2014 Bone Therapeutics ANNUAL REPORT

TABLE OF CONTENT

0 INTRODUCTION

1 BUSINESS SECTION

2 REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

3 CORPORATE GOVERNANCE

4

SHARES AND SHAREHOLDERS

5 CONSOLIDATED FINANCIAL STATEMENTS

6 STATUTORY ACCOUNTS AS OF 31 DECEMBER 2014 AND 2013 ACCORDING TO BELGIAN GAAP

0 INTRODUCTION

LANGUAGE OF THIS ANNUAL REPORT

Bone Therapeutics SA published its Annual Report in English. Bone Therapeutics has also prepared a French translation of this Annual Report.

In the event of differences of interpretation between English and French versions of the Report, the original English version has priority.

AVAILABILITY OF THE ANNUAL REPORT

The Annual Report is available free of charge for the public upon request to:

Bone Therapeutics SA
To the attention of Investor Relations

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B-6041 Gosselies
Belgium

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Fax: +32 2 529 59 93
Mail: *investorrelations@bonetherapeutics.com*

For information purposes only, there is also an electronic version of the Annual Report which can be obtained via the internet from the Bone Therapeutics' website (*www.bonetherapeutics.com*).

1

BUSINESS SECTION

1.1. INTRODUCTION

Bone Therapeutics, founded in 2006, is a biotechnology company with a unique approach to the development of cell therapy products for bone fracture repair and fracture prevention. We are creating a new and unique treatment approach using differentiated bone-forming cells (osteoblasts) administered via a minimally invasive percutaneous[1] procedure that is expected to offer significant benefits over the current standard-of-care.

Bone Therapeutics in brief

- Leader in bone cell therapy with a unique breakthrough technology
- Two Phase IIB/III and three Phase I/IIA trials in the fields of fracture repair and fracture prevention
- A solid IP position with 9 patent and patent application families
- Dedicated first-in-class manufacturing operations
- >80 employees
- Following an issue of convertible bonds (€ 10.3M) and a successful IPO on 6 February 2015 (€ 37.0M), the Company has a strong cash position
- Listed on Euronext Brussels and Euronext Paris with ticker "BOTHE"

Bone Therapeutics SA (or "the Company") is a leader in bone cell therapy and develops innovative therapies for the repair and prevention of bone fractures. The markets of fracture repair and prevention, including osteoporosis represent a global market with limited competition of approximately $ 34 billion and 42 million patients. The Company's products target about one third of this market, or about 12 million patients in Europe, the US and Japan.

Our unique technology allows us to produce active bone cells that are able to regenerate a healthy bone environment and promote bone regeneration. Our product candidates have been developed for the treatment of severe fractures that show impaired healing as well as the treatment of degenerative diseases such as osteonecrosis and osteoporosis. While the existing treatments for these conditions are expensive, often highly invasive, associated with considerable complications and risks and sometimes even show lack of efficacy, our products, administrable through a minimally invasive percutaneous approach without open surgery, do not require any hospitalization, have already shown encouraging clinical results and address important unmet medical needs.

[1] *Percutaneous: via needle-puncture of the skin.*

1.2. MISSION AND STRATEGY GOING FORWARD

Bone Therapeutics aims to be a leading regenerative company providing innovative cell products for high unmet medical needs in the fields of bone fracture repair and fracture prevention. To achieve this objective, the Company is pursuing the following strategy:

- Accelerate Phase III trials and advance towards market authorization
- Finalize promising Phase I/II trials
- Leverage the cell differentiation platform and advance the preclinical pipeline
- Scale-up of manufacturing capabilities
- Build development and commercial partnerships

1.3. INTERVIEW WITH THE CEO AND CHAIRMAN

"The past year has been one of significant transformation in the development of Bone Therapeutics, with the initiation of two new Phase II studies, the acceleration of our Phase III programs and the transition to a public company. We look forward to the next steps in bringing our innovative cell therapies closer to commercialization." – Enrico Bastianelli, CEO.

What were Bone Therapeutics' most important operational achievements in 2014?

2014 has been a year of significant growth and progress for Bone Therapeutics. A lot of effort was put into broadening the clinical pipeline and accelerating our clinical trials and these developments are now bearing fruit.

We received authorisation from the Competent Authorities and Central Ethics Committee to enrol patients into our pivotal Phase III trial for PREOB® in osteonecrosis in the UK. This will significantly accelerate recruitment into the program, which is currently running in 37 centres across Europe.

The first patient was treated with our new allogeneic[2] product, ALLOB® in 2014 and we initiated two important proof-of-concept trials with this product, one in the treatment of delayed-union fractures and one in spinal fusion

[2] *Allogeneic: the stem cell donor is different from the recipient*

procedures. ALLOB® is the first ever allogeneic differentiated osteoblastic cell therapy product developed for the treatment of orthopaedic conditions and has the potential to become a first-line treatment for impaired fracture healing, thanks to its minimally invasive percutaneous administration. We received approval for the ALLOB® Phase II trial in spinal fusion in September 2014, which was another important step to ensure further development of our allogeneic product as well as diversification of our portfolio.

The first results of the delayed-union and spinal fusion trials were reported in 2014 and at the beginning of 2015. Safety was confirmed in both studies after the treatment of the first four patients. In addition, the Company reported that all four patients in the delayed-union trial met the primary endpoints of the study and three patients saw their delayed-union fracture completely healed. These initial results give us confidence that ALLOB® could offer significant benefit to patients who currently have to wait until the treating surgeon decides they can be treated with current techniques, which involve highly invasive surgery and long and painful recovery.

To support our clinical operations, Guy Heynen was appointed to reinforce the management team as Chief Clinical and Regulatory Officer in November. His long-standing experience within major pharmaceutical companies around the world is key to the progress of Bone Therapeutics as we prepare to bring our products to the market. During 2014, Bone Therapeutics continued to further expand its operations and by 31 December 2014, employed 72 people, up from 52 people at the end of December 2013.

"During 2014, we have been able to rely on the continuous support of our existing shareholders and the non-dilutive funding from the Walloon Regional government to finance our operations and our IPO has been an important step forward to secure the future financial runway for the Company."

Michel Helbig de Balzac, Chairman.

Why did Bone Therapeutics choose to become a public company?

Securing a strong financial base for Bone Therapeutics has been a critical goal for the Company and essential to position the business for future success. Bone Therapeutics has been in the unique position to be able to fund itself to the late stage development of its key products and an IPO was the logical next step for the business. At the end of 2014, the Company issued convertible bonds for an amount of € 10 million. The convertible bonds were subscribed by existing shareholders of the Company as well as by new investors, including SFPI SA and Sofipôle SA. In February, we successfully completed our initial public offering on Euronext Brussels and Euronext Paris, raising € 37 million and we are proud to say that the IPO was 2.5x oversubscribed. The funds raised will further support and accelerate the development of our advanced pipeline and consolidate Bone Therapeutics' leadership in bone cell therapy.

[1] *Percutaneous: via needle-puncture of the skin.*

What do you expect 2015 to bring for Bone Therapeutics?

"We expect 2015 to be an exciting year, during which we will achieve multiple value-driving events reported from our proof-of-concept trials and we will initiate our expansion to the US."

In 2015, we expect to make good progress with all projects in our pipeline, building on the foundations laid in 2014. The Company anticipates a steady stream of news for 2015 with efficacy results from the Phase I/IIA delayed-union trial (8 patients) and safety results from the spinal fusion trial (8 patients). In the Phase III osteonecrosis trial, the Company will update the market on site and patient recruitment. Importantly, the first safety and efficacy results from the Phase I/IIA proof-of-concept osteoporosis trial (8 patients) are anticipated to become available during 2015 as well.

The Company intends as well to add an additional trial to its clinical development programme further extending its presence in the field of spinal fusion.

In 2015, we will open our new production facility at the Gosselies Biopark, to which all of Bone Therapeutics' production capabilities will move to by mid-2016. This state-of-the art facility allows for a progressive on-demand increase in commercial production capacity.

Another important process we are initiating in 2015 is the expansion of our business to the US in preparation of the extension of our activities to the US.

1.4. HIGHLIGHTS OF 2014 AND OUTLOOK FOR 2015

2014 at a glance

- Operational
  - *Progressing further with two ongoing Phase III trials for PREOB® for the treatment of osteonecrosis and [non-union fractures], including authorization of patient enrolment in five new prestigious centres in the UK for the PREOB® Phase III osteonecrosis trial*
  - *Initiation of first ever clinical trials with Bone Therapeutics' unique allogeneic bone cell therapy product ALLOB® for delayed-union fractures and use in spinal fusion procedures*
  - *Positive efficacy results from the first four patients in a Phase I/IIA proof-of-concept trial of ALLOB® for the treatment of delayed-union fractures already reported post period end*
  - *Safe treatment of the first four patients in a Phase I/IIA trial administration of ALLOB® in spinal fusion procedures reported post period end*
- People and corporate
  - *Management team strengthened to support clinical trial ramp up with the appointment of Guy Heynen as Chief Clinical and Regulatory Officer*
  - *Increased total number of staff from 52 at the start of 2014 to 72 at the end of 2014, with the majority of new hires related to the clinical development*
  - *Strengthened the Board of Directors with three new Independent Directors: Roland Baron, Paul Magrez and Thierry François, adding valuable scientific, business development and corporate finance expertise*
- Financial
  - *€ 47 million of new funds raised through successful € 37.0 million IPO on Euronext Brussels and Euronext Paris post period end and the conversion of a € 10.0 million convertible bond issued in December 2014, securing a strong financial platform to execute its clinical and commercial strategy*

OUTLOOK FOR 2015

EXPECTED CLINICAL DATA

Safety and efficacy results of the first 8 patients in the Phase I/IIA **ALLOB® delayed-union trial**

Safety results of the first 8 patients in the Phase I/IIA **ALLOB® spinal fusion trial**

Safety and efficacy results from the Phase I/IIA **PREOB® osteoporosis trial** of the first 8 patients

Site and patient recruitment update for the Phase III **PREOB® osteonecrosis trial**

START OF CLINCIAL TRIALS

Start of the Phase I/IIA clinical trial for **ALLOB® in rescue spinal fusion**

ORGANIZATION

New **production facility** in Gosselies

Expansion of activities to the **US**

1.5. OPERATING REVIEW

"Cell therapy: a game changer in orthopaedics"

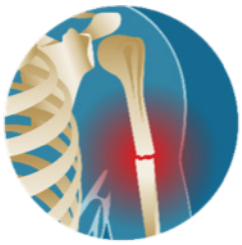
Bone Therapeutics is a biotechnology company with a mature clinical pipeline of cell products for bone fracture repair and bone fracture prevention. These areas are characterized by high unmet medical need due to the lack of efficacious, safe and non-invasive treatments and despite large markets, relatively little competition. The current standard-of-care involves heavy surgery and long recovery periods. The Company is creating a new and unique treatment approach using differentiated bone-forming cells (osteoblasts) administered via a minimally invasive percutaneous procedure, expected to offer significant benefits over the current standard-of-care.

Bone Therapeutics has a mature pipeline with two products, PREOB® and ALLOB®, which target five indications and offer the potential for additional product extensions.

	Indication	Platform	Preclinical	Phase I/IIA	Phase IIB/III
REPAIR	Non-Unions	PREOB®			
REPAIR	Delayed-Unions	ALLOB®			
REPAIR	Spine Fusion	ALLOB®			
PREVENTION	Osteonecrosis	PREOB®			
PREVENTION	Osteoporosis	PREOB®			

Fracture repair programs

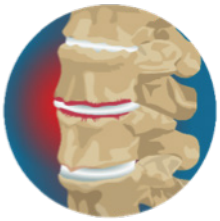
In bone fracture repair, the Company's products are currently being evaluated in two clinical trials, one Phase IIB/III trial for non-union fractures and one Phase I/IIA trial for delayed-union fractures. Both clinical trials are based on the minimally invasive implantation of Bone Therapeutics' autologous[3] (PREOB®) or allogeneic (ALLOB®) osteoblastic cells at the bone defect site. The Company has initiated a Phase IIA trial for spinal fusion and a Phase IIA trial for rescue spinal fusion.



The Phase IIB/III non-union study will evaluate the efficacy and safety of PREOB® in non-union fractures. 176 patients will be randomized either to receive a single percutaneous administration of PREOB® or a bone autograft as reference treatment on a non-inferiority design. The evaluation will be based on the global disease evaluation, pain scales, functional scores and radiological improvement over 12 months. The study now runs at 10 investigational sites in three different countries, Belgium, France and the Netherlands, and efforts are being made to extend the trial to additional countries and sites.

The delayed-union study is an open-label Phase I/IIA trial that will evaluate the safety and efficacy of a single administration of ALLOB® directly into the fracture zone. 32 patients will be evaluated using clinical and radiological scores. An interim analysis evaluating safety and efficacy will be performed when the trial reaches 16 patients, which could allow the study to be prematurely terminated at that point. The study was approved by the Paul-Ehrlich-Institute, the national authority in Germany, in October, which allowed the addition of four German centres in addition to centres in Belgium and the UK. The delayed-union trial is only the second clinical trial approval of an allogeneic regenerative therapy product in Germany for an orthopaedic condition. The approval demonstrates the robustness of Bone Therapeutics' application, as Germany's competent authorities are known to have some of the strictest guidelines for the development of advanced therapy medicinal products (ALLOB® is classified as such). In December, the Company reported on safety following the treatment of the first four patients. The Safety Monitoring Committee, consisting of one pharmacist and three medical doctors, unanimously recommended the continuation of the trial. Recently, we were also able to report on the efficacy of the treatment in these four patients. Results from the initial four patients showed that all four ALLOB®-treated patients met the primary endpoints of the study and three patients had completely healed. The radiological improvement confirms that the treatment is, so far, very successful.

In the proof-of-concept Phase I/IIA spinal fusion study, the Company combines its ALLOB® cells with osteoconductive micro-granules and has, therefore, entered into collaboration with Kasios®, a European leader in synthetic bone substitutes. The combination of ALLOB® with the micro-granules is expected to have the potential to enhance bone growth, bringing advantages in stability and structure. 16 patients with symptomatic degenerative lumbar disc disease who require interbody fusion will be enrolled in the pilot proof-of-concept trial. They will be treated with a single dose of ALLOB® combined with bioceramic granules to promote bone formation and fusion. The safety of our product was recently confirmed in the first four patients.



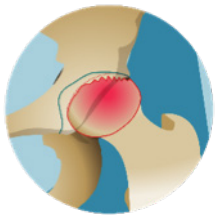
Fracture prevention programs

The Company's products for fracture

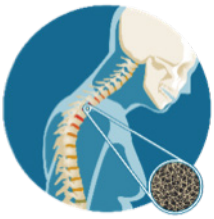
[1] *Autologous: the stem cell donor is the same as the recipient..*

prevention are currently in Phase III development for osteonecrosis of the hip and Phase II development for severe osteoporosis.

The pivotal Phase III osteonecrosis study was designed according to the EMA/FDA requirements (Scientific Advice/pre-IND) and will enrol 130 patients with early stage (non-fractural) osteonecrosis of the hip of which 65 patients will receive a single percutaneous administration of PREOB®, while the other 65 patients will receive a placebo via the same procedure. The trial is currently ongoing in 37 sites in Belgium, France, the Netherland, Germany and the UK.



The osteoporosis study aims to demonstrate the safety and efficacy of PREOB® in the treatment of osteoporotic patients who do not respond to pharmacological treatments. 20 patients will be treated with a single intravenous administration of PREOB®.



Preclinical programs

Four new preclinical projects were initiated in 2014. Among them, three projects are funded by the Walloon region (DGO6) and one by the EU funded network, M-Era.Net. Research activities for two of these projects, Ceracell and MXB Bioprinting, started in 2014. The goal of these projects is to combine Bone Therapeutics' allogeneic bone-forming (osteoblastic) cells within a 3-D bioprinted scaffold to treat large bone defects resulting from trauma, bone disease or surgical procedures such as bone metastasis resection. This innovative approach represents a compelling alternative to bone autograft, the current standard-of-care for large bone defects, which is associated with significant morbidities.

1.6. MARKET OPPORTUNITY AND COMPETITIVE ADVANTAGES

Competitive Strengths

- A leader in bone cell therapy with a unique breakthrough technology using differentiated bone-forming cells in a minimally invasive procedure
- An optimized approach:
  - *Strong clinical proof-of-concept already reported*
  - *Favourable Phase III trial designs*
  - *Broad pipeline with five indications*
- A sound strategy in fracture repair and prevention
- An experienced management team backed by a high level scientific committee

The relevant fracture repair and fracture prevention markets (including the osteoporosis market) represent a global market of around $ 34 billion and 42 million patients, characterized by high unmet medical need. The Company's products target about a third of these markets representing approximately 12 million patients in Europe, the USA and Japan, with limited competition. Most current treatments are either not sufficiently effective or require invasive surgery at significant risk of major complications. In addition, most treatments are associated with long hospitalization and recovery time after surgery with a persisting risk for re-intervention. Despite this clear need for innovation, the field of fracture repair and prevention has so far remained relatively clear of new treatments and there are few reported clinical trials. In bone cell therapy, clinical development programs are still limited to a small number of indications and companies, although there is a growing interest.

