Bone Therapeutics

Financial Report

2021

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 utensils on a table, doctor fills in documents
- Liquid nitrogen bank containing stem cell suspension

FINANCIAL REPORT 2021

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1. GENERAL INFORMATION

1.1 Language of this Annual Report

Bone Therapeutics publishes its Annual Report in French in accordance with the Belgian Code of Companies and Associations. The Company has also prepared an English version of this Annual Report and is responsible for the consistency between the French and English version of this Annual Report. In case of difference in interpretation, the French version shall prevail.

1.2 Statutory Auditor

Deloitte Réviseurs d'Entreprises SRL, a civil company having the form of a 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 Mr. Pieter-Jan Van Durme (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, Rue Granbonpré 11 - Bâtiment H (bte 24), 1435 Mont-St-Guibert, Belgium (e-mail: investorrelations@bonetherapeutics.com and tel: +32 493 09 73 66).

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 Granbonpré 11 - Bâtiment H (bte 24)
1435 Mont-St-Guibert
Belgium
Tel: +32 493 09 73 66
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 2021

2.1. Letter to shareholders

2021 was another intense year. Many countries around the world were hit by multiple resurging waves of the COVID-19 pandemic due to the ever-evolving nature of the underlying SARS-Cov-2 virus. The global economy, including the broader healthcare sector, was substantially affected by the associated containment measures throughout the year. 2022 also experiences a turbulent start marked by a heightened geopolitical tension, disturbance in global supply chain and volatility on financial markets.

Despite the unprecedented challenging circumstances, we have been able, with the relentless dedication of our teams, to efficiently complete the large Phase III knee osteoarthritis study with our non-cellular product, the enhanced viscosupplement JTA-004, in more than 700 patients in multiple clinical centers in Europe and Hong Kong. Disappointingly, despite confirming the favorable safety profile of the earlier Phase IIb study, the Phase III trial did not meet the primary and key secondary endpoints. No statistically significant difference in pain reduction could be observed between the treatment, placebo and comparator groups, as all treatment arms showed a similar efficacy.

Following the unexpected JTA-004 Phase results, we have conducted a thorough evaluation of our portfolio and have decided to redefine Bone Therapeutics priorities to concentrate specifically on the development of our most advanced clinical asset, the allogeneic cell therapy platform, ALLOB, to maximally leverage on our core strength in innovative cell therapies.

Annually, hundreds of thousands of patients worldwide are suffering of dissatisfactory fracture healing in spite of the recent advances in fracture treatments. With its ability to respark halted bone healing and an optimized manufacturing process and logistics, ALLOB could provide these patients a convenient treatment option with a potentially superior outcome. Having successfully completed two clinical studies showing a promising safety profile and efficacy signals in more than 60 patients, we firmly believe that ALLOB has the highest potential of near-term value creation. We are currently collecting additional evidence for the clinical benefits of ALLOB in a Phase IIb study in patients with high-risk tibial fractures across Europe.

In order to deliver the results from the Phase IIb clinical study expected in the first half of 2023, we are continuing our efforts to establish value adding business collaborations and to strengthen our financial position. With your highly valued support and the tireless commitment of our teams and collaborators, we continue to advance our ongoing mission to develop better treatments to patients in need.

Sincerely,

Jean Stéphenne, Chairman

Miguel Forte, CEO

2.2. Business overview

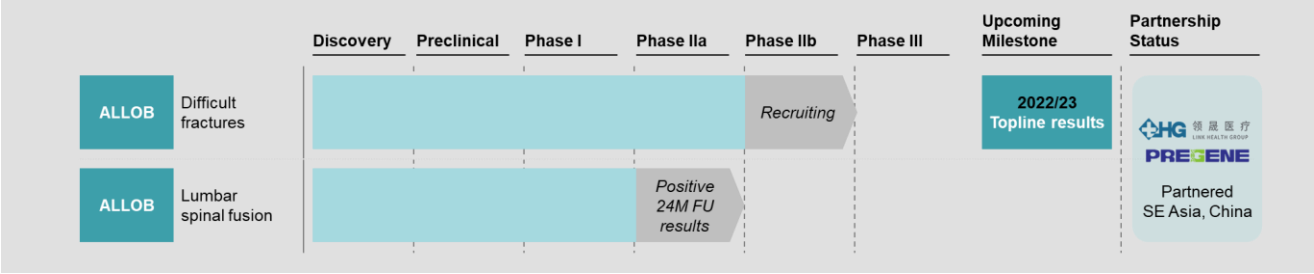
Bone Therapeutics at a glance

Bone Therapeutics is a leading Belgium-based biotech company focused on the development of innovative products to address high unmet needs in orthopedics. Currently Bone Therapeutics is concentrating specifically on the development of its most advanced clinical asset, the allogeneic cell therapy platform, ALLOB, targeting markets with large unmet medical needs and limited innovation.

Bone Therapeutics' core technology is based on its cutting-edge allogeneic cell and gene therapy platform with differentiated bone marrow sourced Mesenchymal Stromal Cells (MSCs) which can be stored at the point of use in the hospital. Its leading investigational medicinal product, ALLOB, represents a unique, proprietary approach to bone regeneration, which turns undifferentiated stromal cells from healthy donors into bone-forming cells. These cells are produced via the Bone Therapeutics' scalable manufacturing process. ALLOB is currently being evaluated in a randomized, double-blind, placebo-controlled Phase IIb study in patients with high-risk tibial fractures, using its optimized production process. ALLOB continues to be evaluated for other orthopedic indications including spinal fusion.

Bone therapeutics has built a strong IP protected by 12 patent family worldwide covering methods, products and applications.

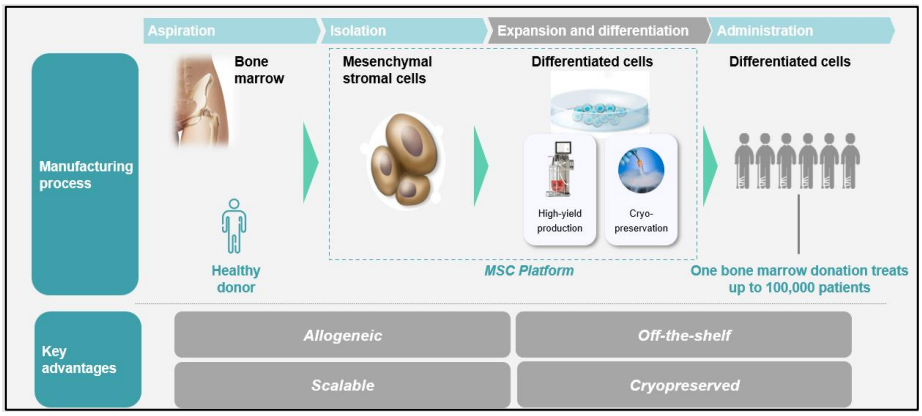
Product portfolio and clinical pipeline



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.



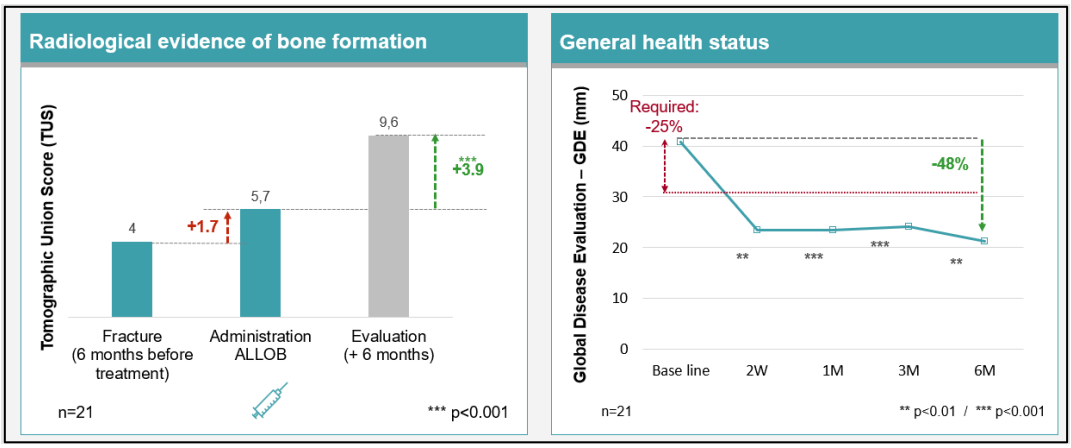
Currently, ALLOB targets two indications: difficult tibial fractures and lumbar spinal fusion.

a) ALLOB - Difficult fractures

Although most 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.

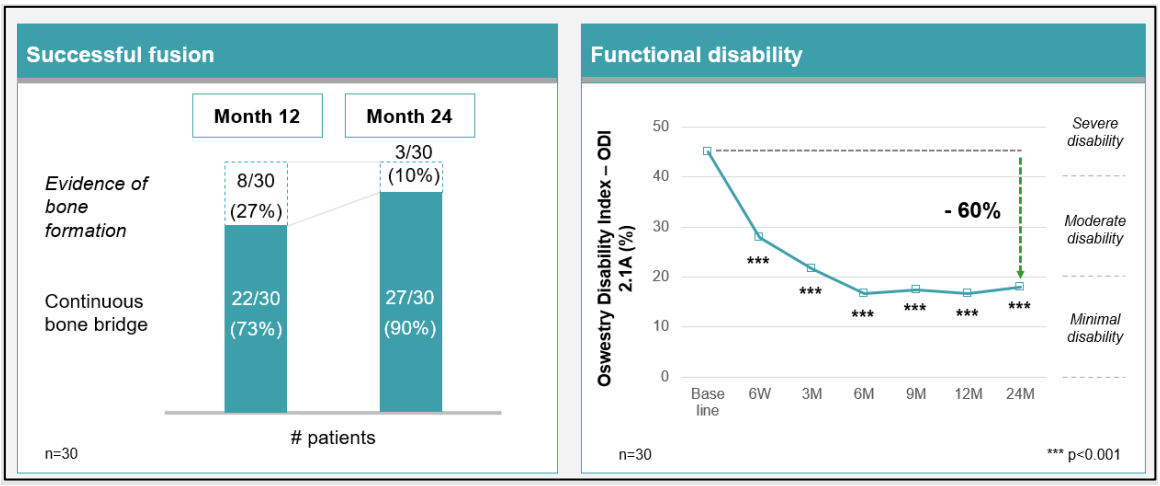
b) ALLOB – Lumbar spinal fusion

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.

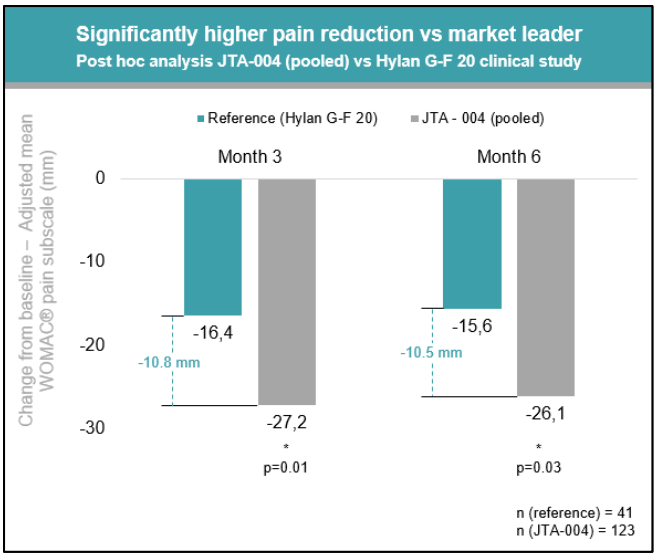


JTA-004 (Discontinued)

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 estimated 250 million cases worldwide[1]. 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.



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

In August 2021, Bone Therapeutics announced the topline results from the multicenter, randomized, double-blind, placebo- and active-controlled Phase III study. The study was conducted in 7 European countries and Hong Kong and included a total of 743 patients. Despite JTA-004's favorable safety profile, the study did not achieve its main objectives as no statistically significant difference in pain reduction could be observed between any of the treatment, placebo and comparator groups, with all treatment arms showing similar efficacy. A statistically significant difference in favor of JTA-004 and the active comparator versus placebo was seen in a post-hoc analysis in a subset of patients with higher pain scores at entry.

In March 2022, Bone Therapeutics announced it was redefining its strategic priorities to concentrate specifically on the development of its most advanced clinical asset, ALLOB. As a result, Bone Therapeutics will focus its R&D activities to support the clinical development of ALLOB and all activities related to the development of the pre-clinical iMSCg platform as well as all other non ALLOB related activities, including the further development of JTA-004, will be stopped.

2.3. Operational and Corporate and Financial Highlights of 2021

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the accounting year that ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Clinical and Operational review 2021

In January, 2021, Bone Therapeutics initiated the treatment of patients in the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. Bone Therapeutics anticipates finalizing patient recruitment of this study in 2022. This finalization is subject, as across the industry, to evolution of the ongoing COVID-19 pandemic and the associated containment measures. Although early recruitment rates were very promising, the recruitment rates have temporarily slowed in subsequent months due to pandemic-related factors, such as reduced site activities due to staff availability and the number of available patients due to less occurrence of accidents. Bone Therapeutics has implemented several mitigating measures in collaboration with the involved clinical research organization to improve and facilitate recruitment. These measures include site expansion, training, information, best practices sharing and close monitoring of progress. As a result of these measures Bone Therapeutics continues to currently expect the release of topline data by Q1 2023.

In January, 2021, Bone Therapeutics signed an initial 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 therapeutic targets and explore new mechanisms of action with potential gene modifications for Bone Therapeutics' therapeutic portfolio.

In June, 2021, Bone Therapeutics published the positive results of its Phase I/IIa clinical trial with ALLOB in patients with delayed union fractures. The results were published in Stem Cell Research & Therapy, the international peer-reviewed journal focusing on translational research in stem cell therapies. ALLOB was generally well-tolerated and that all patients met the primary endpoint.

In August, 2021, Bone Therapeutics announced topline results from the Phase III knee osteoarthritis study with its enhanced viscosupplement JTA-004, its legacy non-MSC product. JTA-004 had a favourable safety profile. However, the study did not meet the primary and key secondary endpoints. No statistically significant difference in pain reduction could be observed between the treatment, placebo and comparator groups, with all treatment arms showing similar efficacy.

In September, 2021, Bone Therapeutics signed a research evaluation agreement with Implant Therapeutics, the developer of hypoimmunogenic and safe harbour engineered IPSC derived cells. The agreement enables Bone Therapeutics to access, evaluate and materially transfer Implant Therapeutics' Induced Pluripotent Stem Cell (iPSC) derived, genetically engineered MSCs, including lines, media, differentiation protocols and expertise.

In November 2021, Bone Therapeutics signed a non-binding term sheet for the global rights for ALLOB, Bone Therapeutics' allogeneic osteoblastic cell therapy product, with one of its current Chinese partners, Link Health Pharma Co., Ltd (Link Health). The negotiations for the global rights agreement are still ongoing but take longer than expected. The envisaged completion of a final binding agreement has been delayed and is now contemplated over the course of Q2 2022.

Corporate highlights 2021

In March 2021, Bone Therapeutics appointed the stem cell therapy industry veteran, Anthony Ting, PhD, as Chief Scientific Officer. Dr. Ting is responsible for Bone Therapeutics' research activities.

In July 2021, Bone Therapeutics appointed Dr. Anne Leselbaum as Chief Medical Officer. Dr. Leselbaum brings three decades of experience in strategic international clinical development, clinical operations and medical affairs. As CMO, she will take responsibility for the leadership of all clinical development and medical affairs strategies and activities across the entire Bone Therapeutics' pipeline and will oversee the regulatory interactions.

