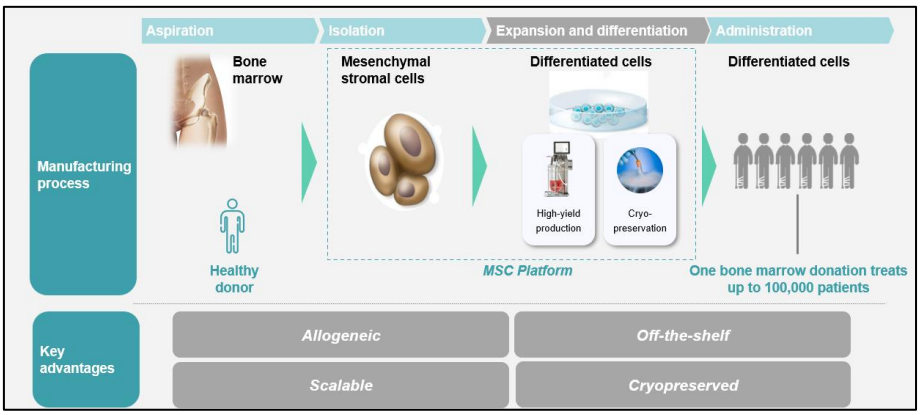
JTA-004 is currently in Phase III development. The ongoing Phase III study is a controlled, randomized, double-blind trial. It is evaluating the potential of a single, intra-articular injection of JTA-004 to reduce osteoarthritic pain in the knee up to 12 months, compared to placebo or Hylan G-F 20, the leading osteoarthritis treatment on the market. The study is being conducted in 22 centers across six European countries as well as Hong Kong involving more than 700 patients. Bone Therapeutics recently completed patient recruitment of the study. Patients are now being monitored in follow up with topline results anticipated in Q3 2021.

ALLOB

ALLOB is Company's off-the-shelf, allogeneic cell therapy platform consisting of human allogeneic bone-forming cells derived from ex-vivo cultured bone marrow mesenchymal stromal cells (MSC) from healthy adult donors, offering numerous advantages in product quality, injectable quantity, production, logistics and cost as compared to an autologous approach.

To address critical factors for the development and commercialization of cell therapy products, Bone Therapeutics has established a proprietary, optimized production process that improves consistency, scalability, cost effectiveness and ease of use of ALLOB. This optimized production process significantly increases the production yield, generating 100,000 of doses of ALLOB per bone marrow donation. Additionally, the final ALLOB product will be cryopreserved, enabling easy shipment and the capability to be stored in a frozen form at the hospital level. The process will therefore substantially reduce overall production costs, simplify supply chain logistics, improve patient accessibility, and facilitate global commercialization.

[2] Vos et al., A systematic analysis for the Global Burden of Disease Study 2010. Lancet 2012; 380:2163-96



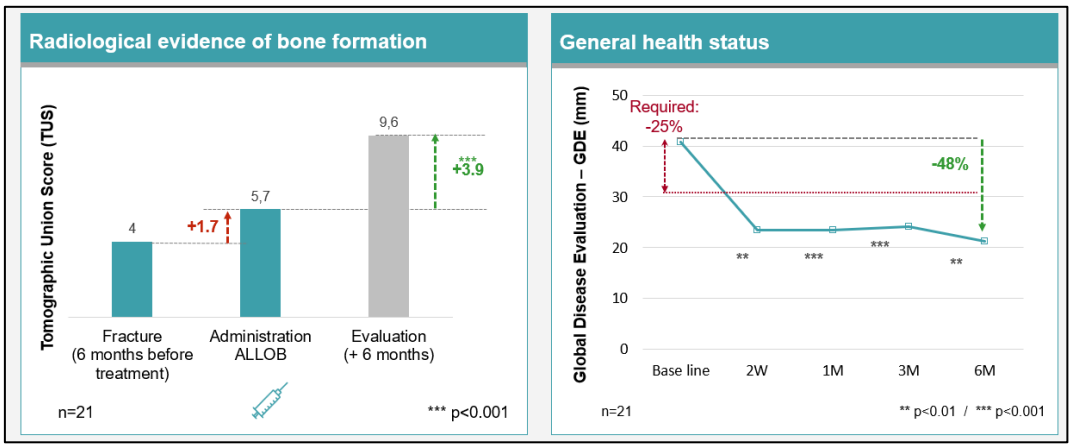
Currently, ALLOB targets two indications: difficult tibial fractures and lumbar spinal fusion.

a) ALLOB - Difficult fractures

Although the majority of fractures heal normally, some fractures may not heal within the usual time frame and is known as delayed bone healing within 4 to 6 months and absence of bone healing within 9 to 12 months in the most severe cases. Several factors can increase the risks of delayed healing complications like, for example, smoking, violent shocks (for example, due to a road accident) or even the type of fracture (an open fracture). The location of the fracture is also an important factor: among the bones of the arms and legs, the tibia is known for being the most at risk for complications. Tibial fractures with several risk factors could lead to complications such as delayed union and greatly reduce the quality of life. To date, there is no treatment for fractures considered at risk of delayed complications. The current practice on diagnosis of complications is to wait at least 6-12 months before considering alternative interventions to promote fracture healing.

Constituted of bone cells produced from the bone marrow of healthy adult donors, ALLOB, has shown to be capable of forming bone and repairing fractures in preclinical studies. When directly injected into a fracture, ALLOB should therefore promote the healing of the fracture by re-establishing a healthy environment, stimulate bone healing, reduce healing time, reduce complications, and improve the quality of life for the patient.

ALLOB has shown preliminary evidence of effectiveness in the treatment of delayed bone healing fractures in a Phase I/IIa study involving 21 patients. The study demonstrated efficacy in bone formation and improvement of general health status. At six months post administration, 100% of the patients met the primary endpoint, defined as an increase of at least two points on the radiological Tomographic Union Score (TUS) or an improvement of at least 25% of the clinical Global Disease Evaluation (GDE) score vs. baseline. Radiological evaluation of fracture healing showed an improvement of 3.9 points on average on the TUS scale, nearly twice the required minimum of 2.0 points. This minimum two-point increase was achieved by 16 out of 21 patients (76%). The Global Disease Evaluation (GDE) score to assess the general health condition of the patient, improved 48% on average. The minimum 25% improvement was achieved by 16 out of 21 patients (76%).



ALLOB is currently being evaluated in a Phase IIb study in patients with difficult-to-heal tibial fracture. The Phase IIb study is a randomized, double-blind, placebo-controlled study. In this study, the potential of ALLOB to accelerate fracture healing and prevent late-stage complications in patients with difficult fractures in the shinbone (tibia), will be tested and compared to placebo, on top of standard of care after a follow-up period of 6 months. ALLOB will be applied by a single percutaneous injection 24-96 hours post reduction surgery in patients with fresh tibial fractures at risk for delayed or non-union. The study has been approved in 7 European countries (Belgium, Czech Republic, France, Germany, Hungary, Poland and Spain). The study is expected to enroll 178 patients in over 40 sites. Following the CTA approval by regulatory authorities in Europe, the Company has initiated patient recruitment in January 2021.

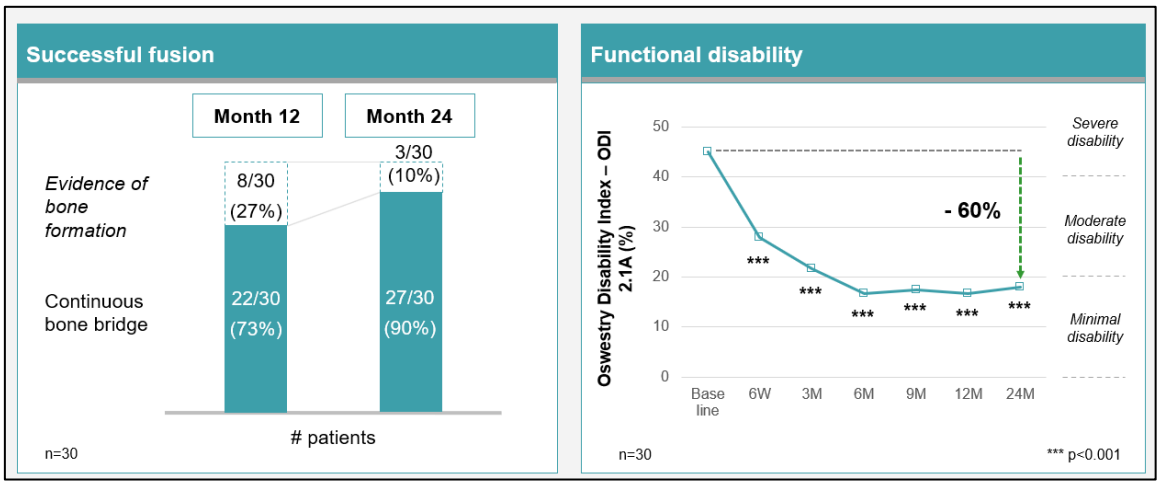
b) ALLOB – Lumbar spinal fusion

Due to ageing populations and sedentary lifestyles, the number of people suffering from degenerative spine disorders continues to increase. Today, spinal fusion procedures are performed to relieve pain and improve patient daily functioning in a broad spectrum of degenerative spine disorders. Spinal fusion consists of bridging two or more vertebrae with the use of a cage and graft material, traditionally autologous bone graft or demineralized bone matrix – placed into the intervertebral space – for fusing an unstable portion of the spine and immobilizing a painful intervertebral motion segment.

Over 1,000,000 spinal fusion procedures are performed annually in the US and EU, of which half at lumbar level and the market is growing at a rate of 5% per year. Although spinal fusion surgery is routine, non-fusion, slow progression to fusion and failure to eliminate pain are still frequent with up to 35% of patients not being satisfied with their surgery.

A multi-center, open-label proof-of-concept Phase IIa study was designed to evaluate the safety and efficacy of ALLOB administered in addition to the standard of care procedure in which an interbody cage with bioceramic granules is implanted into the spine to achieve fusion of the lumbar vertebrae. The main endpoints of the 24-month follow-up analysis included safety and radiological assessments to evaluate vertebrae fusion (continuous bone bridges) and clinical assessments to evaluate improvement in patients' functional disability as well as reduction in back and leg pain. The study evaluated 30 patients treated with ALLOB, 29 patients attended the 24-month visit.

In the Phase IIa study, ALLOB Lumbar Spinal Fusion showed promising 24-month results in bone formation and disability reduction. The 24-month data showed a high percentage of successful lumbar vertebrae fusion of 90%. Patients also continued to experience important clinical improvements in function and pain, from as early as six months after treatment, up to the 24-month follow-up period.



Partnerships

The Company is conducting several partnerships in product licensing, manufacturing, process development and research. These transactions reposition Bone Therapeutics around its focus on product and platform development.

	LICENSING	MANUFACTURING	PROCESS DEVELOPMENT	RESEARCH
Partner	HG 领晟医疗 LINK HEALTH GROUP PREGENE	Catalent	RIGENERAND Steps Ahead In Cell Technology	3D-SIDE, IREC, BioWin, CERHUM, mSkill, LIÉGE
Deal	• **Exclusive license** to ALLOB and related IP and knowhow • **China**, Hong Kong, Macau, Taiwan, Singapore, **Thailand, South Korea**	• Catalent acquired Bone Therapeutics' cell therapy **manufacturing facilities** • Catalent will manufacture and supply **ALLOB**	• Collaboration focusing on **product and process development** for Bone Therapeutics' cell therapy products as they advance towards patients	• **Research Collaboration** for the development of patient-specific **scaffolds for use in combination with ALLOB**
Financials	• **€55 million in total** upfront and milestone payments plus tiered **double-digit royalties** on net sales	• **€12 million** in total payments to Bone Therapeutics		• **€3 million** in total grant funding from BioWin, the health cluster of the Wallonia Region (Belgium)
Notes	• **Link Health** and **Pregene** will conduct and finance development in Asia	• **Catalent** is a leading global CDMO for drugs, biologics, **gene therapies**, and consumer health products	• Potential for Bone Therapeutics to broaden its therapeutic targets and **explore new mechanisms of action with potential gene modifications** for its therapeutic portfolio	• The new **biocompatible scaffolds** will be modelled with state-of-the-art software and **3D printed**

a) Licensing agreement with Link Health and Pregene

In October 2020, Bone Therapeutics, Link Health and Pregene signed an exclusive license agreement for the manufacturing, clinical development and commercialization of Bone Therapeutics' allogeneic, off-the-shelf, bone cell therapy platform ALLOB in China (including Hong Kong and Macau), Taiwan, Singapore, South Korea, and Thailand.

Under the agreement, Bone Therapeutics is eligible to receive up to €55 million in development, regulatory and commercial milestone payments. Bone Therapeutics is also entitled to receive tiered double-digit royalties on annual net sales of ALLOB. Bone Therapeutics retains development and commercialization rights to ALLOB in all other geographies outside of those covered by this agreement.

b) Manufacturing collaboration with Catalent

In October 2020, Bone Therapeutics signed share purchase and supply agreements with Catalent Pharma Solutions, Inc., the leading global provider of advanced delivery technologies, development, and manufacturing solutions for drugs, biologics, cell and gene therapies, and consumer health products The agreements streamline and economize the manufacturing operations of ALLOB, Bone Therapeutics' allogeneic cell therapy product.

Under the terms of the transaction, Catalent acquires Bone Therapeutics' cell therapy manufacturing subsidiary, SCTS, for gross proceeds of €12 million. Following completion of the transaction, the SCTS manufacturing infrastructure and production operating teams became part of Catalent's Cell & Gene Therapy division.

Concurrently, Bone Therapeutics and Catalent entered into associated supply agreements. This grants Bone Therapeutics access to Catalent's global network of clinical and commercial manufacturing facilities, and ensures ongoing optimization, sustainability and a global reach for the production of ALLOB as the product heads through clinical development and anticipated commercialization.

c) Cell therapy process development with Rigenerand

In January 2021, Bone Therapeutics and Rigenerand SRL, the biotech company that both develops and manufactures medicinal products for cell therapy applications, primarily for regenerative medicine and oncology, signed a first agreement for a process development partnership.

The scope of collaborations between Bone Therapeutics and Rigenerand aims to focus on different aspects of product and process development for Bone Therapeutics' expanding therapeutic portfolio. Rigenerand will contribute to improving the processes involved in the development and manufacture of Bone Therapeutics' MSC based allogeneic differentiated cell therapy products as they advance towards patients. The first collaboration between the two organizations will initially focus on augmented professional bone-forming cells – cells that are differentiated and programmed for a specific task. There is also potential for Bone Therapeutics to broaden its therapeutic targets and explore new mechanisms of action with potential gene modifications for its therapeutic portfolio.

d) BioWin research consortium, Bonerec

In November 2020, Bone Therapeutics joined a research collaboration with expert industry and academic partners, Cerhum, 3D-Side, mSKIL and IREC, to develop biologically active, patient-tailored, 3D printed, bioresorbable implants enriched with Bone Therapeutics' allogeneic bone forming cells, ALLOB. The consortium, named Bonerec, was established under the "Competitiveness Clusters" framework of the Belgian Walloon Health Association, BioWin, and received €3 million non-dilutive funding from the Walloon Government.

This 28-months collaboration aims to develop biologically active, custom-made tissue engineered bone implants that could replace bone transplants harvested from patient's own bones (autografts). By combining the tailored scaffold with Bone Therapeutics' differentiated bone forming cells, ALLOB, the enhanced tissue engineered product is expected to exhibit strong bone-forming activities and stimulate bone regeneration. The aim of the resultant cell-enriched implant is to form a safe and structurally superior alternative to bone autografts.

2.3. Financial and Strategic Highlights of 2020

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the accounting year that ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Detailed clinical and Operational review 2020

In October 2020, Bone Therapeutics announced positive 24-month results for the Phase IIa study with the allogeneic cell therapy product, ALLOB, in patients undergoing lumbar spinal fusion procedures. 90% of patients showed bone fusion as well as strong clinical improvements in function and pain at 24 months follow-up period with a good product safety profile. The next development steps for ALLOB in this indication are planned to be considered after the results of the ongoing ALLOB clinical study in tibial fractures.

In December 2020, Bone Therapeutics succeeded in completing the patient recruitment and treatment in the pivotal Phase III clinical study with the improved viscosupplement, JTA-004, in patients with knee osteoarthritis on schedule. Patients are currently being monitored in follow up. Patient study compliance and retention remains high despite pandemic effects. The study is on schedule to have top line efficacy data available in Q3 2021 with continued monitoring until year end and full results available in 2022.

In January 2021, Bone Therapeutics treated the first patient in the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures, following receiving regulatory approval in all seven European countries designated for the trial. The study is expected to enroll 178 patients in over 40 sites. Early recruitment rates were very promising but in March and April the rate of recruitment has slowed slightly. The current recruitment is 12 patients instead of the planned 20 at this stage. This is due to pandemic-related factors that have affected operational activities including site opening, materials availability and patient availability. Bone Therapeutics' clinical team, in partnership with the clinical research organization, has already instituted corrective actions to mitigate these issues, including training, information, sharing of best practices and will continue to actively monitor study progress. At this stage we do not expect these delays to have a material effect on the expected completion of recruitment in H1 2022 and the planned top line results date in H2 2022.

Detailed corporate highlights 2020

In March 2020, the company appointed Stefanos Theoharis, PhD as Chief Business Officer, further strengthening its management team. With more than 15 years of business development experience in the pharma and biotech industry, specifically in the cell and gene therapy space, Stefanos will be responsible for the company's corporate development activities and the execution of its business strategy.

In August 2020, Bone Therapeutics was granted EUR 1.0 million in non-dilutive funding under the form of recoverable cash advances from the Walloon Region, Belgium. This funding will provide additional financial support to advance its current phase III clinical study with JTA-004.

Also in August 2020, the Company received two additional grants with a total value of EUR 0.6 million from the Belgian Walloon Region for research and initial preparatory steps towards clinical development of BT-20, its new allogeneic and off-the-shelf cell therapy product, leveraging its expertise in Mesenchymal Stromal Cell (MSC) biology to expand its portfolio from orthopedics and bone diseases to inflammatory conditions.

In October 2020, Bone Therapeutics signed an exclusive license agreement with Link Health Pharma Co., Ltd and Shenzhen Pregene Biopharma Company, Ltd for the manufacturing, clinical development and

commercialization of ALLOB in Greater China, Taiwan, Singapore, South Korea, and Thailand. Terms of the agreement included up to €55 million total in upfront and milestone payments, with €10 million expected in the next 2 years as well as tiered double-digit royalties on net sales.

Subsequently, Bone Therapeutics signed a manufacturing collaboration with Catalent, Inc. to streamline the production of ALLOB. Under the terms of the share purchase agreement, Catalent acquired Bone Therapeutics' cell therapy manufacturing subsidiary, Skeletal Cell Therapy Support SA (SCTS), for gross proceeds of €12 million. The equity purchase price, net of SCTS's debt (€3 million), cash adjustments, and taking into account the restructuring of some Bone Therapeutics' existing liabilities (€3 million), generated net proceeds of approximately €6 million.

In November 2020, Bone Therapeutics joined a research collaboration with expert industry and academic partners to develop biologically active, patient-tailored, 3D printed, bioresorbable implants enriched with Bone Therapeutics' allogeneic bone forming cells, ALLOB. Established under the "Competitiveness Clusters" framework of the Belgian Walloon Health Association, BioWin, the consortium received €3 million non-dilutive funding, of which €400k are allocated to Bone Therapeutics, from the Walloon Government in Belgium.

In December 2020, Bone Therapeutics successfully raised €10 million through a private placement with current and new institutional investors both in Europe and in the US and welcomed CPH Banque as new cornerstone investor to support its long-term growth.

2.4. Financial Review of the Year Ending 31 December 2020

2.4.1. 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 2020 and 31 December 2019.

(in thousands of euros)	**2020**	**2019**
Revenue	1,000	0
Other operating income	2,666	2,491
Total operating income	**3,666**	**2,491**
Research and development expenses	(15,416)	(7,501)
General and administrative expenses	(3,267)	(2,936)
Operating profit/(loss)	**(15,017)**	**(7,946)**
Interest income	24	1,041
Financial expenses	(747)	(602)
Exchange gains/(losses)	*(13)*	*(15)*
Share of profit/(loss) of associates	*0*	0
Result Profit/(loss) before taxes	**(15,754)**	**(7,522)**
Income taxes	(78)	0
Net Income (Loss) from continuing operations	**(15,832)**	**(7,522)**
Net Income (Loss) from discontinued operations	**3,891**	**(2,813)**
TOTAL COMPRENHENSIVE INCOME (LOSS) OF THE PERIOD	**(11,940)**	**(10,336)**
Basic and diluted loss per share (in euros) – continuing operations	**(1.35)**	**(0.79)**
Basic and diluted loss per share (in euros) – discontinued operations	**0.33**	**(0.29)**
Profit/(loss) for the period attributable to the owners of the Company	(11,940)	(10,461)
Profit/(loss) for the period attributable to the non-controlling interests	0	125
Total comprehensive income for the period attributable to the owners of the Company	(11,940)	(10,461)
Total comprehensive income for the period attributable to the non-controlling interests	0	125

In 2020, the Company recognized an upfront payment for an amount of €1.00 million from licensee Link Health & Pregene, after signing a license agreement in October 2020. The Company grants exclusive license to Link Health and Pregene for the development and commercialization of ALLOB in Greater China and a number of other major Asian countries.