Bone Therapeutics is the only clinical stage company developing bone cell products using differentiated bone cells for the treatment of orthopaedic conditions. In its target indications, the Company competes with the standard-of-care, introducing a breakthrough therapeutic alternative. Competitors known by the Company such as Xcelia, Novadip Biosciences or Epibone are preclinical or early clinical phase companies and do not work with differentiated bone-forming cells, but rather undifferentiated mesenchymal stem cells. Epibone is a preclinical-stage company that uses the patient's own cells to reconstruct the missing bone in an invasive surgical procedure. The Australian company Mesoblast has a more mature clinical program and has been active in the field of spinal fusion, but also uses undifferentiated mesenchymal stem cells.

1.7. FINANCIAL REVIEW

1.7.1 FINANCIAL HIGHLIGHTS

Profit & loss statement

(in thousands of euros) **Summary P&L statement**	Year ended 31 December	
	2014	**2013**
Total operating income	3,677	3,394
R&D expenses	(7,957)	(6,816)
G&A expense	(1,345)	(621)
Operating profit/ (loss)	(5,626)	(4,043)
PROFIT/(LOSS) FOR THE PERIOD	**(5,808)**	**(4,066)**

Operating income, mainly resulting from the recognition of grant income amounted to € 3.68 million representing an increase of 8% compared to last year.

Higher R&D and administrative expenses (+25% overall) compared to last year resulting from an acceleration of the clinical trial activity and strengthening the teams and the management are offsetting the increase in operating income. Operating loss over 2014 amounts to € 5.63 million compared to € 4.04 million last year.

Statement of financial position

(in thousands of euros)	31/12/2014	31/12/2013
Non-current assets	4,942	4,724
Current Assets	19,259	8,087
Total Assets	**24,202**	**12,811**
Equity	(9,485)	63
Non-current liabilities	7,328	6,502
Current liabilities	26,359	6,246
Total Equity & Liabilities	**24,202**	**12,811**

Non-current assets amounting to € 4.94 million remained in line with last year's amount which was at € 4.72 million at the end of 2013. New investments in property, plant and equipment for the new facilities under construction at the Biopark in Gosselies were offset by an equivalent amount recorded following the confirmation by the Walloon Region of a capital grant the company is going to receive for an amount of € 2.90 million.

Current assets on 31 December 2014 amounted to € 19.26 million versus € 8.09 million at the same time last year. The increase in cash and cash equivalents, due to the issue of a short term convertible bond at the end of 2014 for a gross amount of € 10.00 million, explains to a large extent this increase in current assets. The increase in trade receivables further explains the increase in current assets.

Equity on 31 December 2014 amounted to a negative amount of € 9.49 million compared to € 0.1 million at the end of the previous year. Equity was impacted by:

- The loss for the period amounting to € 5.81 million
- The issue of a derivative instrument together with the convertible bond at the end of 2014 for an amount of € 5.32 million
- Transaction costs related to the IPO (6 February 2015) recognized in 2014 for an amount of € 0.48 million
-
- Partially offset by € 2.02 million resulting from capital increases earlier in the year

Non-current liabilities at 31 December 2014 showed a limited increase compared to last year coming in at € 7.33 million with the increase coming on the account of a supplementary long term loan for an amount of € 0.37 million which the Company has taken to finance the construction of its new facilities at Gosselies.

Current liabilities increased with € 20.11 million amounting to € 26.36 million mainly due to:

- The issue of a short term convertible bond for a gross amount of € 10.00 million which together with the impact of the related derivative instrument (also impacting on equity – see above) resulted in an increase of current financial liabilities of € 14.92 million
- A straight loan taken for an amount of € 2.9 million to pre-finance the investment grant awarded but to be received at a later date
- An increase in trade payables of € 1.76 million (in line with the increased activity and the IPO preparations)

Cash flow statement

(in thousands of euros)	2014	2013
Net cash used in operating activities	-3,524	-3,274
Net cash used in investing activities	-3,004	-1,748
Net cash provided by financing activities	15,665	2,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,137**	**-2,381**

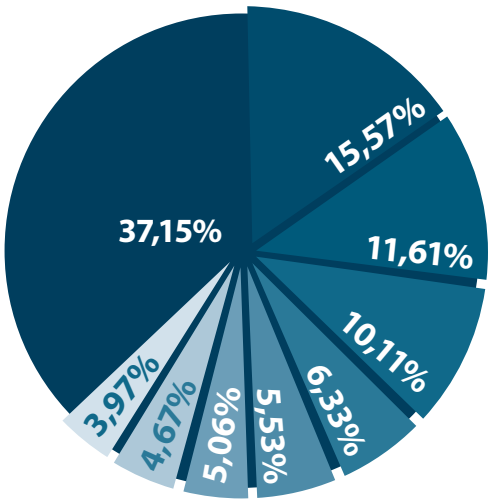
The consolidated cash flow statement shows a net increase of € 9.14 million compared to a net decrease of € 2.39 million over 2013. Net cash provided by financing activities amounting to € 15.67 million offset the cash used in operating activities for an amount of € 3.52 million (in line with last year's € 3.27 million) and the net cash used in investing activities (mainly related to the infrastructure project at Gosselies) amounting to € 3.00 million.

Cash flow from financing activities resulted from two capital increases for a total amount of € 2.02 million less IPO costs incurred in 2014 for an amount of € 0.33 million. Further, the net proceeds of the convertible bond issue at the end of 2014 amount to € 9.53 million, loans concluded with related parties and commercial banks offset by reimbursements and interest payments are resulting in a net positive impact of € 4.45 million.

1.7.2 SHAREHOLDER STRUCTURE

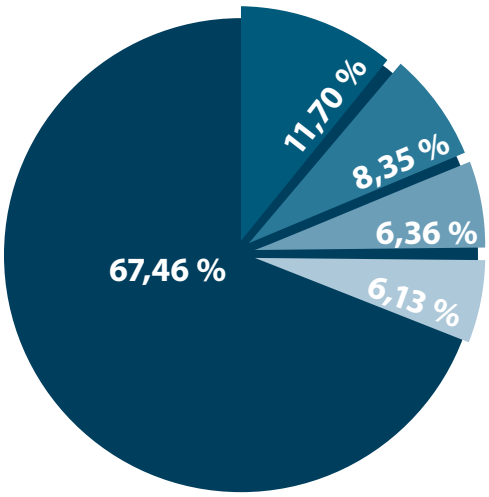
On 31 December 2014, there were 3,458,240 shares representing a total share capital of the Company of € 10.47 million (excluding issue premium). The total number of outstanding warrants on 31 December 2014 was 304,760. On 11 February 2015, after the completion of the IPO and exercise of the over-allotment option, the total number of outstanding shares was 6,849,654.

Shareholder structure on 31 December 2014



- *J. Reymann*
- *Theodorus II SA*
- *SRIW SA*
- *Christian Boon Falleur*
- *Sambrinvest SA*
- *JJ Verdickt*
- *Nausicaa Ventures SCA*
- *Business Angels Fund I SCA*
- *Other*

*Shareholder structure on 28 April 2015**



- *SRIW SA & Sofipôle*
- *J. Reymann*
- *SFPI SA*
- *Theodorus II SA*
- *Other*

** Based on shareholders' transparency declarations received on 9 February 2015*

1.7.3 ANALYST COVERAGE

Bank	Analyst	Initiation coverage
Bryan, Garnier & Co	Hugo Solvet	24 March 2015
Kepler Cheuvreux	Lionel Labourdette	30 March 2015

1.7.4 FINANCIAL CALENDAR

Date	Event
15 May 2015	Q1 2015 Business Update
28 May 2015	Annual General Meeting 2015
22 September 2015	Half Year Results 2015
18 November 2015	Q3 2015 Business Update

2

REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2014

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the fiscal year that ended 31 December 2014 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

2.1. STRATEGIC HIGHLIGHTS OF 2014

2014 has been a year of significant growth and progress for Bone Therapeutics. Tremendous effort was put into accelerating the Phase III studies and broadening the clinical pipeline. And these developments are now bearing fruit.
The Company received authorisation from the Competent Authorities and Central Ethics Committee to enrol patients into the pivotal Phase III trial for PREOB® in osteonecrosis in the UK. This will significantly accelerate recruitment into the program, which is currently running in 37 centres across Europe.

The first patient was treated with the new allogeneic product, ALLOB® in 2014 and the Company initiated two important proof-of-concept trials with this product, one in the treatment of delayed-union fractures and one in spinal fusion procedures. ALLOB® is the first ever allogeneic differentiated osteoblastic cell therapy product developed for the treatment of orthopaedic conditions and has the potential to become a first-line treatment for impaired fracture healing, thanks to its minimally invasive percutaneous administration. The Company received approval for the ALLOB® Phase II trial in spinal fusion in September 2014, which was another important step to ensure further development of the allogeneic product as well as diversification of the portfolio.

The first results of the delayed-union and spinal fusion trials were reported in 2014 and at the beginning of 2015. Safety was confirmed in both studies after the treatment of the first four patients. In addition, the Company reported that all four patients in the delayed-union trial met the primary endpoints of the study and three patients had their delayed union fracture completely healed. These initial results give confidence to the Company that ALLOB® could offer significant benefit to patients who currently have to undergo invasive surgery and painful recovery with current techniques.

Four new preclinical projects were initiated in 2014. Among them, three projects are funded by the Walloon region (DGO6) and one by the EU funded network, M-Era.Net. Research activities for two of these projects, Ceracell and MXB Bioprinting, started in 2014. The goal of these projects is to combine Bone Therapeutics' allogeneic bone-forming (osteoblastic) cells within a 3-D bioprinted scaffold to treat large bone defects resulting from trauma, bone disease or surgical procedures such as bone metastasis resection. This innovative approach represents a compelling alternative to bone autograft, the current standard-of-care for large bone defects, which is associated with significant morbidities.

To support the clinical operations, Guy Heynen was appointed to reinforce the Management Team as Chief Clinical and Regulatory Officer in November. His long-standing experience within major pharmaceutical companies around the world is key to the progress of Bone Therapeutics as the Company prepares to bring his products to the market. During 2014, Bone Therapeutics continued to further expand its operations and by 31 December 2014, employed 72 people, up from 52 people at the end of December 2013. In April 2015, the Company opened his new production facility at the Gosselies Biopark, to which all Bone Therapeutics 'production capabilities will move to by mid-2016. This state-of-the art facility allows a progressive on-demand increase in commercial production capacity with up to 5,000 batches for PREOB® and 12,000 batches for ALLOB® per year.

Securing a strong financial base for Bone Therapeutics has been a critical goal for the Company and essential to position the business for future success. Bone Therapeutics has been in the unique position to be able to fund itself to the late stage development of its key products and an IPO was the logical next step for the business. At the end of 2014, the Company issued Convertible Bonds for an amount of € 10 million. The Convertible Bonds were subscribed by existing shareholders of the Company as well as by new investors, including SFPI SA and Sofipôle SA. In February 2015, the Company successfully completed its Initial Public Offering on Euronext Brussels and Euronext Paris, raising € 37 million and the Company is proud to say that the IPO was 2.5x oversubscribed. The funds raised will further support and accelerate the development of the advanced pipeline and consolidate Bone Therapeutics' leadership in bone cell therapy.

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  - *Strengthened the Board of Directors with three new Independent Directors: Roland Baron, Paul Magrez and Thierry François, adding valuable scientific, business development and corporate finance expertise*
- Financial
  - *€ 47 million of new funds raised through successful € 37.0 million IPO on Euronext Brussels and Euronext Paris post period end and the conversion of a € 10.0 million convertible bond issued in December 2014, securing a strong financial platform to execute its clinical and commercial strategy*

2.2. OUTLOOK 2015

In 2015, the Company expects to make good progress with all projects in the pipeline, building on the foundations laid in 2014. The Company anticipates a steady stream of news for 2015 with efficacy results from the Phase I/IIA delayed-union trial (8 patients) and safety results from the spinal fusion trial (4-8 patients). In the Phase III osteonecrosis trial, the Company intends to update the market on site and patient recruitment. Importantly, the first safety and efficacy results from the Phase I/IIA proof-of-concept osteoporosis trial (8 patients) are anticipated to become available in mid-2015.

The Company intends as well to add an additional Trial to its clinical development programme extending further its presence in the field of spine fusions

A final important process the Company is initiating in 2015 is the expansion of its business to the US. In the first half of 2015, the Company created a subsidiary, Bone Therapeutics USA Inc., in Boston, Massachusetts. This is the first step in the extension of its clinical trials to the US. The subsidiary will be located on Kendall Square, Cambridge, in the heart of the Boston area biotechnology cluster.

2.3. FINANCIAL REVIEW OF THE YEAR ENDING 31 DECEMBER 2014

2.3.1. ANALYSIS OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following table includes information relating to the Company's statement of comprehensive income for the years ended 31 December 2014 and 2013. The statement of comprehensive income for the years ended 31 December 2014 and 2013 has been audited.

(in thousands of euros)	**2014**	**2013**
Revenue	0	0
Other operating income	3,677	3,394
Total operating income	**3,677**	**3,394**
Research and development expenses	(7,957)	(6,816)
General and administrative expenses	(1,345)	(621)
Operating profit/(loss)	**(5,626)**	**(4,043)**
Interest income	130	150
Financial expenses	(310)	(190)
Exchange gains/(losses)	(4)	(1)
Share of profit/(loss) of associates	1	19
Result Profit/(loss) before taxes	**(5,808)**	**(4,066)**
Income taxes	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(5,808)**	**(4,066)**
Other comprehensive income	0	0
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(5,808)**	**(4,066)**
Basic and diluted loss per share (in euros)	**(1,69)**	**(1,34)**
Profit/(loss) for the period attributable to the owners of the Company	(5,734)	(4,079)
Profit/(loss) for the period attributable to the non-controlling interests	(75)	13
Total comprehensive income for the period attributable to the owners of the Company	(5,734)	(4,079)
Total comprehensive income for the period attributable to the non-controlling interests	(75)	13

In 2014, total operating income amounted to € 3.68 million compared to € 3.39 million in 2013. Revenues or other operating income in this case in 2014 is similar in nature as in 2013. Main sources of other operating income is income coming from development support programs put in place by the Walloon Region ("avances récupérables") in total for an amount of € 2.47 million in 2014. In addition the Company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of € 0.57 million, on investment tax credit for an amount of € 0.43 million and € 0.2 million in patent and other subsidies.

R&D expenses in 2014 were at € 7.96 million compared to € 6.82 million in 2013. The increase in expenditures of 2014 is too a large extent explained by increased activity in respect of clinical trials. Non-R&D expenses in 2014 were at € 1.35 million compared to € 0.6 million in 2013. The increase is mainly related to the strengthening of the Management Team and by services performed by third parties in relation to the preparation of the IPO.

The operating loss in 2014 was at € 5.7 million. In 2013, Bone Therapeutics reported an operating loss of € 4.04 million. Bone Therapeutics had net financial expenses of € 0.19 million 2014 compared to € 0.02 million in 2013.

The reported net loss in 2014 amounted to € 5.54 million or € 1.69 loss per share (on a fully diluted basis). In 2013, the Company made a net loss of € 4.08 million, equivalent to a loss per share of € 1.34 (on a fully diluted basis).

2.3.2. ANALYSIS OF THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The table below shows the consolidated balance sheet on 31 December 2014 and on 31 December 2013. The balance sheets as per 31 December 2013 and per 31 December 2014 have been audited.

ASSETS *(in thousands of euros)*	**31/12/2014**	**31/12/2013**
Non-current assets	**4,942**	**4,724**
Intangible assets	54	60
Property, plant and equipment	2,667	2,869
Investments in associates	283	282
Financial assets	181	180
Deferred tax assets	1,759	1,333
Current assets	**19,259**	**8,087**
Trade and other receivables	7,498	5,513
Other financial assets	0	0
Other current assets	186	134
Cash and cash equivalents	11,576	2,440
TOTAL ASSETS	**24,202**	**12,811**

Bone Therapeutic's assets are mainly relating to property, plant and equipment, deferred tax assets, trade and other receivables and cash and cash equivalents amounting to € 23.50 million or 97% of total assets at the end of December 2014 (compared to € 12.16 million or 95% of total assets at the end of 2013). Property, plant and equipment amounts to € 2.67 million compared to € 2.87 million at the end of December 2013. The decrease is explained by the fact that the Company received confirmation of the capital grant for an amount of € 2.91 million to finance its new facilities based at the BioPark of Gosselies (south of Brussels). The total grant amount committed for this purpose more than offsets new investment made during the period for this same project. Property, plant and equipment contains furthermore the cost for the building under construction (not depreciated yet) for an amount

of € 4.,96 million, a long term land lease valued at a fair value of € 0,35 million and € 0.27 million of laboratory and production equipment. Deferred tax assets totalling € 1.76 million are representing a tax credit reimbursable in the foreseeable future (3 to 4 years). The other receivables amounting to € 7.50 million relate to on the one the hand the capital grant mentioned above still to be received from the Walloon Region for an amount of € 2.91 million (being the main reason for the increase in value of this item) and on the other hand an amount of € 4.00 million forgivable loans (being the amount receivable of the so called *"Avances récupérables"* which are classified as forgivable loans). The remaining amount of refers patent grants to be received for an amount of € 0.2 million and VAT to receive for an amount of € 0.4 million. Cash and cash equivalents at the end of December 2014 amount to € 11.58 million. The increase is mainly due to cash received related to the issue of Convertible Bonds for € 10.00 million.