In September 2021, Bone Therapeutics appointed Lieve Creten, as interim Chief Financial Officer (CFO), succeeding Jean-Luc Vandebroek. Lieve's extensive financial experience will ensure the continued optimal financial control, oversight and compliance.

In October 2021, Bone Therapeutics appointed key experts to its Scientific Advisory Board (SAB). The members of the SAB consist of world-recognized scientists and clinicians in the cell and gene therapy field.

2.4. Financial Review of the Year Ending 31 December 2021

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 2021 and 31 December 2020.

(in thousands of euros)	For the year ended 31 December	
	2021	2020
Revenue	1,000	1,000
Other Operationg income	1,745	2,666
Total revenues and operating income	**2,745**	**3,666**
Research and development expenses	(11,684)	(15,416)
General and administrative expenses	(3,087)	(3,267)
Operating profit/(loss)	**(12,026)**	**(15,017)**
Financial income	333	0
Interest income	25	24
Financial expenses	(1,147)	(747)
Exchange gains/(losses)	(20)	(13)
Share of profit/(loss) of associates	0	0
Result Profit/(loss) before taxes	**(12,836)**	**(15,754)**
Income taxes	(89)	(78)
Net Income (Loss) from continuing operations	**(12,925)**	**(15,832)**
Net Income (Loss) from discontinued operations	**0**	**3,891**
TOTAL COMPREHENSIVE INCOME/(LOSS) OF THE PERIOD	**(12,925)**	**(11,940)**
Basic and diluted loss per share (in euros) - continuing operations	**(0.77)**	**(1.35)**
Basic and diluted loss per share (in euros) - discountinued operations	**0.00**	**0.33**
Profit/(loss) for the period attributable to the owners of the Company	(12,925)	(11,940)
Total comprehensive income/(loss) for the period attributable to the owners of the Company	(12,925)	(11,940)

The total revenues and operating income for 2021 amounted to €2.74 million compared to €3.67 million in 2020 or a decrease of €0.92 million. In 2021, the Company invoiced the second milestone payment covering the submission by Pregene of the IND application to the Chinese National Medical Products Administration for an amount of €1.00 million in line with the License agreement executed on October 5th, 2020. The Company granted an exclusive license to Link Health and Pregene for the development and commercialization of ALLOB in Greater China and a few other major Asian countries.

The reduction in other operating income for 2021 is mainly driven by the reduction of the income related grants received from the Walloon Region (Recoverable Cash Advances – RCAs). This decrease is due to the decreased investments in JTA following the disappointing Phase 3 results published mid 2021 and the negative equity position of the company since mid 2021. A positive equity position is one of the mandatory criteria to apply for new recoverable tax advance conventions with the Walloon Region which is no longer the case since 2021

The Non-recoverable Cash Advances amounted only €0.5 million in 2021 compared to €1.20 million in the year before, which represent a Year-on-Year decrease of approximately €0.7 million. Other non-refundable

grants and Patent grant income amounted €0.16 million in 2021 compared to €0.18 million in 2020. Year-on-Year, the total combined other operating income with the Walloon Region have dropped by 0.725 million in 2021 compared to the prior year.

Next to grant income, the company generates other operating income from other sources for a total of € 1,1 million, compared to €1,3 million EUR in prior year representing a slight decrease of €0.19 million compared to the year before.

In 2021, other operating income has been generated by the company benefiting from the special regime employing scientific staff through the recovery of company withholding tax for an amount of €0.32 million, an investment tax credit for an amount of €0.6 million and €0.16 million other income related reinvoicing.

R&D expenses in 2021 amounted to €11.68 million compared to €15.42 million in 2020. The decrease is mainly related to the reduction in R&D operating expenses for clinical operations following the completion of the Phase III JTA study in June 2021 and the fact that the enrollment of patients for the ALLOB TF2 Phase IIb study has been impacted by the ongoing COVID-19 pandemic and associated containment measures.

General and administrative expenses for the full year 2021 amounted to €3.09 million compared to €3.27 million over the same period last year, largely in line with the previous year.

The operating loss in 2021 was at € 12.03 million versus an operating loss of € 15.02 million in the prior year.

In 2021, the Company presented a net financial loss of €0.8 million compared to a net financial loss of €0.7 million in the year before. The net financial loss in 2020 was mainly impacted by the recognition of the interest paid throughout the year. In 2021, the interest costs were substantially higher following the full year interest charges due on the loans from both Integrale (€ 2 million) and Patronale (€ 2 million), signed in May 20 in combination with the interest due on the loan signed with the European Investment bank (€ 8 million) in June 2021. The higher interest costs in 2021 are partially offset by a favorable revaluation of the financial liabilities by € 0.33 million measured at fair value at closing, mainly driven by the share price decrease component in accordance with IFRS 9.

In 2020, the Company presented profit for an amount €3.89 in relation to the discontinued activities. In November 2020, the Company sold its subsidiary Skeletal Cell Therapy Support SA ("SCTS") to Catalent Gosselies SA.

The reported net loss in 2021 amounted to €12.92 million or €0.77 loss per share for the continuing operations compared to €11.94 million or €1.02 loss per share in the prior year.

2.4.2. Analysis of the Consolidated Statement of Financial Position

The table below shows the audited consolidated balance sheet on 31 December 2021 and 2020.

Consolidated Assets IFRS per: (in thousands of euros)	Note	31/12/21	31/12/20
Non-current assets		**5,481**	**6,019**
Intangible assets	8.5.1	24	28
Property, plant and equipment	8.5.2	863	226
Investments in associates	8.5.3	12	12
Financial assets	8.5.4	96	1,296
R&D Tax Credits		4,486	4,456
Current assets		**14,291**	**18,817**
Trade and other receivables	8.5.3	2,581	3,840
Financial assets	8.5.4	1,200	0
Other current assets	8.5.5	1,000	328
Cash and cash equivalents	8.5.6	9,510	14,648
TOTAL ASSETS		**19,772**	**24,835**

Total assets at the end of December 2021 amounted to €19.77 million compared to €24.84 million at the end of December 2020, mainly impacted by the current assets.

Current assets decreased by €4.53 million, from € 18.82 million at the end of December 2020 compared to € 14.29 million at the end of December 2021, mainly driven by a decrease in cash position of €5.1 million compared to the prior year.

Cash and cash equivalents showed a significant decrease in December 2021 due to the ongoing cash burn. Furthermore, last year a capital raise with a total gross amount of €9.92 million occurred in December 2020 compared to a lower private placement concluded in December 2021 for a total gross amount of only €3.3 million.

The trade receivables comprise the second milestone payment from Link Health & Pregene to be received in 2022 for an amount of €0.93 million net of taxes. In addition, the other receivables decreased by €1.3 million mainly explained by:

- the fact that no other recoverable cash-advance conventions were contracted with the Walloon Region anymore due to the negative equity of the company, as from June 2021 onwards
- outstanding amounts from recoverable cash advances have been received during the course of 2021 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for an amount of € 0.95 million.
- The impact of both components above is resulting in a lower outstanding cash advances balance, dropping from €1.8 million at the end of December 2020 to only € 1 million at the end of December 2021.
- A decrease of €0.5 million mainly driven by the accelerated refund of the outstanding tax credit which was received early in December 2021, while the 2020 tax credit was only received in April 2021.

Other current assets are showing an increase of € 0.67 million and are mainly driven by advanced invoicing by Nordic Bioscience NBCD A/S for an amount of € 0.78 million.

The non-current assets increased from € 6.02 million to €6.68 million at the end of December 2021 mainly driven by Property, plant and equipment. The increase is the result of the application of the IFRS 16 principle with the signing of the new office rent contract for Mont-Saint-Guibert in May 2021.

Following this new standard, lease and rental obligations need to be reported on the balance sheet of the company increasing the long term assets by € 0.64 million compared to prior year. The financial non-current assets have decreased by the reclassification of the anticipated reimbursement of the bank guarantee of €1.20 million in relation with the deal with Catalent in 2022 to the current financial assets. This guarantee expires on 13 May 2022 and will be released by the banks provided no demand for payment of a claim is made by Catalent before that date.

R&D tax credits totaling €4.86 million represent a tax credit on investment in R&D reimbursable in the foreseeable future (spread over the next seven years) and remain largely in line with prior year.

Consolidated Equity & Liabilities IFRS per: *(in thousands of euros)*	**31/12/21**	**31/12/20**
Equity attributable to owners of the parent	**(6,765)**	**3,325**
Share capital	4,924	8,415
Share premium	69,499	67,594
Accumulated losses	(81,488)	(73,080)
Other reserves	301	396
Total Equity	**(6,765)**	**3,325**
Non-current liabilities	**19,864**	**11,720**
Interest bearing borrowings	19,752	11,720
Other non-current liabilities	*112*	*0*
Current liabilities	**6,673**	**9,790**
Interest bearing borrowings	1,046	3,077
Trade and other payables	4,822	5,514
Other current liabilities	804	1,199
Total liabilities	**26,537**	**21,510**
TOTAL EQUITY AND LIABILITIES	**19,772**	**24,835**

Equity decreased from €3.3 million at the end of December 2020 to a negative equity of €6.7 million at the end of December 2021 due to current year incurred losses for a total amount of € 12,92 million. This equity decrease is partially offset by the share capital and share premium's increase following the December 2021 capital Raise (amounting €3.3 million) including the transaction costs for the recent equity transactions for an amount of € 0.28 million. In addition, the recognition of a specific reserve linked to the convertible bonds, warrants and other reserves reduce the total equity further by another € 0.18 million. In February 21, the company also incorporated losses into the share capital amounting to € 4,6 million. For more details with regards to the equity changes, we refer to the section 8.5.6. and section 7.3.4.

Liabilities amounted to €26.54 million in 2021 compared to €21.51 million at the end of December 2020, representing an increase of €5.03 million. The total Non-current Liabilities have increased from €11.7 million

at the end of December 2020 to €19.86 million at the end of December 2021 or an increase of €8.14 million, mainly driven by the non-convertible loan with the European Investment bank concluded in June 2021 for a total gross amount of €8 million. The loan has been measured at amortized cost in accordance with IFRS 9.

The fair value of the accompanying warrants for both EIB and Patronale have been recognized under non-current liabilities for an amount of € 0.112 million per December 2021. The non-current liabilities for convertible bonds have decreased from € 3.6 million at the end of December 2020 to € 1.9 million at the end of December 2021 following the conversion of the 2020 Patronale loan into a non-convertible loan in alignment with the EIB loan. Considering the Issuer has no Cash Alternative Election (choice over how the share conversion option will be settled), the share conversion option for the Integrale loan is an own equity instrument (cfr IAS 32.26). As a result the equity component has been calculated at fair value from the start and recorded accordingly. The total balance at December 2021 for the non-current liability of Integrale amounts € 1.9 million. Other non-current liabilities for public loans decreased by € 0.39 million.

In addition, our other non-current financial liabilities now also include € 0.49 million indicating our long term rental obligations with Watson Creek for our new offices in Mont-Saint Guibert (in accordance with IFRS16 requirements).

Current financial liabilities decreased by € 2.03 million mainly driven by the reimbursed loans from SambrInvest and Novallia for € 0.59 million and € 1.5 million loan reimbursement from BNP Fortis and ING partially offset by the short term lease liabilities for the new offices in Mont-Saint-Guibert (IFRS 16).

Trade and other payables decreased by € 0.69 million, from € 5.51 million at the end of December 2020 compared to 4.8 million at the end of December 2021.

Other current liabilities decreased from € 1.2 million at the end of December 2020 to € 0.8 million at the end of December 2021 following the ongoing reimbursement of the outstanding recoverable cash advances towards the Walloon Region throughout 2021.

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 2021 and 2020. 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 2021.

Consolidated Statements of Cash Flows (in thousands of euros)	For the 12-months period ended 31 December	
	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(12,026)	(17,448)
Adjustments non-cash	(1,231)	(1,576)
Movements in working capital:	(1,308)	708
Cash received from grants/licenses	1,870	2,312
Income tax paid	(89)	(78)
Net cash used in operation activities	**(12,784)**	**(16,082)**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash flow from other investing activities	(204)	(92)
Proceeds from the sale of SCTS	0	12,000
Net cash used in investing activities	**(204)**	**11,908**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	201	748
Proceeds from loans from bank/related parties	8,000	5,550
Repayment of loans and interests paid	(3,360)	(7,557)
Payments to acquire Non-controlling interests	0	(1,956)
Guarantee facilities	0	(1,200)
Net Proceeds from equity instruments/convertible bonds/subordinated loans	3,009	14,603
Net cash generated from financing activities	**7,850**	**10,188**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,138)**	**6,015**
CASH AND CASH EQUIVALENTS at beginning of the period	**14,648**	**8,633**
CASH AND CASH EQUIVALENTS at end of the period	**9,510**	**14,648**

Cash used for operating activities amounted to €12.78 million for the full year 2021 compared to €16.09 million for the full year 2021.

Total operating loss for the period amounted to a loss of €12.03 million compared to a loss of €17.45 million over the same period in 2020. The decrease of the net loss in 2021 is mainly explained by the decrease of the clinical expenses incurred for the JTA-004 clinical trial Phase III and ALLOB clinical trial Phase IIB in tibial fractures due to the delay in patient recruitments in an ongoing COVID-19 context.

Adjustments for non-cash items amounted to €1.23 million compared to €1.58 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 negatively impacted for the full year 2021 for an amount of €1.3 million mainly explained by a decrease of trade and other payables and liabilities in the current year compared to the prior year. Due to the negative equity of the company as from mid 2021 onwards, no new conventions for recoverable cash advances have been signed anymore while the company continues to reimburse the outstanding liabilities for RCAs in progress.

Actual cash received in 2021 for the grants and regulatory milestones amounted to €1.87 million compared to €2.31 million in 2020.

Cash flow from investing activities in 2020 was positively impacted by a non-recurring one-off 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 €7.85 million for 2021 compared with €10.19 million in 2020.