The total revenues and operating income for 2020 amounted to €2.67 million compared to €2.49 million in 2019. Other operating income is mainly as a result of grants from the Walloon Region ("Recoverable Cash Advances – RCAs") which in total amounted to €1.20 million in 2020 (compared to €1.25 million in 2019). In addition, the company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of €0.33 million, an investment tax credit for an amount of €0.86 million and €0.28 million in patent, reinvoicing and other subsidies.

R&D expenses in 2020 were at €15.42 million compared to €7.50 million in 2019. The increase is mainly related to the increase in R&D operating expenses from clinical operations with the "CRO" for the Clinical trial for JTA in Phase III and ALLOB in Phase IIB for the difficult fractures.

General and administrative expenses for the full year 2020 amounted to €3.27 million compared to €2.94 million over the same period last year. The increase is mainly the result of the non-recurrent fees related to the deals happened during the year.

The operating loss in 2020 was at €15.02 million. Last year, the company reported an operating loss of €7.95 million.

In 2020, the Company presented a net financial loss of €0.74 million compared with a net financial profit of €0.42 million in 2019. In 2019, on one hand, the Company recognized an impact of €1.04 million for the stop of PREOB (which corresponds to the part for which reimbursement is turnover-independent) and on the other hand, the financial expenses were mainly impacted by the interests paid for €0.34 million and by the adaptation of the valuation of the PUT option for €0.28 million. In 2020, the net financial loss was mainly impacted by the recognition of the interest paid during the year.

In 2020, the Company presented profit for an amount €3.89 million compared to a loss of €2.81 million in 2019 in relation of the discontinued activities. In November 2020, the Company sold its subsidiary Skeletal Cell Therapy Support SA ("SCTS") to Catalent Gosselies SA. Under the terms of the transaction, Catalent acquired Bone Therapeutics' cell therapy manufacturing subsidiary, SCTS, for gross proceeds of €12 million. The equity purchase price, net of SCTS's debt (€3.00 million), cash adjustments, and taking into account the restructuring of some Bone Therapeutics' existing liabilities (€3.00 million), generates net proceeds of approximately €6.30 million. The recognized profit is explained by the capital gain realized on the sale of SCTS' shares.

The reported net loss in 2020 amounted to €11.94 million or €1.35 loss per share for the continuing operations and a reported profit per share of €0.33 for the discontinued operations (on an undiluted basis). In 2019, the Company had a net loss of €10.34 million, equivalent to a total loss per share of €1.08 (on an undiluted basis).

2.4.2. Analysis of the Consolidated Statement of Financial Position

The table below shows the audited consolidated balance sheet on 31 December 2020 and 2019.

ASSETS *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Non-current assets	**6,019**	**10,660**
Intangible assets	28	28
Property, plant and equipment	226	6,100
Investments in associates	12	332
Financial assets	1,296	140
Deferred tax assets	4,456	4,059
Current assets	**18,817**	**11,733**
Trade and other receivables	3,840	3,025
Other current assets	328	75
Cash and cash equivalents	14,648	8,633
TOTAL ASSETS	**24,835**	**22,393**

Total assets at the end of December 2020 amounted to €24.84 million compared to €22.39 million at the end of December 2019, mainly impacted by the current assets.

The current assets increased from €11.73 million to €18.82 million at the end of December 2020. The increase is mainly related to the variation of the cash and cash equivalents which showed an increase of €6.02 million compared to last year (mainly following the capital raise in December 2020 with a total gross amount of €9.92 million.

The trade and other receivables also increased mainly explained by:

- the upfront payment from Link Health & Pregene to be received in early 2021 for an amount of €0.93 million net of taxes (increase);
- new grants conventions signed in 2020 for a total amount of €2.37 million and amounts received during the course of 2020 for RCAs in progress (upfront amounts and amounts received following

expense declarations in function of the progress of the works) for a total of €2.49 million which result in a net decrease of €0.13 million.

The non-current assets decreased from €10.66 million to €6.02 million at the end of December 2020. The decrease is mostly related to the property, plant and equipment and partly offset by the financial assets (recognition of the bank warranty of €1.20 million in relation with the deal with Catalent) and the deferred tax assets. The building and most of the laboratory equipment have been sold in the context of the transaction with Catalent in October 2020. Deferred tax assets totaling €4.46 million represent a tax credit on investment in R&D reimbursable in the foreseeable future (spread over the next seven years).

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Equity attributable to owners of the parent	**3,325**	**2,048**
Share capital	8,415	5,454
Share premium	67,594	58,026
Retained earnings	(73,080)	(61,586)
Other reserves	396	154
Non-controlling interests	**0**	**0**
Total equity	**3,325**	**2,048**
Non-current liabilities	**11,720**	**11,006**
Interest bearing borrowings	11,720	11,006
Other non-current liabilities	0	0
Current liabilities	**9,790**	**9,339**
Interest bearing borrowings	3,077	2,709
Trade and other payables	5,514	3,841
Other current liabilities	1,199	2,788
Total liabilities	**21,509**	**20,344**
TOTAL EQUITY AND LIABILITIES	**24,835**	**22,393**

Equity increased from €2.05 million at the end of December 2019 to €3.33 million at the end of December 2020, as a result of the share capital and share premium's increase (amounting €13.50 million) and recognition of the transaction costs for the equity transaction for an amount of €0.97 million, by the loss of 2020 for an amount of €11.94 million, for the allocation of the share-based payment reserve for €0.27 million and by the recognition of a specific reserve linked to the convertible bonds and warrants and other reserves for for €0.47 million.

Liabilities amounted to €21.51 million in 2020 compared to €20.34 million at the end of December 2019, representing an increase of €1.17 million.

Current liabilities remained stable compared to last year. The increase in trade and other payables is mostly offset by the decrease of the other current liabilities, with the buyback of the non-controlling interest of SCTS (the PUT option) in order for the Company to buy-back the shares of the minority shareholders of SCTS.

The non-current liabilities slightly increased compared to last year and amounted to €11.72 million the end of December 2020. The non-current liabilities are impacted by the recognition of the fair value of the convertible bonds placement of May 2020 for an amount of €3.60 million, offset by the reimbursement of all the financial libailities of SCTS for an amount of €2.76 million (and €0.34 million in current liabilities).

2.4.3. 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 2020 and 2019. 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 2020.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands of euros)*	**For the twelve-month period ended 31 December**	
	2020	**2019**
Operating profit/(loss)	(17,448)	(11,174)
Adjustments non-cash	(1,576)	(2,288)
Movements in working capital	708	(188)
Cash received from grants/licenses	2,312	3,287
Income tax paid	(78)	(38)
Net cash used in operating activities	**(16,082)**	**(10,401)**
Proceed from the sale of SCTS	12,000	0
Net cash used in investing activities	**11,909**	**(302)**
Proceeds from government loans	748	815
Proceeds from loans from bank/related parties	5,550	0
Repayment of loans and interests paid	(7,557)	(1,646)
Payment to acquire Non-controlling interests	(1,956)	0
Guarantee facilities	(1,200)	0
Net Proceeds from equity instruments/convertible bonds/subordinated loans	14,603	11,993
Net cash generated from financing activities	**10,187**	**11,163**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**6,132**	**459**
CASH AND CASH EQUIVALENTS at beginning of year	**8,633**	**8,174**
CASH AND CASH EQUIVALENTS at end of year	**14,648**	**8,633**

Cash used for operating activities amounted to €16.09 million for the full year 2020 compared to €10.40 million for the full year 2019.

Total operating loss for the period amounted to a loss of €17.45 million compared to a loss of €11.17 million over the same period in 2019. The increase of the net loss in 2020 is mainly explained by an increase of the clinical expenses for the JTA-004 clinical trial Phase III and ALLOB clinical trial Phase IIB in tibial fractures.

Adjustments for non-cash items amounted to €1.58 million compared to €2.29 million during the previous year relating to depreciation, share-based payments and recognition of grant income from RCA's, patent subsidies and tax credit. Working capital was positively impacted for the full year 2020 for an amount of €0.70 million mainly explained by an increase of trade payables and of the trade receivables.

Actual cash received in 2020 for the grants and regulatory milestones amounted to €2.31 million compared to €3.29 million in 2019.

Cash flow from investing activities is mainly impacted by the proceed obtained from Catalent Gosselies SA for the sale of SCTS for an amount of €12.00 million.

Cash flow from financing activities amounted to €10.19 million for 2020 compared with €11.16 million in 2019.

Financial cash inflows during 2020 are as follows:

- net cash in from private placement (convertible bonds and related warrants) and from non-dilutive subordinated loan for a total amount of €14.60 million;
- net cash in from banks and related parties (Sambrinvest/Sofipôle) for an amount of €5.55 million;
- recoverable cash advances provided to the Company by the Walloon Region (R&D project financing) for an amount of €0.75 million in 2020 which corresponds to the part for which reimbursement is turnover-independent.

Financial cash outflows during 2020 are as follows:

- acquisition of 50.1% of the shares of Skeletal Cell Therapy Support SA for € 1.96 million. Bone Therapeutics SA holded 100% of SCTS SA before the sale of the subsidiary to Catalent Gosselies SA.
- guarantee deposit of €1.20 million in relation with the sale of the subsidiary (corresponding to 10%of the total deal);
- reimbursements of bank loans, related parties loans and recoverable cash advances for an amount of €7.56 million in 2020.

2.5. Headcount Evolution

On 31 December 2020, the Group employs 30 employees in total. The table below shows the evolution of employment since 2018 and does not take into account the temporary workers, consultants and the management members. The Group has transferred a total of 17 FTE to Catalent Gosselies SA

As of 31 December,	2020	2019	2018
R&D	25	53	81
Administration	5	5	9
Total of Bone Therapeutics SA	**30**	**58**	**90**

Sixteen percent of employees have obtained a doctorate and 30% a master's degree. Scientific specialization domains include cellular and molecular biology, pharmaceutical sciences, veterinary medicine, physiology and life sciences.

2.6. Risks

Reference is made to Section 4.7.2 "Risks Analysis".

Covid-19

The recent outbreak of the novel strain of coronavirus (SARS-CoV-2) causing the severe respiratory illness, coronavirus disease 2019 (COVID-19), originated in Wuhan, China, in December 2019 and has since spread to multiple countries, including the United States and Europe. On 11 March 2020, the World Health Organization declared the outbreak of a global pandemic and recommended containment and mitigation measures worldwide. The spread of COVID-19 and the resulting health measures have impacted the global economy and our business operations, including potential delay of our clinical trial activities. Some factors from the COVID-19 outbreak that the Company believes will adversely affect the timely enrollment and continuation of its clinical trials, at least on a temporary basis, include:

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- unwillingness of patients to enroll in our trials or inability to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;

- reduced or interrupted activities at local regulators and other important agencies, contractors and third-party organizations that the Company relies upon to carry out its clinical trials and;
- interruption in operations at its third-party suppliers or global shipping, which could result in delays or disruptions in the supply of clinical trial materials, such as investigational drug product used in our trials.

In addition, the Company is taking temporary precautionary measures intended to help minimize the risk of the virus to its employees, including temporarily requiring all employees to work remotely, suspending all non-essential travel worldwide for its employees and discouraging employee attendance at industry events and in-person work-related meetings, which could negatively affect the Company's business.

The extent to which the recent global COVID-19 pandemic impacts our business will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among other things, but prolonged closures or other business disruptions may negatively affect its operations and the operations of its agents, contractors, consultants or collaborators, which could have a material adverse impact its business, results of operations and financial condition.

2.7. Going Concern

Based Based on annual 2021 projected cash burn in a range of €16.00 million to €17.00 million and considering a cash position end of 2020 of about €14.65 million, the Company anticipates having sufficient cash to carry out its business objectives until November 2021.

The Directors remain focused on the Company's liquidity and expect to manage business operations in the next 12 months whilst maintaining adequate liquidity.

In view of the Company significant progress in its clinical programs leading to collection of milestones payment from our partners, combined with ongoing discussions with business and financial partners to obtain sufficient funds, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern.

2.8. Events Occurred after the End of the Financial Year

The annual consolidated financial statements on 31 December 2020 were authorized for issue by the Board of Directors of the Company on 28 April 2021. Accordingly, events after the reporting period are those events that occurred between 1 January 2021 and 28 April 2021.

Partnership

Post period, in January 2021, Bone Therapeutics signed a first agreement for a process development partnership with the mesenchymal stromal cell (MSC) specialist, Rigenerand. This first collaboration will focus on further developing and enhancing Bone Therapeutics' bone-forming cells with the potential to broaden their therapeutic targets and explore new mechanisms of action with potential gene modifications for Bone Therapeutics' therapeutic portfolio.

Appointment Chief Scientific Officer

At the end of March 2021, Bone Therapeutics appointed the stem cell therapy industry veteran, Anthony Ting, PhD, as Chief Scientific Officer. Backed by two decades of expertise in translational clinical development with adult stem cell therapies, Dr. Ting will be responsible for Bone Therapeutics' research activities. His immediate focus will be the further expansion of Bone Therapeutics' pipeline, leveraging internal know-how and external collaborations on novel, specialized cell therapy products with enhanced efficacy, using differentiated and modified MSCs.

2.9. Outlook for the Remainder of 2021

Bone Therapeutics aims to report topline results for the 3-month primary endpoint and 6-month follow-up period in the third quarter of 2021 for its pivotal Phase III clinical study with the improved viscosupplement, JTA-004, in patients with knee osteoarthritis.

For the ongoing Phase IIb ALLOB clinical study in difficult tibial fractures, to compensate the impact of the pandemic on site activities due to staff availability and patient recruitment due to less accidents, Bone Therapeutics and its partners will continue to take action to intensify the recruitment through training, information, best practices sharing and close monitoring of progress. The initial result of these activities has already impacted positively patient recruitment.

Bone Therapeutics will continue to hold discussions with potential partners to explore business opportunities as JTA-004 is approaching the announcement of pivotal Phase III topline results and ALLOB is being evaluated in a double-blind, placebo-controlled, proof-of-concept Phase IIb study.

Bone Therapeutics will continue its discussions with the US FDA (Food and Drug Administration) in preparation for the next steps in the clinical development of JTA-004 and ALLOB in the US.

Bone Therapeutics plans to continue to expand its allogeneic differentiated MSC based cell therapy platform, beyond ALLOB, into other therapeutic indications.

Disciplined cost and cash management will remain a key priority. The net cash burn for the full year 2021 is expected to be in the range of €16-17 million, assuming normal operation as the effect of the ongoing COVID-19 epidemic cannot be excluded. The situation will be actively and closely monitored. The company anticipates having sufficient cash to carry out its business objectives into November 2021.

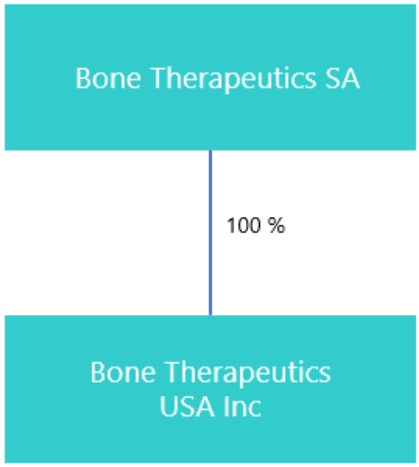
3. ORGANIZATIONAL STRUCTURE

3.1. Organigram

At the date of this Annual Report, the Company has the following affiliate:

United States of America

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



3.2. Information on Holdings

The Company held 100% 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) until 13 November 2020. As from this date, Skeletal Cell Therapy Support SA has been sold to Catalent Gosselies SA.

4. CORPORATE GOVERNANCE

4.1. 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 25 August 2020 and which is based on the Corporate Governance Code 2020 (CBGE 2020) made mandatory by the Royal Decree of 12 May 2019 designating the corporate governance code to be respected by listed companies. 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).

4.2. 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:

- Stock options granted to the two Executive Directors (i.e. the CEO and the CFO) on 28 May 2020 shall vest and be exercisable at any time and without restriction unless the Company decides that these stock options may not be exercised before the end of the third calendar year following the calendar year during which the stock options were offered and indicates this in the offer thereof.

- Stock options may be granted to non-executive directors under the template Stock Options Plan 2020. In addition, this plan provides that the stock options shall vest and be exercisable at any time and without restriction unless the Company decides that these stock options may not be exercised before the end of the third calendar year following the calendar year during which the stock options were offered and indicates this in the offer thereof.

- At the date of this CG Charter, no Company Secretary has been assigned by the Board. Since the IPO (6 February 2015), the Board has assigned Allen & Overy (until March 2019) and Osborne Clarke (since March 2019) to provide services in this respect amongst others, including the minuting of Board meetings. Given the limited size of the Company, the Board is of the opinion that there is no need to appoint a full time Company Secretary.

- At the date of this CG Charter, the Audit Committee and the Nomination and Remuneration Committee are only composed of 2 members. The Board is of the opinion that the actual members have the appropriate knowledge and power to conduct the committees and to have a professional judgment on the decision to take to propose it to the Board.

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.

4.3. Board of Directors

4.3.1. 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 at least 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 7:87 §1 of the Belgian Code of Companies and Associations.

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 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.

At the IPO, the board was composed of eleven, mostly local members. In 2017, the Board was adapted to include international experts in cell therapy, biotech and orthopedics. From 2018, the number of members has been reduced to nine members, 7 Independent and 2 Executive Directors. From 2019, the number of members has been reduced to seven members, 5 Independent and 2 Executive Directors.

The table below provides an overview of the mandates held in 2020 and the current mandates at the date of the Annual Report:

Name	Position	Start or renewal of mandate	End of mandate	Nature of mandate	Professional address
Innoste S.A., with as permanent representative Jean Stéphenne	Chairman	2018	2021	Independent	Avenue Alexandre 8, 1330 Rixensart, Belgium
mC4Tx SRL, with as permanent representative Miguel Forte	Managing Director	2020	2022	Executive	Rue du Moulin 12, 1330 Rixensart, Belgium
Claudia D'Augusta	Director	2018	2023	Independent	Calle Estrelas 5, 28224 Pozuelo De Alarcon, Madrid, Spain
Castanea Management SARL with as permanent representative Damian Marron	Director	2020	2023	Independent	401 Chemin du Val Martin, 06560 Valbonne, France
ClearSteer Consulting LLC with as permanent representative Gloria Matthews	Director	2020	2023	Independent	880 Roswell Rd, Suite 430, Roswell, GA, United States
Jean-Paul Prieels	Director	2017	2021	Independent	Chemin du Gros Tienne 61, 1380 Lasne, Belgium
Finsys Management SRL with as permanent representative Jean-Luc Vandebroek	Managing Director	2018	2022	Executive	Rue Charles Plisnier 25, 1420 Braine-l'Alleud, Belgium

A brief overview of the relevant experience of the Independent Directors in place at the date of the Annual Report is set out below.

- **Mr. Jean Stéphenne (permanent representative of Innoste S.A.)** 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 authorization of its most advanced allogeneic cell therapy product for the treatment of complex perianal fistulas in Crohn's disease. Jean Stéphenne was also previously a Member of the Corporate Executive Team of GlaxoSmithKline (GSK) and Chief Executive of GSK Biologicals (now GSK Vaccines). During his 40-year tenure, he grew a company of 50 people into a fully integrated worldwide leader in vaccine development, with 12,000 employees. Jean Stéphenne currently serves on the Board of various life sciences companies including OncoDNA, CureVac, Vaxxilon and Bepharbel. Previous board positions include Besix Group, BNP Paribas Fortis, GBL and IBA. For his contribution to the Belgian economy and global public health, he has received diverse business recognitions and was honored with various titles by the Belgian and British governments.

- **Mrs. Claudia D'Augusta** is a seasoned financial professional with more than 20 years' experience in corporate finance, capital markets and M&A. She is currently Chief Financial Officer at VectivBio AG, a global biotechnology company created in July 2019 as a spin out of Therachon recently acquired by Pfizer for up to $810 million and is part of the Executive Committee at VectivBio AG. Prior she was Chief Executive Officer at TiGenix which was acquired in 2018 by Takeda for €52.00 million. Claudia D'Augusta held various other senior financial positions across a number of international public and private companies. Claudia D'Augusta holds a degree in Economics and a PhD in Business Administration from the University of Bocconi, Milan, Italy.

- **Damian Marron (permanent representative of Castanea Management SARL)** 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 personalized T-cell immunotherapies, where he led the Company's IPO on Euronext Paris. As Chief Executive Officer of Trophos, France, he helped raise €34.00 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. Gloria Matthews (permanent representative of ClearSteer Consulting LLC)** has more than 20 years of research and clinical experience in orthopedics, osteoarthritis, rheumatology and cartilage repair with extensive expertise in medical devices, biologicals, and regenerative medicine. She has a strong track record of supporting life sciences companies to grow and evolve from start-up stage to fully integrated biopharma companies and has built an impressive business and medical network over the years. She was Senior Vice President of MiMedx, a biopharma company focused on the development and commercialization of regenerative and therapeutic biologicals in wound care, and spine and sports medicine. Prior to that, she was Chief Medical Officer of the restorative cell therapy company Histogenics and Senior Director of Orthopaedics at Genzyme, a Sanofi company.

- **Dr. Jean-Paul Prieels, PhD** 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 and member of scientific advisory board at a number of biotechnology companies.

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

- had any conviction in relation to fraudulent offenses; 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.

4.3.2. Activity Report

In 2020, the Board of Directors met 16 times discuss and decide on specific matters. Below is the detail of the attendance:

BOARD OF DIRECTORS	Number of attendances[3]
Innoste SA, represented by M. Jean Stéphenne	16/16
mC4Tx SRL, represented by Miguel Forte	16/16
Claudia D'Augusta	16/16
Castanea Management SARL, represented by M. Damian Marron	16/16
ClearSteer Consulting LLC, represented by Mrs Gloria Matthews	14/16
M. Jean-Paul Prieels	16/16
Finsys Management SPRL, represented by Jean-Luc Vandebroek	16/16

4.3.3. 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 2020.