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/2014**	**31/12/2013**
Equity		
Equity attributable to owners of the parent	(9,485)	63
Share capital	*10,466*	*9,288*
Share premium	*1,671*	*6,635*
Retained earnings	*(21,670)*	*(15,860)*
Other reserves	*48*	*0*
Non-controlling interests	0	0
Total equity	**(9,485)**	**63**
Non-current liabilities	**7,328**	**6,502**
Financial liabilities	5,827	5,052
Deferred tax liabilities	0	0
Other non-current liabilities	1,501	1,450
Current liabilities	**26,359**	**6,246**
Financial liabilities	18,437	509
Trade and other payables	3,213	1,458
Current tax liabilities	0	0
Other current liabilities	4,710	4,279
Total liabilities	**33,687**	**12,748**
TOTAL EQUITY AND LIABILITIES	**24,202**	**12,811**

Equity amounts to a negative amount of € 9.49 million at the end of December 2014 compared to € 0.06 million (positive) at the end of December 2013.

- The increase of share capital and share premiums of € 2.02 million (capital increases of February and July 2014) are more than offset by the negative result for the period which amounted to € 5.82 million.
- The share premium account is further impacted by the transaction costs related to the IPO which took place on 6 February 2015 but which were already recognized in 2014 for an amount of € 0.3 million.
- Further by the impact of the recognition of the derivative instrument related to the Convertible Bonds which were issued on 18 December 2014.

Total negative retained earnings exceed the share capital and share premium amount and result in negative equity as of 31 December 2014.

The non-controlling interest in the Company's affiliate SCTS has been set at "0" and has been represented as a liability on the balance sheet for an amount of € 1.50 million on 31 December 2014. This represents the value of the put option that the parties representing the non-controlling have and which allows them to sell their interest to the Company as per the conditions (further detailed in the consolidated financial statements section in the notes 4.3) of the consolidated financial statements of the Company.

Liabilities amount to € 33.69 million at the end of December 2014 compared to € 12.75 million at the end of December 2013 with the main increase coming on account of the current liabilities.

The non-current liabilities slightly increased from € 6.5 million at the end of 2013 to € 7.33 million on 31 December 2014. They are composed as follows:

- Reimbursable part of the forgivable loans as recognized at the start of the contract (*"Avances récupérables"* from the Walloon Region) for an amount € 4.31 million,
- Loans from related parties (regional investment offices) for an amount of € 1.40 million,
- Finance lease contracts (for laboratory equipment) amounting € 0.08 million,
- A long term debt has been recognized for an amount of € 0.03 million in relation to the long term land lease at the BioPark of Gosselies (south of Brussels)
- Other non-current liabilities for an amount of € 1.50 million represent the put option explained above.

Current liabilities amount to € 26.36 million at 31 December 2014 compared to € 6.25 million at the end of December 2013 representing an increase of € 20.11 million. The financial liabilities amounted to € 18.4 million and did increase with € 17.93 million. This is mainly due the amount of the Convertible Bonds and the related derivative recognized at year-end for an amount of € 14.92 million. It is also due the fact that SCTS has withdrawn tranches from a straight loan facility provided by ING and BNP Paribas Fortis to pre-finance the subsidies to be received from the Walloon Region for the infrastructure project at the BioPark of Gosselies (south of Brussels) for an amount of € 2.90 million.

Trade and other payables amounted to € 3.21 million which represented an increase with € 1.76 million compared to the end of December 2013 in line with the increase in activity of the Company.

Other current liabilities amount to € 4.71 million at the end of December 2014 compared to € 4.28 million at the end of December 2013, showing an increase of € 0.43 million. It represents mainly deferred income related to the forgivable loans and patent grants. The increase results from the higher spending rate (higher activity) over the last 12 months which was not compensated to the same extent by money received from new grant contracts.

2.3.3. 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 2014 and 2013. 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 2014.

(in thousands of euros)	2014	2013
Net cash used in operating activities	**(3,524)**	**(3,274)**
Net cash used in investing activities	**(3,004)**	**(1,748)**
Net cash provided by financing activities	**15,665**	**2,641**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**9,137**	**(2,381)**
CASH AND CASH EQUIVALENTS at beginning of year	**2,440**	**4,822**
CASH AND CASH EQUIVALENTS at end of year	**11,577**	**2,440**

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

- Cash received through grants and forgivable loans from the Walloon Region in support of these developments;
- Adjustments for working capital movements;

and

- Adjustments for noncash items such as depreciation, share-based payment and tax credits.

Cash used for operating activities amounts to € 3.52 million for the full year 2014 and € 3.27 million for the full year 2013. Higher net expenditure in 2014 is driving the cash use whilst in 2013 the cash used in operating activities was favourably impacted by higher amounts received from the Walloon Region (in cash).

Cash flow from investing activities shows a net use of cash for € 3.00 million for the full year 2014 and € 1.75 million for the year 2013. Cash used for investing activities clearly reflect the spending in respect of the construction of the new facilities at the BioPark of Gosselies (south of Brussels) (which will become operational for R&D and administrative purposes in the course of 2015 and as of the middle of 2016 for production activities).These investments were made through the Company's affiliate SCTS.

Cash flow from financing activities represents on the one hand cash inflows from:

- Capital increases for an amount of € 2.02 million during 2014 and € 1.49 million in 2013;
- Convertible Bonds for a net amount after transaction costs of € 9.6 million in December 2014;
- Loans provided by related parties (regional investments bodies) for an amount of € 0.37 million in 2014 and € 0.50 million in 2013;
- Short term loans provided by the banks for an amount of € 2.90 million in 2014; and
- Non-forgivable loans provided to the Company by the Walloon Region (R&D project financing) for an amount of € 1.43 million in 2014 and € 1.25 million in 2013.

and on the other hand cash outflows for:

- Reimbursements of non-forgivable loans for an amount of € 0.20 million in 2014 and € 0.14 million in 2013;
- Other reimbursements (lease contracts) and interest paid for an amount of € 0.03 million in 2014 and € 0.09 million in 2013;
- IPO transaction costs for an amount of € 0.33 million;

Together these in- and out-flows are resulting in net cash generated by financing activities for a total amount of € 15.72 million in 2014 and € 2.64 million in 2013.

2.4. HEADCOUNT EVOLUTION

As of 31 December	2012		2013		2014	
	BT	SCTS	BT	SCTS	BT	SCTS
R&D	35	9	37	13	34	35
Administration	2	0	2	0	2	1
Total	37	9	39	13	36	36
Total of BT and SCTS	**46**		**52**		**72**	

As of 31 December 2014, the Company employs 72 workers in total. The table below shows the evolution of employment since 2012.

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

31% of employees are qualified to PhD level. Scientific specialization domains include cellular and molecular biology, pharmaceutical sciences, veterinary medicine, physiology and life sciences. Eight different nationalities are working at Bone Therapeutics today.

2.5. RISKS AND UNCERTAINTIES

We would like to refer to the section 3 "Corporate Governance" where the risks to which the Company is exposed are described in detail.

2.6. GOING CONCERN

The 2014 consolidated results of the Company show a loss of € 5,808,000, and the consolidated statement of financial position includes a loss carried forward of € 21,670,000. These consolidated financial statements have been prepared assuming that the Group will continue as a going concern considering:

- The cash balance as per 1 January 2015 amounting to € 11.6 million (mainly resulting from the issue of Convertible Bonds on 18 December 2014 for a gross amount of € 10.0 million);
- The success of the IPO which took place on 6 February 2015 and which resulted in gross proceeds of € 37 million;
- The continuous support from the Walloon Region the Company expects to receive through non-dilutive financing instruments to support on-going and new research projects.

Considering all these elements, the Board is of the opinion that the Group's financial future is guaranteed in the near future.

2.7. EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

The annual consolidated financial statements on 31 December 2014 were authorised for issue by the Board of Directors of the Company on 27 April 2015. Accordingly, events after the reporting period are those events that occurred between 1 January 2015 and 27 April 2015.

Automatically Convertible Bonds

On 8 January 2015, the Company issued automatically convertible bonds for an additional aggregate amount of € 350,000. The bonds are issued in registered form. Each Bond has a nominal value of € 1,000. The bonds bear interest as from their issue date, at the rate of 7% per annum.

The bonds were automatically converted on 6 February 2015 into shares at the date of the completion of the Initial Public Offering at the terms agreed upon resulting in the issuance of 36,422 shares (see below).

Issue of share capital

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

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

On 11 February 2015, the share capital was increased by a contribution in cash in the amount of € 911,663 with issuance of 301,875 shares (exercise of the over-allotment option post IPO). The aggregate share premium for this transaction amounted to € 3,918,000.

Following the above mentioned capital increase, the share capital of the Company amounted to € 20,708,000 and was represented by 6,849,654 shares. The share premium accounts before considering the cost of the capital operation amounts to € 44.70 million.

Offering related costs

In relating to the IPO, the Company has incurred a number of costs as set out below:

- Banker fees for € 2,617,000
- External services including lawyers, communication experts € 495,000
- Regulatory fees (Euronext and FSMA) and audit and accounting fees (IFRS) € 118,000
- Insurance € 44,000
- Internal fees € 571,000

Considering that the offering is also expected to result in the issuance of new shares, a rationale allocation of the above mentioned costs will be determined between (i) costs linked to equity transactions that are immediately deducted from the equity of the Company, and (ii) and other costs relating to the offering that are expensed in the statement of profit or loss.

On this basis, an amount of € 2.79 million was recognized in equity and € 1.06 million in the statement of profit or loss in 2015.

3

CORPORATE GOVERNANCE

3.1. GENERAL

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

3.2. COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Bone Therapeutics' Corporate Governance Charter is based on the provisions of the Belgian Corporate Governance Code (2009 edition). It supplements the corporate governance guidelines contained in the Belgian Companies Code and in the articles of association of the Company.

However, the Board is of the opinion that the Company is justified in not adhering to certain principles of the Belgian Corporate Governance Code, considering the specific nature, size and organization of the Company. Any deviation from the Corporate Governance Code will be indicated, and the reason for such deviation ("comply or explain") either in this Corporate Governance Charter, or in the annual Statement on Corporate Governance included in the Annual Report.

These deviations include:

- Although at the date of the Corporate Governance Charter, no options have been granted to Non-Executive Directors, the Company has reserved the possibility to grant variable remuneration (upon advice of the Nomination and Remuneration Committee), such as long-term stock-related incentive plans, to Non-Executive Directors, so that the Company, as a small-sized listed enterprise, could grant options or warrants to non-executive if it would be of the opinion that such grant is necessary to attract or retain (internationally) renowned experts with the most relevant skills, knowledge and expertise.

- The management agreement of Enrico Bastianelli SPRL provides for a notice period or corresponding compensatory payments of up to maximum 18 months (relating to a non-compete undertaking).

3.3. DESCRIPTION OF THE PRINCIPAL RISKS ASSOCIATED TO THE ACTIVITIES OF THE COMPANY

3.3.1. CONTROL ENVIRONMENT

- Role of the Executive Directors & Management Team
  - *Develop and maintain adequate control system to assure*
    - The realization of company objectives
    - Reliability of financial information
    - Adherence to applicable laws and regulations
  - *Based on the below identify risks - looking permanently at both external and internal factors - and manage the identified risks*
- The Audit Committee will have a guiding, supervisory and monitoring role v-à-v the Executive Directors & Management Team in respect of the development, maintenance and execution of internal controls
- The Audit Committee will assist the Board of Directors in respect of control issues in general
- The Audit Committee will also act 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

3.3.2. RISK ANALYSIS

During the second half of 2014 and the board together with the executive management engaged into a detailed risk analysis in preparation of the IPO which was planned for and took place at the beginning of 2015

The risk identified are summarized below:

Risk factors inherent to the sector

Research programmes and product candidates of the Company must undergo rigorous pre-clinical tests and clinical trials, of which the start, timing of completion, number and results are uncertain and could substantially delay or prevent the products from reaching the market. 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 organisations, contract manufacturing organisations 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 orthopaedics 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 differentiation of human bone marrow cells with a view to producing osteoblastic bone-forming cells. 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 commercialised.

Nearly all aspects of the Company's activities are subject to substantial regulation. The international biopharmaceutical industry is highly regulated by government bodies ("Competent Authorities") imposing substantial requirements on almost all aspects of the Company's activities, notably on manufacturing, preclinical and clinical trials, labelling, marketing, sales, handling, transport and storage, record keeping, promotion and pricing. The standards imposed by a Competent Authority and the approval procedure for clinical trials may vary from country to country.

If the Company obtains regulatory approval for a product candidate, the product will remain subject to on-going regulatory obligations. Once commercialised, products may be subject to post-authorisation safety studies or other pharmacovigilance or biovigilance activities, may be subject to limitations on their uses or may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective, or when used in a larger population that may be different from the trial population studied prior to introducing the product on the market.

The future commercial success of the Company's product candidates will depend on the degree of market acceptance of its products among third party payers, doctors, patients and the medical community in general. To date, the Company has no product authorised for commercialisation, 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.

Risk factors inherent to the Company

The Company is at an early stage of its development and has not yet commercialised 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 commercialisation. Furthermore, problems encountered in connection with the development and utilisation of new technologies and the competitive environment in which the Company operates, might limit the Company's ability to develop commercially successful products. In addition, The Company does not anticipate generating revenue from sales of commercially successful products for the foreseeable future.

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 programmes and product candidates, to grant licences on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favourable to the Company than those it might have obtained in a different context.

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

If the Company fails to comply with its

obligations under the agreement pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, the Company could lose the rights to intellectual property that is important to its business. The Company's activities are dependent - at least in part - on the use of intellectual property rights which are for some projects not owned by it, but have been granted to it pursuant to license agreements and which are important to the business. In particular, for its clinical programs, the Company has been granted an exclusive worldwide license from a third party regarding the PREOB® technology for which it has entered into a sub-license manufacturing agreement with its affiliate SCTS, whereby the Company is granted a back-license.

The 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, 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 strong collaborative relationship with its affiliate SCTS through a Group of Economic Interest (Groupement d'Interêt Economique), a service provider for cell product manufacturing, in particular in the bone field and which collaborates with the Company on production, quality control and assurance and storage and distribution of cell products.

The manufacturing of the Company's products may be more costly than expected. To be able to supply the products at acceptable prices, the Company will have to control its costs and work continuously on the optimization of the manufacturing processes to prolong shelf-life, increase product stability and reduce processing time to increase the span over which the Company can transport the product.

The Company is subject to competition for its skilled personnel and challenges in identifying and retaining key personnel could impair the Company's ability to conduct and grow its operations effectively. The services of the Company's Management Team are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Company's Management Team may terminate their employment or services with the Company at any time with relatively short notice. Two key members of the Company's Management Team, i.e., the Company's chief executive officer, Dr Enrico Bastianelli, and the Company's chief medical officer, Pr. Valérie Gangji, are married. 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 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 the patents without the prior consent of the 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 jeopardise the Company's ability to obtain non-dilutive financing and grants. Also, future growth of the Company, whether or not including geographical expansion, could limit the Company's eligibility to obtain similar non-dilutive financing or grants. If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research programmes and product candidates, to grant licences on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favourable to the Company than those it might have obtained in a different context. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialisation of all or part of its product candidates or it may be unable to take advantage of future business opportunities.

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.

Other risks relating to the Company's Business

Early stage of development

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

Pre-clinical programs

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

Dependence on lead product candidates.

Authorisation and certification

The Company is subject to inspection and will be subject to market surveillance by the EMA, FDA and other Competent Authorities for compliance with regulations

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

Reimbursement, commercialisation 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 commercialisation or the distribution of its products candidates.

Operational risk factors

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

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 commercialisation 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 may face significant competition and technological change which could limit or eliminate the market opportunity for its product candidates.

Recently the composition of the Company's Board of Directors has changed considerably.

Intellectual property

The Company's patents and other intellectual property rights portfolio is relatively young and may not adequately protect its research programmes 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 commercialise 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.