Financial cash inflows during 2021 are as follows:

- net cash in from private placement for a total net amount of €3 million (excluding €0.3 million transaction costs) compared to €14.60 million in 2020;
- net cash in from the European Investment bank for an amount of €8 million, compared to €5.55 million received from banks and related parties (Integrale/Patronale/Sambrinvest/Sofipôle) in the year before;
- recoverable cash advances provided to the Company by the Walloon Region (R&D project financing) for an amount of €0.2 million in 2021 which corresponds to the part for which reimbursement is turnover-independent compared to € 0.75 million in 2020

Financial cash outflows during 2021 are as follows:

- reimbursements of bank loans and recoverable cash advances for an amount of €3.4 million in 2021 compared to €7.5 million in the prior year;

2.5. Headcount Evolution

On 31 December 2021, the Group employs 20 employees in total. The table below shows the evolution of employment since 2019 and does not take into account the temporary workers, consultants and the management members. 17 FTE moved to Catalent Gosselies SA as part of the sale of SCTS, in 2020

As of 31 December, 2021	2021	2020	2019
R&D	15	25	53
Administration	5	5	5
Total of Bone Therapeutics SA	**20**	**30**	**58**

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 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 have adversely affected and may continue to affect the timely enrolment 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, when advised or imposed by health authorities in the following waves of the CVID-19 pandemic, the Company would need to reinstate 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

The consolidated balance sheet on 31 December 2021 shows a negative equity in the amount of € 6.8 million and a cash position of €9.5 million. The company is still in a development phase conducting clinical trials to achieve regulatory approval and pre-clinical development which implies various risks and uncertainties. Based on the 2022 revised projected cash forecast considering an operating cash burn of €8 million to €10 million and a projected financing cash burn of around €1.6 million, the Company anticipates having sufficient cash to carry out its revised strategic focus, namely achieving an efficacy outcome milestone with ALLOB TF2 Phase IIb clinical study by early 2023 taking into account the following relevant assumptions:

- a collection of a milestone payment from the licensees Link Health-Pregene of € 0,93 million.
- an assumed continued support from the Walloon Region from which the Company expects to receive non-dilutive funds still in 2022 of about €0,32 million and a negotiation of a revised RCA repayment schedule for 2022 (the latter not included yet in the cash flow projection)
- the release of the escrow account amounting to €1.2 million in May 2022 as the guarantee expires on 13 May 2022, provided no demand for payment of a Claim is made by Catalent.
- The issuance of a convertible bond amounting to €5 million as of May 2022 with a long stop date of 18 months of which the first tranches amounting to €2.5 million can be issued respectively beginning of May and July 2022 without liquidity conditions and assuming compliance with the permitted indebtedness as imposed by certain lenders of the company. The binding term sheet was signed on April 11th,2022 and CB facility is expected to close in May 2022 considering customary conditions.
- No further delays together with an acceleration of the patient recruitment in the Phase IIb ALLOB clinical study in high-risk tibial fractures. Temporary slowdown in recruitment rates announced to the market on January 19, 2022 was caused by fewer accidents and reduced availability of health care facilities in 2021 due to the COVID-19 pandemic. CRO costs and related milestone payments are projected in line with ICON proposal and realistic BT timing.
- Considering further downsizing of the company, allowing the company to execute its redefined and focused strategic priorities concentrating on the development of its most advanced clinical asset, the

allogeneic cell therapy platform, ALLOB and abandon all other activities. In this context disciplined cost and cash management with further restructuring of any excess capacity is assumed. The board and the current CEO are working on a replacement plan re. CEO/CFO. The related cost is included in the cash projections. Until proper replacement is in place, the current CEO remains in function.

The assumptions made above comprise various risks and uncertainties, mainly but not limited to the timing of collection of certain funds, the uncertainty about the ALLOB top line results, including but not limited to the uncertainty of the clinical trial development process for ALLOB and the uncertainty related to the equity. Based on cash flow forecasts for the next twelve months including significant expenses and cash outflows for the ongoing clinical trials and the issuance of the Convertible Bond in the amount of € 5 million, the cash runway of the company is expected into Q1 2023. Hence the Company will continue to require additional financing to continue its operations in the longer turn. The Company also continues to evaluate other options with a potential positive impact on the going concern which are however currently not included in the 2022 revised projected cash forecast.

- Completion of business deal with a Chinese partner:

  Discussions are still ongoing with a Chinese partner for the global rights for ALLOB, Bone Therapeutics' allogeneic osteoblastic cell therapy product. If the licensing deal is concluded, the partner would be responsible for all future costs of development of ALLOB, including the ongoing ALLOB TF2 Phase IIb trial and costs related to development, process development (scale up) and manufacturing of the product. The negotiations for the global rights agreement are taking longer than expected. The envisaged completion of a final binding agreement has been delayed and is now foreseen to be potentially completed in the second quarter 2022 after approval by the Board of directors. Milestone payment from the licensees Link Health-Pregene of €0,930 million is a condition precedent to this new potential global rights deal.

- Interim analysis ALLOB clinical study

  Management is currently assessing the possibility to anticipate the assessment of the efficacy of ALLOB through an interim analysis of the clinical results at about 66 patients with 3 months follow-up. Although no formal decision has been taken by the Board yet, this would give the opportunity to define at an early stage the value proposition of ALLOB and hence optimizing the ongoing study costs while at the same time providing an opportunity to initiate strategic discussions with potential partners based on positive clinical results.

- Potential M&A options

  The Board is still investigating various M&A options to secure BT for the longer term. These options could increase the asset portfolio of Bone and would provide further potential for the repayment of outstanding debts of which first capital repayments are due in June 2023.

Based on the completion of the current CB financing operation as mentioned above and the announced sole focus on the completion of the ALLOB TF2 study with related downsizing of the company, the Board is of the opinion that it is appropriate to prepare the 2021 financial statements of the Company under the assumption of going concern, considering a projected operational cash burn of €8 to 10 million for 2022 and a cash runway till Q1 2023. The latter should allow the achievement of an efficacy outcome milestone in the ALLOB TF2 study. In the event that the Chinese deal is not concluded in the meantime, positive topline results should lead to strategic discussions with partners who already expressed their interest to top line results when available. The assumptions, risks and uncertainties mentioned above, however, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Board of Directors however, remain confident about the strategic focus taken and have decided, after due consideration, that the application of the valuation rules in the assumption of a "going concern" is justified. The latter is reinforced by the nature of the ongoing discussions potentially further strengthening the going concern beyond the results of the Phase IIb ALLOB clinical study as the Company's ability to continue operations also depends on its ability to raise additional capital and to refinance existing debt in order to fund operations and assure the solvency of the Company.

2.8. Events Occurred after the End of the Financial Year

The annual consolidated financial statements on 31 December 2021 were authorized for issue by the Board of Directors of the Company on 28 April 2022. Accordingly, events after the reporting period are those events that occurred between 1 January 2022 and 25 April 2021.

In Q1 2022, Bone Therapeutics has officially relocated its corporate offices to the Louvain-la-Neuve Science Park in Mont-Saint-Guibert (Louvain-la-Neuve), Belgium. Louvain-la-Neuve is home to the Catholic University of Louvain (UCLouvain), one of Belgium's premier academic research institutes. Bone Therapeutics is now part of a vibrant biotech ecosystem with a high concentration of cell therapeutic companies.

In March 2022, Bone Therapeutics announced it was redefining its strategic priorities to concentrate specifically on the development of its most advanced clinical asset, ALLOB. Based on the positive results of the previous clinical studies of ALLOB and the extensive preclinical data set, Bone Therapeutics firmly believes that ALLOB has the highest potential of near-term value creation. In order to deliver the results from the Phase IIb clinical study, Bone Therapeutics has implemented a number of actions to reduce its cost base to enable completion of its Phase IIb study. As a result, Bone Therapeutics will focus its R&D activities to support the clinical development of ALLOB and all activities related to the development of the pre-clinical iMSCg platform as well as all other non ALLOB related activities, will be stopped. In this context, some members of Bone Therapeutics' management team will transition to depart Bone Therapeutics in the following months in alignment with the focus in activity. This includes Miguel Forte (CEO), Tony Ting (CSO), Stefanos Theoharis (CBO) and Lieve Creten (CFO). The CEO, Miguel Forte, will remain in function for the transition. The Scientific Advisory Board was also dissolved.

In April 2022, Bone Therapeutics signed a binding term sheet for a EUR 5 million convertible bonds (CBs) facility arranged by ABO Securities. The proceeds of the financing will be used to advance the clinical development of Bone Therapeutics' lead asset, the allogeneic bone cell therapy, ALLOB. ABO Securities, on behalf of the CB investor, commits to subscribe to up to EUR 5 million in CBs. The CBs will be issued and subscribed in seven tranches. A first tranche with an aggregate principal amount of EUR 1.5 million will be issued on the Closing Date, followed by a tranche of up to EUR 1 million after 40 trading days from Closing. The issue and subscription of the remaining five tranches with a principal amount of EUR 500,000 each can be requested at Bone Therapeutics' sole discretion over an eighteen-month period, subject to customary conditions to be met. Subject to the fulfilment of conditions precedent, Bone Therapeutics and ABO Securities aim to agree on and execute the final subscription agreement for the CBs and to issue the first tranche of CBs by the beginning of May 2022.

2.9. Outlook for the Remainder of 2022

In the ongoing Phase IIb ALLOB clinical study in difficult tibial fractures, Bone Therapeutics' clinical team, in partnership with its clinical research organization, is continuing to institute measures to mitigate the impact of the pandemic and will closely monitor the recruitment progress. As a result of the initial mitigation actions, Bone Therapeutics continues to expect to report topline results as scheduled by the first quarter of 2023. However, a delay cannot be excluded. Should the pandemic continue to have impact on patient availability, Bone Therapeutics may have to re-evaluate this timeline and, in that eventuality, will communicate again to the market.

The negotiations for ALLOB, with one of Bone Therapeutics' current Chinese partners, for the global rights agreement are still ongoing but are taking longer than originally anticipated. The potential completion of a final binding agreement has been delayed into Q2 2022.

Subsequent to some preliminary contacts, the board of directors of Bone Therapeutics is currently examining various opportunities to combine certain activities within Bone Therapeutics, taking into account the interests

of its shareholders and other stakeholders. Further announcements will be made in due course, if and when circumstances so allow or require.

Following the restructuring of the management team announced on 12 April 2022, the Company has initiated the search for a new CEO and CFO.

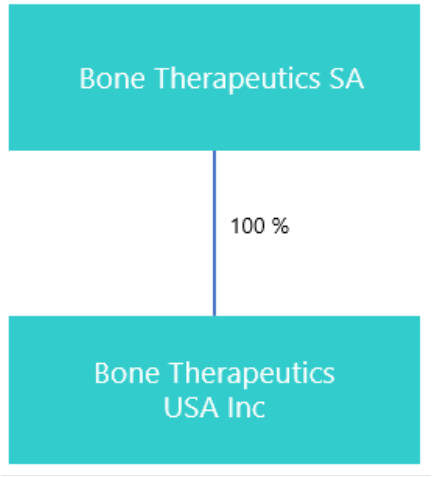
Disciplined cost and cash management will remain a key priority. The operating cash burn for the full year 2022 is expected to be in the range of €8-10million, assuming normal operations as the effect of the ongoing COVID-19 epidemic cannot be excluded. The situation will be actively and closely monitored. The company anticipates having sufficient cash to carry out its business objectives into Q1 2023, assuming amongst other full issuance of the new convertible bond facility. We refer to the going concern statement for all key assumptions taken.

3. ORGANIZATIONAL STRUCTURE

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.



4. CORPORATE GOVERNANCE

4.1. General

This section summarizes the rules and principles on the basis of which the corporate governance of the Company has been organized pursuant to Belgian Code of Companies and Associations, and the Company's corporate governance charter (the "**Corporate Governance Charter**") adopted by the Board of Directors on 25 August 2020 in accordance with the new Belgian Corporate Governance Code 2020 (the "**Corporate Governance Code**" or "**CGC**") by the Royal Decree of 12 May 2019 designating the corporate governance code to be complied with by listed companies published on 17 May 2019 in the Belgian Official Gazette (*Moniteur belge*). The Corporate Governance Charter is available on the Company's website (www.bonetherapeutics.com, under the section Investors / Governance). A copy of the Corporate Governance Charter can be obtained free of charge at the registered office of the Company.

The text of the Corporate Governance Code is available on the website of the Corporate Governance Committee at https://www.corporategovernancecommittee.be/en/over-de-code-2020/2020-belgian-code-corporate-governance.

4.2. Compliance with the Corporate Governance Code

The Board of Directors intends to comply with the provisions of the Corporate Governance Code but believes that the size and the current state of development of the Company justifies certain deviations. These deviations are further detailed hereinafter.

The Corporate Governance Charter includes the following main chapters:

- *Definitions;*
- *Structure and organisation;*
- *Shareholders;*
- *Transactions between the Company and its Board Members or the Members of the Management Team;*
- *Transactions involving Shares of the Company;*
- *Application of the CGC; and*
- *Miscellaneous.*

The Appendices to the Corporate Governance Charter include the following:

- *Terms of Reference of the Board;*
- *Policy for Transactions and other Contractual Relationships between the Company and its Board Members or Members of the Management Team;*
- *Rules for the Prevention of Market Abuse;*
- *Terms of Reference of the Audit Committee;*
- *Terms of Reference of the Nomination and Remuneration Committee; and*
- *Terms of Reference of the Management Team.*

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

- *Remuneration of non-executive directors in company's shares (principle 7.6):* given the legal constraints of Belgian laws, the non-executive directors of the Company do not receive a portion of their remuneration in Company's shares.

- *No grant of stock options to non-executive directors (principle 7.6):* given the technical impossibility to grant Company's shares to non-executive directors, those directors can receive subscription rights (warrants) under the template 2020 Subscription Rights Plan. This plan provides that the subscription rights (warrants) shall vest and be exercisable at any time and without restriction unless the Company decides that these subscription rights (warrants) may not be exercised before the end of the third calendar year following the calendar year during which the subscription rights (warrants) were offered and indicates this in the offer thereof. Those grants can attract profiles with high potential, incentivize the beneficiaries in the development of the Company, and play a role as retention tool of the teams.

- *Minimum threshold of shares to be held by the executives (principle 7.9):* at the date hereof, the Company has not fixed any minimum threshold for the detention of shares by the Executive Directors. However, subscription rights (warrants) on the Company's shares were granted to the two Executive Directors (i.e. the CEO and the CFO) on 28 May 2020. These subscription rights (warrants) shall vest and be exercisable at any time and without restriction unless the Company decides that these subscription rights (warrants) may not be exercised before the end of the third calendar year following the calendar year during which the subscription rights (warrants) were offered and indicates this in the offer thereof.

- *Appointment of a company secretary (principle 3.19):* At the date hereof, no Company secretary has been appointed by the Board. Since the IPO (6 February 2015), the Board of Directors has assigned the law firms Allen & Overy (Belgium) LLP (until March 2019) and Osborne Clarke SCRL / CVBA (since March 2019) to provide services in this respect, including the drafting of minutes of Board meetings. Given the limited size of the Company, the Board of Directors is of the opinion that there is no need to appoint a full time Company secretary.

- *The audit committee, the remuneration committee and the nomination committee should be composed of at least three board members (principle 4.3):* At the date hereof, the Audit Committee and the Nomination and Remuneration Committee of the Company are only composed of 2 members. The Board of Directors is of the opinion that the current members of these two committees have the necessary independence, skills, knowledge, experience and capacity to execute their duties effectively.

- *Establishment of an independent internal audit function (principle 4.14)*: Given the current size of the Company and the policies and internal processes in place, no independent internal audit function has been established. The need for this function has been reviewed in 2021 and will continue to be reviewed annually.

- *Minimum of three years period for the vesting and exercise of stock options (principle 7.11)*: The terms and conditions with respect to the Company's stock options are publicly available on the Company's website and are published in the Annexes to the Belgian State Gazette. In accordance with the Company's warrant plan, the Company may contractually impose vesting requirement on the warrants for certain beneficiaries.

- *Provisions that would enable the company to recover variable remuneration paid to executives (principle 7.12)*: The Company has not adopted any "clawback" provision to claim variable remuneration from the executives, given the practice of the industry in which the Company operates and the difficulties to recruit in this competitive environment.

- *Existence of a succession plan in place for the executives (principle 2.10):* There is currently no detailed succession plan in place within the Company for the CEO, the CFO and the other members of the executive management However, the Company will assess the need to implement such succession plan in the future, and will review it periodically.

- *Assessment of a relationship agreement with the significant or controlling shareholder(s) (principle 8.7)*: As indicated in the "Shareholders" section of the report, the Company has no significant or controlling shareholders and therefore a relationship agreement is not appropriate.

- *Promotion of diversity (principle 4.23)*: The Company has not adopted a diversity policy yet. However, the Company ensures that it meets the minimum gender diversity requirement at the level of the Board of Directors of the Company.