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 gender in accordance with Article 3:6 § 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. The Company's board currently counts 7 board members of which 2 women. As one third of the board must be female and the minimum is rounded to the closest unit, Bone Therapeutics is currently compliant with the gender diversity requirement.

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. 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 Executive Committee. At different occasions, 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.

[3] Number of attendances compared to the maximum number of attendances considering time of appointment and conflicts of interest. All Directors who were not present, were excused.

4.3.4. Committees within the Board of Directors

4.3.4.1. 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 organization, procedures, policies and activities.

4.3.4.2. Audit Committee

4.3.4.2.1. Role

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

4.3.4.2.2. 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 program 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.

4.3.4.2.3. 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 composition of the Audit Committee is as follows:

Name	Position	Professional address
Claudia D'Augusta	President—Independent Director	Calle Estrelas 5, 28224 Pozuelo De Alarcon, Madrid, Spain
Jean-Paul Prieels	Member—Independent Director	Chemin du Gros Tienne 61, 1380 Lasne, Belgium

Currently the Audit Committee is counting 2 members. Claudia D'Augusta and Jean-Paul Prieels qualify both in respect of having the necessary competences and qualifications in respect of accounting and audit matters as well as both of the members having an extensive experience in the management of biotech companies.

4.3.4.2.4. 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 2020, the Audit Committee met seven times.

4.3.4.3. Nomination and Remuneration Committee

4.3.4.3.1. 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 Executive Committee. 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 Executive Committee and on any agreements or provisions relating to the early termination of employment or collaboration with the Directors and members of the Executive Committee.

4.3.4.3.2. 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 Executive Committee is organized 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 Executive Committee;
- 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;

- analyze 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 Executive Committee;
- 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 Executive Committee;
- 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 Executive Committee, 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 Executive Committee, 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 Executive Committee and (b) a declaration regarding the remuneration policy applied with respect to the members of the Executive Committee, 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 Executive Committee; and
- verify that the variable criteria for setting remuneration for an executive director or a member of the Executive Committee 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.

4.3.4.3.3. 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 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 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
Innoste SA, with as permanent representative Jean Stéphenne	Chairman—Independent Director	Avenue Alexandre 8, 1330 Rixensart, Belgium
Castanea Management SARL with as permanent representative Damian Marron	Member—Independent Director	401 Chemin du Val Martin, 06560 Valbonne, France

4.3.4.3.4. 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 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 2020, the Nomination and Remuneration Committee met five times with particular emphasis on the:

- performance evaluation 2019 of the Executive Directors including bonus determination;
- definition of the objectives 2020 of the Executive Directors;
- discussion about a new stock option plan for Board members and employees;
- discussion about nomination of Stefanos Theoharis (CBO) and of a new CSO.

4.4. Executive Committee

4.4.1. General

The Board of Directors has established an Executive Committee (the "**Executive Committee**"), which advises the Board of Directors, and which therefore does not constitute a management committee (*comité de direction*) under article 7:104 of the Belgian Companies Code and Associations. The terms of reference of the Executive Committee have been determined by the Board of Directors.

4.4.2. Executive Committee

4.4.2.1. Role

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

4.4.2.2. Duties

The Executive Committee 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;
- organizing, 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 Executive Committee reports to and is accountable to the Board for the discharge of its responsibilities.

4.4.2.3. Composition

The Executive Directors (CEO and CFO) together with the senior managers (CMO, CBO, CSO and COO) are members of the Executive Committee. The Executive Committee is chaired by the CEO of the Company and in his absence by the CFO. The members of the Executive Committee 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 Executive Committee, as well as their individual remunerations.

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

The current members of the Executive Committee are listed in the table below:

Name	Title
mC4Tx SPRL, represented by Miguel Forte	Chief Executive Officer and Executive Director
Finsys Management SPRL, represented by Jean-Luc Vandebroek	Chief Financial Officer and Executive Director
Venture Advances Therapies Limited, represented by Stefanos Theoharis	Chief Business Officer
Anthony Ting	Chief Scientific Officer from 1 April 2021
Sven Kili Consulting Ltd, represented by Sven Kili	Interim Chief Medical Officer from 15 January 2021
Anne-Sophie Lebrun	Chief Operations Officer from 1 August 2020

- **mC4Tx SRL, represented by Mr. Miguel Forte**, (61) (**CEO**). Dr. Forte has significant experience in regenerative medicine and in the cell therapy industry, most recently as Chief Executive Officer of Zelluna Immunotherapy, a biopharma company focusing on developing transformative T cell receptors (TCR) based cellular immunotherapies for the treatment of cancers. He is currently also serving as Chief Commercialization Officer and Chair of the Commercialization Committee of the International Society of Cellular Therapy (ISCT).

  Dr. Forte held in the past a senior position at the European Medicines Agency (EMA), was Vice-President Global Medical Affairs Inflammation at UCB, Chief Medical Officer (CMO) at TxCell, a cellular therapy company, where he played a key role in TxCell's 2014 IPO, and served as Chief Medical Officer of Bone Therapeutics in 2017. In this last position, Dr. Forte was responsible for the Company's clinical development strategy and advancing its products towards the market. He played a key role in increasing the visibility of the Company throughout the medical community.

  With over 20 years professional activity in Clinical, Academic and Pharmaceutical Industry environments with deep experience in the management of operational and strategic functions across Research & Development, Manufacturing, Medical and General Management, Dr. Forte is a recognized leader in the regenerative medicine field who has gained broad expertise in medical and regulatory affairs and commercialization, leading early and late stage clinical trials to market authorization and the launch of new biologic products for various indications.

  Dr. Forte graduated in Medicine from the University of Lisbon, specializing in infectious diseases. He then obtained a PhD in Immunology at the University of Birmingham. He is a Fellow of the Faculty of Pharmaceutical Medicine of the Royal College of Physicians, UK and Associate Professor in Health Sciences and Pharmacy at the University of Lisbon.

- **Finsys Management SRL, represented by Mr. Jean-Luc Vandebroek**, (49) (**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 EUR 1.7 billion.

- **Venture Advances Therapies Limited, represented by Stefanos Theoharis**, (45) (**CBO**). Stefanos contributes more than 15 years of business development experience in the pharma and biotech industry to Bone Therapeutics, specifically in the cell and gene therapy space. This includes his achievements as Senior Vice-President at Cell Medica, a clinical-stage biotech company, where he expanded the company's allogeneic T-cell immunotherapy platform through strategic partnerships with leading research institutions and targeted acquisitions. Prior to Cell Medica, Stefanos was Chief Business Officer at apceth GmbH, a company developing genetically-engineered mesenchymal stromal (MSC) cell products and also acting as a contract manufacturer in the ATMP space. He led all apceth's business development activities, including in- and out-licensing and service contracts negotiations. He also held positions as Head of Business Development at the antisense RNA drug specialist Antisense Pharma (now Isarna), and Director Business Development at Roche, focused on partnering activities in emerging science and technologies. Stefanos also worked at Lazard, the global investment bank, advising to a variety of life sciences firms on M&As and financing transactions. Stefanos achieved an MSc. in Molecular Medicine and a PhD in Pathology and Immunology from Imperial College London.

- **Anthony Ting**, (58) (**CSO**). Dr. Ting brings to Bone Therapeutics over 30 years of academic and industry experience in translational science and global regulatory filing, and 20 years specifically in stromal cell-based therapeutics. He is currently the Chief Commercialization Officer on the board of directors for the International Society for Cell and Gene Therapy (ISCT) and is serving on committees for the Alliance for Regenerative Medicine (ARM) and the Health and Environmental Sciences Institute (HESI). Most recently, Dr. Ting served in the senior management team of Athersys, a Nasdaq-listed clinical-stage cell therapy company. As Vice President of Regenerative Medicine and Head of Cardiopulmonary Programs, he was responsible for all stages of development, from the bench to the bedside for the cardiovascular and pulmonary programs with Athersys' most advanced cell therapy product MultiStem®, an allogeneic adult bone marrow-derived stem cell product. Prior to joining Athersys, Dr. Ting was a Principal Investigator and Head of the Novel Inhibitors Screening Group at the Institute of Molecular and Cell Biology (IMCB) at the National University of Singapore, which identified new therapeutic targets through high-throughput screening. Dr. Ting received his PhD in Cell Biology from Johns Hopkins University and his B.A. in Biology from Amherst College.

- **Sven Kili Consutling Ltd, represented by Sven Kili**, (54) (**CMO ad interim**). Dr. Sven Kili is a highly experienced pharmaceutical physician specializing in the development and commercialization of cell and gene therapies. Previously, Dr. Kili was vice president & head of cell and gene therapy development at GSK, where he oversaw the approval and the launch of the first in man *ex vivo* gene therapy. He also held senior executive positions in global medical affairs for Sanofi-Genzyme's biosurgery franchise and cell therapy and regenerative medicine activities. Dr. Kili is orthopedic surgeon by training at the National Health Service, UK.

- **Anne-Sophie Lebrun,** (38) **(COO).** Dr. Lebrun joined Bone Therapeutics in 2010 and has subsequently held several roles of increasing responsibilities. She currently serves as Head of Operations and Associate Director of Production and oversees all manufacturing and logistic activities of company's cell therapy pipeline. She plays an instrumental role in the optimization of Bone Therapeutics allogenic platform ALLOB into a scalable, off-the-shelf cell therapy product. Previously, as a technology consult at Amaris Consulting, Dr. Lebrun advised a global vaccine manufacturer in quality assurance of its complex biomanufacturing processes. Dr. Lebrun obtained a bioengineering degree in chemistry and bio-industry and a PhD in agronomic sciences, both at the Catholic University of Louvain (UCL).

4.4.3. Operation

The Executive Committee 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.

4.5. Internal Control and Risk Management Systems

4.5.1. Internal Mechanism

The role of the Executive Directors & Executive Committee 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 & Executive Committee, 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.

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 capitalization of the R&D costs, an action plan was established for implementation in the course of 2016.

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 procedure 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.

The Company also improved its ERP with the integration of the new ERP system for the formalization of the purchase orders and the approval of the orders and the invoices.

4.5.2. Risk Analysis

Key Risk Factors Related to the Company's Business

Investing in securities involves a high degree of risk. Any prospective investor should carefully consider the following risks and all other information contained in the Prospectus before making an investment decision regarding the Company's securities. The risks and uncertainties described below are significant risk factors, currently known and specific to the Company, which the Company believes are relevant for an investment in its securities. If any of these risks actually occurs, the business, financial condition or results of operations of the Company would likely be materially and/or adversely affected. In such case, the price of the securities could decline, and an investor could lose all or part of its investment. These risks and uncertainties include the following:

- **The Company is at an early stage of its development and has not yet commercialized any of its products.** Successful products require significant development and investment, including testing to demonstrate their safety, their efficacy and their cost effectiveness prior to commercialization. Furthermore, problems encountered in connection with the development and utilization 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 generating revenue from sales of commercially successful products for the foreseeable future.

- **The absence of similar cell therapy 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 authorization. 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.

  Research programs 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. 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 clinical research organizations, contract manufacturing organizations and clinical trial sites, in obtaining approval of the Competent Authority, in recruiting suitable patients to participate in a trial, in having patients complete a trial, in obtaining sufficient supplies of clinical trial materials or 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 orthopedics require longer follow-up periods of up to 24 months.

- **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 bone-forming cells. Although the Phase I/II clinical results for the use of these differentiated cells in the treatment of delayed-union fractures and in lumbar spinal procedures showed statistically and clinically relevant benefits and demonstrated satisfying safety and efficacy, success in subsequent studies cannot be guaranteed as demonstrated by the osteonecrosis Phase III study with PREOB and may not lead to successful therapy products. A similar statement can be made for the viscosupplement in development, JTA-004, as the promising results of the Phase IIB study for knee osteoarthritis do not warrant a positive outcome for the follow-up Phase III study.

- **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. 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 commercialized.

- **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. However, the Company's competitors may have greater financial, human and other resources than the Company does. 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.

- **The future commercial success of the Company's product candidates will depend on the degree of market acceptance of its products amongst third-party payers, doctors, patients and the medical community in general.** To date, the Company has no product authorized for commercialization, the Company's products candidates are at different stages of development (in different phases of clinical trials) and the Company may never have a product that is commercially successful.

- **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 subsidies granted to the Company may prohibit the granting, by way of license, transfer or otherwise, any right to use the results, respectively patents without the prior consent of the Walloon Region. In addition, under the patent subsidies the Company may lose all or part of its right to any further funding in the event that the Company ceases to qualify as a "small- or medium-sized enterprise". Changes in regional financing and grant policies or a shift in regional investment priorities may reduce or jeopardize the Company's ability to obtain non-dilutive financing and grants. Also, the 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.

- **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 executive committee are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Company's executive committee 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.

- **The Company may not be able to protect and/or enforce its intellectual property rights in all key countries or territories.** 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 European Union, the United States or Japan. 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.

- **The Company has a history of operating losses and an accumulated deficit and may never become profitable.** The Company does not anticipate generating revenue from sales for the foreseeable future. It has incurred significant losses since its inception in 2006. 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.

- **The Company may need substantial additional funding which may not be available on acceptable terms when needed if at all.** These future financing needs will depend on many factors, including the progress, costs and timing of its 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 approval for its products and product candidates, the costs and timing of establishing sales and marketing capabilities. 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 programs and product candidates, to grant licenses on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favorable to the Company than those it might have obtained in a different context.

Other Risk Factors

Preclinical Programs

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

Authorization and Certification

- Nearly all aspects of the Company's activities are subject to substantial regulation.
- 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 of indication other than those for which approval has been granted.
- If the Company obtains regulatory approval for a product candidate, the product will remain subject to ongoing regulatory obligations.
- Maintenance of high standards of manufacturing in accordance with Good Manufacturing Practices and other manufacturing regulations and scale-up of manufacturing.

Reimbursement, Commercialization and Market Risk Factors

- 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 Company has no experience in sales, marketing and distribution.
- The Company might not find suitable industrial partners to pursue the development, the commercialization or the distribution of its products candidates.

Operational Risk Factors

- The terms of certain grants and subsidies may hamper the Company in the organization of its activities and its efforts to partner part or all of its products.
- Manufacturing of the Company's products requires human or derived raw materials to be obtained from third parties.
- The Company may not have or be able to obtain adequate insurance cover in particular in connection with product liability risk.
- 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 commercialization of it product candidates.

- The Company's employees, principal investigators, consultants and collaborative partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards.
- 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.
- The Company has a strong collaborative relationship with Catalent Gosselies SA for the manufacturing of its cell therapy product.
- The manufacturing of the Company's products may be more costly than expected.
- Recently the composition of the Company's board of directors has changed considerably.

Intellectual Property

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

Financial Risk Factors

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

Key Risk Factors Related to the Shares

- The market price of the shares may fluctuate widely in response to various factors.
- Future issuances of shares or warrants may affect the market price of the shares and could dilute the interests of existing shareholders.
- Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights.
- The market price of the shares could be negatively impacted by sales of substantial numbers of shares in the public markets.
- The Company does not intend to pay dividends for the foreseeable future.

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

4.5.3. Financial Risk Management

4.5.3.1. 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.

4.5.3.2. Interest Rate Risk Management

The Company has limited interest rate risk on long-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.

4.5.3.3. 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.

4.5.3.4. 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 entering 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.

4.5.4. Controls, Supervision and Correctives Actions

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

- 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 (at least 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.

4.6. 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.

4.7. Remuneration Report

The Company complies with the new law of 28 April 2020. This new law combines new rules that have been introduced in Belgian company law, implementing the EU Directive 2017/828 as regards the encouragement of long-term shareholder engagement.

4.7.1. Procedure

The Nomination and Remuneration Committee (or Remco), set up by the Board, is responsible for outlining a remuneration policy for the Executive and Non-Executive Directors.

4.7.1.1. 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 of Directors may set and revise at regular intervals the rules and the level of compensation for its Directors.

4.7.1.2. Executive Directors and the Executive Committee

The remuneration of the Executive Directors and the remuneration of the members of the Executive Committee are determined by the Board of Directors on recommendations made by the Nomination and 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.

4.7.2. Remuneration Policy

4.7.2.1. 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.

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 shareholders' meeting decides to maintain the resolution approved in 2016 concerning the remuneration of the non-executive Directors, as follows: a fixed annual remuneration for the members of the Board of Directors of €20,000; an additional annual remuneration for the Chairman of the Board of Directors of €20,000; and an additional annual remuneration for membership of each committee of the Board of Directors of €5,000 for committee members and €10,000 for the chairman of the committee.

The shareholders' meeting also decides to approve the proposal of the Company's Nomination and Remuneration Committee to grant each year: 6,666 subscription rights to the Chairman of the Board of Directors; 1,000 subscription rights to each non-executive Director of the Company; 500 subscription rights to each committee or sub-committee Chairman; as well as 500 additional subscription rights to any Director in charge of a special mandate within the Board of Directors. The shareholders' meeting confirms that the granting of subscription rights cannot be considered as variable remuneration. 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 2020 amounts to €150,000. The table below provides an overview of the remuneration per Independent Directors.

Name, Position	Fixed Remuneration (€)			Variable Remuneration (€)						
	Base compensation	Attendance fees	Other benefits	One-year variable	Multi-year variable	Extra-ordinary items (€)	Pension expense (€)	Total remu-neration (€)	Fixed	Variable
Innoste S.A., with as permanent representative Jean Stéphenne	50,000	/	/	/	/	/	/	50,000	100%	0%
Claudia D'Augusta	30,000	/	/	/	/	/	/	30,000	100%	0%
Castanea Management SARL with as permanent representative Damian Marron	25,000	/	/	/	/	/	/	25,000	100%	0%
Jean-Paul Prieels	25,000	/	/	/	/	/	/	25,000	100%	0%
ClearSteer Consulting LLC with permanent representative Gloria Matthews	20,000	/	/	/	/	/	/	20,000	100%	0%
Total	**150,000**	**/**	**/**	**/**	**/**	**/**	**/**	**150,000**	**100%**	**0%**

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 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 of shares held directly or indirectly on 31 December 2020 by the Non-Executive Members of the Board of Directors. The overview must be read together with the notes referred to below.

Non-Executive Directors	Shares	
	Number	%*
Innoste S.A., with as permanent representative Jean Stéphenne	47,038	0.28%
** calculated as the percentage of all outstanding shares and warrants (16,711,055 which is 16,478,168 shares and 232,887 warrants) at the date of the Document*		

The table below provides an overview of the main condition of the warrant plans as well as information related to the financial year 2020 regarding Non-Executive Members of the Board of Directors:

	Main condition of the warrant plans					Information related to the financial year 2020		
Name Position[4]	Plan ID	Grant date	Vesting Date	Retention period	Exercise period	A) Number of options vested; B) Value at exercise price (€)	A) Number of options exercised ; B) Date of exercise	Number of options expired
Jean Stéphenne, Chairman	Plan A	28-02-19	1/3 at 28-02-2020 2/3 at 28-02-2021 3/3 at 28-02-2022	-	28-02-2019 - 28/02/2029	A) 6,666 B) 4.11	-	-
Jean Stéphenne, Chairman	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 14,332 B) 2.74	-	-
Claudia D'Augusta, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 3,000 B) 2.74	-	-
Jean-Paul Prieels, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 3,000 B) 2.74	-	-
Damian Marron, Director	Plan A	28-02-19	1/3 at 28-02-2020 2/3 at 28-02-2021 3/3 at 28-02-2022	-	28-02-2019 - 28/02/2029	A) 666 B) 4.11	-	-
Damian Marron, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 2,000 B) 2.74	-	-
Gloria Matthews, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 2,000 B) 2.74	-	-

[4] Please note that the warrants have been offered to the Company of the representative named in the table, which is the case for Jean Stéphenne, Damian Marron and Gloria Matthews

4.7.2.2. Remuneration of the CEO and the Other Executive Directors and the Executive Committee

4.7.2.2.1. Remuneration Policy

The remuneration package applicable in 2020 for the Executive Directors and the members of the Executive Committee is in line with the remuneration levels in comparable companies for these functions.

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 linking 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 (corporate and individual) are agreed upon in advance. These indicators can be operational or financial in nature (progress in clinical and preclinical programs, 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 weights of each performance factors applied in 2020 can be found in the table below.

Performance factor	Weight
Financial (cash position end of year, budget management, funding strategy development)	35%
Business development & Commercialization strategy development (commercial deal, scientific partnership)	30%
Clinical trials progress (recruitment timelines, sites initiations and activations)	25%
Regulatory Strategy development	10%

- The variable remuneration will be partly in cash and partly in shares, warrants or other instruments allowing acquiring 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 the realization of the performance criteria and will make a proposal in respect of the variable remuneration to the Board.

- The maximum variable remuneration is set at [50% * base salary] for the CEO. For the other Executive Directors, the maximum variable remuneration is set between [20% and 30% * base salary] depending on the positions.

- The Company's articles of association explicitly allow to deviate from what has been defined under Article 7:91 of the Belgian Companies Code and Associations (by decision of the General meeting date:

5 February 2015). Article 7:91 stipulates that: "Unless otherwise provided for in the articles of association or expressly approved by the general meeting, at least one quarter of the variable remuneration of an Executive Director in a listed company must be based on predetermined and objectively measurable performance criteria over a period of at least two years, and another quarter must be based on predetermined and objectively measurable criteria over a period of at least three years.