3.3.3. FINANCIAL RISK MANAGEMENT

- Liquidity risk management

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

The Company's main sources of cash inflows at current are obtained through capital increases, subsidies, government loans and where appropriate loans from commercial banks to finance long term requirements (investment in infrastructure).

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

- Interest rate risk management

The Company has limited interest rate risk.

The company has next to forgivable loans (non-interest bearing on a cash basis) a number of medium term loans provided by regional investments bodies at fixed market interest rates.

Through its subsidiary SCTS the Company has concluded on 15 July 2014 long term loans with two commercial banks with an interest rate linked to the Euribor 3M and short term loans to pre-finance subsidies to be received in respect of the building under construction (until the committed subsidies are paid out) at similar short term rates.

For the long-term loan the Company is permanently monitoring the short-term interest rates versus options to swap these rates with a long term interest rate (IRS) in function of the remaining term of the loan.

- Credit risk

The Company believes that its credit risk, relating to receivables, is limited because currently almost all of its receivables are with public institutions.

Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk, to which the Group is theoretically exposed as at the balance sheet date, is the carrying amount of the financial assets.

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

- Foreign exchange risk

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

However should the Company enter into long term collaboration agreements with third parties for which revenues would be expressed in a foreign currency, the Company might in such case consider to enter into a hedging arrangement to cover such currency exposure (in case the related expenditure is planned in local currency). The Company will also monitor exposure in this respect following the establishment of its US subsidiary.

3.3.4. CONTROLS, SUPERVISION AND CORRECTIVES ACTIONS

Within the Board an annual strategy meeting is organized:

- The management presents strategic plans for the different aspects of the business
- The Board 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 develops a long term financial plan (minimum 3 years looking forward) incorporating the strategy decided upon – this plan is updated on a regular basis to keep it in line with the strategy plans.

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

The Company has implemented an ERP system in support of its financial and logistic 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.

3.4. BOARD OF DIRECTORS

3.4.1. COMPOSITION OF THE BOARD OF DIRECTORS

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

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

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

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

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

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

During 2014, the Board was composed out of 9 members, being 7 Non-Executive Directors including 1 independent director and 2 Executive Directors. In preparation of the Company going public, the composition of the Board has been changed and aligned with the regulations applicable for public companies. On completion of the offering, the Board of Directors has been composed of eleven members, being 9 Non-Executive Directors including 5 Independent Directors and 2 Executive Directors. In 2014, Jean-Jacques Verdickt acted as secretary.

The table below provides an overview of the mandates held during 2014 and as of 2015.

Name	Position	Start or renewal of mandate	Term of mandate	Nature of mandate	Professional address	during 2014	as of 2015
Roland Baron	Director	2015	2019	Independent	Milford Street 33, Boston MA 02118, Unites States of America		X
Enrico Bastianelli SPRL, with as permanent representative Enrico Bastianelli	Managing Director	2015	2019	Executive	Avenue Libération 41, 1640 Rhode-Saint-Genèse, Belgium	X	X
Chris Buyse	Director	2014	2017	Independent	Baillet Latourlei 119A, 2930 Brasschaat	X	X
SFPI SA, with as permanent representative François Fontaine	Director	2015	2019	Non-Executive	Avenue Louise 32-46, 1050 Brussels, Belgium		X
Magenta Tree BVBA, with as permanent representative Thierry François	Director	2015	2019	Independent	Ophemstraat 133, 3050 Oud-Heverlee, Belgium		X
Wim Goemaere BVBA, with as permanent representative Wim Goemaere	Managing Director	2013	2016	Executive	Zakstraat 72, 9112 Sinaai, Belgium	X	X
Michel Helbig de Balzac	Director	2013	2016	Chairman	Avenue du Parc 61, 1310 La Hulpe, Belgium	X	X
Paul Magrez	Director	2015	2019	Independent	Lindenhoekje 7, 1970 Wezembeek-Oppem, Belgium		X
Marc Nolet de Brauwere van Steeland	Director	2015	2019	Independent	Avenue du Verger 35, 1640 Rhodes-Saint-Genèse, Belgium		X
Jean-Jacques Verdickt	Director	2014	2016	Non-Executive	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium		X
Jacques Reyman	Director	2014	2015	Non-Executive	Rue Robert Jones 58, 1180 Uccle, Belgium	X	
Partigest-Garance SA, with as permanent representative Jacques Reymann	Director	2015	2017	Non-Executive	Rue Roberts Jones 58, 1180 Brussels, Belgium		X
Jacques Zucker	Director	2014	2015	Non-Executive	Avenue des Sorbiers 2b, 1180 Uccle, Belgium	X	
Olivier Belenger	Director	2013	2015	Non-Executive	Dieweg 56, 1180 Uccle, Belgium	X	
Samanda SA, with as permanent representative Philippe Degive	Director	2014	2014	Non-Executive	Avenue Maurice Destenay 13, 4000 Liège, Belgium	X	
J.J. Verdickt SPRL, with as permanent representative Jean-Jacques Verdickt	Director	2013	2014	Non-Executive	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium	X	

A brief overview of the relevant experience of the Non-Executive Directors in place as of 2015 is set out below.

Pr. Roland Baron is professor at the Harvard Medical School, Endocrine Unit, Massachusetts General Hospital, and chair of oral Medicine at the Harvard School of Dental Medicine from January 2008. He received his DDS and PhD degrees from the University of Paris, France. From 1977 to 2007, Pr. Roland Baron was a professor in the departments of orthopaedics and cell biology at Yale University School of Medicine. From 1994 to 2002, he also held the position of Vice President and head of the bone diseases group at Hoechst Marion Roussel and then Aventis. In 2002, he founded ProSkelia, a small pharmaceutical company devoted to the discovery and development of new drugs for bone and hormonal dependent diseases. He has held the positions of president and Chief Scientific Officer of ProSkelia and then ProStrakan, until April 2006. He is the founder and current editor-in-chief of BONE, the official journal of the International Bone and Mineral Society. Pr. Baron has published over 300 scientific papers in the field of bone biology and bone diseases.

Chris Buyse holds a Master's degree in Applied Economics from the University of Antwerp and an MBA from Vlerick Business School. From August 2006 to 2014, Chris was CFO and director of ThromboGenics, a biotechnology company listed on Euronext Brussels. Before joining ThromboGenics, he was CFO of CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign, he served as finance manager WorldCom/MCI Belux, and CFO and CEO ad interim of Keyware Technologies. Before, Chris kept positions in finance at Spector Photo Group, Suez Lyonnaise des Eaux and Unilever. He currently holds a director position in several private companies.

François Fontaine (permanent representative of SFPI SA) obtained a Master's degree in Law at the Université Libre de Bruxelles, and a degree in Fiscal Sciences from ESSEF/ICHEC. François held several positions at federal government bodies, amongst others the office of the Vice Prime Minister Laurette Onkelinkx (1999-2007) and the center of expertise for tax matters of the Walloon Region. He currently holds the position of general advisor at the Federal Investment and Participation Company (SFPI). Next to his responsibilities as human resources manager, he manages the investment portfolio for new technologies, real estate, waste management and water. He has been director of the Loterie Nationale (up to 2006) and Government Commissioner at Infrabel (up to 2014). He currently holds the position of government commissioner at HR-Rail and Fluxys Belgium. He is the permanent representative of SFPI at the board or directors of multiple companies in which SPFI holds a participation.

Thierry François (permanent representative of Magenta Tree BVBA) holds a Master's degree of Science in Engineering and Management, as well as Guberna certificates. He is also a CFA charterholder and a Certified Financial Analyst (EFFAS). With more than 20 years of experience in corporate finance, sell side equity research and private equity, he is a true expert in financial analysis, with a strong background in competitive strategy, financial and legal structuring, and business valuation. He started his career in 1993 as a university trainee at the BNP Paribas Fortis Bank (Generale de Banque at the time), and worked his way up to corporate research officer (1994-1997). He then moved on to Vermeulen-Raemdonck (part of ING Bank), where he served as a senior financial analyst. In 2000, he returned to Fortis Bank, to take the position as director equity research (2000-2004) and later as head of investment analysts in the private equity department (2004-2011). He founded Magenta Tree at the end of 2010 and he operated since then as an independent investment professional

Michel Helbig de Balzac has a long-standing experience in venture capital as the Founder and Managing Partner of BAMS Angels Fund I SCA (founded in 2005) and Nausicaa Ventures SCA (2009), both investing in early stage and early growth new technology companies and located in Louvain-la-Neuve (Belgium). He has particular knowledge in the fields of biotech, medical devices and energy, and represents the funds at the board of several investee companies such as Spacebel, Ovizio, and Bio-Sourcing. He serves as the Chairman of the Board of Directors of Bone Therapeutics since June 2013. Previously, he was an acknowledged angel investor and entrepreneur with several high-growth companies. Complementary to venture capital, he has been very active in the development and financing of large-scale renewable energy development projects such as the North Sea offshore wind farm Northwester 2 consortium, comprised of Colruyt, TTR Energy (TPF Group), Incontrol, and his own company Wagram Invest, which was granted a 224 MW area concession in 2013. From 2002 to 2013 he was influential in helping to launch a range of wind farm projects in the Walloon Region. From 2009 to 2014, he was the Chairman of Edora, the Belgian Federation for Renewable Energy, of which he is currently Vice-Chairman, and more recently a board member of the Belgian Offshore Platform association. Michel started his professional career in 1985 with McKinsey, where he was active in the steel and paper industries and the insurance and hospital sectors before taking on the responsibility of Administrative Director and General Secretary of their Brussels Office. He then joined Dewaay Bank in 1994 where he led the development of various private banking and corporate finance projects. Michel has a broad academic background from UCL (Belgium) in philosophy, political sciences (with a focus on international relations), economic sciences, and European studies, and a MSc degree in Urban and Regional Planning (access to final work).

Paul Magrez is a medical doctor and computer scientist with more than 20 years of experience in diagnostics (personalized medicine), clinical biology, biotechnology (vaccines), and pharmaceutical industries. His experience mainly resides in the development of business plans, the search for private and public funding and the business & commercial development. After working at UCB as data management R&D Manager from 1988 to 1992, he moved on to GSK, to take the position of information resource director (from 1992 to 1997) and executive director business operations (from 1997 to 2001). In 2001, he became the COO and CEO ad interim of Innogenetics until 2007, when he took the position of CEO of Biomedical Diagnostics in Paris. From 2009 to 2011, he was CEO and chairman at BARC. In 2011, Paul founded his own consulting firm in support of SMEs and start-ups, Paul Magrez BVBA.

Marc Nolet de Brauwere van Steeland obtained his Master's degree as a Mining Civil Engineer from the Catholic University of Louvain (UCL) in 1982, then specialised as a civil engineer in industrial management at the Katholiek Universiteit Leuven (KUL) in 1983. He started his career in 1984, as manager of the engineering department at Petrofina (Kentucky Prince Coal Corporation). In 1978, he also took charge of the development of a downstream activity (gold mining) at Chemetech Corporation. He served for these two companies until 1989 and then moved on to McKinsey & Company, as an associate. In 1992, Marc created Dat International with an ex-colleague at McKinsey, and set up a distribution network specialised in supply parts from the EEC to local companies in East Africa. Finally, in 1997, he became CEO of Physiol. He was nominated director at ETEX group in 2003, where he served as chairman of the Audit Committee from 2006 to 2013. He became chairman of the nomination and remunerations committee in 2013. In addition, he became director of Mecatech (2011), Biotech Coaching (2011), MyMicroInvest (2013) and EndoTools Therapeutics (2013). Since 2011, he also is a member of Ashoka Support Network.

Jaques Reymann (permanent representative of Partigest-Garance SA) made his career in the international engineering and contracting sector. For over ten years, he served as managing director of Fabricom Group which was part of Tractebel (today part of GDF-Suez) He then became chairman of Entrepose Contracting until its Initial Public Offering and furthermore contributed to the development of several innovative start-ups, among which Bone Therapeutics. Mr Reymann is one of the co-founders of Bone Therapeutics.

Jean-Jacques Verdickt holds a Master's degree in mechanical engineering from the Leuven Catholic University (UCL). He started his career in 1971 at the BNP Paribas Fortis Bank (Generale de Banque at the time), and worked his way up from management roles to director and senior advisor to the chairman of Fortis Bank. In 2003, he became the chief executive officer of Magotteaux (until December 2006). He served as non-executive director of various companies, such as Techspace Aero, FREE, Euroclear (Plc and Bank), IBA SA, and the Union Wallonne des Entreprises. Today he is still on the board of Logiver, Calyos and a number of non-profit organizations.

The Company would like to thank the members of the Board mentioned below who ended their mandate at the beginning of 2015 and who served the Company for many years and contributed with their valuable experience.

Jacques Zucker is leveraging more than 35 years' experience as Managing Director of various Companies, in Belgium and abroad, covering sectors as varied as the diamond industry, cleaning services and investment funds. Jacques is also the founder of Holborn Invest. His term expired 16 January 2015.

Olivier Belenger has experience of more than ten years in the development and funding of young companies. Director of the EEBIC incubator since 1999, Olivier also became the Managing Director of Théodorus venture capital company which invests in spin-offs from the Free University of Brussels (ULB). In 2006 Olivier co-founded the Sherpa Invest venture capital fund. His term expired 16 January 2015.

Philippe Degive is investment manager with the Société Régionale d'Investissement de Wallonie (SRIW) SA, an institution owned by the Walloon Government that assists entrepreneurs in creating and developing businesses in the Walloon region. Philippe is responsible for a portfolio of investments in funds and companies active in the pharmaceutical industry and biotechnology. He is also a director in a series of SRIW investee companies. Before joining SRIW, Philippe headed Cedip Management SPRL, a company specialized in corporate finance and merger & acquisitions consulting. He has also been a manager with Fortis Bank SA for more than 10 years. Philippe started his career with Petrofina SA. His term expired 23 December 2014.

3.4.2. ACTIVITY REPORT

The Board of Directors met 16 times during 2014 to discuss and decide on specific matters. Below is the detail of the dates and of the attendance:

Board of Directors	**M. Michel Helbig de Balzac, Chairman**	**Enrico Bastianelli SPRL, represented by** *M. Enrico Bastianelli, CEO*	**Wim Goemaere BVBA, represented by** *M. Wim Goemaere, CFO*	**SPRL JJ. Verdickt**	**M. Jacques Reymann**	**M. Olivier Belenger**	**M. Jacques Zucker**	**M. Chris Buyse**	**Samanda SA, represented by** *M. Philippe Degive*
26/02/2014	present	present	present	present	present	present	present	present	present
28/03/2014	present	present	present	present	present	present	present	present	present
8/04/2014	present	excused	present	present	present	present	present	present	present
5/05/2014	present	present	present	present	present	present	present	present	present
20/05/2014	present	excused	excused	present	present	present	present	present	present
16/07/2014	present	present	present	present	present	present	present	present	present
29/09/2014	present	present	present	present	present	present	present	present	present
8/10/2014	present	present	present	excused	present	present	present	present	excused
15/10/2014	present	present	present	present	present	present	present	present	excused
23/10/2014	present	excused	excused	present	present	present	present	present	present
16/11/2014	present	present	present	present	present	present	present	present	present
18/11/2014	present	present	present	present	present	present	present	present	present
24/11/2014	present	present	present	present	present	present	present	present	present
3/12/2014	present	excused	present	present	present	excused	present	present	present
19/12/2014	present	excused	present	present	present	present	present	present	present
22/12/2014	present	present	excused	present	present	present	present	present	present

3.4.3. PERFORMANCE EVALUATION OF THE BOARD

In general and as is clear out of the activity report included above the Board as a Company organ has been very active with a strong participation and contribution of all its members during the course of 2014.

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

It was decided that when board seats become available in the years to come, special efforts will be done to attract new board members of the other sex in accordance with Article 96 §2, 6° of the Belgian Companies Code to assure that by 01/01/2021 the appropriate quorum will be reached.

As of 2015 the Board is responsible for a periodic assessment of its own effectiveness with a view to ensuring continuous improvement in the governance of the Company. In this respect, the Board assesses its size, composition, performance and interaction with the Executive Directors and Management Team at least every two to three years, if required with the assistance of a third party.

Such evaluation aims to:

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

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

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

In addition the Non-Executive Directors should regularly (preferably once a year) assess their interaction with the Executive Directors and the Management Team.

3.4.4. COMMITTEES WITHIN THE BOARD OF DIRECTORS

3.4.4.1. 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 organisation, procedures, policies and activities.