  Article 7:86 of the Belgian Code of Companies and Associations imposes that at least one third of the board members are of a different gender than the other board members. The minimum is rounded to the closest unit and if the director is a legal person, his or her gender shall be determined by that of its permanent representative. The Board of Directors of the Company complies with Belgian laws on gender as it is currently composed of 7 Directors, out of which two are of a different gender.

  In addition, except for the Remuneration and Nomination Committee, one third of the members of the Executive Committee are of a different gender and half of the members of the Audit Committee are of a different gender.

  As regards the employees not included above, the Company records 69% female employees and 31% male employees.

In accordance with the Corporate Governance Code, 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 further reduced to seven members, 5 Independent and 2 Executive Directors.

The table below provides an overview of the mandates held in 2021 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	2025	Independent	Avenue Alexandre 8, 1330 Rixensart, Belgium
mC4Tx SRL, with as permanent representative Miguel Forte	Managing Director	2020	2022[2]	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	2025	Independent	Chemin du Gros Tienne 61, 1380 Lasne, Belgium
Finsys Management SRL with as permanent representative Jean-Luc Vandebroek	Director	2018	2022[3]	Non-Executive[4]	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

[2] This mandate is not planned to be renewed
[3] This mandate is planned to be renewed
[4] Non-Executive as of 20 September 2021

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.

- **Mr. 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. Until 2021 Jean-Luc was active within Bone Therapeutics as CFO. Today he is Chief Financial Officer at Hyloris Pharmaceuticals.

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 2021, the Board of Directors met 11 times discuss and decide on specific matters such as financial operations, business strategy development, clinical trials progress, R&D developments as well as other operational elements. Below is the detail of the attendance:

BOARD OF DIRECTORS	Number of attendances[5]
Innoste SA, represented by M. Jean Stéphenne	11/11
mC4Tx SRL, represented by Miguel Forte	11/11
Claudia D'Augusta	11/11
Castanea Management SARL, represented by M. Damian Marron	11/11
ClearSteer Consulting LLC, represented by Mrs Gloria Matthews	10/11
M. Jean-Paul Prieels	11/11
Finsys Management SRL, represented by Jean-Luc Vandebroek	11/11

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 2021.

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

[5] 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.

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.

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 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 2021, the Audit Committee met four times, discussing various topics such as financial reporting, accounting policies, regulatory compliance or risk management.

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 two 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 CEO also attends the Remuneration Committee to discuss remuneration of the executive management.

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 2021, the Nomination and Remuneration Committee met three times with particular emphasis on:

- the performance evaluation 2020 of the Executive Directors including bonus determination;
- the definition of the objectives 2021 of the Executive Directors;
- the discussion about a new stock option plan for Board members and employees;
- the discussion about nomination of Tony Ting (CSO), Sven Kili (CMO ad interim), Anne Leselbaum (CMO), Valérie Chapelle (HR Director ad interim) and Lieve Creten (CFO ad interim)
- the discussion over remuneration report and remuneration policy

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.

As announced on March 29, 2022, some members of the Executive Committee will transition out of their function and leave the organisation in the coming months. This includes Miguel Forte (CEO), Tony Ting (CSO), Stefanos Theoharis (CBO) and Lieve Creten (CFO). The CEO, Miguel Forte, will remain in function until the transition to the new organisation in line with the strategic refocus. In addition, all non-executive members of the Board of Directors have decided to suspend their compensation for the first quarter of 2022 and until further notice.

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 SRL, represented by Miguel Forte	Chief Executive Officer and Executive Director
Lieve Creten B.V, represented by Lieve Creten	Interim Chief Financial Officer from 20 September 2021
Venture Advances Therapies Limited, represented by Stefanos Theoharis	Chief Business Officer
Anthony Ting	Chief Scientific Officer from 1 April 2021
Clinical Drug Development S.L, represented by Anne Leselbaum	Chief Medical Officer from 23 August 2021
Anne-Sophie Lebrun	Chief Operations Officer

- **mC4Tx SRL, represented by Mr. Miguel Forte**, (62) (**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.

- **Lieve Creten B.V, represented by Mrs. Lieve Creten**, (56) (**CFO ad interim**). Lieve's extensive financial experience gained at Deloitte will be deployed to ensure optimal financial control, oversight and compliance while Bone Therapeutics executes its strategic objectives. Lieve holds a Master's degree in business engineering from the University of Leuven as well as a postgraduate in tax sciences. She is a certified public accountant and has been a partner at Deloitte for more than twenty years, where she developed the M&A practice for national and international investors in various sectors and headed the Financial Advisory business as managing partner from 2008 to 2019. She was a member of the executive committee of Deloitte Belgium until 2019. In addition, she was part of the global executive team of Deloitte Financial Advisory from 2015 to 2021.

- **Venture Advances Therapies Limited, represented by Mr. Stefanos Theoharis**, (46) (**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.

- **Mr. Anthony Ting**, (59) (**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.

- **Clinical Drug Development S.L, represented by Mrs. Anne Leselbaum**, (56) (**CMO**). Dr. Leselbaum has over three decades of experience in strategic international clinical development, clinical operations and medical affairs. She has directly managed more than 10 clinical studies (from phase I to III) involving more than 3,500 patients and 350 sites in Europe, Americas and Asia-Oceania regions. She has also led clinical and regulatory interactions with both the European Medicines Agency (EMA) and U.S. Food and Drug Administration (FDA). This includes for a number of products including vaccines and cell therapies, from pre-Investigational New Drug (IND) activity up to the filing of Marketing Authorization Applications (MAA). Dr. Leselbaum was most recently Vice President Clinical Development at Aelix Therapeutics. leading the clinical development of novel HIV vaccines. Prior to this, Dr. Leselbaum was Director Clinical Development at Tigenix, which was acquired by Takeda for more than half a billion euros. She was responsible for the development and implementation of clinical development of the allogeneic cell therapy product, Alofisel, for the treatment of complex perianal fistulas in Crohn's disease. She has also held leadership positions at the international pharmaceutical companies Almirall and Ipsen. Dr. Leselbaum received her Medical Degree from Paris Rene Descartes (Paris V), France.

- **Mrs. Anne-Sophie Lebrun,** (39) **(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 regarding their management function mandates. 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 did not result in 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.

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.
- The Company has a considerable position of outstanding debts which needs to be paid back or refinanced starting from mid 2023.
- The volatility on the financial markets caused by the increased global geopolitical tension may hinder raising funding on the financial markets.

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, convertible bonds 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 being exposed is being reviewed on an ongoing basis considering the carrying amount of the financial assets. Based on this ongoing evaluation 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. The report complies with Article 3:6 of the Companies and Associations Code.

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.

At the date of the publication of the annual report, all non-executive members of the Board of Directors have decided to suspend their compensation for the first quarter of 2022 and until further notice.

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 report

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. There has not been a deviation from the remuneration policy.

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 characteristics of the plan can be found in chapter 6.4. 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 2021 amounts to €150,000. The table below provides an overview of the remuneration per Independent Director.

Name, Position	Fixed Remuneration (€)			Variable Remuneration (€)		Extra-ordinary items (€)	Pension expense (€)	Total remu-neration (€)	Fixed	Variable
	Base compensation	Attendance fees	Other benefits	One-year variable	Multi-year 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 2021 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	0.21%
** calculated as the percentage of all outstanding shares and warrants totalling to 22,508,074, of which 21,310,520 are shares and 1,197,554 are 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. The characteristics of the plan can be found in chapter 6.4.

	Main condition of the warrant plans					Information related to the financial year 2021		
Name Position[6]	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) 2.55	-	-
Claudia D'Augusta, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 3,000 B) 2.55	-	-
Jean-Paul Prieels, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 3,000[7] 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) 2.55	-	-
Gloria Matthews, Director	Plan 2020	23-12-20	23-12-20	-	24/12/2023 - 23/12/2027	A) 2,000 B) 2.55	-	-

[6] 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

[7] Jean-Paul Prieels refused the warrants in February 2021

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 2021 for the Executive Directors and the members of the Executive Committee is in line with the remuneration levels in comparable companies for these functions.

Due to a challenging economic environment, no variable remuneration was granted for the year 2021 to the Executive Directors and the members of the Executive Committee.

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 2021 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 eligible for variable remuneration, the maximum variable remuneration is set between [25% 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 7:92 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 7:149 of the Belgian Code of Companies 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.

Name, Position	Fixed Remuneration (€)			Variable Remuneration (€)		Extra-ordinary items (€)	Pension expense (€)	Total remu-neration (€)	Fixed	Variable
	Base compensation	Administrator compensation	Other benefits	One-year variable	Multi-year variable					
Miguel Forte, CEO	319,461	/	19,666	/	/	/	/	339,127	100%	0%

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 2021, the CEO performance was set at 75%. However, due to a challenging economic environment, no variable remuneration was granted for the year 2021.

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 2021 was as follows:

- Finsys Management SRL, represented by Jean-Luc Vandebroek, CFO, until 31 December 2021
- Lieve Creten B.V, represented by Lieve Creten, CFO ad interim, from 20 September 2021
- Venture Advances Therapies Limited, represented by Stefanos Theoharis, CBO,
- Antony Ting, CSO, from 01 April 2021
- Zam Consulting SRL, represented by Olivier Godeaux, CMO, until 30 March 2021
- Sven Kili Consulting Ltd, represented by Sven Kili, CMO ad interim, from 15 January 2021 until 31 August 2021
- Clinical Drug Development S.L, represented by Anne Leselbaum, CMO, from 23 August 2021
- Anne-Sophie Lebrun, COO

Currently, all members of the Executive Committee (excluding Anne-Sophie Lebrun and Anthony Ting) 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	1,303,471	/	56,208	/	/	/	/	1,359,679	100%	0%

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 between [25% and 30% * base salary] depending on the positions. For the year 2021, the average performance of the Executive Committee (excluding the CEO) was set at 89%. However, due to a challenging economic environment, no variable remuneration was granted for the year 2021.

The table below provides an overview of the main conditions of the warrant plans as well as information related to the financial year 2021 regarding members of the Executive Committee:

	Main condition of the warrant plans					Information related to the financial year 2021		
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	29-05-20	29-05-20	-	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	29-05-20	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 2021 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 (22,508,074 which is 21,310,520 shares and 1,197,554 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. No severance pay has been paid in 2021.

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. No severance pay has been paid in 2021.

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. Finsys Management SRL, represented by Mr Jean-Luc Vandebroek, designated as Chief Financial Officer (CFO) of the Company, with effect as of 20 September 2021. Finsys Management SRL, represented by Mr Jean-Luc Vandebroek, will

however remain on the board of directors of Bone Therapeutics as a non-executive director and will support a managed transition of the CFO function till December 31, 2021.

- 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.

- Lieve Creten

The management agreement between Lieve Creten B.V and the Company has a fixed duration of 6 months, and can be renewed or converted to be permanent contract via expressed consent. Both the Company and Lieve Creten B.V may terminate the management agreement by means of a one month' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event Lieve Creten B.V commits a serious breach of its obligations under the management agreement. Lieve Creten B.V 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.

- 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 Leselbaum

The management agreement between Clinical Drug Development S.L and the Company shall be extended for an indefinite period of time. Both the Company and Clinical Drug Development S.L 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 Clinical Drug Development S.L commits a serious breach of its obligations under the management agreement. Clinical Drug Development S.L 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 Clinical Drug Development S.L and Anne Leselbaum 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.

- 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.

No severance pay has been paid throughout 2021 for any of the leadership team members.

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 ("CLT"), Company performance and the average remuneration per FTE employee for last 5 years:

	2017	2018	2019	2020	2021
Remuneration of Non-Executive Directors					
Total annual remuneration (€)	223,490	227,500	172,500	150,000	150,000
Year-on-year difference	/	2%	-24%	-13%	0%
Number of Non-Executive Directors under review	12	12	7	5	5
Remuneration of CEO					
Total annual remuneration (€)	281,000	355,000	328,000	432,000	339,127
Year-on-year difference	/	26%	-8%	32%	-21%
Remuneration of CLT					
Total annual remuneration (€)	1,047,000	963,000	1,056,000	1,060,000	1,359,679
Year-on-year difference	/	-8%	10%	0,4%	28%
Number of CLT Members under review	7	6	7	6	8
Company performance (thousands of euros)					
Net profit/(loss) for the period	(11,9)	(14,1)	(10,3)	(11,9)	(12,9)
Cash position at the end of year	8,4	8,1	8,6	14,6	9,5
Average remuneration per FTE employee					
Average employee cost per FTE	68,990	72,151	75,493	84,879	98,491
Year-on-year difference	/	5%	5%	12%	16%

4.7.2.5. Total Remuneration of CEO versus Lowest Remuneration Employee

The Table below shows a comparison of the 2021 total remuneration of the CEO (in €), to the 2021 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.

2021	
Ratio of Total Remuneration of CEO versus Lowest Remunerated Employee	1:9

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.

In 2021, all directors of the Company each declared not to have any direct or indirect financial interests conflicting with the decisions to be made.

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 2022021, expenses related to all activities executed through Bone Therapeutics USA Inc. have been re-invoiced to the Company on 31 December 2021.

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 2021.

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 2021, the Company's capital amounts to €4,923,998.63, represented by 21,310,520 ordinary shares without nominal value.

On 31 December 2021, 1,197,554 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. 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.

On 26 February 2021, the share capital was decreased by an incorporation of losses totalling €4,602,355 without any reduction of shares.

Via the Private Placement on 3 December 2021, the Company has raised EUR 3.3 million and placed 4,832,352 new shares with current and new institutional investors. The share capital was increased by €1,111,441 The aggregate share premium for this transaction amounts to €2,174,558. Following the capital increase, the share capital of the Company amounted to € 4,923,998.63 and was represented by 21,310,520 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/conver	156,064	2.79 (average issue price)	79,593	5,675,316.94	11,106,411

	sion convertible bonds					
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
26/02/2021	Incorporation of losses	None	Not applicable	4,602,355	3,812,557,67	16,478,168
02/12/2021	Capital increase	4,832,352	0.68	1,111,441	4,923,998.63	21,310,520

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 (excluding share premium) within the framework of the authorized capital on 16 December 2020 following the private placement of 4,408,881 new shares;
- to decrease the share capital within the framework of the issue of 1,600 convertibles bonds completed on 29 May 2020. Due to the cancellation of 800 convertible bonds of Patronale, the authorized increases by €145,714.14;
- to increase the share capital within the framework of the issue of 99,832 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 €50,914.32;
- to increase the share capital by an amount of €1,111,440.96 (excluding share premium) within the framework of the authorized capital on 8 December 2021 following the private placement of 4,832,352 new shares.

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 € 5,007,579.78 (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.

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 2021, 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	29,330
Former CTMO	5,333
Former CMO	5,000
Total	**197,554**

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.

No new warrant plan has been issued in 2021.

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

On 31 December 2021, the share capital of the Company amounts to €4,923,998.63 and is fully paid up. It is represented by 21,310,520 shares, each representing a fractional value of €0.23 or one 21,310,520th 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);
- conventions for non-dilutive subordinated bonds of 6 May 2020 between Patronale S.A (the Lender) and Bone Therapeutics SA (the Borrower) have been modified into non-convertible bonds with accompanying warrants in September 2021;
- On 1 July 2021, the Company signed a loan agreement of up to €16 million with the European Investment Bank (EIB) of which the first tranche of €8 million has been received.

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 2021, there are 21,310,520 shares representing a total share capital of the Company of €4,923,999. 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[8] 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.