- In accordance with Article 7:149 of the Belgian Companies Code and Associations, 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 7:90 of the Belgian Companies Code and Associations, 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 Executive Committee.

In accordance with Article 3:6 of the Belgian Code of Companies and Associations, 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.

	Fixed Remuneration (€)			Variable Remuneration (€)		Extra-ordinary items (€)	Pension expense (€)	Total remuneration (€)		
Name, Position	Base compensation	Administrator compensation	Other benefits	One-year variable	Multi-year variable				Fixed	Variable
Miguel Forte, CEO	300,000	/	19,900	112,500	/	/	/	432,000	74%	26%

Other benefits include transportation repayments and phone bills repayments.

The one-year variable is a bonus based on key performance indicators stated above. The maximum variable remuneration is set at [50% * base salary] for the CEO. For the year 2020, the CEO performance was set at 75%.

Following his resignation as CEO it was agreed that Thomas Lienard will continue to provide support to the company until 17 June 2020. For these services, a total amount of €134,610 has been paid of the period 1 January 2020 until 17 June 2020.

In accordance with Article 3:6 of the Belgian Code of Companies and Associations, this remuneration report also includes the amount of the remuneration of, and any other benefits granted to, the Company's other Members of the Executive Committee, on a broken-down basis.

The Executive Committee (excluding the CEO) in place during 2020 was as follows:

- Finsys Management SRL, represented by Jean-Luc Vandebroek, CFO;
- Venture Advances Therapies Limited, represented by Stefanos Theoharis, CBO, from 26 March 2020;
- Benoit Moreaux SRL, represented by Benoit Moreaux, COO until 13 November 2020;
- Zam Consulting SRL, represented by Olivier Godeaux, CMO;
- Lebon Regulatory Science Strategy, represented by Linda Lebon, CRO, until 30 September 2020;
- Anne-Sophie Lebrun, COO, from 1 August 2020.

Currently, all members of the Executive Committee (excluding Anne-Sophie Lebrun) are engaged on the basis of a service agreement. The contracts with all members of the Executive Committee 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.

Please find the amount of remuneration on a broken-down basis for the other Members of the Executive Committee:

Name, Position	Fixed Remuneration (€)			Variable Remuneration (€)		Extra-ordinary items (€)	Pension expense (€)	Total remunera-tion (€)	Fixed	Variable
	Base compensation	Administrator compensation	Other benefits	One-year variable	Multi-year variable					
Other Members of the Executive Committee	861,000	/	46,000	153,000	/	/	/	1,060,000	86%	14%

The one-year variable is a bonus based on key performance indicators stated above. The maximum variable remuneration is set between [20% and 30% * base salary] depending on the positions. For the year 2020, the average performance of the Executive Committee (excluding the CEO) was set at 89%.

The table below provides an overview of the main condition of the warrant plans as well as information related to the financial year 2020 regarding members of the Executive Committee:

	Main condition of the warrant plans					Information related to the financial year 2020		
Name Position	**Plan ID**	**Grant date**	**Vesting Date**	**Retention period**	**Exercise period**	**A) Number of options vested; B) Value at exercise price (€)**	**A) Number of options exercised; B) Date of exercise**	**Number of options expired**
Miguel Forte, CEO	Plan 2020	29-05-21	29-05-21	-	30/05/2023 - 29/05/2027	A) 51,724 B) 2.74	-	-
Miguel Forte, CEO	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 58,000 B) 2.55	-	-
Jean-Luc Vandebroek, CFO	Plan A	28-02-19	1/3 at 28-02-2020 2/3 at 28-02-2021 3/3 at 28-02-2022	-	28-02-2019 - 28/02/2029	A) 24,000 B) 4.11	-	-
Jean-Luc Vandebroek, CFO	Plan 2020	29-05-21	29-05-21	-	30/05/2023 - 29/05/2027	A) 12,000 B) 2.74	-	-
Jean-Luc Vandebroek, CFO	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 7,500 B) 2.55	-	-
Olivier Godeaux, CMO	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 5,000 B) 2.55	-	-
Stefanos Theoharis, CBO	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 5,000 B) 2.55	-	-

The table below provides an overview of significant positions of shares held directly or indirectly on 31 December 2020 by the other Members of the Executive Committee. The overview must be read together with the notes referred to below.

Executive Committee Member	**Shares**	
	Number	**%***
Finsys Management SRL	2,880	0.02%
** calculated as the percentage of all outstanding shares and warrants (16,711,055 which is 16,478,168 shares and 232,887 warrants) at the date of the Document*		

4.7.2.3. Severance Provisions and Payments

- Miguel Forte

The management agreement between mC4Tx SRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and mC4Tx SRL 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 mC4Tx SRL commits a serious breach of its obligations under the management agreement. mC4Tx SRL 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.

The management agreement also provides for a non-compete clause preventing mC4Tx SRL and Miguel Forte 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 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 SRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and Finsys Management SRL 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 SRL commits a serious breach of its obligations under the management agreement. Finsys Management SRL 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 SRL if the management agreement is terminated within the year of the change of control, unless Finsys Management SRL 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 SRL under the management agreement are unilaterally and materially reduced within two years of the change of control and if Finsys Management SRL terminates the management agreement because of this reduction.

The management agreement also provides for a non-compete clause preventing Finsys Management SRL and Jean-Luc Vandebroek 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 during the term of the management agreement or for a period of three years after termination of the management agreement.

- Stefanos Theoharis

The management agreement between Venture Advances Therapies Limited and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and Venture Advances Therapies Limited may terminate the management agreement by means of a three months' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event Venture Advances Therapies Limited commits a serious breach of its obligations under the management agreement. Venture Advances Therapies Limited 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 she will receive an indemnity corresponding to six months' fees.

The management agreement also provides for a non-compete clause preventing Venture Advances Therapies Limited and Stefanos Theoharis 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 during the term of the management agreement or for a period of three years after termination of the management agreement.

- Olivier Godeaux

The management agreement between ZAM Consulting SRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and ZAM Consulting SRL may terminate the management agreement by means of a three months' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event ZAM Consulting SRL commits a serious breach of its obligations under the management agreement. ZAM Consulting SRL 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 she will receive an indemnity corresponding to six months' fees.

The management agreement also provides for a non-compete clause preventing ZAM Consulting SRL and Olivier Godeaux 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 during the term of the management agreement or for a period of three years after termination of the management agreement.

- Anthony Ting

Anthony Ting has an employment contract with the affiliate in US. In the event of termination of the employment contract, the legal provisions of the American law apply.

- Anne-Sophie Lebrun

Anne-Sophie Lebrun has an employment contract with the Company. In the event of termination of the employment contract, the legal provisions of Belgian law apply.

4.7.2.4. Evolution of remuneration and company performance

The table below includes the evolution of the Remuneration of Non-Executive Directors, Remuneration of CEO, Remuneration of Core Leadership Team, Company performance and the average remuneration per FTE employee for last 5 years:

	2016	2017	2018	2019	2020
Remuneration of Non-Executive Directors					
Total annual remuneration (€)	205,000	223,490	227,500	172,500	150,000
Year-on-year difference	/	9%	2%	-24%	-13%
Number of Non-Executive Directors under review	9	12	12	7	5
Remuneration of CEO					
Total annual remuneration (€)	223,000	281,000	355,000	328,000	432,000
Year-on-year difference	/	26%	26%	-8%	32%
Remuneration of CLT					
Total annual remuneration (€)	1,111,000	1,047,000	963,000	1,056,000	1,060,000
Year-on-year difference	/	-6%	-8%	10%	0%
Number of CLT Members under review	6	7	6	7	6
Company performance (thousands of euros)					
Net profit/(loss) for the period	(13)	(11,9)	(14,1)	(10,3)	(11,9)
Cash position at the end of year	20,3	8,4	8,1	8,6	14,6
Average remuneration per FTE employee					
Average employee cost per FTE	67,249	68,990	72,151	75,493	84,879
Year-on-year difference	/	3%	5%	5%	12%

4.7.2.5. Total Remuneration of CEO versus Lowest Remuneration Employee

The Table below shows a comparison of the 2020 total remuneration of the CEO (in €), to the 2020 remuneration of the lowest paid full time Bone Therapeutics SA employee (in €). The remuneration includes fixed and variable remuneration as well as employee benefits, excluding employer social security charges.

2020	
Ratio of Total Remuneration of CEO versus Lowest Remunerated Employee	1:11

4.7.2.6. 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 Executive Committee.

5. RELATED PARTY TRANSACTIONS

5.1. General

Each member of the Executive Committee 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.

5.2. 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 7:96 of the Belgian Code on Companies and Associations, 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 Executive Committee 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 7:96 of the Belgian Code on Companies and Associations 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.

5.2.1. Board of Directors of 11 February 2020

Prior to discussing the items on the agenda, the Board acknowledged that, in accordance with Article 7:96 of the Code on Companies and Associations:

- mC4Tx SPRL, represented by Mr Miguel Forte and Finsys Management SPRL, represented by Mr Jean-Luc Vandebroek, directors of the Company, declares having a direct or indirect financial interest, conflicting with certain decisions that fall within the scope of the powers of the board of directors, in particular with respect to item 8 of the agenda as it concerns the discussions relating to the HR structure of the Company and the approval of the recommendations of the Nomination and Remuneration Committee (NRC) regarding the bonus plan for 2019 and the objectives for 2020.

These board members were present at the meeting but did not take part in any deliberation and resolutions where they had a conflict of interest.

The other directors of the Company present as aforementioned, each declared not to have any direct or indirect financial interest conflicting with the decisions to be taken.

Justification of the Decision to be Taken:

The Board believes that the discussions regarding the evaluation of the performance in 2019 and the determination of the objectives for 2020 are in line with the strategic orientation of the Company and are in the interest of the Company.

Financial Consequences for the Corporation:

The exact financial impact of the decision on the Company are summarized in the financial package of the directors.

Deliberations and Decisions:

Assessment of 2019 objectives and 2020 objectives:

The Nomination and Remuneration Committee ("NRC") presents the objectives 2020 for the CEO. The Board shall review and approve the finalised version once circulated by the CEO.

Regarding the 2019 objectives, and based on the recommendations of the NRC, the Board decides that:

- CFO achieved 75% of his objectives.
- CTMO achieved 80% of his objectives.
- CMO achieved 80% of his objectives.

Regarding the stock option plan, the Board decides to approve the preparation of a plan to be attributed to the CEO and the CFO in accordance with and under the proportions set out in the previous commitments of the Company in that regard.

5.2.2. Board of Directors of 5 May 2020

Prior to discussing the items on the agenda, the board of directors acknowledged that, in accordance with Article 7:96 of the Code on Companies and Associations:

- Finsys Management SRL, represented by Mr Jean-Luc Vandebroek, director of the Company, declares having a direct or indirect financial interest, conflicting with certain decisions that fall within the scope of the powers of the board of directors, in particular with respect to item 4 of the agenda as it concerns the approval of the grant of SOP to Finsys Management SRL, represented by Mr Jean-Luc Vandebroek and being the CFO of the Company, in the framework of the authorised capital on the basis of the authorisation of 0.6% approved in the 2019 General Assembly.

- mC4Tx SRL, represented by Mr Miguel Forte, director of the Company, declares that he might have a direct or indirect financial interest, conflicting with certain decisions that fall within the scope of the powers of the board of directors, in particular with respect to item 4 of the agenda as it concerns the approval of the grant of SOP to mC4Tx SRL, represented by Mr Miguel Forte and being the CEO of the Company, in the framework of the authorised capital on the basis of the authorisation of 0.6% approved in the 2019 General Assembly.

Justification of the Decision to be Taken:

The Board believes that the grant of SOP incentivises the CEO and CFO and is therefore in the interest of the Company.

In accordance with Article 7:96 of the Code on Companies and Associations, the auditor of the Company, Deloitte Réviseurs d'Entreprises SC SRL, represented by Julie Delforge, shall receive a copy of the Board minutes and the extract of these minutes relating to the conflict of interests will be added in the annual report of the directors in relation to the financial year ending 31 December 2020 of the Company.

These board members are present at the meeting, but do not take part in the deliberation or resolutions in respect of which they have a conflict of interest.

The other directors of the Company, present as aforementioned, each declare not to have any direct or indirect financial interest conflicting with the decisions to be taken.

Deliberations and Decisions:

The Board noted the terms and conditions of the SOP Plan 2020, a copy of which was circulated to the Board prior to the meeting, and APPROVED the SOP Plan 2020, subject to the finalisation thereof.

Upon recommendation of the Nomination and Remuneration Committee and as suggested on 18 December 2019, the Board RESOLVED to grant subscription rights ("SOP") subject to the terms and conditions of the SOP Plan 2020 to the following persons and in the following proportions:

Beneficiary	**Number of SOP to be granted**	**Date of offer**
mC4Tx SRL, represented by Mr Miguel Forte (CEO)	51,724	May 2020
Finsys Management SRL, represented by Mr Jean-Luc Vandebroek (CFO)	12,000	May 2020
TOTAL	**63,724**	

This grant of SOP shall be done in the framework of the authorised capital of the Company on the basis of the authorisation of 0.6% (+/- 65,000 SOP) approved in the 2019 General Assembly and shall be considered as fixed compensation.

Notwithstanding Article 5.6 of the SOP Plan 2020, the Board RESOLVED that the SOP granted to mC4Tx SRL and Finsys Management SRL may be transferred to the directors of these companies representing them in the execution of the services provided by these companies to Bone Therapeutics. Any other *inter vivos* transfer of SOP covered by Article 5.6 of the SOP Plan 2020, including the transfer from a natural person to another beneficiary remains excluded.

The decision of the Board to (i) grant the SOP to mCT4x SRL and Finsys Management SRL under the proportions and conditions set out above and (ii) allow the transfer of the SOP granted to mC4Tx SRL and Finsys Management SRL to the directors of these companies representing them in the execution of the services provided by these companies to the Company is subject to the effective issuance of the SOP.

The Board APPROVED the execution of the SOP Plan 2020, subject to the finalisation of the documentation, including:

- the SOP Plan 2020; and
- the Special Report prepared by the Board in accordance with Article 7:180 *juncto*, 7:191 of the Belgian Code on Companies and Associations;
- the draft Deloitte report.

Subject to the recommendation of the Nomination and Remuneration Committee, the Board granted power to Mr Miguel Forte and Mr Jean-Luc Vandebroek to finalise, amend and sign the documentation of the Board in the name and on behalf of the Board including the signature of the deed at the notary.

5.2.3. Board of Directors of 29 October 2020

The directors of the Company, present as aforementioned, each declared not to have any direct or indirect financial interests conflicting with the decisions to be taken. Except for Finsys Management represented by Jean-Luc Vandebroek.

Finsys Management SRL, represented by Mr Jean-Luc Vandebroek, director of the Company, declares having a direct or indirect financial interest, conflicting with certain decisions that fall within the scope of the powers of the board of directors, in particular with respect to item 3 of the agenda as it concerns the approval of the grant of SOP to Finsys Management SRL, represented by Mr Jean-Luc Vandebroek and being the CFO of the Company, in the framework of the authorised capital on the basis of the authorisation of 0.6% approved in the 2020 General Assembly.

Justification of the Decision to be Taken:

The Board believes that the grant of SOP incentivises the CFO and is therefore in the interest of the Company.

Deliberations and Decisions:

The Board discussed the proposal of the RemCo of 25 August 2020 for allocating warrants under the SOP plan as approved by the shareholders' meeting on 10 June 2020. It was proposed to issue and allocate 99,832 warrants as follows:

- Board: (23,332)
    - 2019-2020: 11,666 (Chairman 6,666 – Director: 1,000 – Chairman Remco/Audit: 500)
    - 2020-2021: 11,666 (Chairman 6,666 – Director: 1,000 – Chairman Remco/Audit: 500)
- Management + advisor: (76,500)
    - CEO: 58,000
    - CFO: 7,500
    - CMO: 5,000
    - CBO: 5,000
    - External advisor: 1,000

The Board decided unanimously to grant and allocate the warrants as recommended by RemCo, which is in line with the authorisation given by the shareholders' meeting on 10 June 2020.

The Board furthermore decided unanimously that the offer date of the warrants will be the 10th day after completion of the equity raise. The warrants will be issued in the framework of the authorised capital of the Company, as authorised by the shareholders' meeting in 2020. The board therefore decided to request mC4Tx SRL, represented by Mr Miguel Forte and Finsys Management SRL, represented by Mr Jean-Luc Vandebroek to finalise the draft board reports relating to the issuance of the warrants and the cancellation of the preferential subscription right and to take any other actions that are required or useful for the issuance and offer of the new warrants.

The Board furthermore decided to grant a special power of attorney to Mr Miguel Forte and Finsys Management SRL, represented by Mr Jean-Luc Vandebroek to sign all necessary reports, deeds,

agreements and other documents (including the draft board reports and the notarial deed) to complete the allocation and issue of the warrants, and the effective offer thereof to the beneficiaries.

5.3. Existing Conflicts of Interest of Members of the Board of Directors and of the Executive Committee 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 7:96 of the Belgian Companies and Associations 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.

5.4. Related Party Transactions

5.4.1. Transactions with SCTS

The Company has granted SCTS personal, non-transferable royalty-free licenses to use, perform, research, develop and manufacture products in the 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, CRYOFIN, PROSTERIL and ALLOPROD agreements (*i.e.* also a research and development agreement between the Company, SCTS and the Region).

As from 28 October 2020, all the recoverable cash advances conventions of SCTS have been transferred to Bone Therapeutics SA with the approval of the DGO6, the department in charge of grants & subsidies at the Walloon Region.

As the Company and SCTS operated 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 the 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). All those agreements have been terminated at the signature of the sale of SCTS to Catalent Gosselies SA.

5.4.2. Transactions with Bone Therapeutics USA Inc.

In course of 2020, expenses related to all activities executed through Bone Therapeutics USA Inc. have been re-invoiced to the Company on 31 December 2020.

5.4.3. 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 recognized in the financial statements relate to government grants for a total of €35.54 million (2019: €33.15 million). Next to the government grants, government agencies granted loans to the Group for a total amount of € 3.97 million (€ 2.42 million in 2019).

5.4.4. Transactions with the Executive Committee

There were no transactions with the Executive Committee in 2020.

For information on the Executive Committee remuneration, see Section 4.7.2.2 "Remuneration of the CEO and the other Executive Directors and the Executive Committee".

5.5. Transactions with Affiliates

Article 7:97 of the Belgian Code on Companies and Associations 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.

6. SHARES AND SHAREHOLDERS

6.1. History of Capital—Capital Increase and Issuance of Shares

6.1.1. Securities Issued by the Company

At the date of 31 December 2020, the Company's capital amounts to €8,414,913.01, represented by 16,478,168 ordinary shares without nominal value.

On 31 December 2020, 232,887 warrants were attributed and are still in circulation.

6.1.2. History of Capital since IPO

On 5 February 2015, the share capital was increased by a contribution in cash further to the completion of the initial public offering of the Company, in the amount of €6,077,750 with issuance of 2,012,500 shares. The new shares were issued at a price of €16 per share (of which 3.02 in share capital and 12.98 in issuance premium). The aggregate issuance premium amounted to €26,122,250.00. Following the capital increase, the share capital of the Company amounted to €16,544,052.63 and was represented by 5,470,740 shares.

On the same day, the share capital was increased by a contribution in cash further to the conversion of the convertible bonds, in the amount of €3,252,657.78 with issuance of 1,077,039 shares. The new shares were issued at a price of €9.61 per share (of which 3.02 in share capital and 6.59 issuance premium). The aggregate issuance premium amounted to €7,097,342.22. Following the capital increase, the share capital of the Company amounted to €19,796,710.41 and was represented by 6,547,779 shares.

On 11 February 2015, the share capital was increased by contribution in cash further to the exercise of the over-allotment subscription right, in the amount of €911,662.50 with issuance of 301,875 shares. The new shares were issued at a price of €16 per share (of which 3.02 in share capital and 12.98 in issuance premium). The aggregate issuance premium amounted to €3,918,337.50. Following the capital increase, the share capital of the Company amounted to €20,708,372.90, represented by 6,849,654 shares.

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.

On 9 March 2018, as a result of the exercise of bond warrants and 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.

From April 2018 to June 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 €464,215 with issuance of 216,923 shares. The aggregate share premium for this transaction amounts to €1,413,251.

On 9 July 2018, the share capital was decreased by an incorporation of losses of an amount of €4,830,335.13 without any reduction of shares.

From July 2018 to December 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 €1,024,076 with issuance of 678,196 shares. The aggregate share premium for this transaction amounts to €4,608,258.
From January 2019 to June 2019, 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 €968,552 with issuance of 641,425 shares. The aggregate share premium for this transaction amounts to € 1,313,907.

Via the Private Placement on 27 June 2019, the Company has raised EUR 5.0 million and placed 1,351,352 new shares with current and new institutional investors in Belgium. The share capital was increased by €2,040,542. The aggregate share premium for this transaction amounts to €2,959,458. Following the capital increase, the share capital of the Company amounted to €15,540,605 and was represented by 10,303,323 shares.

From July 2019 till 12 December 2019, 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 €479,218 with issuance of 317,363 shares and amounts to €16,019,823.16 and is represented by 10,620,686 shares. The aggregate share premium for this transaction amounts to €595,732.

On 12 December 2019, the Company decided to reduce its share capital by the incorporation of the losses. After the operation the share capital amounts to €5,427,597.19.

On 18 December 2019, 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 €26,116.08 with issuance of 51,208 shares. The aggregate share premium for this transaction amounts to €136,378.31.