3.4.4.2. Audit Committee

1. Role

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

2. Duties

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

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

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

3. Composition

The Audit Committee will be composed 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 Audit Committee during 2014 was composed as follow:

Name	Position	Professional address
J.J. Verdickt SPRL, *with as permanent representative Jean-Jacques Verdickt*	Chairman	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium
Wim Goemaere BVBA, *with as permanent representative Wim Goemaere*	Member Executive Director	Zakstraat 72, 9112 Sinaai, Belgium
Olivier Belenger	Member	Dieweg 56, 1180 Uccle, Belgium

Subject to and effective as of completion of the offering, the following Directors will be members of the Audit Committee:

Name	Position	Professional address
Chris Buyse*	Chairman Independent Director	Baillet Latourlei 119A, 2930 Brasschaat, Belgium
Magenta Tree BVBA, *with as permanent representative Thierry François* *	Member – Independent Director	Ophemstraat 133, 3050 Oud-Heverlee, Belgium
Jean-Jacques Verdickt	Member	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium

** both comply with the requirement regrading accounting and audit experience*

4. Operation

As of 2015, the Audit Committee meet at least four times a year and whenever a meeting is deemed necessary or advisable for its proper functioning. Decisions are be 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 2014, the Audit Committee met twice. Part of the duties of the Audit Committee during 2014 were performed by the Board.

3.4.4.3. Nomination and Remuneration Committee

1. Role

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

2. Duties

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

Draft (re)appointment procedures for members of the Board of Directors and the members of the Management Team;

Nominate candidates for any vacant directorships, for approval by the Board of Directors;

Prepare proposals for reappointments;

Periodically assess the size and composition of the Board of Directors and, if applicable, making recommendations with regard to any changes;

Analyse the aspects relating to the succession of Directors;

Advise on proposals (including, of the management or of the shareholders) for the appointment and removal of directors and of members of the Management Team;

Advise the Board of Directors on proposals made by the Executive Directors for the appointment and removal of Executive Directors and of members of the Management Team;

Prepare and assess proposals to the Board of Directors on the remuneration policy for members of the Board of Directors, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;

Prepare and assess proposals for the Board of Directors on the remuneration policy for the members of the Management Team, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders, at least with regard to the:

- Main contractual terms, including the main characteristics of the pension schemes and termination arrangements;
- Key elements of the remuneration, including the:
  - *Relative importance of each component of the remuneration package;*
  - *Performance criteria applicable to the variable elements (determination of milestones and their evaluation period); and*
  - *Fringe benefits.*

Prepare and assess proposals to the Board of Directors regarding the individual remuneration of members of the Board of Directors and the Management Team, including, depending on the situation, on variable remuneration and long-term incentives, whether or not stock-related, in the form of stock options or other financial instruments, and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;

Make proposals to the Board of Directors regarding arrangements on early termination and, where applicable, on the resulting proposals to be submitted by the Board of Directors to the shareholders;

Submit to the Board of Directors (a) a remuneration report which describes, amongst other things, the internal procedure for the development of a remuneration policy and the determination of the remuneration level for Non-Executive Directors and members of the Management Team and (b) a declaration regarding the remuneration policy applied with respect to the members of the Management Team, including a description of any material changes thereto since the previous financial year;

Advise the Board of Directors on agreements relating to the appointment of the Executive Directors and other members of the Management Team; and

Verify that the variable criteria for setting remuneration for an executive director or a member of the Management Team are expressly stated in the agreement, and that the payment of this variable remuneration only takes place if such criteria are met during the relevant period.

When performing its duties relating to the composition of the Board of Directors, the Nomination and Remuneration Committee takes into account the criteria for the composition of the Board of Directors, as stated in the terms of reference of the Board of Directors.

3. Composition

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

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

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

During 2014, the Nomination and Remuneration Committee was composed as follow:

Name	Position	Professional address
Michel Helbig de Balzac	Chairman	Rue de Rodeuhaie 1, 1348 Louvain-La-Neuve, Belgium
J.J. Verdickt SPRL, *with as permanent representative Jean-Jacques Verdickt*	Member	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium
Olivier Belenger	Member	Dieweg 56, 1180 Uccle, Belgium

Subject to and effective as of completion of the offering, the following Directors will be members of the Nomination and Remuneration Committee:

Name	Position	Professional address
Paul Magrez	Chairman - Independent	Lindenhoekje 7, 1970 Wezembeek-Oppem, Belgium
Chis Buyse	Member - Independent	Baillet Latourlei 119A, 2930 Brasschaat, Belgium
Michel Helbig de Balzac	Member	Rue de Rodeuhaie 1, 1348 Louvain-La-Neuve, Belgium

4. Operation

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

During 2014, the Nomination and Remuneration Committee met five times with particular emphasis on the:

- Performance evaluation of the Executive Directors
- Alignment of the contract of the Executive Directors with the regulations applicable for public companies
- Composition of the Board, the selection of new Independent Directors in preparation of becoming a public company

3.5. MANAGEMENT TEAM

3.5.1. GENERAL

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

3.5.2. MANAGEMENT TEAM

3.5.2.1. Role

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

3.5.2.2. Duties

The Management Team has the following tasks:

- Proposing, developing, implementing and monitoring the Company's strategy, taking into account the values of the Company, its risk profile and key policies;
- Supervising compliance with the legislation and regulations that apply to the Company;
- Develop, manage and assess internal control systems to allow identification, assessment, management and monitoring of financial and other risks;
- Organising, coordinating and monitoring all functions of the Company;
- Prepare complete, timely, reliable and accurate financial statements of the Company in accordance with the accounting standards and policies of the Company, and prepare the Company's required disclosure of

the financial statements and other material financial and non-financial information;

- Supporting the Executive Directors in the day-to-day management of the Company and with the performance of their other duties;

- Investigate, draw up and develop policies proposals and strategic or structural projects to be presented to the Board of Directors for approval, report to the Board on their implementation, and provide information that is necessary to the Board to enable it to carry out its duties;

- Develop, manage and assess internal control systems to allow identification, assessment, management and monitoring of financial and other risks.

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

3.5.2.3. Composition

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

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

The following persons are members of the Management Team:

Name	Title
Enrico Bastianelli SPRL, represented by Enrico Bastianelli	Chief Executive Officer and Executive Director
Wim Goemaere BVBA, represented by Wim Goemaere	Chief Finance Officer and Executive Director
Enrico Bastianelli SPRL, represented by Valérie Gangji	Chief Medical Officer
Guy Heynen	Chief Clinical and Regulatory Officer

Enrico Bastianelli SPRL, represented by **Dr Enrico Bastianelli**, (46) (CEO). Dr Bastianelli has a long-standing experience in pharmaceutical industry in fields as broad as Sales & Marketing, R&D, Licensing, Corporate Development and Strategy. His career started in the Pathology Department of the Erasme University Hospital in Belgium. Then he joined P rocter & Gamble Pharmaceuticals in 1996, where he was involved in the marketing of ethical and over-the-counter drugs in the field of bone diseases. In 1999, he became a Consultant for McKinsey & Co, where he was involved in strategic and organizational missions for major pharmaceutical as well as biotechnology companies all over Europe. From its creation in 2002 until mid-2006, Dr Bastianelli worked as VP Corporate Development for ProSkelia, spin-out of Aventis focused on bone diseases and hormone disorders (which then became ProStrakan, after the merger with Strakan, a Scottish pharmaceutical company). As a member of the Executive Committee, he was responsible for the management of the R&D portfolio, resources allocation and planning, alliances, collaborations and downstream integration. He was one of the main contributors to the merger with Strakan. Since 2006, Enrico Bastianelli SPRL is the Managing Director of Bone Therapeutics.

Wim Goemaere BVBA, represented by **Mr Wim Goemaere**, (51) (CFO). Mr Goemaere is an experienced senior financial executive with over 25 years international business experience, the majority of which he spent within the biotechnology space. After graduating in Applied Economics from KU Leuven (Belgium) in 1987, he began his career at BP where he held various finance roles with increasing responsibility until leaving the Company in 1995, to join the Flanders Institute for Biotechnology (VIB) as CFO. Mr Goemaere played a key role in the Institute's development from start-up to one of the world's leading research bodies in life sciences. In 2008, he moved to Devgen, a Belgium-based multinational agro-biotech company listed on the NYSE Euronext Brussels, where he held the position of CFO for five years. Mr Goemaere was instrumental in ensuring endorsement of Devgen in the financial markets and in the take-over of Devgen by Syngenta for €403 million. Furthermore, he played an important role into the Company's business expansion in Asia.

Enrico Bastianelli SPRL, represented by **Pr Valérie Gangji** (46) (CMO). Pr Gangji has acquired a broad experience in rheumatology in general and bone diseases in particular. She started her career in the Rheumatology Department of the Erasme University Hospital in Brussels, Belgium in 1993. After a general rheumatology path, Pr Gangji further specialized in osteo-articular disorders and rehabilitation, and is now head of the bone and rehabilitation unit of the Rheumatology Department of Erasme University Hospital (Brussels, Belgium). She also recently became co-director of the pain clinic. In 1998, she started her pioneering works on stem cell transplantation, work from which she obtained her PhD degree. Since 1997, she has conducted several clinical studies in osteonecrosis, arthritis and osteoporosis (protocol design, submission, recruitment of patients, follow-up, publication of results…). She managed to show for the first time that the graft of bone marrow in the necrotic area improves the clinical symptoms and the evolution of the lesion to a fracture state. Each year, she is the main investigator in 3 to 4 clinical studies. She is a board member of several professional rheumatology associations. From 2007 to 2012, Pr Gangji was VP ARCO for Europe, the international osteonecrosis association. Valérie Gangji is Dr Enrico Bastianelli's spouse.

Dr Guy Heynen, (69) (CCRO). Dr Heynen started his career at the Belgian National Foundation for Research and in research roles at University Hospital, Liege, Belgium where he received his degree in medicine. Mr Heynen is a specialist in rheumatology and immunology, with extensive experience both in university medical practice and in the pharmaceutical industry. He has over 35 years' experience in medical affairs and regulatory functions at local, regional and international levels and has a particular focus on management, team building and leadership. The majority of his career has been with Pfizer Inc. where he held a number of senior roles including medical director for Pfizer Switzerland, European team leader for the Alzheimer's disease drug Aricept and Medical Team Leader for Pfizer's anti-inflammatory drug franchise based in New York, US. Dr Heynen also served as medical affairs director at Anbics AG, Switzerland from 2003-2006 and remains a Regional Medical Monitor for Pfizer GmbH Berlin.

3.5.2.4. Operation

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

At the date of the Annual Report, the CCRO works for the Company on a part-time basis (3 days a week). The Board of Directors will assess this arrangement from time to time in view of the Company's needs and may decide to extend the collaboration with Mr Heynen to a full time basis if required.

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

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

3.6. CONFLICTS OF INTEREST OF DIRECTORS AND MEMBERS OF THE EXECUTIVE TEAM AND TRANSACTIONS WITH AFFILIATED COMPANIES

3.6.1. GENERAL

Each member of the Management team and each Directors 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.

3.6.2. CONFLICTS OF INTEREST OF DIRECTORS

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

If article 523 of the Belgian Companies Code is applicable, the Board member involved must abstain from participating in the deliberations and in the voting regarding the agenda items affected by such conflict of interest.

During the financial year 2014, the following decisions have been taken that fall within the provisions of Art. 523 of the Belgian Companies Code.

Board of Directors of 20 May 2014

Enrico Bastianelli SPRL (EB) - represented by Enrico Bastianelli and BVBA Wim Goemaere (WG) - represented by Mr. Wim Goemaere declared before the start of the meeting of the Board of Directors, in accordance with Article 523 of the Companies Code to have a conflict of interest of a patrimonial nature in respect of the agenda, since this relates to decisions on bonuses to be paid by the Company to SPRL E Bastianelli and BVBA Wim Goemaere. They do not therefore participate to the meeting of the Board. The maximum financial consequences of these decisions for the Company are the maximum amounts of the bonuses.

In accordance with Article 523 of the Companies Code, the Auditor of the Company will be informed of this conflict of interest.

The Board members decided unanimously:

- In respect of the bonus over 2014 for EB and WG to perform an evaluation on a 6-monthly basis and to pay bonuses over 2014 accordingly.
- In respect of EB to provide a bonus for the conclusion of a collaboration agreement with an external partner for a maximum amount of € 95,000 for a contract value up to € 5 million and 1% of the proceeds exceeding € 5 million.
- In respect of EB to provide a bonus in case of the realization of successful IPO depending on the amount raised and the price paid for the shares at the time of the IPO for a maximum amount of € 297,000
- In respect of WG to provide a bonus in case of the realization of successful IPO depending on the amount raised and the price paid for the shares at the time of the IPO for a maximum amount of € 273,600

Board of Directors of 16 July 2014

Enrico Bastianelli SPRL (EB) - represented by Enrico Bastianelli and BVBA Wim Goemaere (WG) - represented by Mr. Wim Goemaere declared before the start of the meeting of the Board of Directors, in accordance with Article 523 of the Companies Code to have a conflict of interest of a patrimonial nature in respect of the agenda, since this relates to decisions on bonuses to be paid by the Company to SPRL E Bastianelli and BVBA Wim Goemaere. They do not therefore participate to the meeting of the Board. The maximum financial consequences of these decisions for the Company are the maximum amounts of the bonuses.

In accordance with Article 523 of the Companies Code, the Auditor of the Company will be informed of this conflict of interest.

The Board members decided unanimously:

- In respect of the bonus over 2014 for EB and WG to perform an evaluation on a 6-monthly basis and to pay bonuses over 2014 accordingly.
- In respect of EB to provide a bonus for the conclusion of a collaboration agreement with an external partner for a maximum amount of € 95,000 for a contract value up to € 5 million and 1% of the proceeds exceeding € 5 million.
- In respect of EB to provide a bonus in case of the realization of successful IPO depending on the amount raised and the price paid for the shares at the time of the IPO for a maximum amount of € 297,000
- In respect of WG to provide a bonus in case of the realization of successful IPO depending on the amount raised and the price paid for the shares at the time of the IPO for a maximum amount of € 273,600

Board of Directors of 3 December 2014

Enrico Bastianelli SPRL (EB) - represented by Enrico Bastianelli, under the power of attorney given to Michel Helbig de Balzac, declares having a conflict of interest of patrimonial nature for point 3 of the agenda since this relates to decisions concerning an existing license or to be concluded between the Company and SPRL E Bastianelli.

In accordance with Article 523 of the the Companies Code, Jean-Jacques Verdickt declares having a conflict of interest of patrimonial nature for point 4 of the agenda because this concerns a decision on bonds to subscribe directly by him or by the Company which he represents and for which he has confirmed the intention to subscribe. He will withdraw from the meeting when this item is discussed. The financial consequences of this decision for the Company are the amounts of bonds and their terms of issue.

In accordance with Article 523 of the Company Code, the Auditor of the Company will be informed of such situations of conflict of interest.

The Board members expressed their agreement with the following agenda items:

3. Deliberation and approval of the amendment to the license agreement (JTA) between the Company and Enrico Bastianelli SPRL

4. Deliberation and approval of the report for the automatically Convertible Bond issue and anti-dilution warrants in accordance with Articles 582 and 583 of the Company Code.

3. Deliberation and approval of the amendment to the license agreement (JTA) between the Company and Enrico Bastianelli SPRL:
The Board is informed of the IP due diligence exercise performed by A&O in respect of existing agreements between the Company and the CEO on the products Bone 001, Bone 002 and Bone 011.

After the exchange of views, the Board decided:

- To ask A&O, or another appropriate office to update the 2007 Convention relating to the Bone 001 products and 002 specifying that for the break clause under Article 6.3 and 9, it may not be applied until as long as EB is at the same time part of the executive management of Bone Therapeutics;

4. Deliberation and approval of the report for the automatically Convertible Bond issue and anti-dilution warrants in accordance with Articles 582 and 583 of the Companies Code.

The Board approves the report and decided to send to the shareholders of the Company. Parties who have a conflict of interest can subscribe under the same conditions as those applicable to other investors.

Board of Directors of 19 December 2014

Enrico Bastianelli SPRL (EB) - represented by Enrico Bastianelli and BVBA Wim Goemaere (WG) - represented by Mr. Wim Goemaere declared before the deliberation of the Board of Directors, in accordance with Article 523 of the Companies Code to have a conflict of interest of a patrimonial nature in respect of point 1 of the agenda, since this relates to decisions on remuneration to be paid by the Company to SPRL E Bastianelli and BVBA Wim Goemaere. They do not therefore participate in the meeting of the Board. The financial consequences of these decisions for the Company are the amounts of the salary and in relation to warrants, the dilution that results for shareholders.

In accordance with Article 523 of the Company Code, the Auditor of the Company will be informed of this conflict of interest.

The Board members expressed their agreement with the agenda as follows:

1. Remuneration of the Management: Approval, confirmation and endorsement of remuneration granted in recent months to the Management, or to EB, WG and Guy Heynen (GH).

1. The Board noted that several decisions concerning EB, GH and WG were taken over the last two months with regard to remuneration for certain of which a mandate was given to the President, assisted by either Chris Buyse or Jean-Jacques Verdickt, or Jacques Reyman, to finalize specific modalities in subsequent discussions with them.