[8] Denominator for CPH Banque = 16,478,168, denominator for Nyenburgh Holding NV = 21,310,520, denominator for S.R.I.W. & Sofipole = 21,310,520 and denominator for SFPI = 6,549,779.

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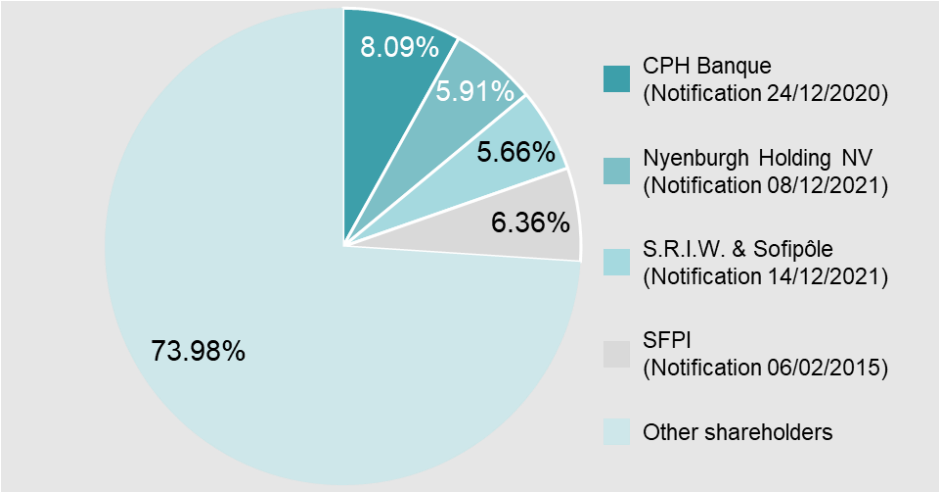

On 16 March 2022, Nyenburgh Holding NV declared that its shareholding in Bone Therapeutics' shares had crossed below the 5% threshold.

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 2021, 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,

DocuSigned by:
28 April 2022 | 19:36 BST
6C1767C93445450...

mC4Tx SRL,
represented by Miguel Forte

DocuSigned by:
28 April 2022 | 20:09 BST
D073DC0D63CE46F...

Innoste S.A.,
represented by Jean Stéphenne

7.2. Statutory Auditor's Report on the Consolidated Financial Statements for the Year ended 31 December 2021

Deloitte.

Bone Therapeutics SA

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2021 - 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 2021 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (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 7 consecutive periods.

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 2021, 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 19 772 (000) EUR and the consolidated statement of comprehensive income shows a loss for the year then ended of 12 925 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 December 2021 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.

Material uncertainties relating to going concern

Without prejudice to our opinion expressed above, we draw attention to disclosure note 8.3.2 in the consolidated financial statements, which describes the uncertainties related to the use of the going concern assumption. The events and conditions disclosed in note 8.3.2, indicate that material uncertainties exists that may cast doubt on the Group's ability to continue as a going concern.

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. In addition to the matter described in section "Materiality uncertainties relating to going concern", we have determined there are no other key audit matter to be communicated in our audit report."

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 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 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 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 company during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit of the consolidated financial statements, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Single European Electronic Format (ESEF)

In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format ("digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the the official French version of the digital consolidated financial statements included in the annual financial report of Bone Therapeutics SA as of 31 December 2021 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

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 Zaventem.

The statutory auditor

Digitally signed by
Pieter-Jan Van Durme
DocuSign
Ondertekend door: Pieter-Jan Van Durme (Signature)
Ondertekentijd: 29-apr-2022 | 00:19 CEST
C: BE
Uitgever: Citizen CA
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Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises BV/SRL
Represented by Pieter-Jan Van Durme

Deloitte.

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Member of Deloitte Touche Tohmatsu Limited

7.3. Consolidated Financial Statements as of 31 December 2021 and 2020 under IFRS

7.3.1. Consolidated Statement of Financial Position

Consolidated Assets IFRS per: (in thousands of euros)	Note	31/12/21	31/12/20
Non-current assets		**5,481**	**6,019**
Intangible assets	8.5.1	24	28
Property, plant and equipment	8.5.2	863	226
Investments in associates	8.5.3	12	12
Other non-current assets	8.5.6	96	1,296
R&D Tax Credits	8.5.4	4,486	4,456
Current assets		**14,291**	**18,817**
Trade and other receivables	8.5.5	2,581	3,840
Other current assets	8.5.7	1,000	328
Financial assets	8.5.6	1,200	0
Cash and cash equivalents	8.5.8	9,510	14,648
TOTAL ASSETS		**19,772**	**24,835**

Consolidated Equity & Liabilities IFRS per: *(in thousands of euros)*	Note	31/12/21	31/12/20
Equity attributable to owners of the parent		**(6,765)**	**3,325**
Share capital		4,924	8,415
Share premium		69,499	67,594
Accumulated losses		(81,488)	(73,080)
Other reserves		301	396
Total Equity	**8.5.8**	**(6,765)**	**3,325**
Non-current liabilities		**19,864**	**11,720**
Interest bearing borrowings	8.5.9	19,752	11,720
Other non-current liabilities		*112*	*0*
Current liabilities		**6,673**	**9,790**
Interest bearing borrowings	8.5.9	1,046	3,077
Trade and other payables	8.5.10	4,822	5,514
Other current liabilities	8.5.10	804	1,199
Total liabilities		**26,537**	**21,510**
TOTAL EQUITY AND LIABILITIES		**19,772**	**24,835**

7.3.2. Consolidated Statement of Comprehensive Income

(in thousands of euros)	For the year ended 31 December	
	2021	2020
Revenue	1,000	1,000
Other Operationg income	1,745	2,666
Total revenues and operating income	**2,745**	**3,666**
Research and development expenses	(11,684)	(15,416)
General and administrative expenses	(3,087)	(3,267)
Operating profit/(loss)	**(12,026)**	**(15,017)**
Financial income	333	0
Interest income	25	24
Financial expenses	(1,147)	(747)
Exchange gains/(losses)	(20)	(13)
Result Profit/(loss) before taxes	**(12,836)**	**(15,754)**
Income taxes	(89)	(78)
Net Income (Loss) from continuing operations	**(12,925)**	**(15,832)**
Net Income (Loss) from discontinued operations	**0**	**3,891**
TOTAL COMPREHENSIVE INCOME/(LOSS) OF THE PERIOD	**(12,925)**	**(11,940)**
Basic and diluted loss per share (in euros) - continuing operations	**(0.77)**	**(1.35)**
Basic and diluted loss per share (in euros) - discountinued operations	**0.00**	**0.33**
Profit/(loss) for the period attributable to the owners of the Company	(12,925)	(11,940)
Total comprehensive income/(loss) for the period attributable to the owners of the Company	(12,925)	(11,940)

7.3.3. Consolidated Statement of Cash Flow

Consolidated Statements of Cash Flows (in thousands of euros)	For the 12-months period ended 31 December 2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(12,026)	(17,448)
Adjustments non-cash		
Depreciation, Amortisation and Impairments	186	601
Share-based compensation	(99)	266
Grants income related to recoverable cash advances	(590)	(1,450)
Grants income related to patents	(69)	(52)
Grants income related to tax credit	(594)	(853)
Other	(65)	(88)
Movements in working capital:		
Trade and other receivables (excluding government grants)	(624)	(1,014)
Trade and other Payables	(684)	1,723
Cash generated from operations	**(14,565)**	**(18,315)**
Cash received from grants related to recoverable cash advances	468	1,745
Cash received from non-refundable Subventions	331	0
Cash received from grants related to patents	47	56
Cash received from grants related to other grants	0	117
Cash received from grants related to tax credit	1,024	394
Income taxes paid	(89)	(78)
Net cash used in operational activities	**(12,784)**	**(16,082)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	3	2
Purchases of property, plant and equipment	(193)	(78)
Purchases if intangbile assets	(14)	(15)
Proceed from the sale of SCTS	0	12,000
Net cash used in investing activities	**(204)**	**11,908**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	201	748
Repayment of government loans	(372)	(122)
Proceeds from loans from related parties	0	1,550
Reimbursements of related parties loans	(675)	(1,864)
Reimbursements of financial lease liabilities	(89)	(267)
Proceeds from bank	8,000	4,000
Reimbursements of other financial loans	(1,500)	(4,625)
Interests paid	(724)	(679)
Guarantee facilities	0	(1,200)
Payments to acquire Non-controlling interests	0	(1,956)
Transaction costs	(277)	(1,180)
Proceeds from issue of equity instruments of the Company	3,286	11,783
Proceeds received from convertible loan	0	4,000
Net cash generated from financing activities	**7,850**	**10,188**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,138)**	**6,015**
CASH AND CASH EQUIVALENTS at beginning of the period	**14,648**	**8,633**
CASH AND CASH EQUIVALENTS at end of the period	**9,510**	**14,648**

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 2020	**5,454**	**58,026**	**(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	466	466	0	466
Allocation to the legal reserve	0	0	3	3	0	3
Share-based payment	0	0	266	266	0	266
Other	0	0	(48)	(48)	0	(48)
Balance at 31 December 2020	**8,415**	**67,594**	**(72,684)**	**3,325**	**0**	**3,325**
Balance at 1 January 2021	**8,415**	**67,594**	**(72,684)**	**3,325**	**0**	**3,325**
Total comprehensive income of the period	0	0	(12,925)	(12,925)	0	(12,925)
Issue of share capital	1,111	2,175	0	3,286	0	3,286
Incorporation of losses	(4,602)	0	4,602	0		0
Transaction costs for equity issue	0	(277)	0	(277)	0	(277)
Equity component for Convertible Bonds	0	0	(89)	(89)	0	(89)
Share-based payment	0	0	(99)	(99)	0	(99)
Other	0	7	7	14	0	14
Balance at 31 December 2021	**4,924**	**69,499**	**(81,188)**	**(6,765)**	**0**	**(6,765)**

The Group's equity decreased from € 3.33 million at the end of December 2020 to a negative amount of € 6.75, as a result of the incurred losses for the period (amounting to € 12,93 million) which have been partially offset by the Private Placement on 3 December 2021, during which the Company raised € 3.3 million. The related transaction costs for the Capital Raise amounted € 0.28 million. In February 21, the company incorporated losses into the share capital amounting to € 4,6 million.

The Equity component for Convertible bonds decreased by € 0.1 million compared to the prior year , following the conversion of the loan from Patronale into a Non-Convertible bond in September 2021.

The Share-based payments decreased by € 0.1 million compared to last year following the expiration of various SOP warrants for the former CEO and CTMO during the course of 2021.

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 Granbonpré 11 - Bâtiment H (bte 24), 1435 Mont-St-Guibert, Belgium. The shares of the Company are publicly listed on NYSE Euronext Brussels and Paris since 6 February 2015.

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 financial statements of Bone Therapeutics SA for the twelve months ended 31 December 2021 were authorized for issue by the Board of Directors on 28 April 2022. 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

The Group's consolidated financial statements for the year ended 31 December 2019 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

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 2021.

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020)
- Amendments to IFRS 4 Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9 to 1 January 2023 (applicable for annual periods beginning on or after 1 January 2021)

The following IFRS standards, interpretations and amendments that have been published but that are not yet effective, have not been applied to the IFRS financial statements closed on 31 December 2021:

- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions beyond 30 June 2021 (applicable for annual periods beginning on or after 1April 2021)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)
- 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)

- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)

- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023)

- 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 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (applicable for annual periods beginning on or after 1 January 2023, 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. There is no material impact of the application of new standards and interpretations that became effective for 2021.

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. 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 given the fact that:

- the primary objectives of the Phase III results of the related development costs for JTA have not been met
- the related development project for the ALLOB Phase IIb has not yet been 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
Leasehold Improvements	The shorter of the useful life and the lease term
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.

Property, plant and equipment at the end of December 2021 amount to €0.86 million with an increase mainly due to the new building rental contract with Watson Creek following the recent headquarter move from Gosselies tothe new facilities in Mont-Saint-Guibert in line with IFRS 16.

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 equipment, 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 (determined 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 recognized financial assets are subsequently measured in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.
Debt instruments that meet the following conditions are subsequently measured at amortized 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 amortized 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.

Hybrid 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). A hybrid instrument consists of a host debt and an embedded derivative that is not an own equity component and is therefore measured at fair value through profit or loss, such as, e.g. a convertible bond for which the equity conversion feature does not meet the definition of an own equity instrument of the entity.
We refer to note 8.3 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.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled 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.

8.2.15. 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.

8.2.16. 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.

8.2.17. 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.

8.2.18. 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 royalty 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.

8.2.19. 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.

8.2.20. 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.

8.2.21. 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. Integrale - 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 of which the 800 bonds have been assigned to Integrale. The loan with Patronale has been converted into subordinated bonds and warrants in September 2021. (see note 8.3.3). The initial convertible loan with Integrale was not renegotiated and remains in line with prior year conditions. As an immediate result the initial 1,600 bonds at the nominal amount of €2,500 each in May 2020 have been reduced to 800 bonds at the initial nominal amount of €2,500 eachConvertible 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 2021 amounts to € 1.96 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. Going Concern

The consolidated balance sheet on 31 December 2021 shows a negative equity in the amount of € 6.8 million and a cash position of €9.5 million. The company is still in a development phase conducting clinical trials to achieve regulatory approval and pre-clinical development which implies various risks and uncertainties. Based on the 2022 revised projected cash forecast considering an operating cash burn of €8 million to €10 million and a projected financing cash burn of around €1.6 million, the Company anticipates having sufficient cash to carry out its revised strategic focus, namely achieving an efficacy outcome milestone with ALLOB TF2 Phase IIb clinical study by early 2023 taking into account the following relevant assumptions:

- a collection of a milestone payment from the licensees Link Health-Pregene of € 0,93 million.
- an assumed continued support from the Walloon Region from which the Company expects to receive non-dilutive funds still in 2022 of about €0,32 million and a negotiation of a revised RCA repayment schedule for 2022 (the latter not included yet in the cash flow projection)
- the release of the escrow account amounting to €1.2 million in May 2022 as the guarantee expires on 13 May 2022, provided no demand for payment of a Claim is made by Catalent.
- The issuance of a convertible bond amounting to €5 million as of May 2022 with a long stop date of 18 months of which the first tranches amounting to €2.5 million can be issued respectively beginning of May and July 2022 without liquidity conditions and assuming compliance with the permitted indebtedness as imposed by certain lenders of the company. The binding term sheet was signed on April 11th,2022 and CB facility is expected to close in May 2022 considering customary conditions.
- No further delays together with an acceleration of the patient recruitment in the Phase IIb ALLOB clinical study in high-risk tibial fractures. Temporary slowdown in recruitment rates announced to the market on January 19, 2022 was caused by fewer accidents and reduced availability of health care facilities in 2021 due to the COVID-19 pandemic. CRO costs and related milestone payments are projected in line with ICON proposal and realistic BT timing.
- Considering further downsizing of the company, allowing the company to execute its redefined and focused strategic priorities concentrating on the development of its most advanced clinical asset, the allogeneic cell therapy platform, ALLOB and abandon all other activities. In this context disciplined cost and cash management with further restructuring of any excess capacity is assumed. The board and the current CEO are working on a replacement plan re. CEO/CFO. The related cost is included in the cash projections. Until proper replacement is in place, the current CEO remains in function.