On 29 January 2020, 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 €80,699.85 with issuance of 158,235 shares. The aggregate share premium for this transaction amounts to €451,774.60.

On 26 February 2020, 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 €61,311.18 with issuance of 120,218 shares. The aggregate share premium for this transaction amounts to €393,671.85.

On 25 March 2020, 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 €79,592.64 with issuance of 156,064 shares. The aggregate share premium for this transaction amounts to €320,397.19.

On 30 April 2020, as a result of the immediate conversion of the convertible bonds placed via a private placement announced on 29 April 2020, the share capital was increased by € 203,302.32 with issuance of 398,632 shares. The aggregate share premium for this transaction amounts to € 796,697.15..

On 7 May 2020, 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 € 80,629.47 with issuance of 158,097 shares. The aggregate share premium for this transaction amounts to € 306,864.56.

On 21 August 2020, as a result of the conversion of the convertible bonds placed via a private placement announced on 29 April 2020, the share capital was increased by € 100,332.81 with issuance of 196,731 shares. The aggregate share premium for this transaction amounts to € 312,154.16.

On 8 October 2020, as a result of the conversion of the convertible bonds placed via a private placement announced on 29 April 2020, the share capital was increased by € 106,802.16 with issuance of 209,416 shares. The aggregate share premium for this transaction amounts to € 280,691.85.

Via the Private Placement on 15 December 2020, the Company has raised EUR 9.92 million and placed 4,408,881 new shares with current and new institutional investors in Belgium. The share capital was increased by €2,248,529. The aggregate share premium for this transaction amounts to €7,671,471. Following the capital increase, the share capital of the Company amounted to €8,414,913 and was represented by 16,478,168 shares.

Date	Transaction	Number and class of shares issued	Issue price per share (€) including issuance premium	Capital increase/decrease (€)	Share capital after transaction (€)	Aggregate number of shares after capital increase
05/02/2015	Capital increase	2,012,500	16	6,077,750	16,544,052.63	5,470,740
05/02/2015	Capital increase	1,077,039	9.51	3,252,658	19,796,710.41	6,547,779
10/02/2015	Capital increase	301,875	16	911,663	20,708,372.90	6,849,654
30/10/2017	Incorporation of losses	None	Not applicable	-6,045,571	14,662,801.49	6,849,654
09/03/2018	Capital increase/conversion convertible bonds	565,773	10.61	1,210,754	15,873,555.71	7,415,427
04/2018 – 06/2018	Capital increase/conversion convertible bonds	216,923	8.66 (average issue price)	464,215	16,337,770.93	7,632,350
09/07/2018	Incorporation of losses	None	Not applicable	-4,830,335	11,507,435.80	7,632,350
07/2018— 12/2018	Capital increase/conversion convertible bonds	678,196	8.30 (average issue price)	1,024,076	12,531,511.76	8,310,546
01/2019 – 06/2019	Capital increase/conversion convertible bonds	641,425	3.56 (average issue price)	968,552	13,500,063.51	8,951,971
01/07/2019	Capital increase	1,351,352	3.70	2,040,542	15,540,605.03	10,303,323
10/07/2019	Capital increase/conversion convertible bonds	49,522	3.79 (average issue price)	74,778	15,615,383.25	10,352,845
21/08/2019	Capital increase/conversion convertible bonds	93,952	3.51 (average issue price)	141,868	15,757,250.77	10,446,797
11/09/2019	Capital increase/conversion convertible bonds	33,200	3.54 (average issue price)	50,132	15,807,382.77	10,479,997
14/11/2019	Capital increase/conversion convertible bonds	140,689	3.13 (average issue price)	212,440	16,019,823.16	10,620,686
12/12/2019	Incorporation of losses	None	Not applicable	-10,592,226	5,427,597.19	10,620,686
18/12/2019	Capital increase/conversion convertible bonds	51,208	3.17 (average issue price)	26,116	5,453,713,27	10,671,894
29/01/2020	Capital increase/conversion convertible bonds	158,235	3.37 (average issue price)	80,700	5,534,413.12	10,830,129
26/02/2020	Capital increase/conversion convertible bonds	120,218	3.78 (average issue price)	61,311	5,595,724.30	10,950,347
25/03/2020	Capital increase/conversion convertible bonds	156,064	2.79 (average issue price)	79,593	5,675,316.94	11,106,411
30/04/2020	Capital increase / conversion convertible bonds	398.632	2.51 (average issue price)	203,302.32	5,878,619.26	11.505.043
07/05/2020	Capital increase / conversion	158.097	2.45 (average issue price)	80,629.47	5.959.248.73	11.663.140

	convertible bonds					
21/08/2020	Capital increase / conversion convertible bonds	196,731	2.10 (average issue price)	100,332.81	6,059,581.54	11,859,871
08/10/2020	Capital increase / conversion convertible bonds	209,416	1.85 (average issue price)	106,802.16	6,166,383.70	12,069,287
15/12/2020	Capital increase	4,408,881	2.25	2,248,529	8,414,913.01	16,478,168

6.2. Authorized Capital

Description of the Authorized Capital

Pursuant to the decision of the extraordinary shareholders' meeting of the Company held on 9 July 2018 and in accordance with article 7 of the Company's articles of association, the Board has received certain powers within the framework of the authorised capital.

Indeed, on 9 July 2018, the shareholders' meeting decided, in accordance with Articles 604 and 607 paragraph 2, 2° of the old Belgian Companies Code (since then replaced by Articles 7:199 and 7:202 of the BCCA) to renew, for a period of five years, the authorisation of the Board to increase the Company's share capital by a maximum aggregate amount of €11,043,220.58 under the same conditions as those currently provided for in article 7 of the articles of association of the Company, including in the event that the Company receives a communication from the Financial Services and Markets Authority ("*Autorité des services et marchés financiers*" - FSMA) indicating that it has been informed of a takeover bid concerning the Company.

The Board is authorised to increase the share capital within the framework of the authorised capital, on one or more occasions in the following cases:

(a) capital increases or issues of convertible bonds or subscription rights where the preferential subscription rights of shareholders are limited or cancelled (Article 7:200, 1° of the BCCA);

(b) capital increases or issues of convertible bonds where the preferential subscription rights of shareholders are limited or waived in favour of one or more specified persons, other than employees of the Company or its subsidiaries (Article 7:200, 2° of the BCCA);

(c) capital increases carried out by incorporation of reserves (Article 7:200, 3° of the BCCA).

The Board may, in the interests of the Company and in compliance with and within the limits of the conditions provided for in the BCCA, limit or cancel the preferential subscription right, even in favour of one or more specified persons, other than the employees of the Company or its subsidiaries.

The capital increases decided pursuant to this authorisation may be carried out by contributions in cash or, within the limits of legal conditions, in kind, with or without the creation of new shares, preferential or not, with or without voting rights, with or without subscription rights. These capital increases may be carried out with or without share premium. The issue premiums, if any, will be allocated to the "Issue Premiums" account which, like the share capital, will constitute the guarantee of third parties and may only be disposed of in accordance with the legal provisions in force for the amendment of the articles of association, except in the case of the incorporation of these premiums into the capital account.

Available Amount within the Authorized Capital

Since the renewal of the authorised capital by the extraordinary shareholders' meeting on 9 July 2018, the Board has made use of its powers as described above:

- to increase the share capital by an amount of €2,040,541.52 within the framework of the authorized capital on 1 July 2019 following the private placement of 1,351,352 new shares announced on 27 June 2019;
- to increase the share capital within the framework of the placement of up to 2,500 convertible bonds approved on 30 April 2020. This capital increase was subject to the condition precedent and to the extent that convertible bonds are subscribed for and subsequently converted. On the day of the issue of the convertible bonds, the capital was increased by €203,302.32 within the framework of the authorised capital following the immediate subscription and conversion of 400 convertible bonds. A total of 305 additional convertible bonds were effectively subscribed for and converted prior to the Company's decision to close and terminate the placement of convertible bonds on 29 October 2020. These 305 convertible bonds resulted in an additional capital increase of €199,509.45 in total;
- to increase the share capital within the framework of the issue of 1,600 convertibles bonds completed on 29 May 2020. Within the framework of the conversion of the convertible bonds (1,600), the capital will be increased by an amount equal to the number of new shares subscribed and effectively issued multiplied by the accounting par value, provided that the final issue price of the new shares to be issued exceeds the accounting par value of the existing shares of the Company (€0.51 per share). Based on the agreed fixed conversion price of €7.00, the share capital could therefore be increased by a maximum amount of €291,428.28;
- to increase the share capital within the framework of the issue of 69,978 subscription rights on 29 May 2020. Upon exercise, each beneficiary has a right to subscribe to one share of the Company, thereby resulting in a capital increase of up to €35,688.78;
- to increase the share capital by an amount of €2,248,529.31 within the framework of the authorized capital on 16 December 2020 following the private placement of 4,408,881 new shares;
- to increase the share capital within the framework of the issue of 93,578 subscription rights on 23 December 2020. Upon exercise, each beneficiary has a right to subscribe to one share of the Company, thereby resulting in a capital increase of up to €47,724.78.

Consequently, the Board is therefore authorized to increase the share capital of the Company within the framework of the authorized capital for a maximum amount of €5,976,496.14 (excluding any issue premiums)**.**

6.3. Changes in Capital

6.3.1. 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.

6.3.2. 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 authorize the Board of Directors, within certain limits, to increase the Company's share capital without any further approval of the shareholders. This authorization 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 authorized share capital may not exceed the amount of the share capital at the time of the authorization).

On 9 July 2018, the extraordinary shareholders' meeting of the Company granted authorization to the Board of Directors to increase the Company's share capital, in one or several times, with a maximum amount of €11,043,220.58 (excluding issuance premiums, if any).

If the Company's share capital is increased within the limits of the authorized share capital, the Board of Directors is authorized 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 authorized 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 authorized to issue convertible bonds, bonds cum warrants or warrants within the limits of the authorized share capital and with or without preferential subscription rights for the existing shareholders.

The Board of Directors is authorized, within the limits of the authorized 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 authorized to limit or cancel the preferential subscription rights of the existing shareholders in favor of one or more specified persons, even if such persons are not members of the personnel of the Company or its subsidiaries.

This authorization 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 ; 26 July 2018)*, 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 canceling the preferential subscription right, is suspended. However, the Company's extraordinary shareholders' meeting held on 9 July 2018 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 is granted until 9 July 2021.

6.4. Warrant Plans

6.4.1. Warrant Plans Issued

The Company currently has 3 subscription rights plans outstanding:

On 24 February 2014, the extraordinary general shareholders' meeting of the Company created and approved a plan which consisted in the issue of 113,760 subscription rights for employees, consultants and Directors (plan A). At the date of the Document, 87,998 subscription rights have been granted and accepted. The Ordinary General Meeting of 10 June 2020 took note of the number of Plan A subscription rights still available for granting, i.e. 25,761 subscription rights and decided to cancel the said residual subscription rights.

On 28 May 2020, the Board of directors of the Company created and approved a plan which consisted in the issue of 69,978 subscription rights for employees, management members and Directors (plan 2020/05).

On 23 December 2020, the Board of directors of the Company created and approved a plan which consisted in the issue of 99,832 subscription rights for employees, management members and Directors (plan 2020/12).

On 31 December 2020, the following subscription rights are outstanding in accordance with the above-mentioned plan:

Plan	Total
CEO	109,724
CFO	43,500
CBO	5,000
Consultant	5,000
Board members	31,330
Former CTMO	5,333
Former CEO	28,000
Former CMO	5,000
Total	**232,887**

6.4.2. Summary of the Outstanding Warrant Plans

The relevant terms and conditions of the Company's existing **warrant plan A** are set out below:

- **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 at any time outside the closed period (as determined in Company's Dealing Code), 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.

The relevant terms and conditions of the Company's existing **warrant plan 2020 of May and December** are set out below:

- **Vesting:** The Warrants will become vested to the Grantee upon acceptance by the Grantee (without any further conditions), i.e. upon receipt by the Company of the duly completed acceptance form within the time limit.

- **Exercise period:** the Warrants shall not become exercisable before the first day of the fourth calendar year following the Offer and after the last day of the tenth year following the date of issuance (the "Exercise Period").

- **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**: seven years. All warrants that have not been exercised within the seven-year period as of their creation become null and void.

6.5. Elements which by their Nature would have Consequences in Case of a Public Take-over Bid on the Company

At 31 December 2020, the share capital of the Company amounts to €8,414,913.01 and is fully paid up. It is represented by 16,478,168 shares, each representing a fractional value of €0.51 or one 16,478,168th 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:

    - convention for a subordinated loan of 25 May 2012 between Novallia S.A. (the Lender) and Bone Therapeutics SA (the Borrower);

    - convention for a subordinated loan of 2 May 2016 between Novallia S.A. (the Lender) and Bone Therapeutics SA (the Borrower);

    - conventions for non-dilutive subordinated bonds of 25 June 2019 between Integrale S.A (the Lender) and Bone Therapeutics SA (the Borrower);

- conventions for non-dilutive subordinated bonds of 25 June 2019 between Patronale S.A (the Lender) and Bone Therapeutics SA (the Borrower);
- conventions for non-dilutive subordinated bonds of 6 May 2020 between Integrale S.A (the Lender) and Bone Therapeutics SA (the Borrower);
- conventions for non-dilutive subordinated bonds of 6 May 2020 between Patronale S.A (the Lender) and Bone Therapeutics 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.

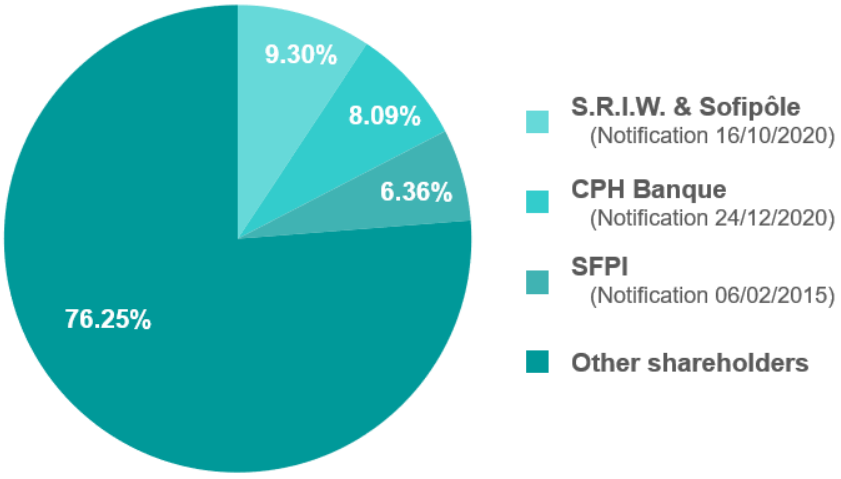
6.6. Transparency

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.

6.7. Shareholders

At 31 December 2020, there are 16,478,168 shares representing a total share capital of the Company of €8,414,913.01. 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 attributed warrants is 232,887.

The graph[5] 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.



[5] Denominator for S.R.I.W. & Sofipole = 12,069,287, denominator for CPH Banque = 16,478,168 and denominator for SFPI = 6,549,779.
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6.8. Dividends and Dividend Policy

6.8.1. 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-amortized activated costs of incorporation and extension and the non-amortized 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.

6.8.2. 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.

7. CONSOLIDATED FINANCIAL STATEMENTS

7.1. Responsibility Statement

The Board of Directors, represented by all its members, declares that, to the best of its knowledge, the consolidated financial statements for the twelve-month period ended 31 December 2020, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the important events that have occurred during the twelve months of the financial year and of the major transactions with the related parties, and their impact on the consolidated financial statements, together with a description of the principal risks and uncertainties that the Company can face.

On behalf of the Board of Directors,

mC4Tx SRL,
represented by Miguel Forte

Finsys Management SRL,
represented by Jean-Luc Vandebroek

7.2. Statutory Auditor's Report on the Consolidated Financial Statements for the Year ended 31 December 2020

Deloitte.

Bone Therapeutics SA

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2020 - Consolidated financial statements

The original text of this report is in French

Statutory auditor's report to the shareholders' meeting of Bone Therapeutics SA for the year ended 31 December 2020 - 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. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 12 June 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration) issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. We have performed the statutory audit of the consolidated financial statements of Bone Therapeutics SA for the last 6 years.

Report on 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 2020, 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 24 835 (000) EUR and the consolidated statement of comprehensive income shows a loss for the year then ended of 11 940 (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 Decembre 2020 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), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. 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 accumulated losses of 73 080 (000) EUR. The consolidated statement of comprehensive income shows a loss of 11 940 (000) EUR. The projected cash burn for 2021 has been assessed between 16 and 17 million EUR compared to a net cash position of 14,65 million EUR by the end of 2020. • The Directors of the company are required to make a rigorous assessment of whether the group will remain in going concern for a period of at least twelve months as from the closing of the 2020 financials statements and assess whether there are any material uncertainty in relation to the going concern basis of preparation. • The assessment of the liquidity risk has been identified as a key audit matter as it requires significant management judgment estimating the level of cash required for the twelve months period but also estimating the ability of the group to raise sufficient fund to be able to continue its activity. **Reference to disclosures** We refer to the Consolidated Financial Statements, including notes to the Consolidated Financial Statements: note 8.3.3	• 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 agreements. We have also analysed into the details the plans of the group to obtain new sources of funding. • We have assessed the historical accuracy and appropriateness of management's estimates both in terms of cash-flow forecast and in terms of realization of fund raises. • 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 • Based on discussion with management and our understanding of the R&D activity.

- 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 2020, the financial liability associated with these RCA amounts to 5 507 (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 2020 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 8.2.14, 8.5.9, 8.6.2 and 8.7.1.

- 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 preparation of 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted.

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 the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities 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 those charged with governance 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 those charged with governance 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 on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance 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 report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory 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.

Responsibilities of the statutory auditor

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing (ISA) as applicable in Belgium, our responsibility is to verify, in all material respects, the director's report on the consolidated financial statements as well as to report on these matters.

Aspects regarding the directors' report on the consolidated financial statements

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 that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also 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 is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

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 annual report on the consolidated financial statements, i.e.:

- section 2 of the annual report - Annual report of the Board of Directors on the consolidated financial statements of Bone Therapeutics SA;
- section 4.7 of the annual report – Remuneration report;
- section 6.3 of the annual report - Change of capital;
- section 6.4 of the annual report - warrant plan;

are 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.

Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.

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.

Signed at Liège.