The Board decides unanimously and for the sake of consistency to confirm and ratify, as appropriate, the following decisions made during previous board meetings:

Allowance for a bonus for the 9-month period of 2014 to WG of € 25,000 and 4,800 warrants under the Warrant Plan B decided by the EGM in January 2014 (Plan B). Grant for the same period of 10,000 warrants to EB under Plan B (the Board of 15 October 2014);

Adaptation of EB and WG remuneration conditions to bring them into line with the current remuneration in comparable companies and to bring them into line with the imposed constraints on listed company; it was decided to bring in this respect, on 1 January 2015, the fixed remuneration of EB and WG at € 255,000 and variable part at € 60,000 (Board of 23 October 2014, 18 November 2014 and 3 December 2014). Renunciation of Article 520ter, to take during General Assembly in January 2015 regarding bonuses payable in 2015 and the years after including the bonus for the year 2014 payable in 2015 as Base Bonus, the Exceptional IPO Bonus and Corporate Deal Bonus decided in May 2014 (Board of 23 October endorsing the recommendations of the Remuneration Committee).

Creation of an additional warrant plan (Plan C) for Senior Management, EB, WG and Guy Heynen (GH), covering 145,000 warrants issued at a value of € 11 per share (90,000 for EB, 35,000 for WG and 20,000 for GH), to acquire up to 25% at the time of the IPO or in case the IPO is not completed on 1 January 2016, 25% as from 1 January 2016, 25% as from 1 July 2016 and 25% as from 1 January 2017. The warrants granted can be exercised only up to 50% of the acquired warrants (ie maximum of 40% of the total number of warrants) as of 1 May 2016 and the balance as of 1 May 2017 (Board of 23 October 2014 and 18 November 2014 for approval by the EGM of 18 December 2014). The practical details of the plan have been finalized by the President assisted by Jacques Reymann and the final plan was sent to Board members for approval by email by President on 9 December 2014 at 10 am 41. This one received by return mail the unanimous agreement of all the Members of the Board. Therefore, the Board notes that unanimous agreement.

The exercise price of warrants issued under the Plans B and C is € 11 per share based on the report of the Auditor justifying this value and sent to shareholders prior to the EGM of 18 December 2014.

Reduction in the duration of the non-compete clause of EB from three to two years if the Company requests and a payment of compensation up to a maximum of eighteen months fixed salary, the amount of notice included (Board of 3 December 2014).

Application of the break clause with immediate effect of the Management Convention of EB and WG (Clause 7.4) in the event of unilateral change by the Company of the title, of the function and, importantly, the services provided (Board of 3 December 2014). The revised draft of the Management Convention of EB and WG was sent to the Board on 18 December 2014. The Board endorses the conventions during the meeting.

Conclusion with EB SPRL of a services contract for consulting and advises in the field of research of clinical development and regulatory affairs. EB SPRL will delegate execution this contract to Pr V. Gangji as her representative. The consideration for these services are set at € 60,000 per year plus VAT (Board of 23 October 2014).

The Board decides unanimously to endorse the amendments to the Management Agreement signed in July and August 2013 between the Company and WG BVBA and EB SPRL. These documents and the Annexes to these were sent to Directors on 18 December 2014.

The Board states that, to the extent that the decisions adopted above relate to proposals or decisions adopted at the recent meetings held on these topics since October 2014, these decisions prevail.

The Board notes that the review of remuneration and conditions of services should motivate and create loyalty by the Management.

The Board gives mandate to the Chairman and the Secretary of the Board to finalize the management agreements and the other documents required to implement the decisions made above.

3.6.3.EXISTING CONFLICTS OF INTEREST OF MEMBERS OF THE BOARD OF DIRECTORS AND OF THE MANAGEMENT TEAM AND RELATED PARTY TRANSACTIONS

The BONE-011 patent family is co-owned by the Company and Enrico Bastianelli SPRL and the Company has entered into an agreement with Enrico Bastianelli SPRL regarding the use of BPBONE-001 and BPBONE-002 patent families.

Two Directors, Jacques Reymann and Jean-Jacques Verdickt, are holders of preference shares in SCTS and as such, parties to the SCTS shareholders' agreement to which the Company, as main shareholder of SCTS, is also a party. Among other provisions, this agreement contains a broad undertaking by the Company to use the services provided by SCTS in accordance with the invoicing policy included in the agreement, which results in undertaking by the Company to guarantee a minimum dividend payment of 6.5% to the holders of preference shares of SCTS. Also, the agreement contains a call option right pursuant to which the Company is entitled, until 31 December 2019, to acquire the shares held by the other shareholders (including the two Directors mentioned above), for a price generating an internal rate of return of 8% for these shareholders.

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

3.6.4. RELATED PARTY TRANSACTIONS

3.6.4.1. TRANSACTIONS WITH SCTS

The Company has granted SCTS two personal, non-transferable royalty-free licenses to use, perform, research, develop and manufacture products in name of the Company. A first license is granted by the Company to SCTS over the technology claimed by the ULB-028 patent family, in the framework of the PROFAB agreement 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).

3.6.4.2. TRANSACTIONS WITH SISE

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

3.6.4.3. TRANSACTIONS WITH THE WALLOON REGION

As a result of the relationship of the Walloon Region with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. The Company (and SCTS) have obtained a number of loan facilities through regional investment offices, such as Sambrinvest SA, Fond de Capital à Risque SA, Novallia SA and Sofipôle SA. Also, since its incorporation and until 31 December 2014, the Company has been awarded non-dilutive financial support from the Walloon Region, amounting to in aggregate € 21.9 million, in the form of both recoverable cash advances and subsidies.

3.6.4.4. TRANSACTIONS WITH THE MANAGEMENT TEAM.

The Company has been granted a personal and non-transferable, exclusive, worldwide license over the technology claimed by the BPBONE-001 and 002 patent families, which are owned by Enrico Bastianelli SPRL.

For information on the Management Team remuneration, see Section 3.8.2.2 “Remuneration of the CEO and the other Executive Directors and the Management Team”.

3.6.5. TRANSACTIONS WITH AFFILIATES

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

3.7 MARKET ABUSE REGULATIONS

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

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

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

The Company will keep 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.

3.8. REMUNERATION REPORT

3.8.1. PROCEDURE

Directors

In 2014 the Directors of the Company were except for one member all non-independent Directors. No remuneration was foreseen in this respect. The single non-independent director was entitled to attendance fees for attending board meetings (approved at the EGM of 5 February 2015). On recommendation of the Remuneration Committee, the board proposed to the shareholders' meeting to remunerate specific Non-Executive Directors in relation to their special contribution outside their mandate over the year 2014.

The Remuneration Committee made further recommendations in respect of the remuneration of the board members, including the chairman of the Board and the members and the chairs of the committees as of 2015 considering the Company intention to go public. Such remuneration to be made applicable only in case the Company got listed. For this purpose the Remuneration Committee made a benchmarking exercise with other peer companies to ensure to offer a fair, reasonable and competitive remuneration sufficient to attract, retain and motivate the Directors of the Company. In this respect 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. The proposal of the board was approved by the General Meeting held on 5 February 2015.

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

Executive Directors and the Management Team

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

In 2014 the Executive Management of the Company (the CEO & the CFO) was remunerated as per its contract agreed upon during the previous year. The terms of these contracts included the performance indicators for determining the variable component including the granting of warrants. In the course of 2014 a supplementary warrant plan was proposed by the remuneration committee and approved by the board and the General Meeting.

In the course of 2014 the remuneration package applicable as of 2015 for the Executive Directors and the members of the Management Team have been reviewed to further align these with the remuneration levels in comparable companies and to bring them into line with the imposed constraints on listed companies.

3.8.2. REMUNERATION POLICY

3.8.2.1. Director's remuneration

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

2014

The total remuneration and benefits paid to the Non-Executive Directors in 2014 amounted to € 125,025. On an individual basis a remuneration of € 40,000 was paid to Mr. Michel Helbig de Balzac for his contribution during 2014 outside his mandate. An amount of € 77,525 was paid to Mr. Chris Buyse for his special contribution during 2014 outside his mandate as well as € 7,500 in attendance fees.

2015

For the year 2015 and in the light of the plan for the Company to go public, the following remuneration policy was put in place by the Company in respect of non-executive director remuneration.

The Non-Executive Directors will receive a fixed remuneration in consideration for their membership of the Board of Directors and their attendance at the meetings of the Committees of which they are member, with the exception of Mr. Jean-Jacques Verdickt, who will not receive any remuneration in this respect.

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

The Nomination and Remuneration Committee recommends the level of remuneration for Non-Executive Directors, subject to approval by the Board of Directors and, subsequently, by the shareholders' meeting. The Nomination and Remuneration Committee benchmarks Directors' compensation against peer companies to ensure that it is competitive. Remuneration is linked to the time committed to the Board of Directors and its various Committees.

The remuneration package for the Non-Executive Directors approved by the shareholders' meeting of the Company held on 16 January 2015 consists of a fixed annual fee of € 20,000 for the Non-Executive Directors (with the exception of Mr. Jean-Jacques Verdickt), and € 30,000 for the chairman. Such fee is supplemented (i) with a fixed annual fee of € 5,000 for membership of the Audit Committee (with the exception of Mr. Jean-Jacques Verdickt), to be increased by € 2,500 in case the relevant director chairs the Committee and (ii) with a fixed annual fee of € 3,000 for membership of the Nomination and Remuneration Committee, to be increased by € 2,000 in case the relevant director chairs the Committee. Any changes to these fees will be submitted to the shareholders' meeting for approval. The Executive Directors will not receive any specific remuneration in consideration for their membership of the Board of Directors.

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

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

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

With respect to the year 2016, the Company is not planning to deviate from the remuneration policy for Non-Executive Directors as described above.

The table below provides an overview of significant positions held directly or indirectly on 31 December, 2014 of shares and Convertible Bonds by the non-executive members of the Board of Directors. The overview must be read together with the notes referred to below.

	Shares		Convertible Bonds
Non-Executive Directors	**Number**	**%**	**Number**
Michel Helbig de Balzac (chairman) [1]	292,931	8.64%	250
Chris Buyse [2]	109,433	3.16%	175
Olivier Belenger [3]	401,610	11.61%	-
Philippe Degive [4]	540,791	15,64%	2,325
Jacques Zucker	68,810	1,99%	50
Jacques Reymann	538,382	15.57%	50
Jean-Jacques Verdickt [5]	175,107	5.06%	50

None of the Non-Executive Directors holds warrants other than the anti-dilution warrants issued with the Convertible Bonds.

[1] *Through Naussica Ventures SCA and Business Angels Fund I SCA*
[2] *Through LSRP VZW*
[3] *Through Theodurus II SA*
[4] *Though SRIW SA and Sambreinvest SA*
[5] *Through J.J. Verdickt & consorts*

3.8.2.2. Remuneration of the CEO and the other Executive Directors and the Management Team

The remuneration policy for the remuneration of the CEO, the Executive Directors and other members of the Management Team in place as of 2015 does not differ substantially from the policy in place during 2014. However in the course of 2014 the remuneration package applicable as of 2015 for the Executive Directors and the members of the Management Team have been reviewed to further align these with the remuneration levels in comparable companies and to bring them into line with the imposed constraints on listed companies. The company does not intend to substantially change this revised policy in 2016.

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

- The company wants to offer a market competitive compensation to allow the recruitment, retention and motivation of expert and qualified professionals and considering the scope of their responsibilities.

- The remuneration will be structured to allow to link an appropriate part of the remuneration to individual performance and the performance of the Company and to align the interest of the individual as much as possible with the interest of the Company and its shareholders.

- For this purpose key performance indicators (company and or individual) are agreed upon in advance. These indicators can be operational or financial in nature (progress in clinical and pre-clinical 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 variable remuneration will be partly in cash (not exceeding 20% of all fixed remuneration components) and partly in shares, warrants or other instruments allowing to acquire shares through schemes to be approved by the annual shareholder meeting.

- The variable remuneration will only be paid when the key performance indicators agreed upon in advance are effectively met. The remuneration committee will evaluate the realization of the performance criteria and will make a proposal in respect of the variable remuneration to the board.

- The Company's articles of association explicitly allow to deviate from what has been defined under Article 520ter of the Belgian Companies Code (by decision of the General meeting date: 5 February 2015). Article 520ter stipulates that: "Unless provided otherwise in the articles of association or approved by the annual general shareholders' meeting, (a) variable remuneration for leaders must be based, at least for 25%, on performance criteria measured over a period of at least two years and for (another) 25% on performance criteria measured over a period of at least three years and (b) shares may only be definitively acquired by Directors and leaders and stock options or other rights to acquire shares may only be exercised by leaders at the earliest three years after they have been granted to them. The rules set out under (a) above, do not apply if the variable remuneration represents 25% or less of the total annual remuneration of the leader."

- In accordance with Article 554 of the Belgian Companies Code, which applies to agreements with leaders entered into or extended after 3 May 2010, any such agreement which includes a provision providing for a severance package exceeding 12 months' remuneration, or, on motivated advice of the Nomination and Remuneration Committee, exceeding 18 months, must be submitted for prior approval to the next annual shareholders' meeting. Any proposal to grant a higher severance package must be communicated to the works council (or to other designated bodies or persons representing the employees, if this council does not exist; i.e., the employee representatives in the committee for the prevention and protection in the workplace or, in the absence of this committee, to the trade union delegation) at least thirty days prior to the publication of the convening notice of the next annual general shareholders meeting, which may then give its advice to the annual general shareholders meeting, at the latest on the day of publication of the convening notice of the annual general shareholders meeting. This advice is published on the website of the Company.

- In accordance with Article 520bis of the Belgian Companies Code, the criteria for granting variable remuneration to leaders must, as of 1 January 2011, be included in the contractual or other provisions governing the relevant legal relationship. The variable remuneration can only be paid out if the milestones for the reference period have been met. If the aforementioned obligations are not complied with, the variable remuneration may not be taken into account for calculating the severance pay.

- On date the Company does not foresee in a specific pension plan neither for the CEO nor for the other members of the Management Team.

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

In the financial year 2014, Bone Therapeutics paid a total of € 294,000 of remuneration (excluding share based payments) in respect of the CEO, Mr Enrico Bastianelli. This includes:

- A fixed remuneration of € 192,000
- A variable component of € 87,000 in cash in relation to the realisation of milestones during 2014
- Other of € 14,000 (car and life insurance premium)

In addition the CEO was granted a total of 100,000 warrants during 2014 out of 2 warrant plans initiated by the Company in the course of 2014 and approved through the General Meeting.

The CEO holds 110,820 shares of the Company.

The Management Team in place during 2014 was as follows:

- Wim Goemaere BVBA, represented by Wim Goemaere, CFO – for the full year 2014
- Enrico Bastianelli SPRL, represented by Valérie Gangji, CMO – for the full year 2014
- Guy Heynen, CCRO – as of mid-November 2014

Currently, all members of the Management Team are engaged on the basis of a service agreement, all of which can be terminated at any time, subject to certain pre-agreed notice periods not exceeding 12 months, which may, at the discretion of the Company, be replaced by a corresponding compensatory payment.

The total fees paid to the members of the Management Team (excl the CEO) amounted to € 384,000 in 2014 (full company costs but excluding VAT and stock based compensation).

This includes:

- A fixed remuneration of € 250,000
- A variable component of € 121,000 in cash in relation to the realisation of milestones during 2014
- Other of € 13,000 (car and life insurance premium)

In addition the Management Team was granted a total of 59,800 warrants during 2014 out of 2 warrant plans initiated by the Company in the course of 2014 and approved by the General Meeting.

The CEO holds 110,820 shares of the Company.

The Management Team does not hold any shares of the Company on 31 December 2014.

The table below provides an overview of the shares and warrants held by the members of the Management Team. No member of the Management Team holds any Convertible Bonds.

	Shares	
Managers	**Number**	**%**
Enrico Bastianelli SPRL	-	-
Enrico Bastianelli	110,820	3.20%
Valérie Gangji	-	-
Wim Goemaere BVBA	-	-
Wim Goemaere	-	-
Guy Heynen	-	-

	Warrants	
Managers	**Number**	**%**
Enrico Bastianelli SPRL	-	-
Enrico Bastianelli	100,000	2.66%
Valérie Gangji	-	-
Wim Goemaere BVBA	-	-
Wim Goemaere	39,800	1.06%
Guy Heynen	20,000	0.53%

All the warrants mentioned above were granted on 18 December 2014 and have been accepted.

The key characteristics of the warrant plans out of which warrants were granted are as follows:

A total of 14.800 warrants were granted out of Plan B for the CEO and the CFO (the remaining ungranted warrants were cancelled) and all of the 145,000 warrants out of plan C for the CEO, the CFO and the CCRO were granted during 2014.