The assumptions made above comprise various risks and uncertainties, mainly but not limited to the timing of collection of certain funds, the uncertainty about the ALLOB top line results, including but not limited to the uncertainty of the clinical trial development process for ALLOB and the uncertainty related to the equity. Based on cash flow forecasts for the next twelve months including significant expenses and cash outflows for the ongoing clinical trials and the issuance of the Convertible Bond in the amount of € 5 million, the cash runway of the company is expected into Q1 2023. Hence the Company will continue to require additional financing to continue its operations in the longer turn. The Company also continues to evaluate other options with a potential positive impact on the going concern which are however currently not included in the 2022 revised projected cash forecast.

- Completion of business deal with a Chinese partner:

  Discussions are still ongoing with a Chinese partner for the global rights for ALLOB, Bone Therapeutics' allogeneic osteoblastic cell therapy product. If the licensing deal is concluded, the partner would be responsible for all future costs of development of ALLOB, including the ongoing ALLOB TF2 Phase IIb trial and costs related to development, process development (scale up) and

manufacturing of the product. The negotiations for the global rights agreement are taking longer than expected. The envisaged completion of a final binding agreement has been delayed and is now foreseen to be potentially completed in the second quarter 2022 after approval by the Board of directors. Milestone payment from the licensees Link Health-Pregene of €0,930 million is a condition precedent to this new potential global rights deal.

- Interim analysis ALLOB clinical study

  Management is currently assessing the possibility to anticipate the assessment of the efficacy of ALLOB through an interim analysis of the clinical results at about 66 patients with 3 months follow-up. Although no formal decision has been taken by the Board yet, this would give the opportunity to define at an early stage the value proposition of ALLOB and hence optimizing the ongoing study costs while at the same time providing an opportunity to initiate strategic discussions with potential partners based on positive clinical results.

- Potential M&A options

  The Board is still investigating various M&A options to secure BT for the longer term. These options could increase the asset portfolio of Bone and would provide further potential for the repayment of outstanding debts of which first capital repayments are due in June 2023.

Based on the completion of the current CB financing operation as mentioned above and the announced sole focus on the completion of the ALLOB TF2 study with related downsizing of the company, the Board is of the opinion that it is appropriate to prepare the 2021 financial statements of the Company under the assumption of going concern, considering a projected operational cash burn of €8 to €10 million for 2022 and a cash runway till Q1 2023. The latter should allow the achievement of an efficacy outcome milestone in the ALLOB TF2 study. In the event that the Chinese deal is not concluded in the meantime, positive topline results should lead to strategic discussions with partners who already expressed their interest to top line results when available. The assumptions, risks and uncertainties mentioned above, however, indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Board of Directors however, remain confident about the strategic focus taken and have decided, after due consideration, that the application of the valuation rules in the assumption of a "going concern" is justified. The latter is reinforced by the nature of the ongoing discussions potentially further strengthening the going concern beyond the results of the Phase IIb ALLOB clinical study as the Company's ability to continue operations also depends on its ability to raise additional capital and to refinance existing debt in order to fund operations and assure the solvency of the Company.

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 with the exception of some minor IT material purchased by BT US.

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)	31/12/2021	31/12/2020
Acquisition cost	278	264
Accumulated amortization and impairment	(255)	(236)
Intangible assets	**24**	**28**

Table below shows the movements at acquisition in intangible assets at the end of 2021 compared to the year before:

Cost *(in thousands of euros)*	**Software**	**Clinical developments**	**Total**
Balance at 1 January 2020	**248**	**0**	**248**
Additions	16		16
Balance at 31 December 2020	**264**	**0**	**264**
Additions	14		14
Balance at 31 December 2021	**278**	**0**	**278**

Table below shows the movements in accumulated amortization in intangible assets at the end of 2021 compared to the year before:

Accumulated amortization and impairment *(in thousands of euros)*	**Software**	**Clinical developments**	**Total**
Balance at 1 January 2020	**(220)**	**0**	**(220)**
Amortization expense	(16)		(16)
Balance at 31 December 2020	**(236)**	**0**	**(236)**
Amortization expense	(18)		(18)
Balance at 31 December 2021	**(255)**	**0**	**(255)**

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)	31/12/21	31/12/20
Acquisition cost	3,205	2,463
Accumulated depreciation and impairment	(2,342)	(2,237)
Property, plant and equipment	**863**	**226**

Property, plant and equipment (PPE) at the end of December 2021 amount to €0.86 million with an increase mainly due to the new Building Lease rental contract with Watson Creek following the recent Headquarter offices move from Gosselies in 2021 to the new facilities in Mont-Saint-Guibert in line with IFRS 16.

Cost *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Cars	Properties under construction	Total
Balance at 1 January 2020	**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 1 December 2021	**2,206**	**51**	**75**	**0**	**0**	**131**	**0**	**2,463**
Additions	47	8	20	0	680	0	0	**756**
Disposals	0	0	(1)	0	0	(13)	0	**(14)**
Linked to discontinued activities	0	0	0	0	0	0	0	**0**
Balance at 31 December 2021	**2,253**	**59**	**94**	**0**	**680**	**118**	**0**	**3,205**

Total investment at acquisition cost at the end of 2021 amounts to €3.20 million, mainly composed of laboratory equipment and the new premises rental contract in Mont-Saint-Guibert signed in 2021.

The table below shows the changes in the accumulated depreciation and impairment of property, plant and equipment at the end of 2021.

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 2020	**(2,633)**	**(237)**	**(104)**	**(16)**	**(1,207)**	**(88)**	**0**	**(4,283)**
Depreciation expense	(83)	(4)	(0)	0	0	(57)	0	**(144)**
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 1 December 2021	**(2,063)**	**(49)**	**(75)**	**0**	**0**	**(52)**	**0**	**(2,239)**
Depreciation expense	(206)	(3)	(2)	0	0	(34)	0	**(245)**
Disposals	137	0	1	0	0	4	0	**141**
Linked to discontinued activities	0	0	0	0	0	0	0	**0**
Balance at 31 December 2021	**(2,133)**	**(52)**	**(76)**	**0**	**0**	**(81)**	**0**	**(2,342)**

Carrying amount *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Cars	Properties under construction	Total
Net value assets	120	8	18	0	680	37	0	**863**
Balance at 31 December 2021	**120**	**8**	**18**	**0**	**680**	**37**	**0**	**863**

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 and is not changed compared to the prior year.

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	
	31/12/21	31/12/20	31/12/21	31/12/20
Property, plant and equipment	0	0	149	20
Intangible assets	408	466	0	0
Trade and other receivables	0	0	38	144
Financial liabilities	188	157	0	0
Other non-current liabilities	0	0	0	0
Other current liabilities	0	0	138	8
Total temporary differences	**597**	**623**	**326**	**171**

Tax Credits and Tax Losses carried forward and Temporary Differences

(in thousands of euros)	31/12/21	31/12/20
Tax credits	4,486	4,915
Tax credits related to notional interest deduction	0	0
Tax losses	25,341	21,367
Total	**29,827**	**26,282**

R&D tax credits

(in thousands of euros)	Assets		Liabilities	
	31/12/21	31/12/20	31/12/21	31/12/20
Deferred tax assets/(liabilities)	**30,424**	**26,929**	**326**	**171**
Unrecognized deferred tax assets	(25,612)	(21,842)	0	0
Offsetting	(326)	(171)	(326)	(171)
Total recognized deferred taxes	**4,486**	**4,915**	**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)	31/12/2021	31/12/20
Tax credits related to notional interest deduction	0	0
Tax losses	101,364	85,468
Temporary differences	1,084	1,805
Total	**102,448**	**87,273**

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 R&D tax credits have 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 closing2021, there are no unrecognized deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates. In the financial statements, only the tax credit has been recognized as deferred 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)	31/12/21	31/12/20
Trade receivables		
Trade receivables	1,029	1,071
Impairement on trade receivables	0	0
Total trade receivables	**1,029**	**1,071**
Other receivables		
Receivable related to taxes	278	276
Receivable related to tax credit	0	459
Receivable related to recoverable cash advances	671	1,831
Receivable related to Non refundable subsides	331	0
Receivable related to patent grants	271	204
Total other receivables	**1,552**	**2,770**
Total trade and other receivables	**2,581**	**3,840**

Trade and other receivables amount to €2.58 million showing a decrease of €1.26 million compared to the end of December 2020.

The decrease of the receivables is mainly driven by the reduction of the outstanding receivables by €0.83 million related to recoverable cash advances and non-refundable subsides from the Walloon Region (upfront amounts and amounts received following expense declarations in function of the progress of the works) and further reconciled under note 8.6.2 (decrease). The total combined outstanding receivables with the Walloon Region amount to 1.27 million at the end of December 2021 compared to 2.03 million at the end of December 2020 and is mainly driven by the reduction of new RCA conventions being signed due to the negative equity position of the company in 2021 which are only slightlyy offset by a higher receivable position for Patent conventions in 2021 increasing by €0.1 million compared to the same period last year.

In addition the tax credit related to 2020 has been paid early December 2021 driving another €0.46 million decrease at the end of December 2021, compared to the same period last year.

Trade receivables remain more or less in line with the year before and amount 1.03 million, mainly driven by the second milestone invoice to Pregene for a gross amount of € 1 million.

8.5.6. Other non-current Assets

The non-current financial assets have decreased following the reclassification of the from € 1.20 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. The bank guarantees will expire unconditionally and automatically on 13 May 2022, provided no demand for payment of a Claim is made by Catalent.

The remaining amount recorded as non-current financial assets represent the warranty in respect of social security commitments.

8.5.7. Other Current Assets

Other current assets amount € 1 million and are mainly deferred CRO costs relating to 2022 activities.

8.5.8. Cash and Cash Equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	31/12/2021	31/12/2020
Cash at bank and in hand	9,476	14,493
Short-term bank deposits	34	155
Total	**9,510**	**14,648**

The cash position at the end of December 2021 amounted to €9,51 million compared to €14.65 million at the end of December 2020. The cash and cash equivalents have been impacted by the fact that the Company has collected a proceed of €11.29 million from convertible bonds, subordinated loans and equity instruments (before €0.278 million transaction costs). In counterparts, the Company has used €16,15 million in operation, investing, and financing activities.

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

There is no expected credit loss on 31 December 2021.

8.5.9. Equity

Equity decreased from €3.32 million at the end of December 2020 to a negative equity of €6.76 million at the end of December 2021. The variation is mainly explained by recognition of the capital raise for an amount €3.29 million in December 2021 (net of transaction costs) and offset by the result of the Company (a loss of €12.92 million).

Consolidated Equity & Liabilities IFRS per: *(in thousands of euros)*	31/12/21	31/12/20
Share capital	4,924	8,415
Share premium	69,499	67,594
Retained Earnings	(83,345)	(75,030)
Total outside reserves	**(8,922)**	**979**
Specific reserve for convertible Bonds	1,856	1,950
Other Reserves	301	396
Non-controlling interests	**2,156**	**2,346**
Total Equity	**(6,765)**	**3,325**

Share Capital and Share Premium

Equity decreased from €3.32 million at the end of December 2020 to a negative equity of €6.76 million at the end of December 2021, mainly driven by the incorporation of current year losses for a total amount of € 12,92 million. On 26 February 2021, the share capital was already decreased by an incorporation of losses of an amount of €4,602,355 without any reduction of shares.

The equity decrease resulting from the incorporation of losses is partially offset by the share capital and share premium's increase following the December 2021 Capital Raise (amounting €3.29 million) and the recognition of the transaction costs for the recent equity transactions for an amount of € 0.28 million. Via a Private Placement on 3 December 2021, the Company raised EUR 3.29 million and placed 4,832,352 new shares with current and new institutional investors in Belgium. The share capital increased by €1,111,441 The aggregate share premium for this transaction amounts to €2,174,558. Following the capital increase, the share capital of the Company amounted to € 4,923,998.63 and is represented by 21,310,520 shares.

The specific reserve for Convertible bonds has slightly decreased compared to the year before following the conversion of the Convertible loan of 2 million from Patronale into a non-Convertible loan in September 2021

under the same conditions as the non-Convertible loan concluded with the European Investment bank and impacting the equity component. The loan will be measured at amortised cost in accordance with IFRS 9. At initial recognition of the loan, the nominal amount of the loan has been decreased with the transaction costs related to the loan which also includes the amount of the warrants allocated to the tranche withdrawn. The interest rate to be applied will be computed based on the expected future contractual cash flows (i.e. reimbursement of capital + contractual interests). The interest rate computed as such is the effective interest rate. Following the above requirements, the initial recorded 0.2 million equity component for Convertible bonds, has been decreased accordingly, reducing the equity component by another €0.1 million.

Other reserves have been decreased following the expiration of the warrant plans for the former CEO and CTMO reporting a decrease of the total reserve of 0.1 million at the end of December 2021.

Please find also below the evolution of the shares:

(in euros)	**2021**	**2020**
Total shares on 1 January	16,478,168	10,671,894
Increase of shares	4,832,352	5,806,274
Total	**21,310,520**	**16,478,168**

Share-based Payments Scheme related to Employees, Management team and Board Members

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).

On 18 December 2021, a total amount of 33,333 warrants from Plan A expired of which 28,000 warrants from the former CEO Thomas Liénard and 5,333 warrants from the former CTMO Benoit Champluvier. In addition, we corrected the total outstanding warrant for Plan 12/2020 on behalf of the Board Member Jean-Paul Prieels for an amount of 2,000 warrants as these have not been accepted.

Plan	31/12/2020	Offered	Cancelled	Loss	31/12/2021

Plan A	69,331	0	33,333	0	35,998
Plan 2020/05	63,724	0	0	0	63,724
Plan 2020/12	99,9832	0	2,000	0	99,832
Total outstanding warrants	**232,887**	**0**	**35,333**	**0**	**197,554**

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[9]	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
(4) Warrant Plan A	35,998	28-02-19	23-02-24	4.11	1.9
(5) Warrant Plan 2020/05	63,724	29-05-20	29-05-27	2.74	1.52
(6) Warrant Plan 2020/12	97,832	23-12-20	23-12-27	2.55	1.56

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 - 2019	Plan 2020/05	Plan 2020/12
Number of warrants granted	35,998	63,724	97,832

[9] 6,254 warrants were granted in December 2020 but issued in May 2020

Exercise price (in €)	4.11	2.74	2.55
Fair value of the share at grant date	4.11	2.74	2.75
Expected dividend yield	0	0	0
Expected volatility	56.40%	57.10%	57.10%
Risk-free interest rate	0.00%	0.00%	0.00%
Duration in years	4.98	7.00	7.00
Fair value (in €)	1.95	1.52	1.55

There were no warrants exercised in 2021. The expenses relating to these plans are disclosed in point 8.8.3.

8.5.10. Financial Liabilities

Liabilities amounted to €26.54 million in 2021 compared to €21.51 million at the end of December 2020, representing an increase of €5.03 million The total Non-current Liabilities have increased from €11.7 million at the end of December 2020 to €19.86 million at the end of December 2021 or an increase of €8.14 million, mainly driven by the newly concluded non-convertible loan with the European Investment bank in June 2021 for a total gross amount of €8 million. The loan has been measured at amortized cost in accordance with IFRS 9. Financial liabilities are detailed as follows:

	Non-current		Current		Total	
(in thousands of euros)	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**	**12/31/2021**	**12/31/2020**
Finance lease liabilities	19	50	18	32	37	82
Government loans	4,250	4,637	864	870	5,114	5,507
Loans from related parties	25	106	81	675	106	781
Finance Lease Liabilities	490	0	83	0	573	0
Bank debt	0	0	0	1,500	0	1,500
Convertible Bonds	1,949	3,601	0	0	1,949	3,601
Non-Convertible Bonds	13,019	3,325	0	0	13,019	3,325
Derivative Financial Liabilities	112	0	0	0	112	0
Total financial liabilities	**19,864**	**11,720**	**1,046**	**3,077**	**20,911**	**14,797**

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.