The statutory auditor

Digitally signed by
Julie Delforge
DocuSign
Signed By: Julie Delforge (Signature)
Signing Time: 28-Apr-21 | 19:04 CEST
C: BE
Issuer: Citizen CA
120BB259AB67447084F9CD33CDC89EB6

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Julie Delforge

7.3. Consolidated Financial Statements as of 31 December 2020 and 2019 under IFRS

7.3.1. Consolidated Statement of Financial Position

Consolidated Assets IFRS per: *(in thousands of euros)*	**Note**	**31/12/20**	**31/12/19**
Non-current assets		**6,019**	**10,660**
Intangible assets	8.5.1	28	28
Property, plant and equipment	8.5.2	226	6,100
Investments in associates	8.5.3	12	332
Financial assets	8.5.6	1,296	140
Deferred tax assets	8.5.4	4,456	4,059
Current assets		**18,817**	**11,733**
Trade and other receivables	8.5.5	3,840	3,025
Other current assets		328	75
Cash and cash equivalents	8.5.8	14,648	8,633
TOTAL ASSETS		**24,835**	**22,393**

Consolidated Liabilities IFRS per: *(in thousands of euros)*	**Note**	**31/12/20**	**31/12/19**
Equity attributable to owners of the parent		**3,325**	**2,048**
Share capital		8,415	5,454
Share premium		67,594	58,026
Accumulated losses		(73,080)	(61,586)
Other reserves		396	154
Non-controlling interests		**0**	**0**
Total Equity	**8.5.8**	**3,325**	**2,048**
Non-current liabilities		**11,720**	**11,006**
Interest bearing borrowings	8.5.9	11,720	11,006
Other non-current liabilities		0	0
Current liabilities		**9,790**	**9,339**
Interest bearing borrowings	8.5.9	3,077	2,709
Trade and other payables	8.5.10	5,514	3,841
Current tax liabilities		0	0
Other current liabilities	8.5.10	1,199	2,788
Total liabilities		**21,509**	**20,344**
TOTAL EQUITY AND LIABILITIES		**24,835**	**22,393**

7.3.2. Consolidated Statement of Comprehensive Income

(in thousands of euros)	Note	For the year ended 31 December	
		2020	2019[6]
Revenues	8.6.1	1,000	0
Other operating income	8.6.2	2,666	2,491
Total revenues and operating income		**3,666**	**2,491**
Research and development expenses	8.6.3	(15,416)	(7,501)
General and administrative expenses	8.6.4	(3,267)	(2,936)
Operating profit/(loss)		**(15,017)**	**(7,946)**
Interest income	8.6.6	24	1,041
Financial expenses	8.6.6	(747)	(602)
Exchange gains/(losses)	8.6.6	*(13)*	*(15)*
Share of profit/(loss) of associates	8.6.6	*0*	0
Result Profit/(loss) before taxes		**(15,754)**	**(7,522)**
Income taxes	8.6.8	(78)	0
Net Income (Loss) from continuing operations		**(15,832)**	**(7,522)**
Net Income (Loss) from discontinued operations	**8.6.9**	**3,891**	**(2,813)**
TOTAL COMPRENHENSIVE INCOME (LOSS) OF THE PERIOD		**(11,940)**	**(10,336)**
Basic and diluted loss per share (in euros) – continuing operations	**8.6.8**	**(1.35)**	**(0.79)**
Basic and diluted loss per share (in euros) – discontinued operations	**8.6.8**	**0.33**	**(0.29)**
Profit/(loss) for the period attributable to the owners of the Company		(11,940)	(10,461)
Profit/(loss) for the period attributable to the non-controlling interests		0	125
Total comprehensive income for the period attributable to the owners of the Company		(11,940)	(10,461)
Total comprehensive income for the period attributable to the non-controlling interests		0	125

[6] 2019 figures have been restated due discontinued operation

7.3.3. Consolidated Statement of Cash Flow

Consolidated Statements of Cash Flows *(in thousands of euros)*	**For the twelve-month period ended 31 December**	
	2020	**2019**
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(17,448)	(11,174)
Adjustments for:		
Depreciation, Amortization and Impairments	601	753
Share-based compensation	266	(472)
Grants income related to recoverable cash advances	(1,450)	(1,908)
Grants income related to patents	(52)	(6)
Grants income related to tax credit	(853)	(578)
Other	(88)	(77)
Movements in working capital:		
Trade and other receivables (excluding government grants)	(1,014)	(5)
Trade and other Payables	1,723	(183)
Cash generated from operations	**(18,315)**	**(13,650)**
Cash received from licensing agreement	0	900
Cash received from grants related to recoverable cash advances	1,745	1,901
Cash received from grants related to patents	56	141
Cash received from other grants	117	0
Cash received from grants related to tax credit	394	344
Income taxes paid	(78)	(38)
Net cash used in operating activities	**(16,082)**	**(10,400)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	2	8
Purchases of property, plant and equipment	(78)	(289)
Purchases of intangible assets	(15)	(21)
Proceed from the sale of SCTS	12,000	0
Net cash used in investing activities	**11,909**	**(302)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	748	815
Repayment of government loans	(122)	(736)
Proceeds from loans from related parties	1,550	0
Reimbursements of loan from related parties	(1,864)	(229)
Reimbursements of loan from lease liabilities	(267)	(203)
Proceeds from bank loans	4,000	0
Reimbursements of other financial loans	(4,625)	(250)
Interests paid	(679)	(228)
Guarantee facilities	(1,200)	0
Payments to acquire Non-controlling interests	(1,956)	0
Transaction costs	(1,180)	(632)
Proceeds from issue of equity instruments of the Company	11,793	8,520
Proceeds received from convertible loan	4,000	605
Proceeds received from subordinated loan	0	3,500
Net cash generated from financing activities	**10,187**	**11,162**
Net increase (decrease in Cash and Cash Equivalents	**6,132**	**459**
CASH AND CASH EQUIVALENTS at beginning of year	**8,633**	**8,174**
CASH AND CASH EQUIVALENTS at end of year	**14,648**	**8,633**

7.3.4. 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	Accumulated losses & Other reserves	Total equity attributable to owners of the parent		
Balance at 1 January 2019	**14,662**	**42,665**	**(53,443)**	**3,883**	**0**	**3,883**
Total comprehensive income of the period	0	0	(10,461)	**(10,461)**	125	(10,336)
Issue of share capital	3,514	5,006	0	**8,520**	0	8,520
Decrease of share capital	(10,592)	0	10,592	**0**	0	0
Transaction costs for equity issue	0	(457)	0	**(457)**	0	(457)
Specific reserve for convertible bonds	0	0	306	**306**	0	306
Allocation to the legal reserve	0	0	6	**6**	0	6
Share-based payment	0	0	(472)	**(472)**	0	(472)
Movement non-controlling interests	0	0	125	**125**	(125)	()
Other	0	0	(11)	**(11)**	0	(11)
Balance at 31 December 2019	**5,454**	**58,027**	**(61,432)**	**2,048**	**0**	**2,048**
Balance at 1 January 2020	**5,454**	**58,027**	**(61,432)**	**2,048**	**0**	**2,048**
Total comprehensive income of the period	0	0	(11,940)	**(11,940)**	0	(11,940)
Issue of share capital	2,961	10,534	0	**13,495**	0	13,495
Transaction costs for equity issue	0	(966)	0	**(966)**	0	(966)
Equity component for Convertible Bonds	0	0	199	**199**	0	199
Specific reserve for convertible bonds	0	0	267	**267**	0	267
Allocation to the legal reserve	0	0	3	**3**	0	3
Share-based payment	0	0	266	**266**	0	266
Movement non-controlling interests	0	0	0	**0**	0	0
Other	0	0	(48)	**(48)**	0	(48)
Balance at 31 December 2020	**8,415**	**67,594**	**(72,684)**	**3,325**	**0**	**3,325**

The movement linked to the specific reserve for convertible bonds and related warrants relates partly to the amount transferred from financial liability to equity. The carrying amount of EUR 2,500 per share is recorded under Share capital and Share premium, while the difference is recorded under that specific reserve.

8. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.1. 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 had Skeletal Cell Therapy Support SA "**SCTS**" as affiliated until 13 November 2020. Bone Therapeutics USA Inc "**BT US**" together with the Company, it is referred as the "**Group**"). The Company is active in regenerative therapy specializing for addressing unmet medical needs in the field of bone diseases and orthopedics. 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 orthopedics and bone diseases.

The consolidated financial statements of Bone Therapeutics SA for the twelve months ended 31 December 2020 include Bone Therapeutics SA and its affiliate. These were authorized for issue by the Board of Directors on 28 April 2021. These statements have been audited by Deloitte Réviseurs d'Entreprises SRL, the statutory auditor of the Company and independent registered public accounting firm.

8.2. Summary of Significant Accounting Policies

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

8.2.1. Statement of Compliance

8.2.2. Applicable IFRS Standards and Interpretation

In the current year, the Group has applied for 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 2020.

- Amendments to IAS 1 and IAS 8 *Definition of Material*
- Amendments to IFRS 3 *Business Combinations: Definition of a Business*
- Amendments to IFRS 9, IAS 39 and IFRS 7 *Interest Rate Benchmark Reform* – Phase 1
- Amendments to references to the Conceptual Framework in IFRS standards

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 2020:

- IFRS 17 *Insurance Contracts* (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Policies* (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);
- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU);

- Amendments to IAS *16 Property, Plant and Equipment: Proceeds before Intended Use* (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU);
- Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract* (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU);
- Amendments to IFRS 3 *Business Combinations: Reference to the Conceptual Framework* (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU);
- Amendment to IFRS 4 *Insurance Contracts* – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021);
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform* – Phase 2 (applicable for annual periods beginning on or after 1 January 2021);
- Amendment to IFRS 16 Leases: COVID-19-*Related Rent Concessions* (applicable for annual periods beginning on or after 1 June 2020);
- *Annual Improvements to IFRS Standards 2018–2020* (applicable for annual periods beginning on or after 1 January 2022, 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. Thers is no material impact of the application of new standards and interpretations that became effective for 2020.

8.2.3. 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 of 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.

8.2.4. 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.

8.2.5. 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 recognized at cost in the consolidated statement of financial position and adjusted thereafter to recognize 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 recognized 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 recognized 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.

8.2.6. Intangible Assets

Intangible Assets Acquired Separately or in the Context of a Business Combination

Intangible assets are recognized 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 amortization 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. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and amortization 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 amortization 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 derecognized 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 recognized in profit or loss when the asset is derecognized.

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 finalized.

8.2.7. Property, Plant and Equipment

Property, plant and equipment are recognized 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 recognized 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 derecognized 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 recognized in profit or loss.

8.2.8. Leases

The determination of classification of leases is made at the inception of the lease: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

The Group leases laboratory equipments, facilities, car and IT equipment.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term covers the non-cancellable period for which the Group has the right to use an underlying asset, together with both:

- periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct expenses; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets (determained by the Management) are directly recognized as an expense in the comprehensive income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets primarily comprise IT equipment.
The Group does not sublease any equipment to external parties. If the Group will sublease any equipment, the Group will assess whether the sublease is a finance or operating lease in the context of the right-of-use asset being leased. The sublease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying right-of-use asset. It is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying right-of use asset.

8.2.9. 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 recognized 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 recognized 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss. An impairment loss on goodwill can never be reversed.

8.2.10. Financial Instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value (except for trade receivables that are measured at transaction amount). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

8.2.11. Financial Assets

The financial assets include receivables (including trade receivables and other receivables), derivative financial instruments, financial assets at fair value through profit or loss, cash and cash equivalents.

The acquisitions and sales of financial assets are recognised at the transaction date.

Financial Assets – Debt Instruments

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.
Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments include:

- receivables that are measured at amortised cost, including government grants;
- trade receivables measured at amortized cost;
- cash & 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.

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).

Impairment of Financial Assets

In relation to the impairment of financial assets an expected credit loss model is applied. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets.

Specifically, the following assets are included in the scope for impairment assessment for the Group: 1) trade receivables; 2) non-current receivables 3) cash and cash equivalents.

IFRS 9 provides a simplified approach for measuring the loss allowance at an amount equal to lifetime expected credit losses for trade receivables without a significant financing component (short-term trade receivables). The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. On the other hand, if the credit risk on a financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to 12 month expected credit losses. For long-term receivables IFRS 9 provides a choice to measure expected credit losses applying lifetime or 12 month expected credit losses model. The Group selected the lifetime expected credit losses.

All bank balances are assessed for expected credit losses as well. They may have low credit risk at the reporting date if they are held with reputable international banking institutions.

8.2.12. Amortized Cost and Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortized cost of a financial instrument is the amount at which the financial asset or liability is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance on the financial asset. On the other hand, the gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

8.2.13. Financial Liabilities and Equity

Classification as Debt or Equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognized and deducted directly

in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound Instruments
Convertible bonds which include warrants are considered as a single financial instrument measured at fair value through profit and loss (see note 8.3.2).

Hybrid instruments
We refer to note 8.3.2 for more explanation.

8.2.14. Financial Liabilities

Except for the convertible bonds including warrants (see note 8.3.2), which are measured at fair value through profit and loss, all financial liabilities of the Group are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include:

- trade payables at amortized cost;
- borrowings;
- government loans: 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 recognized as financial liabilities to the extent no interest is charged on these loans. See below.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

Government 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 recognizes a government grant only when there is a 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 recognized in the statement of financial position and measured in accordance with the accounting policy mentioned above (see financial assets).

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 recognizes 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 amortized 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 IFRS 9. 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 amortized 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 recognized in profit or loss.

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 recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs which the grants are intended to compensate. As a result, grants relating to costs that are recognized 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 recognized in the profit or loss statement consistently with the amortization or depreciation expense of the related assets. Grants that intend to compensate costs that are expensed as incurred are released as income when the subsidized 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 recognized 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.

8.2.15. Derivative Financial Instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. There are currently no hedging instruments.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The options granted and held on the the 50.1% non-controlling interests in the subsidiary SCTS, and the warrants included in the convertible bonds issued in 2018 (see 8.3.2) are the only derivatives outstanding. The warrants are not valued separately, as the whole convertible bond together with the warrants is measured at fair value through profit or loss.

8.2.16. 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 recognized 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are recognized 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 utilized. Such deferred tax assets and liabilities are not recognized 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 realized 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.

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.

8.2.17. Revenue Recognition

The Group is currently not generating revenue from contracts with customers other than from licensing agreements. Most income recognized by the Group is resulting from government grants.

Licensing Revenues

The Group enters into license and/or collaboration agreements with third-party biopharmaceutical partners. Revenue under these arrangements may include non-refundable upfront payments, product development milestone payments, commercial milestone payments and/or sales-based royalties payments.

- Upfront Payment

Licensing revenues representing non-refundable payments received at the time of signature of license agreements are recognized as revenue upon signature of the license agreements when the Group has no significant future performance obligations and collectability of the fees is assured..

- Milestone Payments

Milestone payments represent amounts received from the Group's customers or collaborators. The receipt of which is dependent upon the achievement of certain scientific, regulatory, or commercial milestones. Under IFRS 15, milestone payments generally represent a form of variable consideration as the payments are likely to be contingent on the occurrence of future events. Milestone payments are estimated and included in the transaction price based on either the expected value (probability-weighted estimate) or most likely amount approach. The most likely amount is likely to be most predictive for milestone payments with a binary outcome (i.e., the Group receives all or none of the milestone payment). Variable consideration is only recognized as revenue when the related performance obligation is satisfied, and the Group determines that it is highly probable that there will not be a significant reversal of cumulative revenue recognized in future periods.

Royalty Revenue

Royalty revenues arise from our contractual entitlement to receive a percentage of product sales achieved by co-contracting parties. As the Company has not yet obtained the approval for commercialization, the Company did not yet receive any royalty revenue at the date of the Annual Report. Royalty revenues, if earned, will be recognized on an accrual basis in accordance with the terms of the collaboration agreement when sales can

be determined reliably and there is a reasonable assurance that the receivables from outstanding royalties will be collected.

8.2.18. 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 recognized 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 recognized 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 recognized in profit or loss for the year.

8.2.19. 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.

8.2.20. 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.

8.3. Critical Accounting Estimates and Judgments

In the application of the Group's accounting policies, which are described above, management is required to make judgments, 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:

8.3.1. Subordinated bonds with option to convert – Operation in May 2020

On 7 May 2020, the Company announces that it has received €4.0 million as a result of issuing, to existing investors, subordinated bonds with the option to convert. This enables Bone Therapeutics' bond investors to be repaid in the company's shares, with a conversion price of €7.0 per share. This additional EUR 4.0 million financing has been achieved a week after the €11.0 million financing round.

The unsecured convertible bonds will be issued in registered form, redeemable at 100% of their principal amount with a maturity of 38 months and a coupon of 8% per annum. The coupon will be payable annually. The conversion price of €7.0 per share mitigates the dilution of existing shareholders in the event that the bonds would be redeemed in ordinary shares of Bone Therapeutics.

The Company issued 1,600 bonds at the nominal amount of €2,500 each.

Convertible Bonds entitle bondholders to convert their bonds into a fixed number of shares of the issuing company usually at the time of their maturity. Convertible bonds are a type of compound financial instrument with characteristics of both liability and equity. IFRS propose that the issuing company must separately identify the liability and equity components of convertible bonds and treat them accordingly in the financial statements. For this reason, Management made estimation of the fair value of the liability component which is calculated by discounting the future cash flows of the bonds (interest and principal) at the rate of a similar debt instrument without the conversion option. The total valuation of the liability on 31 December 2020 amounts to € 3.80 million. The Management made judgments in relation of this operation and considered the following elements: a market-based interest of 10% and a a maturity date of 38 months after the issue date for the calculation of the fair value. The difference has been recognized into the equity.

8.3.2. Convertible Bonds and Related Warrants

Convertible Bonds and related warrants – Operation of March 2018

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

The Convertible Bonds and related warrants 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.

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 in 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 also 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. All bond warrants have to be exercised during the warrant term and the warrant holders could be obliged to exercise at least one of the 19 Bond Warrants every 30 calendar days.

A total amount of €19.45 million in committed capital has been subscribed during the Offering. In March 2018, part of the investors has decided to immediately exercise warrants resulting in immediate gross proceeds 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. In the ensuing 26 months, 4,907 bond warrants have been exercised which resulted in additional proceeds of €12.27 million. During the same period, 4,942 bonds have been converted into 2,497,729 shares. On 30 June 2020, there is a total of 11,264,508 ordinary shares outstanding, including 1,351,352 shares issued in the fund raise of June 2019 and 398,632 shares issued in the convertible bond program of April 2020. The remaining warrants when exercised will provide additional proceeds of €0.60 million.

The bonds and its warrants are financial liabilities and are designated as at Fair Value through Profit and Losses (FVTPL).

In the context of measuring and presenting the fair value of the convertible bonds, management has made several assumptions:

- The Bond and its warrants cannot be transferred separately from each other. As a consequence, the bonds and related warrants have been considered as a single financial instrument.
- The company considers that the warrants and the conversion options in the Convertible Bonds are immediately exercisable. Therefore, no discounting applies. It has also been considered that the liquidity of the Company stock on the market allows absorbing the shares that would be issued as a result of bonds and warrants that have not been converted or exercised yet in a short period. Therefore, no timing/discount effect has been taken into account in the valuation. If this assumption would be incorrect, the fair value of the financial liability would be somewhat lower, due to the effect of discounting the same expected contractual cash flows over a relatively short period of time.
- The bond holders have no financial interest not to exercise their warrants immediately or not to convert their bond directly, as the bonds do not bear interest and the conversion options in the bonds are currently far "in the money".
- Given the business model and the liquidity requirements, the Company does not intend to repay the bond in cash. If this possibility would have been retained, the impact on the fair value would have been lower compared to the retained fair value as the [redemption] premium due in that case would be lower than the value of the discount offered to the investor.
- The Company has no reason to believe, based on available information, that over the remaining life of the instrument (maximum 6 months as from January 2020 onwards), the stock price would decrease below €2.14 (par value). In such a scenario, the financial liability would then be significantly lower than the current valuation considered due to the effect of the floor on the conversion rate at the par value of the shares (€2.14).

The cost associated with the offered discount on the share price at the time of conversion of the bonds has been recognized under financial expenses for an amount of €1.69 million. This cost corresponds to the difference between the fair value of the CBs (issue price divided by 92%) and the issue price (€2,500) for each bond and this for the total number of convertible bonds (7,780) included the outstanding warrants.

Based on current developments and recently signed agreements, the Company has decided to terminate the remaining convertible bond programs issued in March 2018. Following this decision, the Company recognized under financial income an amount of €0.06 million for the remaining amount to be recognized into the equity.

Convertible Bonds and related warrants – Operation of April 2020

On 29 April 2020, the Company has successfully placed senior, unsecured Convertible Bonds (the "CBs") without any warrants with a total commitment of €6.25 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 in 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 94% 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. 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 also the right to redeem the CB at a price of €2,500.00 instead of issuing new shares.

The bonds are financial liabilities and are designated as at Fair Value through Profit and Losses (FVTPL).

In the context of measuring and presenting the fair value of the convertible bonds, management has made several assumptions:

- The Company considers that the liquidity of the Company stock on the market allows to absorb the shares that would be issued as a result of bonds that have not been converted yet in a short period. Therefore, no timing/discount effect has been taken into account in the valuation. If this assumption would be incorrect, the fair value of the financial liability would be somewhat lower, due to the effect of discounting the same expected contractual cash flows over a relatively short period of time.
- The bond holders have no financial interest not to convert their bond directly, as the bonds do not bear interest and the conversion options in the bonds are currently far "in the money".
- Given the business model and the liquidity requirements, the Company does not intend to repay the bond in cash. If this possibility would have been retained, the impact on the fair value would have been lower compared to the retained fair value as the redemption premium due in that case would be lower than the value of the discount offered to the investor.

On 29 April 2020, the cost associated with the offered discount on the share price at the time of conversion of the bonds has been recognised under financial expenses for an amount of €0.11 million. This cost corresponds to the difference between the fair value of the CBs (issue price divided by 94%) and the issue price (€2,500) for each bond and this for the total number of convertible bonds (2,500).

A total amount of €6.25 million in committed capital has been subscribed during the Offering. In May 2020, part of the investors has decided to immediately exercise and convert their CBs resulting in immediate gross proceeds of about €1.26 million and 398,632 new shares to be created.

Based on current developments and recently signed agreements, the Company has decided to terminate the remaining convertible bond programs issued in April 2020. Following this decision, the Company has received a total amount of €1.66 million.

8.3.3. Going Concern

Based Based on annual 2021 projected cash burn in a range of €16.00 million to €17.00 million and considering a cash position end of 2020 of about €14.65 million, the Company anticipates having sufficient cash to carry out its business objectives until November 2021.

The Directors remain focused on the Company's liquidity and expect to manage business operations in the next 12 months whilst maintaining adequate liquidity.

In view of the Company significant progress in its clinical programs leading to collection of milestones payment from our partners, combined with ongoing discussions with business and financial partners to obtain sufficient funds, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern.

8.4. 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.

8.5. Notes Relating to the Statement of Financial Position

8.5.1. Intangible Assets

The intangible assets consist only of purchased software.

(in thousands of euros)	31/12/2020	31/12/2019
Acquisition cost	264	248
Accumulated amortization and impairment	(236)	(220)
Intangible assets	**28**	**28**

Cost *(in thousands of euros)*	Software	Clinical developments	Total
Balance at 1 January 2019	**227**	**0**	**227**
Additions	21		21
Balance at 31 December 2019	**248**	**0**	**248**
Additions	16		16
Balance at 31 December 2020	**264**	**0**	**264**

Accumulated amortization and impairment *(in thousands of euros)*	Software	Clinical developments	Total
Balance at 1 January 2019	**(205)**	**0**	**(205)**
Amortization expense	(15)		(15)
Balance at 31 December 2019	**(220)**	**0**	**(220)**
Amortization expense	(16)		(16)
Balance at 31 December 2020	**(236)**	**0**	**(236**

8.5.2. Property, Plant and Equipment

Property, plant and equipment consist mainly of buildings, laboratory equipment and a property under construction:

(in thousands of euros)	31/12/2020	31/12/2019
Acquisition cost	2,463	10,384
Accumulated depreciation and impairment	(2,237)	(4,283)
Property, plant and equipment	**226**	**6,100**

Property, plant and equipment (PPE) at the end of December 2020 amount to €0.23 million with a decrease mainly due to the sale of the subsidiary Skeletal Cell Therapy Support that manage the manufacturing facility.