Warrants granted out of plan B:

- Are subject to a service vesting period starting on the grant date and ending at the earliest of the IPO date and the first anniversary of the grant.
- Become exercisable from the vesting date until February 2019.
- Are exercisable at a strike price of € 11,00.
- Which are accepted, vested and which have become exercisable or which will become exercisable are subject to the lock-up conditions in place for existing pre-IPO shareholders.
- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

Warrants granted out of plan C:

- Are subject to the following graded vesting: 25% on IPO date (or 1 January 2016 in no IPO), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.
- Become exercisable from the vesting date until December 2019.
- Are exercisable at a price of € 11,00.
- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

Severance provisions and payments

1. Enrico Bastianelli

The management agreement between Enrico Bastianelli and the company is tacitly renewed on a yearly basis for a maximum of five new years. Both the company and Enrico Bastianelli 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 Enrico Bastianelli commits a serious breach of its obligations under the management agreement. Enrico Bastianelli 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 Enrico Bastianelli if the management agreement is terminated within the year of the change of control, unless Enrico Bastianelli 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 Enrico Bastianelli under the management agreement are unilaterally and materially reduced within two years of the change of control and if Enrico Bastianelli terminates the management agreement because of this reduction.

The management agreement also provides for (1) a non-compete clause preventing Enrico Bastianelli from engaging in any activities in the European Union or in the United States that are similar to those being pursued by the company, SISE or SCTS and (2) a non-solicitation obligation preventing Enrico Bastianelli from soliciting employees or managers of the company, SISE or SCTS or encouraging those persons to leave their current employer, both for a period of two years (18 months in the event the change of control indemnity is due to Enrico Bastianelli) after termination of the management agreement. As compensation for the non-compete obligation, a non-compete indemnity is to be paid to Enrico Bastianelli corresponding to (i) a year's fees if the company terminates the management agreement or in the event of serious breach by one party of its obligations under the management agreement, (ii) a year and a half's fees if Enrico Bastianelli terminates the management agreement or (iii) six months' fees in the event the change of control indemnity is due to Enrico Bastianelli. An indemnity of € 10,000 is to be paid to the company per breach of the non-compete obligation and the non-compete indemnity is to be reimbursed to the company in case of breach of the non-compete obligation. The company may waive the non-compete clause.

2. Wim Goemaere

The management agreement between Wim Goemaere and the company is tacitly renewed on a yearly basis for a maximum of five new years. Both the company and Wim Goemaere 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 Wim Goemaere commits a serious breach of its obligations under the management agreement. Wim Goemaere 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 Wim Goemare if the management agreement is terminated within the year of the change of control, unless Wim Goemaere 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 Wim Goemaere under the management agreement are unilaterally and materially reduced within two years of the change of control and if Wim Goemaere terminates the management agreement because of this reduction.

Claw back provisions

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

4

SHARES AND SHAREHOLDERS

4.1. HISTORY OF CAPITAL - CAPITAL INCREASE AND ISSUANCE OF SHARES

4.1.1. SECURITIES ISSUED BY THE COMPANY

At the date of 31 December 2014, the Company's capital amounts to € 10,466,302.63, represented by 3,458,240 ordinary shares without nominal value.

The Company has issued 304,760 warrants which give right to subscribe to an equal number of shares. On the date of this Annual Report 159,800 warrants have been granted.

The Company has issued automatically Convertible Bonds for a total amount of € 10,350,000[6] which will automatically convert, on completion of the offering, into a number of shares to be determined on the basis of the Offer Price.

4.1.2. HISTORY OF CAPITAL

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

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

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

On 12 November 2008, the existing classes of shares were abolished and the share capital was increased by a contribution in kind in the amount of € 84,800.00 with issuance of 8,480 shares. The new shares were issued at a price of € 73.11 per share (of which € 10 in capital and € 63.11 in issuance premium). The aggregate issuance premium amounted to € 535.00 and was subsequently incorporated in the share capital by another capital increase without issuance of new shares. Following both capital increases, the share capital of the Company amounted to € 1,520,000.00 and was represented by 98,480 shares.

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

On 13 January 2011, the share capital was increased by a contribution in cash in the amount of € 992,825.00 with issuance of 25,997 shares. The new shares were issued at a price of € 160

[6] *€ 10,000,000 were issued on 18 December 2014 and € 350,000 on 8 January 2015.*

per share (of which € 38.19 in capital and € 121.81 in issuance premium). The aggregate issuance premium amounted to € 3,166,695.00. Following the capital increase, the share capital of the Company amounted to € 6,362,825.00 and was represented by 166,603 shares.

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

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

On 10 June 2013, the share capital was increased by a contribution in cash in the amount of € 870,732.00 with issuance of 22,800 shares. The new shares were issued at a price of € 65.79 per share (of which € 38.19 in capital and € 27.60 in issuance premium). The aggregate issuance premium amounted to € 629,280.00. Following the capital increase, the share capital of the Company amounted to € 9,287,606.47 and was represented by 314,960 shares.

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

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

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

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

Date	Transaction	Number and class of shares issued	Issue price per share (€) including issuance premium	Capital increase (€)	Share capital after transaction (€)	Aggregate number of shares after capital increase
16/06/2006	Incorporation	1,855	10	18,550	18,550.00	1,855
05/09/2006	Capital increase	35,645	10	356,450	375,000	37,500
07/03/2007	Capital increase	52,500 B	10	525,000	900,000	37,500 A 52,500 B
12/11/2008	Capital increase	8,480	73.11	84,800	984,800	98,480
12/11/2008	Incorporation issuance premium	None	Not applicable	535,200	1,520,000	98,480
12/11/2008	Capital increase	42,126	91.38	650,197.96	2,170,197.96	140,606
12/11/2008	Incorporation issuance premium	None	Not applicable	3,199,802.04	5,370,000.00	140,606
13/01/2011	Capital increase	25,997	160	992,825	6,362,825	166,603
24/11/2011	Capital increase	15,194	160	580,258.86	6,943,083.86	181,797
27/11/2012	Capital increase	38,591	65.79	1,473,790.29	8,416,874.15	220,388
27/11/2012	Capital increase	71,772	0.01	0.32	8,416,874.47	292,160
10/06/2013	Capital increase	22,800	65.79	870,732.00	9,287,606.47	314,960
24/02/2014	Share split	None	Not applicable	Not applicable	Not applicable	3,149,600
24/02/2014	Capital increase	152,000	6.579	580,488	9,868,094.47	3,301,600
10/07/2014	Capital increase	156,640	6.579	598,206	10,466,302.63	3,458,240

The following members of the Board of Directors, members of the Management Team or their affiliates have acquired securities in the Company in the course of the year preceding the offering at an issue price below the Offer Price:

- Capital increase dated 24 February 2014 at an issue price of €6.579 per Share: Jacques Reymann and Jean-Jacques Verdickt (JJ Verdickt & Consorts).
- Capital increase dated 10 July 2014 at an issue price of €6.579 per Share: Jacques Reymann and Jean-Jacques Verdickt (JJ Verdickt & Consorts).
- Grant of warrants with an exercise price of € 11 per Share: Enrico Bastianelli, Wim Goemaere and Guy Heynen.
- Issue of bonds, whereby the number of shares issued upon conversion of the bonds will be equal to a fraction, whereby the numerator is equal to 166.5% of the nominal value of the bonds, and the denominator is equal to the Offer Price: Jacques Reymann, SFPI SA, Jean-Jacques Verdickt (JJ Verdickt & Consorts) and Marc Nolet de Brauwere van Steeland (Alegrecha SDC).

4.2. AUTHORIZED CAPITAL

In accordance with the articles of association, the Extraordinary General Shareholders Meeting of Bone Therapeutics SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association.

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

No transactions have been taken under the authorized capital during 2014.

4.3. CHANGES IN CAPITAL

4.3.1. CHANGES TO THE SHARE CAPITAL BY THE SHAREHOLDERS OF THE COMPANY

The shareholders' meeting can at any given time decide 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.

4.3.2. CAPITAL INCREASES BY THE BOARD OF DIRECTORS OF THE COMPANY

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

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

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

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

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

This authorisation will become effective upon completion of the offering and will be 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*), and can be renewed.

In principle, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorization of the Board of Directors to increase the Company's share capital in cash or in kind, while limiting or cancelling the preferential subscription right, is suspended. However, the Company's extraordinary shareholders' meeting held on 16 January 2015 expressly granted the Board of Directors the authority to increase the Company's share capital, in one or several times, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company and subject to the limitations imposed by the Belgian Companies Code. This authorization will become effective upon completion of the offering and will be granted for a period of three years from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Moniteur belge*).

4.4. WARRANT PLANS

Bone Therapeutics has created during the course of 2014 three warrant plans.

On 6 February 2014 two warrant plans were created and approved by the EGM. A first plan which consisted out of the issue of 113,760 warrants for employees, consultants and Directors (plan A) and a second plan consisting out of the issue of 46,000 warrants for the CEO and the CFO (plan B).

On 18 December 2014, the EGM approved a third plan for the issue of the 145,000 warrants for the CEO, CFO and CCRO.

Out of these plans, the following numbers of warrants were granted (all on 18 December 2014):

	CEO	CFO	CCRO	Employees, Directors, consultants	Total
Plan A	-	-	-	-	-
Plan B	10,000	4,800	0	0	14,800
Plan C	90,000	35,000	20,000	0	145,000
	100,000	**83,000**	**20,000**	**0**	**203,000**

The remaining warrants out of plan B, in total 31,200 have been cancelled.

The relevant terms and conditions of the different plans are summarized below:

Warrants out of Plan A are:

- 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 change of control, IPO or public bid.
- When vested, exercisable during 2 specific defined periods during the year or during additional periods to be foreseen by the Board of Directors of the Company but not later than 10 years following the creation of these warrants
- The exercise price (following the rules for listed companies) will be at the choice of the Board of Directors
  - *At the closing price of the stock of the day preceding the day of the offer*
  - *Or the 30-day average of the stock price for the 30 calendar days preceding the date of the offer.*
- The duration of this warrant plan is 10 years. All warrants that have not been exercised within the ten year period as of their creation become null and void.

Warrants granted out of plan B:

- Are subject to a service vesting period starting on the grant date and ending at the earliest of the IPO date and the first anniversary of the grant.
- Become exercisable from the vesting date until February 2019.
- When after having become exercisable, are exercisable during 2 specific defined periods during the year or during additional periods to be foreseen by the Board of Directors of the Company but not later than 5 years following the creation of these warrants
- Are exercisable at a strike price of € 11.00 (price determined on the date of granting – 18 December 2014).
- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

Warrants granted out of plan C:

- Are subject to the following graded vesting: 25% on IPO date (or 1 January 2016 in no IPO), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.

- Become exercisable from the vesting date until December 2019Are exercisable at a strike price of € 11.00 (price determined on the date of granting – 18 December 2014).

- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

4.5. LISTING OF ELEMENTS WHICH BY THEIR NATURE WOULD HAVE CONSEQUENCES IN CASE OF A PUBLIC TAKE-OVER BID ON THE COMPANY

The Company provides the following information in accordance with article 34 of the Royal Decree dated 14 November 2007:

1. The share capital of the Company amounts to € 10,466,302.63 and is fully paid-up. It is represented by 3,458,240 shares, each representing a fractional value of € 3.03 or one 3,458,2408th of the share capital. The Company's shares do not have a nominal value.

2. 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.

3. There are no holders of any shares with special control rights.

4. There is no external control over the employee incentive plans; warrants are granted directly to the beneficiary.

5. 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.

6. 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.

7. The rules governing appointment and replacement of board members and amendment to articles of association are set out in the Company's articles of association and the Company's corporate governance charter.

8. 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.

9. The Company is a party to the following significant agreements which, upon a change of control of the Company or following a takeover bid can enter into force or, subject to certain conditions, as the case may be, can be amended, be terminated by the other parties thereto or give the other parties thereto (or beneficial holders with respect to bonds) a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:

- Investments credit of € 1,625,000 of 31 May 2013 between ING Belgique SA and Skeletal Cell Therapy Support SA – Specification clauses and special conditions for investment loans (Edition 2005)

- ING Belgique SA – General regulation for credits (Edition 2012)

- BNP Paribas Fortis SA – Terms of New Facilities for Companies (4 March 2014)

- BNP Paribas Fortis SA – Terms of New Facilities for Companies (20 December 2001)

- Convention for the grant of a subordinated loan of 27 March 2013 between Fonds de Capital à Risque SA (the **Lending Company**) and Skeletal Cell Therapy Support SA (the Borrowing Company)

- Convention for the grant of a subordinated loan of 24 February 2011 between Sambrinvest SA (the Lending Company) and Bone Therapeutics SA (the **Borrowing Company**)

- Convention for a subordinated loan of 25 May 2012 between Novallia SA (the **Lender**) and Bone Therapeutics SA (the **Borrower**)

- Convention for the grant of a subordinated of 21 June 2013 between SA Novallia (the Lender) and Skeletal Cell Therapy Support SA (the Borrower)

- Convention for a grant of a loan between the Walloon Region and Skeletal Cell Therapy Support SA

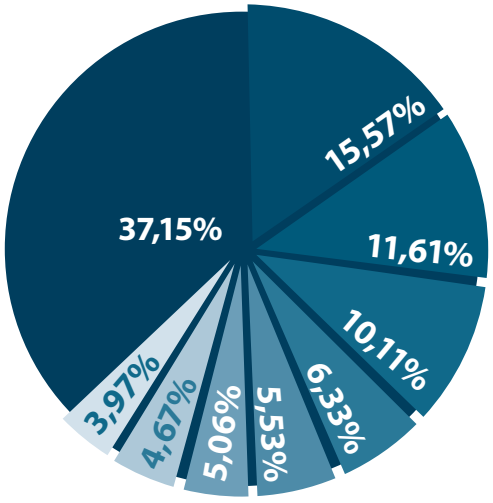
10. The Acting Chief Executive Officer and the Chief Financial officer are currently entitled to a 12-month salary payment in case his employment is terminated upon a change of control of the Company.

No takeover bid has been instigated by third parties in respect of the Company's equity during the previous financial year and the current financial year."

4.6. SHARHOLDERS OVERVIEW

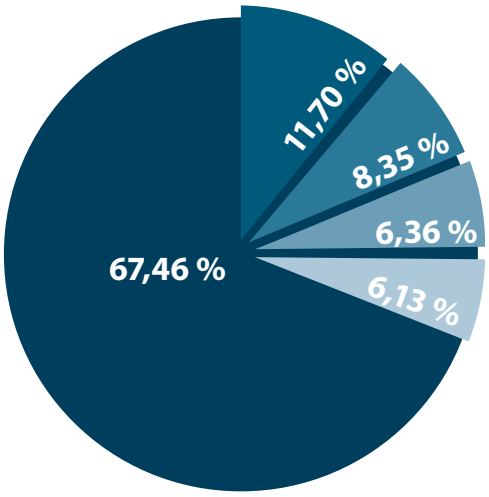
On 31 December 2014, there were 3,458,240 shares representing a total share capital of the Company of € 10,466,302.63. There are only ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company. The total number of outstanding warrants on 31 December 2014 was 304,760. On 11 February 2015, after the completion of the IPO and exercise of the over-allotment option, the total number of outstanding shares was 6,849,654.

Shareholder structure on 31 December 2014



- *J. Reymann*
- *Theodorus II SA*
- *SRIW SA*
- *Christian Boon Falleur*
- *Sambrinvest SA*
- *JJ Verdickt*
- *Nausicaa Ventures SCA*
- *Business Angels Fund I SCA*
- *Other*

*Shareholder structure on 28 April 2015**



- *SRIW SA & Sofipôle*
- *J. Reymann*
- *SFPI SA*
- *Theodorus II SA*
- *Other*

** Based on shareholders' transparency declarations received on 9 February 2015*

5

CONSOLIDATED FINANCIAL STATEMENTS

RESPONSIBILITY STATEMENT

We hereby certify that, to the best of our knowledge, the consolidated financial statements of Bone Therapeutics SA as of 31 December 2014, prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with the legal requirements applicable in Belgium, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board of Directors

27 April 2015

Enrico Bastianelli, CEO Wim Goemaere, CFO

5.1. AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014 AND FOR THE YEAR THEN ENDED UNDER IFRS

STATUTORY AUDITOR'S REPORT TO THE SHAREHOLDERS' MEETING ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014. THE ORIGINAL TEXT OF THIS REPORT IS IN FRENCH

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2014

To the shareholders,

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 24.202 (000) EUR and the consolidated statement of comprehensive income shows a consolidated loss (group share) for the year then ended of 5.734 (000) EUR.

Board of directors' responsibility for the preparation of the consolidated financial statements

The board of directors is responsible for the preparation and fair presentation of consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Unqualified opinion

In our opinion, the consolidated financial statements of Bone Therapeutics SA give a true and fair view of the group's net equity and financial position as of 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements.