The initial convertible loan from Patronale of € 2 million, which was contracted in May 2020, has been transferred into a non-convertible loan with accompanying warrants under the same conditions as the recent EIB loan contracted in September 2021, following negotiations with the European Investment Bank. At initial recognition of the loans, the nominal amount of the loans has been decreased with the transaction costs related to the loan and the amount of the warrants allocated to the tranche withdrawn.

The 800,000 warrants for the loan with the EIB and the 200,000 warrants for the loan with Patronale (including the put option) are fully related to the loan agreement. As such, the accounting treatment (including measurement) of the loan is linked to the warrant plan (and put option). The put option is inseparably linked to the warrants. As such, the entire instruments have been accounted for as one instrument (so not separating the put option from the warrants). As one of the parties has settlement alternatives (i.e. settlement of the warrants in cash), the instrument should be considered as a financial derivative liability to be measured at fair

value at each closing with changes in fair value recognised immediately in profit or loss. The measurement of the warrant (including the put option) at fair value has been based on a model taking into account following inputs: share price, strike price, volatility of the share, duration and the interest rate. The fair value of the accompanying warrants for both EIB and Patronale have been recognized under non-current financial liabilities for an amount of € 0.112 million per December 2021.

The other non-current liabilities are including an amount of € 0.49 million to recognize our long term rental obligations with Watson Creek for our new offices in Mont-Saint-Guibert (in accordance with IFRS16 requirements) and another 0.1 million has been recognized as current liabilities for the short term rental obligations due in 2022.

The non-current liabilities for convertible bonds have decreased from € 3.6 million at the end of December 2020 to € 1.95 million at the end of December 2021 following the modification of the initial Patronale loan into a non-convertible loan as explained above Considering the Issuer has no Cash Alternative Election (choice over how the share conversion option will be settled), the share conversion option for the Integrale loan is an own equity instrument (cfr IAS 32.26). As a result, the equity component has been calculated at fair value from the start and recorded accordingly. The total balance on December 2021 for the non-current liability of Integrale amounts € 1.95 million.

The current financial liabilities decreased by € 2.03 million mainly driven by the reimbursed loans from SambrInvest and Novallia for € 0.59 million and € 1.5 million loan reimbursement from BNP Fortis and ING. The remaining outstanding liability for Novallia amounts 0.1Mio at the end of December 2021.

Trade and other payables decreased by € 0.69 million, from € 5.51 million at the end of December 2020 compared to 4.8 million at the end of December 2021.

Our other current financial liabilities decreased from € 1.2 million at the end of December 2020 to € 0.8 million at the end of December 2021 mainly driven by the ongoing reimbursement of the outstanding recoverable cash advances towards the Walloon Region throughout the year 2021 and supported by the fact that no new RCAs conventions are being signed with the Walloon Region given the negative equity situation of the company.

Lease Liabilities

Lease debts are gradually decreasing as no new vehicles have been contracted throughout 2021 and all lab equipment has been nearly fully depreciated. In addition both short term and long term lease liabilities for the new offices in Mont-Saint-Guibert have been added in accordance with IFRS 16.

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)*	**31/12/21**	**31/12/20**
Not later than 1 year	102	29
Later than 1 year and not later than 5 years	458	52
Later than 5 years	51	0
Less: future finance charges		(12)
Present value of minimum lease payments	**610**	**70**

Present value of minimum lease payments *(in thousands of euros)*	**31/12/21**	**31/12/20**
Not later than 1 year	102	27
Later than 1 year and not later than 5 years	458	42
Later than 5 years	51	0
Present value of minimum lease payments	**610**	**70**

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. On 31 December 2020, the outstanding amount equals to €0.56 million and has been fully reimbursed in January 2021.

Bank Debt

The Company has taken up 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. On 31 December 2020, the Company has reimbursed €0.75 million to BNP Paribas Fortis and ING and €1.00 million to Belfius. All bank loans were reimbursed in 2020 and no new bank loans in 2021 have been contracted.

Convertible Bonds - Integrale

The non-current liabilities for convertible bonds have decreased from € 3.6 million at the end of December 2020 to € 1.95 million at the end of December 2021 following the conversion of the initial Patronale loan into a non-convertible loan as explained above. Considering the Issuer has no Cash Alternative Election (choice over how the share conversion option will be settled), the share conversion option for the Integrale loan is an own equity instrument (cfr IAS 32.26). As a result, the equity component has been calculated at fair value at inception and recorded accordingly. The total balance on December 2021 for the non-current liability of Integrale amounts to € 1.95 million.

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

Non Convertible Bonds – European Investment bank – New loan September 2021

On 1 July 2021, the Company announced that it has signed a loan agreement of up to €16 million with the European Investment Bank (EIB). The EIB financing would support and prepare Bone Therapeutics' lead asset, the enhanced viscosupplement JTA-004 for future regulatory approval and commercialization. JTA-004, was being evaluated in a registrational phase III clinical trial for the treatment of osteoarthritic pain in the knee. Due to the fact that the primary end-points and accompanying objectives of the Phase III results were not met as anticipated, further investments are currently put on hold.

The EIB financing will now primarily be used to accelerate the clinical development of ALLOB, Bone Therapeutics' scalable allogeneic cell therapy platform. ALLOB is currently being tested in a phase IIb study in patients with difficult-to-heal tibial fractures. Patient recruitment of this study is currently anticipated to be completed in H2 2022 and the planned top line results are expected at the latest in Q1 2023 with ALLOB now being the strategic focus.

The loan financing is further supplemented by an agreement to issue warrants to the EIB: 800,000 warrants will be issued with the disbursement of the first tranche and 500,000 warrants with the disbursement of the second tranche. Each warrant will give the holder the right to subscribe to one ordinary share of Bone Therapeutics at the subscription price of €0.01 and with an exercise price which will be equal to the minimum

of the 30-day volume-weighted average price and the last closing price of Bone Therapeutics' shares at the date of the pricing.

The warrants have a maturity of 10 years and become exercisable from the repayment date of the relevant tranche, subject to certain customary exceptions. The warrant agreement further includes an anti-dilution provision which could apply in case of change in Bone Therapeutics' share capital, including capital increases if they exceed €15 million in aggregate starting from the disbursement of the first tranche.

The first tranche of €8 million was received on 6 September 2021 (upon approval of the issuance of associated warrants by Bone Therapeutics' General Meetings on 23 August 2021).

The second €8 million tranche will be released when specific clinical and commercial milestones have been achieved and might require further negotiations with the European Investment Bank following the disappointing results of JTA Phase III published in June 2021. The second €8 million tranche will likely not be released given the recent disappointing results of JTA Phase III published in September 2021. The second €8 million tranche has accordingly been excluded in the forward looking cash projections of Bone Therapeutics and new negotiations with the European Investment Bank will need to be scheduled first.

The loan facility will be in the form of a senior loan, repayable to the EIB in a single payment five years following the disbursement of each of the two tranches. The loan carries a fixed interest of 2% per year paid annually and a 3% capitalized interest.

Non-Convertible Bonds – Patronale (initial Convertible loan modified into non-convertible) – Sept'2021

On September 2021, the Convertible loan of €2 million with Patronale, (representing 800 bonds) contracted in May 2020 as explained above, has been modified into a Non-Convertible loan following the negotiations with the European Investment bank under the same conditions as the Non-Convertible loan with the European Investment bank. Hence Bone Therapeutics also renegotiated 800 convertible bonds issued on 7 May 2020 (for an amount of €2 million) to Patronale Life into a loan subject to the same repayment terms as the agreement with the EIB, with the issuance of 200,000 additional warrants approved by the Extraordinary General Meeting which was held on 5 August 2021.

The initial convertible loan from Patronale of € 2.0 million, which was contracted in May 2020, has been transferred into a non-convertible loan with accompanying warrants under the same conditions as the recent EIB loan contracted in September 2021, following negotiations with the European Investment Bank. At initial recognition of the loans, the nominal amount of the loans has been decreased with the transaction costs related to the loan and the amount of the warrants (€ 0.1 million) allocated to the tranche withdrawn.

Derivative financial liabilities

The 800,000 warrants for the loan with the EIB and the 200,000 warrants for the loan with Patronale (including the put option) are fully related to the loan agreement. As such, the accounting treatment (including measurement) of the loan is linked to the warrant plan (and put option). The put option is inseparably linked to the warrants. As such, the entire instruments have been accounted for as one instrument (so not separating the put option from the warrants). As one of the parties has settlement alternatives (i.e. settlement of the warrants in cash), the instrument should be considered as a financial derivative liability to be measured at fair value at each closing with changes in fair value recognised immediately in profit or loss. The measurement of the warrant (including the put option) at fair value has been based on a valuation model considering the following inputs: share price, strike price, volatility of the share, duration and the interest rate. The fair value of the accompanying warrants for both EIB and Patronale have been recognized under non-current financial liabilities for an amount of € 0.1 million per December 2021.

Please find enclosed the table of the total overview of Financial liabilities in relation with IAS 7:

(in thousands of euros)	31/12/20	Cash Flows	Non-cash changes			31/12/21
			New Contract Cashflows	Change other	Change in estimated cash flows	
Finance lease liabilities	82	-45	0	0	0	37
Government loans	5,507	-372	0	0	-22	5,114
Loans from related parties	781	-675	0	0	0	106
Other (bail Rent Building)	0		573	0	0	573
Bank debt	1,500	-1,500	0	0	0	0
Convertible Bonds	3,601	-182	0	-2,000	530	1,949
Non-Convertible Bonds	3,325	0	8,000	2,000	-306	13,019
Derivative Financial Liabilities	0	0	112	0	0	112
Total financial liabilities	**14,797**	**-2,773**	**8,685**	**0**	**202**	**20,911**

8.5.11. Trade and Other Payables

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/21	31/12/20
Trade payables	4,502	5,171
Other payables	320	343
Total trade and other payables	**4,822**	**5,514**

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 decrease of €0.7 million is mainly related to trade payables which included important invoices at the end of 31 December 2021 related to the Contract Research Organizations ("CRO") for the ongoing clinical studies (JTA & ALLOB). Given the completion of the Phase III study for JTA in June 2021, the total outstanding trade payable invoices have decreased accordingly.

8.5.12. Other Current Liabilities

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

(in thousands of euros)	31/12/21	31/12/20
Deferred income on grants related to recoverable cash advances RW	339	869
Deferred income non-refundable grants RW	398	315
Deferred income on grants related to patents	67	15
Other	0	0
Total	**804**	**1,199**

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

The total deferred income related to recoverable cash advances has been split out for the year 2021 between the actual refundable cash advances to be reimbursed an the non-refundable Goverments grants (subsides). The total deferred income related to recoverable cash advances and subsides with the Walloon Region decreased by €0.45 million compared to the year before, partially offset by an increase on deferred income coming from patents.

8.6. Notes Relating to the Statement of Comprehensive Income

8.6.1. Revenues

In 2021, the Company invoiced the second milestone to Link Health & Pregene following the submission by Pregene of the IND application to the Chinese National Medical Products Administration (NMPA) as per the underlying License Agreement executed on 5 October 2020. In 2020, the Company recognized an upfront payment for the license agreement signed with Link Health & Pregene, after the signature of the License agreement in October 2020 for an amount of €1.00 million which was paid February 2021.

(in thousands of euros)	**31/12/21**	**31/12/20**
License	1,000	1,000
Other	0	0
Total	**1,000**	**1,000**

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").

Currently Bone Therapeutics is discussing with Pregene and Link Health a potential licensing deal of ALLOB global rights to Pregene. If and when this agreement is signed it will replace the current agreement above described. Under that existing agreement, Bone Therapeutics, in addition to the above mentioned and already achieved milestones, was eligible to receive up to 55m euro in development, regulatory and commercial milestones payments including up to 10 million in upfront and milestone payments anticipated in the initial 24 months. Bone Therapeutics was also entitled to receive tiered double-digit royalties on annual net sales of ALLOB. Due the ongoing negotiations with Pregene and Link Health and the potential replacement of this agreement with the global rights agreement, these future milestone payments are at this stage no longer considered valid and have accordingly been taken out from the forward-looking revenue and cash planning (budget 2022-2023). Depending on which deal will prevail the financials will be updated upwards accordingly. If the global rights license deal is signed Pregene will have global rights for ALLOB.

At the moment of publication of the Annual reports for 2021, 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.

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 IND application to the Chinese NMPA has been submitted by Pregene in 2021, therefore, that portion of the transaction price that is allocated to the license (step 4 of the model) has been recognized in 2021. The impact recognized into the income statement 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)	31/12/21	31/12/20
Grants income related to recoverable cash advances	500	1,198
Grants income related to non-refundable Grants RW	90	133
Grants income related to patents	69	52
Grants income related to exemption on withholding taxes	321	331
Grants income related to tax credit	604	856
Other income	161	96
Total	**1,745**	**2,666**

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.

RCAs 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)	31/12/21	31/12/20
Opening balance	**1,831**	**1,964**
New grants	0	1,589
New loans	125	780
Canceled grants	(9)	(10)

Cash received	(947)	(2,493)
Closing balance	**1,000**	**1,831**

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

(in thousands of euros)	31/12/21	31/12/20
Opening balance	**5,507**	**5,056**
New loans	0	477
Repayment	(426)	(122)
Impact of interests	8	63
Unwind of discount	25	31
Closing balance	**5,114**	**5,507**

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)	31/12/21	31/12/20
Opening balance	**1,184**	**801**
Released as operating income	(585)	(1,450)
Unwind of discount	(25)	(31)
Cancelled grants	0	(12)
Impact of interests	(15)	(15)
Increase on new grants	179	1,893
Closing balance	**737**	**1,184**

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 Income

In 2020 the Group received a subsidy from the INAMI for the development of R&D activities (which was considered Other Grants income). In 2021, we the Group did not receive a subsidy from INAMI. The total of 0.2 million is entirely linked to IT Services re-invoiced to SCTS in line with the existing agreement.

8.6.3. Research and Development Expenses

(in thousands of euros)	31/12/21	31/12/20
Lab fees and other operating expenses	8,347	11,587
Employee benefits expenses	2,766	3,368
Depreciations, amortization and impairment losses	103	148
Building Amortization	40	0
Patents costs	428	313
Total	**11,684**	**15,416**

Research and development expenses in 2021 were at €11.68 million compared to €15.42 million in 2020. The decrease is mainly related to lower incurred costs from clinical operations with the "CRO" for completed Clinical trial for JTA in Phase III and reduced costs for ALLOB in Phase IIB for the difficult fractures in combination with lower staffing costs which reduced from €3.37 million in 2020 to only €2.77 million in 2021 following the reorientation of the company to primarily focus on ALLOB Phase IIB completion. Patent costs increased from 0.31 million in 2020 to 0.43 million in 2021.

Finally, some additional costs have been incurred throughout the year 2021 following the move of the HQ of Bone Therapeutics from Gosselies to Mont-Saint-Guibert.

8.6.4. General and Administration Expenses

(in thousands of euros)	31/12/21	31/12/20
Employee benefits expenses	1,277	1,428
Depreciation and amortization expense	31	25
Building Amortization	11	0
Other expenses	1,768	1,814
Total	**3,087**	**3,267**

General and administrative expenses for the full year 2021 amounted to €3,09 million compared to €3.27 million over the same period last year or a decrease of €0.2 million. The decrease is mainly resulting from the reduced staffing within the various G&A departments.