Cost *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 1 January 2019	**2,818**	**176**	**104**	**233**	**6,359**	**0**	**56**	**9,747**
Additions	247	181	5	0	0	163	40	**637**
Balance at 31 December 2019	**3,065**	**357**	**110**	**233**	**6,359**	**163**	**97**	**10,384**
Additions	17	0	0	0	0	61	0	**78**
Disposals	(352)	(87)	0	0	0	(93)	(97)	**(629)**
Linked to discontinued activities	(524)	(219)	(34)	(233)	(6.359)	0	0	**(7.369)**
Balance at 31 December 2020	**2.206**	**51**	**75**	**0**	**0**	**131**	**0**	**2.463**

Total investment at acquisition cost at the end of 2020 amounts to €2.46 million, mainly composed of laboratory equipment. The investment was reduced by €7.37 million due to the sale of Skeletal Cell Therapy Support and €0.63 million due to disposals.

The table below shows the changes in the accumulated depreciation and impairment of property, plant and equipment at the end of 2020.

Accumulated depreciation and impairment *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 1 January 2019	**(2,372)**	**(159)**	**(100)**	**(14)**	**(899)**	**0**	**0**	**(3,544)**
Depreciation expense	(261)	(77)	(4)	(2)	(434)	(88)	0	**(866)**
Government grant recognition	0	0	0	0	127	0	0	**127**
Balance at 31 December 2019	**(2,633)**	**(237)**	**(104)**	**(16)**	**(1,207)**	**(88)**	**0**	**(4,283)**
Depreciation expense	(83)	(4)	0	0	0	(56)	0	**(143)**
Disposals	352	87	0	0	0	93	0	**532**
Linked to discontinued activities	300	105	29	16	1.207	0	0	**1.657**
Balance at 31 December 2020	**(2.063)**	**(49)**	**(75)**	**0**	**0**	**(50)**	**0**	**(2.228)**

Carrying amount *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 31 December 2019	432	120	6	217	5,152	76	97	**6,100**
Balance at 31 December 2020	**142**	**2**	**0**	**0**	**0**	**81**	**0**	**226**

8.5.3. Investments in associates

The investment in associates relates to the investment in "*SA Invest Mons-Borinage-Centre*" for an amount of € 0.01 million. The decrease of € 0.32 million compared to 31 December 2019 is explained by the sale of SCTS in November 2020, which held a 33.99% stake in "*Société d'Infrastructures, de Services et d'Énergies*" ('SISE').

8.5.4. Deferred Tax

The following tables detail the amounts recognized 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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Property, plant and equipment	0	0	20	108
Intangible assets	466	331	0	0
Trade and other receivables	0	23	144	0
Financial liabilities	157	475	0	0
Other non-current liabilities	0	0	0	0
Other current liabilities	0	509	8	0
Total temporary differences	**623**	**1,337**	**171**	**108**

Tax Credits and Tax Losses carried forward and Temporary Differences

(in thousands of euros)	31/12/2020	31/12/2019
Tax credits	4,915	4,457
Tax credits related to notional interest deduction	0	28
Tax losses	21,367	21,179
Total	**26,282**	**25,664**

Deferred Tax Assets and Liabilities Recognized

(in thousands of euros)	Assets		Liabilities	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Deferred tax assets/(liabilities)	**26,929**	**27,001**	**171**	**108**
Unrecognized deferred tax assets	(21,842)	(22,437)	0	0
Offsetting	(171)	(108)	(171)	(108)
Total recognized deferred taxes	**4,915**	**4,457**	**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)	31/12/2020	31/12/2019
Tax credits related to notional interest deduction	0	83
Tax losses	85,468	71,599
Temporary differences	1,805	4,156
Total	**87,273**	**90,905**

The unrecognized tax credits related to notional interest deduction were expired 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 8.6.2).

At closing 2020, there are no unrecognized deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates. In the financial statement, only the tax credit has been recognized as deffered tax asset that will be obtained in cash by the Company after 5 years because the Group is substantially loss making and likely that will remain so for still some years to come.

8.5.5. Trade Receivables and Other Receivables

The trade and other receivables can be detailed as follows:

Trade and other receivables	Total	
(in thousands of euros)	**31/12/2020**	**31/12/2019**
Trade receivables		
Trade receivables	1,071	132
Write-downs on trade receivables	0	0
Total trade receivables	**1,071**	**132**
Other receivables		
Receivable related to taxes	276	308
Receivable related to tax credit	459	397
Receivable related to recoverable cash advances	1,831	1,964
Receivable related to patent grants	204	225
Total other receivables	**2,770**	**2,893**
Total trade and other receivables	**3,840**	**3,025**

Trade and other receivables amount to €3.84 million showing an increase of €0.82 million compared to the end of December 2019.

The increase of the receivables related to the recognition of the upfront payment to be received from Link Health for an amount of €0.93 million net of taxes (increase) and by the recognition of the new conventions of subsidies/recoverable cash advances signed in 2020 for an amount of €2.37 million.

The increase is maily offset by the amounts received during the course of 2020 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for a total of €2.49 million and further reconciled under note 8.6.2 (decrease) compared to an amount of €2.37 million of new conventions signed during the year.

The expected credit losses on 31 December 2020 are not material.

8.5.6. Financial Assets

Non-current financial assets amounting to to € 1.30 million related to the two bank guarantees of each €0.60 million constituted as a result of the sale of the subsidiary in November 2020. The bank Guarantee has been issued for a term of 18 months as of the Closing Date of the deal, unless if within such period a Claim shall have been made. In any case however each Bank Guarantee will expire unconditionally and automatically on the date which is five (5) years after Closing.

The remaining amount represented the warranty in respect of social security commitments.

8.5.7. Cash and Cash Equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	**31/12/2020**	**31/12/2019**
Cash at bank and in hand	14,493	7,128
Short-term bank deposits	155	1,505
Total	**14,648**	**8,633**

The cash position at the end of December 2020 amounted to €14.65 million compared to €8.63 million at the end of December 2019. The cash and cash equivalents have been impacted by the fact that the Company has collected a proceed of €21.33 million from convertible bonds, subordinated loans and equity instruments

(before €1.18 million of transaction costs). In counterparts, the Company has used €21.02 million in operation, investing, and financing activities. The cash position has also been positively impacted by the discontinued activities for an amount of €6.89 million.

The short-term bank deposits have an original maturity date not exceeding 3 months.

There is no expected credit loss on 31 December 2020.

8.5.8. Equity

The Company's equity increased from €2.05 million at the end of December 2019 to €3.33 million (an increase of €1.28 million) on 31 December 2020. The variation is mainly explained by recognition of capital raises for an amount €13.00 million (net of transaction costs) and offset by the result of the Company (a loss of €11.94 million).

(in thousands of euros)	**31/12/2020**	**31/12/2019**
Share capital	8,415	5,454
Share premium	67,594	58,026
Retained earnings	(75,030)	(61,586)
Total outside reserves	**979**	**413**
Specific reserve for convertible Bonds	1,950	1,481
Other Reserves	396	154
Total Equity	**3,325**	**2,048**

Share Capital and Share Premium

From January 2020 to June 2020, as a result of the subsequent conversion of the convertible bonds placed via the private placement on 7 March 2018 and on 29 April 2020, the share capital was increased by €0.71 million with issuance of 1,397,393 new shares. The aggregate share premium for this transaction amounts to €2.86 million.

Via the Private Placement on 16 December 2020, the Company has raised €9.92 million and placed 4,408,881 new shares with current and new institutional investors both in Europe and in the US at a price of €2.25 per share. The share capital was increased by €2.25 million. The aggregate share premium for this transaction amounts to €7.67 million.

Following the capital increases, the share capital of the Company amounted to €8.42 million and was represented by 16,478,168 shares. The share premium accounts amount to €67.59 million (including transaction costs).

Please see below the evolution in the number of shares in 2020:

Date	Transaction	Number and class of shares issued	Issue price per share (€) including issuance premium	Capital increase/decrease (€)	Share capital after transaction (€)	Aggregate number of shares after capital increase
29/01/2020	Capital increase/conversion convertible bonds	158,235	3.37 (average issue price)	80,700	5,534,413.12	10,830,129
26/02/2020	Capital increase/conversion convertible bonds	120,218	3.78 (average issue price)	61,311	5,595,724.30	10,950,347
25/03/2020	Capital increase/conversion convertible bonds	156,064	2.79 (average issue price)	79,593	5,675,316.94	11,106,411
30/04/2020	Capital increase / conversion convertible bonds	398.632	2.51 (average issue price)	203,302.32	5,878,619.26	11.505.043
07/05/2020	Capital increase / conversion convertible bonds	158.097	2.45 (average issue price)	80,629.47	5.959.248.73	11.663.140
21/08/2020	Capital increase / conversion convertible bonds	196,731	2.10 (average issue price)	100,332.81	6,059,581.54	11,859,871
08/10/2020	Capital increase / conversion convertible bonds	209,416	1.85 (average issue price)	106,802.16	6,166,383.70	12,069,287
15/12/2020	Capital increase	4,408,881	2.25	2,248,529	8,414,913.01	16,478,168

Please find also below the evolution of the shares:

(in euros)	**2020**	**2019**
Total shares on 1 January	10,671,894	8,310,546
Increase of shares	5,806,274	2,361,348
Total shares on 31 December	**16,478,168**	**10,671,894**

Share-based Payments Scheme

The Company currently has 3 subscription rights plans outstanding:

- On 24 February 2014, the extraordinary general shareholders' meeting of the Company created and approved a plan which consisted in the issue of 113,760 subscription rights for employees, consultants and Directors (plan A). At the date of the Document, 69,331 subscription rights have been granted and accepted. The Ordinary General Meeting of 10 June 2020 took note of the number of Plan A subscription rights still available for granting, i.e. 25,761 subscription rights and decided to cancel the said residual subscription rights.

- On 28 May 2020, the Board of directors of the Company created and approved a plan which consisted in the issue of 69,978 subscription rights for employees, management members and Directors (plan 2020/05).

- On 23 December 2020, the Board of directors of the Company created and approved a plan which consisted in the issue of 99,832 subscription rights for employees, management members and Directors (plan 2020/12).

Please find the variation in the outstanding warrants during the year 2020:

Plan	31/12/2019	Offered	Cancelled	Loss	31/12/2020
Plan A	69,331	0	0	0	69,331
Plan 2020/05	0	63,724	0	0	63,724
Plan 2020/12	0	99,832	0	0	99,832
Total	**69,331**	**163,556**	**0**	**0**	**232,887**

The following plans were established during the year 2014 and 2020:

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	87,998	4.11, 7.72 and 8.77	February 2024
Warrant Plan 2020/05	CEO, CFO	69,978	63,724	2.74	May 2027
Warrant Plan 2020/12	Employees, consultants or Directors	93,578	99,832[7]	2.55	December 2027
TOTAL		**277,316**	**251,554**		

For relevant terms and conditions of the Company's existing warrant plans, please refer to section 6.4.2.

The main terms and the fair value at grant date of warrants granted out of Plan A, Plan 2020/05 and 2020/12 are as follows:

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan A	24,000	19-12-16	18-12-21	7.72	3.10
(2) Warrant Plan A	5,333	31-08-17	01-02-21	8.77	3.18
(3) Warrant Plan A	4,000	28-02-19	18-12-21	4.11	1.95
(4) Warrant Plan A	35,998	28-02-19	23-02-24	4.11	1.95
(5) Warrant Plan 2020/05	63,724	29-05-20	29-05-27	2.74	1.52
(6) Warrant Plan 2020/12	99,832	23-12-20	23-12-27	2.55	1.56

[7] 6,254 warrants were granted in December 2020 but issued in May 2020

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 - 2016	Plan A - 2017	Plan A - 2019	Plan 2020/05	Plan 2020/12
Number of warrants granted	24,000	16,000	47,998	63,724	99,832
Exercise price (in €)	7.72	8.77	4.11	2.74	2.55
Fair value of the share at grant date	7.72	8.77	4.11	2.74	2.75
Expected dividend yield	0	0	0	0	0
Expected volatility	35.80%	35.80%	56.40%	57.10%	57.10%
Risk-free interest rate	0.00%	0.00%	0.00%	0.00%	0.00%
Duration in years	6.15	5.15	4.98	7.00	7.00
Fair value (in €)	3.10	3.18	1.95	1.52	1.55

There was no warrant exercised in 2020. The expenses relating to these plans are disclosed in point 8.8.3.

8.5.9. Financial Liabilities

Financial liabilities are detailed as follows:

	Non-current		Current		Total	
(in thousands of euros)	31/12/2020	31/12/2019	31/12/2020	31/12/2019	31/12/2020	31/12/2019
Lease liabilities	50	170	32	178	82	348
Government loans	4,637	4,556	870	500	5,507	5,056
Loans from related parties	106	1,079	675	203	781	1,282
Bank debt	0	1,875	1,500	250	1,500	2,125
Convertible Bonds	3,601	0	0	1,578	3,601	1,578
Non-Convertible Bonds	3,325	3,325	0	0	3,325	3,325
Total financial liabilities	**11,720**	**11,006**	**3,077**	**2,709**	**14,797**	**13,715**

There are some outstanding covenants with respect to the financial liabilities, such as related to the Novallia loans in case the Company has difficulties regarding continuity. In case of of Public Take-over bid, we refer to section 6.5.

Lease Liabilities

The finance lease liabilities relate to the leases of laboratory equipment (lease term of 3 or 5 years) and cars for an amount of €82,000. The decrease is mainly related to all IT leased located in the subsidiary SCTS and transferred to Catalent Gosselies SA.

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 recognized in the consolidated statement of financial position:

Future minimum lease payments *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Not later than 1 year	29	182
Later than 1 year and not later than 5 years	52	150
Later than 5 years	0	267
Less: future finance charges	(12)	(253)
Present value of minimum lease payments	**70**	**346**

Present value of minimum lease payments *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Not later than 1 year	27	176
Later than 1 year and not later than 5 years	42	150
Later than 5 years	0	21
Present value of minimum lease payments	**70**	**346**

Government Loans

The government loans relate to the repayable part of recoverable cash advances (not linked to turnover) and are detailed in note 8.2.14. 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.

Loans from related parties

The Company has been provided with a bridge loan of €0.75 million from Sambrinvest in April 2020. At 31 December 2020, the outstanding amount equal to €0.56 million and has been fully reimbursed in January 2021.

Bank Debt

The Company has taken up two three bridge loans in May 2020 BNP Paribas Fortis SA/NV (€1.50 million), ING Belgique SA/NV (€1.50 million) and Belfius Banque SA/NV (€1.00 million) to finance its activities until the new capital raise. Those 3 loans have a term of 1 year at the latest of at the next capital raise. On 31 December 2020, the Company has reimbursed €0.75 million to BNP Paribas Fortis and ING and €1.00 million to Belfius.

Convertible Bonds

We refer to note 8.3.2 where the valuation of the corresponding financial liability has been described.

Non-Convertible Bonds

Via the Bond Issuance of June 2019, the Company has raised €3.5 million. The non-dilutive subordinated bonds were issued in registered form, redeemable at 100% of their principal amount with a maturity of 48 months and a coupon of 8% per annum. The coupon will be payable annually. The Company also recorded some transactions costs of €0.18 million in deduction of the gross amount received in 2019. These are not part of Effective Interest Rate.

Please find the table in relation with IAS 7:

(in thousands of euros)	31/12/19	Cash flows	Non-cash changes		31/12/20
			New contracts	Change in estimated cash flows	
Finance lease liabilities	347	(93)	0	(172)	82
Government loans	5,057	(123)	477	96	5,507
Loans from related parties	1,283	(2,052)	1,550	0	781
Bank debt	2,125	(4,625)	4,000	0	1,500
Convertible Bonds	1,578	(1,578)	3,601	0	3,601
Non-Convertible Bonds	3,325	0	0	0	3,325
Total liabilities from financing activities	**13,715**	**(8,471)**	**9,628**	**(76)**	**14,797**

8.5.10. Trade and Other Payables

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/2020	31/12/2019
Trade payables	5,171	3,069
Other payables	343	772
Total trade and other payables	**5,514**	**3,841**

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 €1.67 million is mainly related to trade payables which include important invoices related to the Contract Research Organizations ("CRO") for the ongoing clinical studies (JTA & ALLOB).

8.5.11. 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)	31/12/2020	31/12/2019
Deferred income on grants related to recoverable cash advances	1,184	801
Deferred income on grants related to patents	15	32
Put Option	0	1,956
Total	**1,199**	**2,788**

The deferred income related to the grants on the recoverable cash advances is detailed in note 8.6.2.

The decrease of the other current liabilities is mainly explained by the exercice of the PUT option by the non-controlling interests of Skeletal Cell Therapy Support SA. The Company acquired 100% of the sales of SCTS before the sale of the subsidiary to Catalent Gosselies SA.

8.6. Notes Relating to the Statement of Comprehensive Income

8.6.1. Revenues

In 2020, the Company recognized an upfront payment from licensee Link Health & Pregene, after the signature of the License agreement in October 2020 for an amount of €1.00 million.

(in thousands of euros)	31/12/20	31/12/19
License	1,000	0
Other	0	0
Total	**0**	**0**

The Company has signed an exclusive license agreement for the manufacturing, clinical development and commercialization of Bone Therapeutics' allogeneic, off-the-shelf, bone cell therapy platform ALLOB in China (including Hong Kong and Macau), Taiwan, Singapore, South Korea, and Thailand. This agreement has been signed with Link Health Pharma Co., Ltd ("Link Health") and Shenzhen Pregene Biopharma Company, Ltd ("Pregene").

Under the agreement, Bone Therapeutics is eligible to receive up to €55 million in development, regulatory and commercial milestone payments including €10 million in upfront and milestone payments anticipated in the next 24 months. Bone Therapeutics is also entitled to receive tiered double-digit royalties on annual net sales of ALLOB. Bone Therapeutics retains development and commercialization rights to ALLOB in all other geographies outside of those covered by this agreement. As a result, Bone Therapeutics will continue to concentrate on its development and commercialization plans for ALLOB in the US and Europe and novel innovative cell-based products globally.

The agreement grants Link Health and Pregene exclusive rights to clinically develop and commercialize ALLOB for the treatment of human bone disorders in Greater China, Taiwan, Singapore, South Korea, and Thailand. All rights for China will be transferred to Pregene and Link Health will gain rights for the remaining countries Bone Therapeutics will share its patented proprietary manufacturing expertise for the expansion and differentiation of bone-forming cells and has the option to sell clinical supplies to Link Health and Pregene in preparation for their clinical development of ALLOB.

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: Recognize revenue when (or as) the entity satisfies a performance obligation.

In October 2020, the Group entered into a patent and know-how license agreement with Link Health & Pregene in which an upfront non-refundable payment of € 1.00 million was received (in February 2021). In addition, this contract incorporates multiple development milestone payments, sales-based milestone payments and royalty payments.

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 Link Health & Pregene (this is made possible by the fact that the license is mature and by the fact that the Company has not planned to carry out additional work). The license is granted in 2020, therefore, that portion of the transaction price that is allocated to the license (step 4 of the model) will be recognized in 2020. 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 recognized at 2020. The impact recognized into the equity statement amounted to € 1.00 million.

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.

8.6.2. Other Operating Income

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

(in thousands of euros)	**31/12/2020**	**31/12/2019**
Grants income related to recoverable cash advances	1,198	1,247
Grants income related to exemption on withholding taxes	331	434
Grants income related to tax credit	856	575
Grants income related to patents	52	6
Other grants income	229	230
Total	**2,666**	**2,491**

Recoverable Cash Advances

The recoverable cash advances ("*Avances récupérables*") are granted to support specific research and development programs. After the approval of these loans by the government (*i.e.,* Walloon Region), a receivable is recognized for the loan to be received and presented as other receivables (see note 8.5.5). 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 8.2.14 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)	31/12/20	31/12/19
Opening balance	**1,964**	**4,705**
New grants	1,589	0
New loans	780	0
Canceled grants	(10)	(25)
Cash received	(2,493)	(2,716)
Closing balance	**1,831**	**1,964**

The movements related to the debt of the government loans are detailed in the following table:

(in thousands of euros)	31/12/20	31/12/19
Opening balance	**5,056**	**7,430**
New loans	477	0
Repayment	(122)	(720)
Stop PREOB	0	(1,595)
Impact of interests	63	(84)
Unwind of discount	31	23
Closing balance	**5,507**	**5,056**

The deferred income related to the recoverable cash advances recognized in the consolidated statement of financial position can be reconciled as follows:

(in thousands of euros)	31/12/20	31/12/19
Opening balance	**801**	**2,675**
Released as operating income	(1,450)	(1,908)
Unwind of discount	(31)	(23)
Canceled grants	(12)	(25)
Impact of interests	(15)	84
Increase on new grants	1,893	0
Closing balance	**1,184**	**801**

Grants Related to Tax Credit

For more detail on this section, see note 8.2.16.

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 recognized 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 recognized as other operating income when the patent fees are incurred.

Other Grants

In 2020, the Group has received a subsidy from INAMI for the development of R&D activities.

8.6.3. Research and Development Expenses

(in thousands of euros)	31/12/2020	31/12/2019
Lab fees and other operating expenses	11,587	3,644
Employee benefits expenses	3,368	3,413
Depreciations, amortization and impairment losses	148	200
Patents costs	313	242
Total	**15,416**	**7,501**

Research and development expenses in 2020 were at €15.42 million compared to €7.50 million in 2019. The increase is mainly related to the increase in R&D operating expenses from clinical operations with the "CRO" for the Clinical trial for JTA in Phase III and ALLOB in Phase IIB for the difficult fractures.