In addition, the total non-staff related costs for G&A reduced by another € 0.24 million due to the absence of non-recurrent fees related to the deals happening throughout the year 2020 partially offset by a final settlement with the Belgian Financial Services and Markets Authority (FSMA) regarding clinical studies communication issues in 2016 and 2017 for a settlement amount of € 0.5 million for which a total amount of €0.31 million has been recovered via the insurance company AIG EUROPE S.A..

Finally, some additional costs have been incurred throughout the year 2021 with regards to the new office rental costs following the move of the HQ of Bone Therapeutics from Gosselies to Mont-Saint-Guibert.

8.6.5. Employee Benefit Expenses

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/21	31/12/20
Short term benefits	3,552	3,865
Social security cost	398	442

Post-employment benefits and other benefits	169	223
Share-based compensation	(99)	266
Total	**4,019**	**4,796**

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 €0.4 million and the accumulated contribution paid amounts to €0.09 million.

8.6.5.2. Average Number of Employees in Full-Time Equivalents during the Year[10]

Number of employees	31/12/2021	31/12/2020
Research and development	15	25
General and administrative	5	5
Total	**20**	**30**

8.6.6. Financial Result

Financial result	31/12/21	31/12/20
Financial Income – value gain warrants	(333)	0
Interest income on government loans	(25)	(23)
Total financial income	**(358)**	**(24)**
Interest on borrowings	790	655
Interest on government loans	25	23
Interest on obligations under finance leases	30	0
Transaction costs on convertible bonds	185	14
Recognition of the discount on CBs	119	55
Other	(2)	0
Total financial expenses	**1.147**	**747**
Exchange (gains)/losses	**20**	**13**
Total financial result	**809**	**736**

Financial income includes the valuation of 0.3 million in 2021 for the warrants related to the non-convertible loan with the European Investment bank and the modified loan with Patronale concluded in September 2021.

Financial expenses amount to €1.1 million in 2021 compared to €0.75 million in 2020 and are mainly impacted by the depreciation of the transaction costs for the capital bonds (€0.18 million), the recognition of the discount on convertible loan from Integrale and the non-convertible loans with EIB and Patronale (€0.12 million) and the higher interests on borrowings

[10] Excluding Skeletal Cell Therapy Support SA

8.6.7. Income Taxes

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

Current tax	31/12/21	31/12/20
In respect of the current year	89	78
In respect of prior years	0	0
Total income taxes	**89**	**78**

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)	31/12/21	31/12/20
Profit/loss for the period attributable to the owners of the Company	(12,925)	(11,940)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	16,862,108	11,723,182
Basic/diluted loss per share (in euros)	**(0.77)**	**(1.02)**

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 subsidiary 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	31/12/21	31/12/20
Other non-current financial assets			
Non-current receivables	financial assets at amortized cost	1,296	1,296
Trade and other receivables	financial assets at amortized cost	1,274	2,035
Cash and cash equivalents	financial assets at amortized cost	9,510	14,648
Total financial assets		**12,079**	**17,979**
Non-current financial liabilities			
Finance lease liabilities	At amortised cost	509	50
Government loans (RCA)	At amortised cost	4,250	4,637
Loans from related parties	At amortised cost	25	106
Non-Convertible Bonds	At amortised cost	13,019	3,325
Convertible Bonds	At amortised cost	1,949	3,601
Other non-current financial liabilities	At fair value through profit and loss	112	0
Current financial liabilities			
Finance lease liabilities	At amortised cost	101	32
Government loans (RCA)	At amortised cost	864	870
Loans from related parties	At amortised cost	81	675
Bank debt	At amortised cost	0	1,500
Trade and other payables			
Trade payables	At amortised cost	4,502	5,171
Total financial liabilities		**25,412**	**19,968**

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 following table presents the financial assets and liabilities for which the fair value differs from the carrying amount. The other non current financial liabilities include warrants which are measured at fair value in the consolidated statement of the financial position. The carrying amount of the remaining financial assets and liabilities approximate their fair value.

(in thousands of euros)	31/12/21		
	Carrying amount	Fair value	Fair value level
Non-current financial liabilities			
Government loans (RCA)	4,250	5,380	Level 3
Non-Convertible Bonds	13,019	15,732	Level 2
Other non-current financial liabilities	112	112	Level 3

(in thousands of euros)	31/12/20		
	Carrying amount	**Fair value**	**Fair value level**
Non-current financial liabilities			
Government loans (RCA)	4,637	6,842	Level 3
Non Convertible Bonds	3,325	4,564	Level 2

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).

Non-Convertible Bonds

The fair value has been measured based on a discounted cash-flow methodology, using a market interest rate reflecting the current market conditions and the risk profile of the company.

Convertible Bonds and Related Warrants:

We refer to note 8.5.10 where the valuation of the corresponding financial liability has been described.

Reconciliation *(in thousands of euros)*	**31/12/21**	**31/12/20**
Opening balance	3,601	0
Cash received	0	4,000
Cash paid	-182	
Conversion into Non-Convertible loan Patronale	-2,000	
Change in fair value	390	-199
Transaction costs (movement)	140	-200
Closing balance	**1,949**	**3,601**

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 €6.24 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	5,664	5,954	6,244	6,535	6,825
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	6,059	6,473	6,887	7,301	7,716

** 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	1,132	1,138	1,143	1,149	1,154
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	1,136	1,142	1,148	1,155	1,162

** 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)	Im.pact of PoS*				
	-40%	-20%	0	+20%	+40%
DCF with discount rate of 17.10% used for turnover dependent reimbursement	4,532	4,816	5,101	5,386	5,671
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	4,923	5,331	5,739	6,146	6,554

** 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. In this context, Bone Therapeutics signed a binding term sheet for a EUR 5 million convertible bonds (CBs) facility arranged by ABO Securities in April 2022.

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.

31/12/2021 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible Bonds**	**Subordinated Loans**	**Other Bail Rental**	**Total**
Within one year	18	864	81	0	0	83	**1,047**
>1 and <5 years	19	1,309	25	1,949	1,764	439	**5,504**
>5 and <10 years	0	1,006	0	0	11,255	51	**12,312**
>10 and <15 years	0	608	0	0	0	0	**608**
>15 years	0	1,327	0	0	0	0	**1,327**

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**

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. The total accumulated grants received from the Walloon Region since the start-up of BT amount up to

a total of €35.70 million (2020: €35.54 million). Next to the government grants, government agencies granted loans to the Group for a total amount of €3.97 million.

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	
	2021	**2020**
Number of management members	6	5
Short-term benefits	1,699	1,350
Share-based payments	(95)	228
Total	**1,604**	**1,578**
Cumulative number of warrants granted (in units)	158,224	163,224
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	
	2021	**2020**
Share-based payments	0	38
Management fees	150	148
Total	**186**	**186**
Number of warrants granted (in units)	29,330	31,330
Shares owned (in units)	47,038	47,038

8.9. Commitments

The Company has no major commitments for 2022 and beyond.

8.10.Fees Paid to Auditors for Audit and Other Activities

Detail of audit and non-audit fees paid during 2021 in €	Amount
Statutory and IFRS audit fees Bone Therapeutics	30,000
Total audit fees Deloitte for FY21	**30,000**
Report for Capital raise in December 2021	6,500
Report on SOP Plan	4,500
Report for INAMI subsidies	8,000
Total non-audit fees Deloitte and related parties	**19,000**
TOTAL	**49,000**

8.11.Events after the Reporting Period

The annual consolidated financial statements on 31 December 2021 were authorized for issue by the Board of Directors of the Company on 27 April 2022. Accordingly, events after the reporting period are those events that occurred between 1 January 2022 and 27 April 2022.

In Q1 2022, Bone Therapeutics has officially relocated its corporate offices to the Louvain-la-Neuve Science Park in Mont-Saint-Guibert (Louvain-la-Neuve), Belgium. Louvain-la-Neuve is home to the Catholic University of Louvain (UCLouvain), one of Belgium's premier academic research institutes. Bone Therapeutics will be part of a vibrant biotech ecosystem with a high concentration of cell therapeutic companies.

In March 2022, Bone Therapeutics announced it was redefining its strategic priorities to concentrate specifically on the development of its most advanced clinical asset, ALLOB. Based on the positive results of the previous clinical studies of ALLOB and the extensive preclinical data set, Bone Therapeutics firmly believes that ALLOB has the highest potential of near-term value creation. In order to deliver the results from the Phase IIb clinical study, Bone Therapeutics has implemented a number of actions to reduce its cost base to enable completion of its Phase IIb study. As a result, Bone Therapeutics will focus its R&D activities to support the clinical development of ALLOB and all activities related to the development of the pre-clinical iMSCg platform as well as all other non ALLOB related activities, will be stopped. In this context, some members of Bone Therapeutics' management team will transition to depart Bone Therapeutics in the following months in alignment with the focus in activity.

In April 2022, Bone Therapeutics signed a binding term sheet for a EUR 5 million convertible bonds (CBs) facility arranged by ABO Securities. The proceeds of the financing will be used to advance the clinical development of Bone Therapeutics' lead asset, the allogeneic bone cell therapy, ALLOB. ABO Securities, on behalf of the CB investor, commits to subscribe to up to EUR 5 million in CBs. The CBs will be issued and subscribed in seven tranches. A first tranche with an aggregate principal amount of EUR 1.5 million will be issued on the Closing Date, followed by a tranche of up to EUR 1 million after 40 trading days from Closing. The issue and subscription of the remaining five tranches with a principal amount of EUR 500,000 each can be requested at Bone Therapeutics' sole discretion over an eighteen-month period, subject to customary conditions to be met. Subject to the fulfilment of conditions precedents, Bone Therapeutics and ABO Securities aim to agree on and execute the final subscription agreement for the CBs and to issue the first tranche of CBs by the beginning of May 2022.

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 2021 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)*	**31/12/21**	**31/12/20**
Non-current assets	**3,259**	**3,377**
Formation expenses	1,634	1,863
Intangible assets	24	28
Property plant and equipment	263	147
Financial fixed assets	1,339	1,339
Current assets	**17,487**	**22,716**
Amounts receivable for more than one year	4,428	4,431
Trade and other receivables	2,570	3,363
Investments	34	155
Cash and cash equivalents	9,407	14,385
Deferred charges and accrued income	1,047	383
TOTAL ASSETS	**20,746**	**26,094**

EQUITY AND LIABILITIES *(in thousands of euros)*	31/12/21	31/12/20
Equity	**(5,439**	**4,789**
Share capital	4,924	8,415
Share premium	2,175	10,898
Accumulated profits (losses)	(12,537)	(14,524)
Non-current liabilities	**19,213**	**11,484**
Current liabilities	**6,972**	**9,821**
Current portion of amounts payable after one year	945	3,057
Trade debts	4,400	5,239
Taxes remuneration and social security	269	346
Other amounts payable	457	691
Accrued charges and deferred income	901	489
Total liabilities	**26,185**	**21,305**
TOTAL EQUITY AND LIABILITIES	**20,746**	**26,094**

9.1.2. Statutory Income Statement

(in thousands of euros)	For the 12-months period ended	
	31/12/21	31/12/20
Operating income	**14,297**	**26,938**
Turnover	1,000	1,000
Own construction capitalized	11,147	16,694
Other operating income	2,150	2,854
Non-recurring operating income	0	6,390
Operating charges	**(15,733)**	**(39,420)**
Services and other goods	(12,169)	(18,489)
Remuneration, social security, pensions	(2,275)	(2,521)
Depreciation and amounts written off fixed assets	(603)	(17,232)
Other operating charge	(685)	(1,178)
Operating profit/(loss)	**(1,436)**	**(12,482)**
Financial income	5	1
Financial expenses	(847)	(691)
Result Profit/(loss) before taxes	**(2,277)**	**(13,172)**
Income taxes	(89)	(78)
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(2,366)**	**(13,250)**

9.1.3. Appropriation account

The Company ended the year with a loss of €13.51 million. Carried forward losses at the end of 2020 amounted to €14.52 million. The Board of Directors proposes to appropriate the loss for 2021 to losses carried forward. Losses carried forward after appropriation therefore amounts to €28,03 million.

(in thousands of euros)	**31/12/2021**
Loss carried forward for the year at 31.12.2020	(14,524)
Loss for the period	(13.514))
Incorporation to share capital and share premium	15.500
Total loss carried forward	**(12,538)**

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

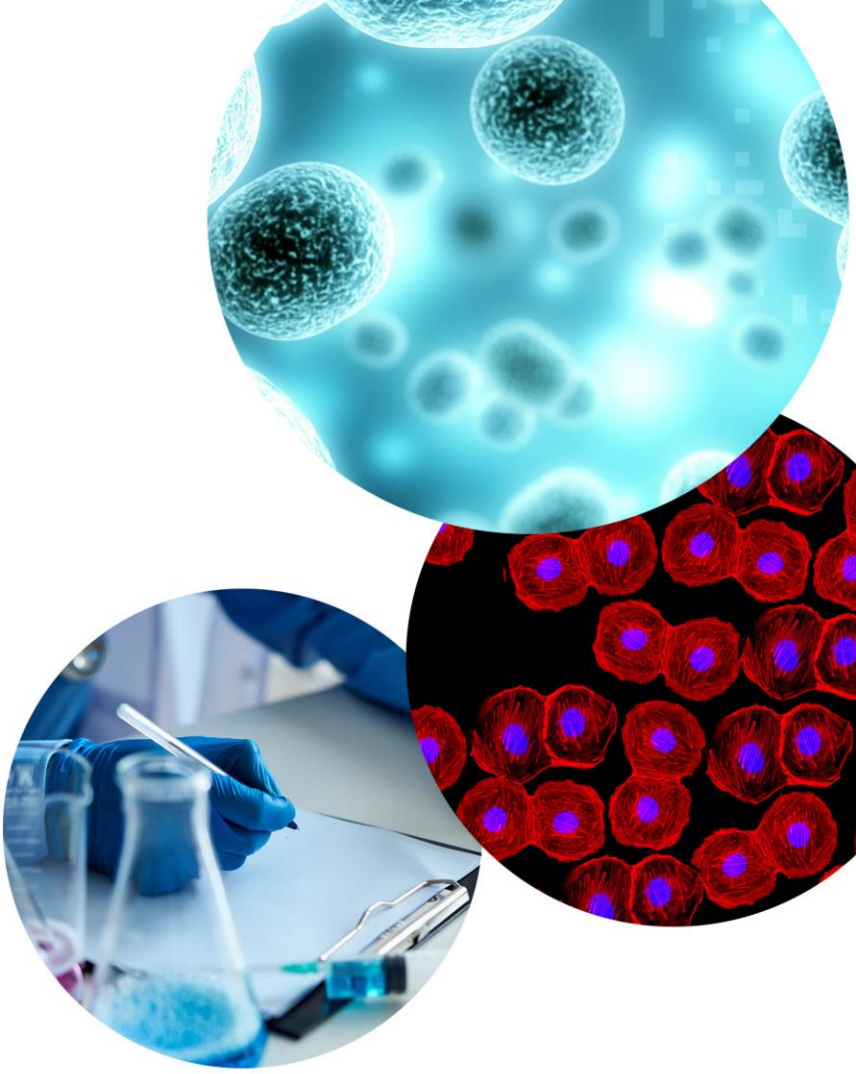
over a three-year period, revenue recognition of RCA's will be kept in line with the amortizing over this three-year period.

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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