8.6.4. General and Administration Expenses

(in thousands of euros)	31/12/2020	31/12/2019
Employee benefits expenses	1,428	1,446
Depreciation and amortization expense	25	28
Other expenses	1,814	1,462
Total	**3,267**	**2,936**

General and administrative expenses for the full year 2020 amounted to €3.27 million compared to €2.94 million over the same period last year. The increase is mainly the result of the non-recurrent fees related to the deals happened during the year.

8.6.5. Employee Benefit Expenses

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/2020	31/12/2019
Short term benefits	3,865	4,441
Social security cost	442	584
Post-employment benefits and other benefits	223	305
Share-based compensation	266	(472)
Total	**4,796**	**4,859**

8.6.5.1. 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 €0.38 million and the accumulated contribution paid amounts to €0.08 million.

8.6.5.2. Average Number of Employees in Full-Time Equivalents during the Year[8]

Number of employees	31/12/2020	31/12/2019
Research and development	25	40
General and administrative	5	4
Total	**30**	**44**

8.6.6. Financial Result

Financial result	31/12/2020	31/12/2019
Interest income on bank deposits	0	(1)
Interest income on government loans	(23)	(16)
Recognition of the stop of PREOB	0	(1,024)
Total financial income	**(24)**	**(1,041)**
Interest on borrowings	655	212
Interest on government loans	23	16
Interest on obligations under finance leases	0	33
Transaction costs on convertible bonds	14	63
Recognition of the discount on CBs	55	0
Fair value gain or losses	0	278
Total financial expenses	**747**	**602**
Exchange (gains)/losses	**13**	**15**
Total financial result	**736**	**(424)**

Financial expenses amount to €0.75 million in 2020 compared to €0.73 million in 2019 and are mainly impacted by the interest on borrowings (€0.34 million). Last year, the financial expenses were impacted by the Fair value on the Put Option (€0.28 million).

Last year, the financial income amounted to €0.74 million and were composed of the recognition of the stop of research of PREOB for €1.60 million, which corresponds to the part for which reimbursement is turnover-independent. In 2019, following the results of the Phase III on osteonecrosis, the Company decided to not exploit the results in the future which led to the possibility not to reimburse to liability of the recoverable cash advances linked to PREOB.

8.6.7. Income Taxes

The Company recorded an amount of €0.08 million related to the withholding tax related to the milestone from Link Health & Pregene.

Current tax	31/12/2020	31/12/2019
In respect of the current year	78	38
In respect of prior years	0	0
Total income taxes	**78**	**38**

[8] Excluding Skeletal Cell Therapy Support SA

8.6.8. 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)	**31/12/2020**	**31/12/2019**
Profit/loss for the period attributable to the owners of the Company	(11,940)	(10,336)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	11,723,182	9,538,538
Basic/diluted loss per share (in euros)	**(1.02)**	**(1.08)**

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2020 and 2019 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)	**31/12/2020**	**31/12/2019**
Impact on weighted average number of ordinary shares outstanding		
Share-based payment plan—warrants	232,887	69,331
Convertible bonds and the attributed warrants	571,428	811,442

8.6.9. Discontinued operations

On 16 November 2020, the Company confirmed the completion of the acquisition of Bone Therapeutics' manufacturing subsidiary, Skeletal Cell Therapy Support SA (SCTS) by Catalent Gosselies SA. SCTS was the manufacturing subsdiadry for Bone Therapeutics SA. Following completion of the transaction, SCTS' manufacturing infrastructure and production operating teams have now become part of Catalent's Cell & Gene Therapy division.

Income statement for discontinued operations

(in thousands of euros)	For the year ended 31 December	
	2020	**2019**
Revenues	0	0
Other operating income	500	829
Total revenues and operating income	**500**	**829**
Research and development expenses	(2,632)	(3,683)
General and administrative expenses	(299)	(374)
Operating profit/(loss)	**(2,431)**	**(3,228)**
Financial income	0	0
Interest income	10	583
Financial expenses	(98)	(136)
Exchange gains/(losses)	*0*	*0*
Share of profit/(loss) of associates	*0*	6
Result Profit/(loss) before taxes	**(2,519)**	**(2,776)**
Income taxes	(21)	(38)
Net Income (Loss) from discontinued operations	**(2,540)**	**(2,813)**
Net income(loss) from discontinued operations attributable to:		
- owners of the parent	(2,540)	(1,403)
- non-controlling interest	0	(1,410)
Capital gain on SCTS sale	**6,390**	**0**
Net result	**3,891**	**(2,813)**

Cash-flow statement from discontinued operations

(in thousands of euros)	For the year ended 31 December	
	2020	**2019**
Cash flow from operating activities	(2,240)	(2,574)
Cash flow from investing activities	0	(63)
Cash flow from financing activities	9,236	(109)
Cash flow from discontinued operations (net increase/decrease)	**6,996**	**(2,746)**

Assets and Liabilities disposed as a result of the sale of SCTS

Please find below the detail of the carrying amount of all assets and liabilities that were disposed as a result of the sale of SCTS:

(in thousands of euros)	**At the signature of the sale of SCTS**
Building	4,922
Other PPE	141
Investment in Associates	280
Receivables	378
Cash & Cash equivalents	585
Total assets	**6,306**

8.7. Financial Instruments and Financial Risk Management

8.7.1. Overview of Financial Instruments

The following table provides the category in which financial assets and financial liabilities are classified in accordance with IFRS9 – *Financial Instruments.*

(in thousands of euros)	**IFRS9 Category**	**31/12/20**	**31/12/19**
Other non-current financial assets			
Non-current receivables	financial assets at amortized cost	1,296	140
Trade and other receivables	financial assets at amortized cost	2,035	2,188
Cash and cash equivalents	financial assets at amortized cost	14,648	8,633
Total financial assets		**17,979**	**10,961**
Non-current financial liabilities			
Finance lease liabilities	At amortized cost	50	170
Government loans (RCA)	At amortized cost	4,637	4,556
Loans from related parties	At amortized cost	106	1,079
Non Convertible Bonds	At amortized cost	3,325	3,325
Convertible Bonds	At fair value through profit and loss	3,601	0
Bank debt	At amortized cost	0	1,875
Current financial liabilities			
Finance lease liabilities	At amortized cost	32	176
Government loans (RCA)	At amortized cost	870	500
Loans from related parties	At amortized cost	675	203
Convertible bonds	At fair value through profit and loss	0	1,578
Bank debt	At amortized cost	1,500	250
Trade and other payables			
Trade payables	At amortized cost	5,171	3,069
Other current liabilities			
Put on non-controlling interests	At fair value through profit and loss	0	1,956
Total financial liabilities		**19,968**	**18,739**

The fair value of financial instruments can be classified into three levels (1 to 3) based on the degree to which the inputs to the fair value measurements are observable:

- Fair value measurements of level 1 are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- fair value measurements of level 2 are based on inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (through prices) or indirectly (through input derived from prices);
- fair value measurements of level 3 are based on valuation techniques comprising inputs which are unobservable for the asset or liability.

The fair value of financial instruments has been determined using the following methods:

- For short-term financial instruments, such as trade receivables and payables, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;
- for floating rate liabilities, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;
- for the other derivative instruments, the fair value is determined by discounting future estimated cash flows;
- for fixed rate liabilities, the fair value is determined by discounted cash flows, based on the market interest rates at reporting date.

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

(in thousands of euros)	31/12/20		
	Carrying amount	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	1,296	1,296	Level 2
Trade and other receivables	2,035	2,035	Level 2
Cash and cash equivalents	14,648	14,648	Level 2
Total financial assets	**17,979**	**17,979**	
Non-current financial liabilities			
Finance lease liabilities	50	50	Level 2
Government loans (RCA)	4,637	6,842	Level 3
Loans from related parties	106	106	Level 2
Non Convertible Bonds	3,325	4,564	Level 2
Convertible Bonds	3,601	3,601	Level 3
Bank debt	0	0	Level 2
Current financial liabilities			
Finance lease liabilities	32	32	Level 2
Government loans (RCA)	870	870	Level 2
Loans from related parties	675	675	Level 2
Convertible bonds	0	0	Level 3
Bank debt	1,500	1,500	Level 2
Trade and other payables			
Trade payables	5,171	5,171	Level 2
Other current liabilities			
Put on non-controlling interests	0	0	Level 2
Total financial liabilities	**19,968**	**23,411**	

(in thousands of euros)	31/12/19		
	Carrying amount	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	140	140	Level 2
Trade and other receivables	2,188	2,188	Level 2
Cash and cash equivalents	8,633	8,633	Level 2
Total financial assets	**10,961**	**10,961**	
Non-current financial liabilities			
Finance lease liabilities	170	170	Level 2
Government loans (RCA)	4,556	7,251	Level 3
Loans from related parties	1,079	1,297	Level 2
Non Convertible Bonds	3,325	4,655	Level 2
Bank debt	1,875	2,057	Level 2
Current financial liabilities			
Finance lease liabilities	176	176	Level 2
Government loans (RCA)	500	500	Level 2
Loans from related parties	203	203	Level 2
Convertible bonds	1,578	1,578	Level 3
Bank debt	250	250	Level 2
Trade and other payables			
Trade payables	3,069	3,069	Level 2
Other current liabilities			
Put on non-controlling interests	1,956	1,956	Level 2
Total financial liabilities	**16,783**	**21,206**	

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, and the convertible bonds and related warrants.

The government loans related to the recoverable cash advances are measured at amortized costs (fair value is disclosed above and is also a Level 3 measurement).

Convertible Bonds and Related Warrants:

We refer to note 8.3.2 where the valuation of the corresponding financial liability has been described.

Current portion:

Reconciliation *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Opening balance	1,578	1,279
Cash received	2,113	4,125
Change in fair value	0	(306)
Total gains or losses in profit or loss	113	0
Transfer to equity	(3,804)	(3,520)
Closing balance	**0**	**1,578**

The liability linked to the convertible bonds and related warrants can only be lower if the assumptions linked to the judgments of management (described under note 8.3.2) would be different.

Non-current portion:

Reconciliation *(in thousands of euros)*	**31/12/2020**	**31/12/2019**
Opening balance	0	0
Cash received	4,000	0
Change in fair value	(199)	0
Transaction costs	(200)	0
Closing balance	**3,601**	**0**

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 2023 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 scenarios, 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 €7.71 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:

(in thousands of euros)	Impact of PoS*				
	-40%	-20%	0	+20%	+40%
DCF with discount rate of 17.10% used for turnover dependent reimbursement	6,982	7,286	7,712	8,222	9,487
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	7,591	7,993	8,555	9,230	10,841

** 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 dependent reimbursements.*

The table below present only the impacts for JTA:

(in thousands of euros)	Impact of PoS*				
	-40%	-20%	0	+20%	+40%
DCF with discount rate of 17.10% used for turnover dependent reimbursement	1,665	1,738	1,840	1,963	2,839
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	1,784	1,877	2,007	2,163	3,255

** 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 dependent reimbursements.*

The table below present only the impacts for ALLOB:

(in thousands of euros)	Impact of PoS*				
	-40%	-20%	0	+20%	+40%
DCF with discount rate of 17.10% used for turnover dependent reimbursement	5,317	5,548	5,872	6,259	6,648
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	5,807	6,116	6,548	7,067	7,586

** 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 dependent reimbursements.*

8.7.2. 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 financial assets. At the end of the reporting period no financial assets were past due, consequently no financial assets were subject to impairment.

8.7.3. 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.

31/12/2020 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible Bonds**	**Subordinated Loans**	**Bank debt**	**Total**
Within one year	29	929	688	320	280	1,500	**3,746**
>1 and <5 years	50	1,608	107	4,640	4,060	0	**10,466**
>5 and <10 years	0	1,425	0	0	0	0	**1,425**
>10 and <15 years	0	908	0	0	0	0	**908**
>15 years	0	1,631	0	0	0	0	**1,631**
31/12/2019 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible Bonds**	**Subordinated Loans**	**Bank debt**	**Total**
Within one year	182	516	265	1,578	280	301	**3,122**
>1 and <5 years	150	1,756	656	0	4,165	1,141	**7,868**
>5 and <10 years	15	1,428	749	0	0	916	**3,108**
>10 and <15 years	15	883	5	0	0	0	**898**
>15 years	237	1,428	0	0	0	0	**1,665**

8.7.4. Interest Rate Risk

The Company has limited interest rate risk on long-term investments loans granted by regional investment bodies, on subordinated loans and also on turnover independent reimbursements (30%) related to RCA's (related to government loans) concluded as of 2009 which are carrying fixed interest rates. The Group at current does not undertake any hedging.

8.7.5. 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 entering 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.

8.8. Related-Party Transactions

The structure of the group has been described in Chapter 3.

For more detail about the related-party transactions, please refer to Chapter 5.

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.

8.8.1. 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 recognized in the financial statements relate to government grants for a total of €35.54 million (2019: €33.15 million). Next to the government grants, government agencies granted loans to the Group for a total amount of €3.97 million (€ 2.42 million in 2019).

8.8.2. Remuneration of Key Management and Transactions with the Non-Executive Directors

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

(in thousands of euros)	Period ended 31 December	
	2020	**2019**
Number of management members	5	5
Short-term benefits	1,350	1,365
Share-based payments	228	(495)
Total	**1,578**	**870**
Cumulative number of warrants granted (in units)	163,224	57,333
Shares owned (in units)	2,880	2,880

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

(in thousands of euros)	Period ended 31 December	
	2020	**2019**
Share-based payments	38	23
Management fees	148	179
Total	**186**	**202**
Number of warrants granted (in units)	31,330	7,332
Shares owned (in units)	47,038	47,038

8.9. Commitments

The Company has no major commitments for 2021 and beyond.

8.10. Fees Paid to Auditors for Audit and Other Activities

Detail of audit and non-audit fees paid during 2020 in €	Amount
Statutory and IFRS audit fees Bone Therapeutics	28,700
Total audit fees Deloitte for FY20	**28,700**
Report for convertible bonds	7,000
Report on issuance of subscription rights (SOP 2020)	3,500
Report on the cancellation of subscription rights	3,500
Report for INAMI subsidies	4,000
Total non-audit fees Deloitte and related parties	**18,000**
TOTAL	**46,700**

8.11. Events after the Reporting Period

The annual consolidated financial statements on 31 December 2020 were authorized for issue by the Board of Directors of the Company on 28 April 2021. Accordingly, events after the reporting period are those events that occurred between 1 January 2021 and 28 April 2021.

Partnership

Post period, in January 2021, Bone Therapeutics signed a first agreement for a process development partnership with the mesenchymal stromal cell (MSC) specialist, Rigenerand. This first collaboration will focus on further developing and enhancing Bone Therapeutics' bone-forming cells with the potential to broaden their therapeutic targets and explore new mechanisms of action with potential gene modifications for Bone Therapeutics' therapeutic portfolio.

Appointment Chief Scientific Officer

End March 2021, Bone Therapeutics appointed the stem cell therapy industry veteran, Anthony Ting, PhD, as Chief Scientific Officer. Backed by two decades of expertise in translational clinical development with adult stem cell therapies, Dr. Ting will be responsible for Bone Therapeutics' research activities. His immediate focus will be the further expansion of Bone Therapeutics' pipeline, leveraging internal know-how and external collaborations on novel, specialized cell therapy products with enhanced efficacy, using differentiated and modified MSCs.

9. STATUTORY ACCOUNTS

9.1. Condensed Statutory Annual Accounts

In accordance with Art. 3:17 of the Belgian Companies and Associations' Code, it has been decided to present an abbreviated version of the statutory financial statements of Bone Therapeutics SA. 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 2020. 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.

9.1.1. Balance Sheet

ASSETS *(in thousands of euros)*	**31/12/20**	**31/12/19**
Non-current assets	**3,377**	**2,777**
Formation expenses	1,863	1,075
Intangible assets	28	71
Property plant and equipment	147	217
Financial fixed assets	1,339	1,414
Current assets	**22,716**	**15,569**
Amounts receivable for more than one year	4,431	4,034
Trade and other receivables	3,363	3,327
Investments	155	1,449
Cash and cash equivalents	14,385	6,662
Deferred charges and accrued income	383	97
TOTAL ASSETS	**26,094**	**18,345**

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/20**	**31/12/19**
Equity	**4,789**	**4,544**
Share capital	8,415	5,454
Share premium	10,898	364
Accumulated profits (losses)	(14,524)	(1,274)
Non-current liabilities	**11,484**	**6,904**
Current liabilities	**9,821**	**6,898**
Current portion of amounts payable after one year	3,057	1,945
Trade debts	5,239	3,703
Taxes remuneration and social security	346	552
Other amounts payable	691	277
Accrued charges and deferred income	489	420
Total liabilities	**21,305**	**13,801**
TOTAL EQUITY AND LIABILITIES	**26,094**	**18,345**

9.1.2. Statutory Income Statement

(in thousands of euros)	For the 12-months period ended	
	31/12/20	31/12/19
Operating income	**26,938**	**12,866**
Turnover	1,000	0
Own construction capitalized	16,694	9,485
Other operating income	2,854	3,380
Non-recurring operating income	6,390	0
Operating charges	**(39,419)**	**(25,530)**
Services and other goods	(18,489)	(10,766)
Remuneration, social security, pensions	(2,521)	(3,337)
Depreciation and amounts written off fixed assets	(17,232)	(10,557)
Other operating charge	(1,178)	(869)
Operating profit/(loss)	**(12,481)**	**(12,664)**
Financial income	1	1,126
Financial expenses	(691)	(247)
Result Profit/(loss) before taxes	**(13,172)**	**(11,785)**
Income taxes	(78)	0
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(13,250)**	**(11,785)**

9.1.3. Appropriation account

The Company ended the year with a loss of €13.25 million. Carried forward losses at the end of 2019 amounted to €1.27 million. The Board of Directors proposes to appropriate the loss for 2020 to losses carried forward. Losses carried forward after appropriation therefore amounts to €14.52 million.

(in thousands of euros)	31/12/20
Loss carried forward for the year at 31.12.2019	(1,274)
Loss for the period	(13,250)
Incorporation to share capital and share premium	0
Total loss carried forward	(14,524)

9.1.4. Summary of significant accounting policies

9.1.4.1. 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.

9.1.4.2. 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)

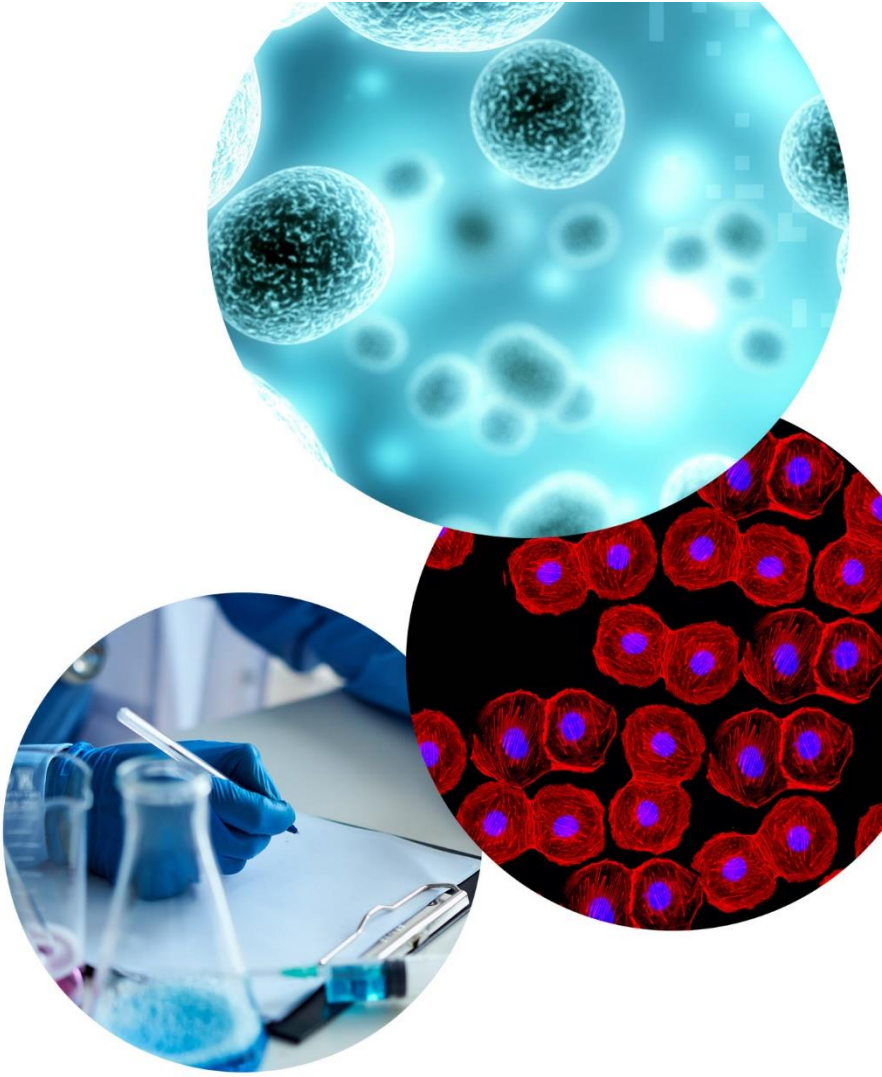
Revenue recognition of Recoverable cash advances is linked to R&D expenses which according to the new valuation principle applicable as of 1 January 2016, are amortized at 100% in the year of capitalization. For RCA's linked to R&D expenses, which were capitalized before the fiscal year 2016, and which are amortized over a three-year period, revenue recognition of RCA's will be kept in line with the amortizing over this three-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.

Figure legend back cover (from top to bottom):

- Cells in 3D
- Fluorescent stem cells under confocal microscope
- laboratory ustensils on a table, doctor filsl in documents



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