As part of our mandate and in accordance with the Belgian standard complementary to the International Standards on Auditing applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which does not modify the scope of our opinion on the consolidated financial statements:

- The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, 28 April 2015

The statutory auditor

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

5.2. CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2014 AND 2013 UNDER IFRS

5.2.1. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS *(in thousands of euros)*	Note	31/12/14	31/12/13
Non-current assets		**4,942**	**4,724**
Intangible assets	5.3.5.1	54	60
Property, plant and equipment	5.3.5.2	2,667	2,869
Investments in associates	5.3.5.3	283	282
Financial assets	5.3.5.6	181	180
Deferred tax assets	5.3.5.4	1,759	1,333
Current assets		**19,259**	**8,087**
Trade and other receivables	5.3.5.5	7,498	5,513
Other current assets		186	134
Cash and cash equivalents	5.3.5.7	11,576	2,440
TOTAL ASSETS		**24,202**	**12,811**

EQUITY AND LIABILITIES *(in thousands of euros)*	Note	31/12/14	31/12/13
Equity	**5.3.5.8**		
Equity attributable to owners of the parent		(9,485)	63
Share capital		10,466	9,288
Share premium		1,671	6,635
Retained earnings		(21,670)	(15,860)
Other reserves		48	0
Non-controlling interests		0	0
Total equity		**(9,485)**	**63**
Non-current liabilities		**7,328**	**6,502**
Financial liabilities	5.3.5.9	5,827	5,052
Deferred tax liabilities		0	0
Other non-current liabilities	5.3.5.10	1,501	1,450
Current liabilities		**26,359**	**6,246**
Financial liabilities	5.3.5.9	18,437	509
Trade and other payables	5.3.5.11	3,213	1,458
Current tax liabilities		0	0
Other current liabilities	5.3.5.12	4,710	4,279
Total liabilities		**33,687**	**12,748**
TOTAL EQUITY AND LIABILITIES		**24,202**	**12,811**

5.2.2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Note	2014	2013
Revenue		0	0
Other operating income	5.3.6.1	3,677	3,394
Total operating income		**3,677**	**3,394**
Research and development expenses	5.3.6.2	(7,957)	(6,816)
General and administrative expenses	5.3.6.3	(1,345)	(621)
Operating profit/(loss)		**(5,626)**	**(4,043)**
Interest income	5.3.6.5	130	150
Financial expenses	5.3.6.5	(310)	(190)
Exchange gains/(losses)	5.3.6.5	(4)	(1)
Share of profit/(loss) of associates	5.3.6.5	1	19
Result Profit/(loss) before taxes		**(5,808)**	**(4,066)**
Income taxes		0	0
PROFIT/(LOSS) FOR THE PERIOD		**(5,808)**	**(4,066)**
Other comprehensive income		0	0
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(5,808)**	**(4,066)**
Basic and diluted loss per share (in euros)	**5.3.6.6**	**(1.69)**	**(1.34)**
Profit/(loss) for the period attributable to the owners of the Company		(5,734)	(4,079)
Profit/(loss) for the period attributable to the non-controlling interests		(75)	13
Total comprehensive income for the period attributable to the owners of the Company		(5,734)	(4,079)
Total comprehensive income for the period attributable to the non-controlling interests		(75)	13

5.2.3. CONSOLIDATED STATEMENT OF CASH FLOW

(in thousands of euros)	Note	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit/ (loss)		(5,626)	(4,043)
Adjustments for :			
Depreciation, Amortisation and Impairments	5.3.5.1 & 5.3.5.2	371	407
Share-based compensation		48	0
Grants income related to forgivable loans	5.3.6.1	(2,472)	(2,383)
Grants income related to patents	5.3.6.1	(166)	(87)
Grants income related to tax credit	5.3.6.1	(426)	(405)
Other		29	83
Movements in working capital:			
Trade and other receivables (excluding government grants)		(547)	(170)
Trade and Other Payables		1,746	337
Other current liabilities (excluding government grants)		7	0
Cash generated from operations		**(7,035)**	**(6,261)**
Cash received from grants related to forgivable loans		**3,338**	**2,913**
Cash received from grants related to patents		173	75
Cash received from grants related to tax credit		0	0
Income taxes paid		0	0
Net cash used in operating activities		**(3,524)**	**(3,274)**

(in thousands of euros)	Note	2014	2013
CASH FLOW FROM INVESTING ACTIVITIES			
Interests received		20	39
Purchases of property, plant and equipment	5.3.5.2	(2,999)	(1,710)
Purchases of intangible assets	5.3.5.1	(25)	(61)
Payments to acquire financial investments		0	(17)
Net cash used in investing activities		**(3,004)**	**(1,748)**

(in thousands of euros)	Note	2014	2013
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from government loans		1,430	1,248
Repayment of government loans		(203)	(135)
Reimbursements of other non-current liabilities		0	(375)
Proceeds from loans from related parties	5.3.5.9	370	500
Reimbursements of financial lease liabilities		(49)	(37)
Proceeds from other financial loans		2,900	0
Interests paid		(6)	(52)
Proceeds received from convertible loan (net of transaction costs)	5.3.5.9	9,533	0
Proceeds from issue of equity instruments of the Company (net of issue costs)	5.3.5.8	1,690	1,491
Net cash provided by financing activities		**15,665**	**2,641**

(in thousands of euros)	Note	2014	2013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**9,137**	**(2,382)**
CASH AND CASH EQUIVALENTS at *beginning of year*		**2,440**	**4,822**
CASH AND CASH EQUIVALENTS at *end of year*		**11,577**	**2,440**

5.2.4. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Attributable to owners of the parent				Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Retained earnings	Total equity attributable to owners of the parent		
Balance at 1 January 2013	**8,417**	**6,014**	**(11,795)**	**2,636**	**0**	**2,637**
Total comprehensive income of the period	0	0	(4,079)	(4,079)	13	(4,066)
Issue of share capital	871	629	0	1,500	0	1,500
Transaction costs for equity issue	0	(9)	0	(9)	0	(9)
Mouvement non-controlling interests	0	0	13	13	(13)	0
Other	0	0	1	1	0	1
Balance at 31 December 2013	**9,288**	**6,635**	**(15,860)**	**63**	**0**	**63**
Total comprehensive income of the period	0	0	(5,734)	(5,734)	(75)	(5,808)
Issue of share capital	1,179	852	0	2,031	0	2,031
Transaction costs for equity issue	0	(340)	0	(340)	0	(340)
Equity transaction of convertible bond	0	(5,321)	0	(5,321)	0	(5,321)
Transaction costs related to equity transaction of convertible bond	0	(154)	0	(154)	0	(154)
Share-based payment	0	0	48	48	0	48
Mouvement non-controlling interests	0	0	(75)	(75)	75	0
Other	0	0	1	1	0	1
Balance at 31 December 2014	**10,466**	**1,671**	**(21,621)**	**(9,486)**	**0**	**(9,485)**

5.3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5.3.1. GENERAL INFORMATION

Bone Therapeutics SA (the "**Company**") is a limited liability company governed by Belgian law. The address of its registered office is Rue Adrienne Bolland 8, 6041 Gosselies, Belgium. Since 6 February 2015, the shares of the Company are publicly listed on NYSE Euronext Brussels and Paris.

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

[The consolidated financial statements were authorised for issue by the Board of Directors on 27 April 2015.]

5.3.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.3.2.1. Statement of compliance

The Group's consolidated financial statements for the year ended 31 December 2014 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

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

5.3.2.2. Applicable IFRS standards and interpretation

In the current year, the Group has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 – Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Asset
- Amendments to IAS 39 – Financial Instruments – Novation of Derivatives and Continuation of Hedge Accounting

The following IFRS standards, interpretations and amendments that have been issued but that are not yet effective, have not been applied to the IFRS financial statements closed on 31 December 2014:

- IFRS 9 Financial Instruments and subsequent amendments (applicable for annual periods beginning on or after 1 January 2018, but not yet endorsed in EU)
- IFRS 14 Regulatory Deferral Accounts (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- IFRS 15 Revenue from Contracts with Customers (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Improvements to IFRS (2010-2012) (applicable for annual periods beginning on or after 1 February 2015)
- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- Improvements to IFRS (2012-2014) (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: Applying the Consolidation Exception (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IFRS 11 Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 1 – Presentation of Financial Statements – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 38 Property, Plant and Equipment and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- Amendments to IAS 19 Employee Benefits – Employee Contributions (applicable for annual periods beginning on or after 1 February 2015)
- Amendments to IAS 27 Separate Financial Statements – Equity Method (applicable for annual periods beginning on or after 1 January 2016, but not yet endorsed in EU)
- *IFRIC 21 – Levies* (applicable for annual periods beginning on or after 17 June 2014)

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.

5.3.2.3. Basis of preparation

The consolidated financial statements are presented in thousands of euros, unless otherwise stated. Euro is also the functional currency of both the Company and SCTS. The 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.

5.3.2.4. 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.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position. The gain or loss associated with the loss of control attributable to the former controlling interest is recognised in profit or loss. The Group recognises any investment retained in the former subsidiary when control is lost and subsequently accounts for it under the equity method if the former subsidiary qualifies as an associate or a joint venture (see section on investments in associates and joint ventures below), or at fair value if the investment in the former subsidiary qualifies as a financial asset in the scope of IAS 39.

5.3.2.5. Investments in associates and joint ventures

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.

A joint arrangement is an arrangement of which two or more parties have joint control, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. Amongst joint arrangements, a distinction is made between joint operations and joint ventures. In a joint operation, parties have rights to the assets, and obligations for the liabilities relating to the joint arrangement. In a joint venture, parties have rights to the net assets of the arrangement.

In its consolidated financial statements, the Group uses the equity method of accounting for investments in associates and joint ventures. Under the equity method, the investment is initially recognised at cost in the consolidated statement of financial position and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture.

An investment in an associate or joint venture is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture or when the investment is classified as held for sale.

5.3.2.6. Intangible assets

Intangible assets acquired separately or in the context of a business combination

Intangible assets are recognised if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of that asset can be measured reliably. Intangible assets with finite useful lives that are acquired separately are measured at cost less accumulated amortisation and accumulated impairment losses. The cost of a separately acquired intangible asset comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates. Any directly attributable cost of preparing the asset for its intended use is also included in the cost of the intangible asset. Amortisation is recognised on a straight-line basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Recognition of costs in the carrying amount of an intangible asset ceases when the asset is in the condition necessary for it to be capable of operating in the manner intended by the Group.

Intangible assets acquired in a business combination are measured at fair value at the date of acquisition. Subsequent to initial recognition, intangible assets acquired in a business combination are subject to amortisation and impairment test, on the same basis as intangible assets that are acquired separately.

Intangible assets	Estimated useful life
Software	3 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets

To assess whether an internally generated intangible asset meets the criteria for recognition, the Group classifies the internal generation of assets into a research phase and a development phase.

No intangible asset arising from research is recognised. Expenditure on research is recognised as an expense when it is incurred.

An intangible asset arising from development is recognised if, and only if, the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Management uses its judgement to assess whether the above conditions are met. With respect to the technical feasibility condition, a strong evidence is achieved only when Phase III of the related development project is successfully completed.

The cost of an internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria. The cost of an internally-generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management, including any fees to register legal rights (patent costs).

After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over their estimated useful life. Amortisation begins when the asset is capable of operating in the manner intended by management.

5.3.2.7. Property, plant and equipment

Property, plant and equipment are recognised as assets at acquisition or production cost if and only if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The cost of an item of property, plant and equipment comprises its purchase or production price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, together with the initial estimation of the costs of dismantling and removing the asset and restoring the site on which it is located, if applicable.

After initial recognition at historical cost, property, plant and equipment owned by the Group are depreciated using the straight-line method and are carried on the balance sheet

at cost less accumulated depreciation and impairment. Depreciation begins when the asset is capable of operating in the manner intended by management and is charged to profit or loss, unless it is included in the carrying amount of another asset. The components of an item of property, plant and equipment with a significant cost and different useful lives are recognised separately. Lands are not depreciated. The residual value and the useful life of property, plant and equipment are reviewed at least at the end of each reporting period. The depreciation method is also reviewed annually.

Property, plant and equipment	Estimated useful life
Office furniture	4 years
Lab equipment	3 to 5 years
IT equipment	3 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

5.3.2.8. Leases

The Group classifies leases as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Classification is made at the inception of the lease.

Finance leases

Assets held under finance leases by the Group are recognised as assets at their fair value or, if lower, at the present value of the minimum lease payments. The corresponding liability is included in the consolidated statement of financial position as a finance lease obligation. Assets held under finance leases are depreciated over their estimated useful live on a systematic basis consistent with the depreciation policy for depreciable assets that are owned by the Group or, if shorter, over the lease term. Lease payments are apportioned between finance expenses and the reduction of the lease obligation.

Assets owned by the Group and leased to third parties under finance leases are derecognised and a receivable is recognised as an asset in the consolidated statement of financial position for an amount equal to the net investment in the lease contract. The recognition of financial income is made based on pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Operating leases

Assets held by the Group under operating leases are not recognised in the statement of financial position. Operating lease payments are recognised as expenses in the period in which they are incurred on a straight-line basis over the lease term.

Assets owned by the Group and leased to third parties under operating leases are not derecognised from the statement of financial position. Rental income from operating lease is recognised as income on a straight-line basis over the lease term. The depreciation method used for the assets leased under operating leases is consistent with the method used for similar assets that are not subject to a lease agreement.

5.3.2.9. Impairment of tangible and intangible assets

At the end of each reporting period, the Group assess whether there is any indications that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Recoverable amounts of intangible assets with an indefinite useful life and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised whenever recoverable amount is below carrying amount. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. An impairment loss on goodwill can never be reversed.

5.3.2.10. Financial assets

Financial assets are classified in one of the following categories: financial assets at fair value through profit or loss (FVTPL), loans and receivables, available-for-sale financial assets (AFS) and held-to-maturity investments.

Loans and receivables

Loans and receivables (trade and other receivables) are financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at their fair value, plus transaction costs. After their initial recognition, these financial assets are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. An impairment loss is recognised if there is any indication that the Group might not recover all the amounts due. Gains or losses are recognised in the statement of profit and loss when the financial asset recognised at amortised cost is derecognised or impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset (or a financial liability) and of allocating interest income or expenses over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash inflows (or outflows) through the expected life of the financial instrument or, where appropriate, a shorter period so as to determine the net carrying amount for the financial asset (or the financial liability).

Receivables related to government grants, including forgivable loans ("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).

Available-for-sale financial assets (AFS)

AFS financial assets include investments in entities that are neither consolidated nor recognised using the equity method. They are measured at fair value and the changes are recognised directly in other comprehensive income (equity). Once it has been determined that an AFS financial asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recycled in profit or loss. AFS financial assets whose fair value cannot be reliably determinable are measured at cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments that the Group intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss or as available for sale. Held-to-maturity investments are measured at amortised cost.

Financial assets at fair value through profit or loss

This category has two subcategories:

- Financial assets designated as at fair value through profit or loss: financial asset that is designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.
-
- Financial assets held for trading: all derivative financial assets (except those designated hedging instruments) and financial assets acquired or held for the purpose of selling in the short term or for which there is a recent pattern of short-term profit taking are held for trading.

5.3.2.11. Cash and cash equivalents

Cash and cash equivalents include cash on hand and in banks, as well as short-term deposits with a maturity of three months or less.

5.3.2.12. Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or as other financial liabilities.

Financial liabilities classified as other liabilities include borrowings contracted by the Group and trade and other payables, including the portion of forgivable loans ("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 forgivable loans recognised as financial liabilities to the extent no interest is charged on these loans. Subsequently, financial liabilities are measured at amortised cost using the effective interest method less repayments of principal. Interest expense is recognised using the effective interest rate.

Financial liabilities at fair value through profit or loss include all derivative financial liabilities, except those designated as hedging instruments.

Compound financial instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that are directly attributable to the bond offering and incremental, are included in the calculation of the amortized cost, using the effective interest method, and are amortized through the income statement over the life of the instrument.

Embedded derivatives

Embedded derivative financial instruments are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative financial instrument are not closely related, a separate instrument with the same terms as the embedded derivative financial instrument would meet the definition of a derivative financial instrument, and the combined instrument is not measured at fair value through profit or loss.

5.3.2.13. Income tax

The tax currently payable is based on taxable profit for the year, which differs from profit as reported in the consolidated statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Income tax for the current and prior periods is recognised as a liability to the extent that it has not yet been settled, and as an asset to the extent that the amounts already paid, exceeds the amount due. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred taxes are recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and tax losses carried-forward to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and tax losses carried-forward can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates/laws that have been enacted or substantively enacted by the end of the reporting period. The measurement reflects the Group's expectations, at the end of the reporting period, as to the manner in which the carrying amount of its assets and liabilities will be recovered or settled.

5.3.2.14. Governments grants

Government grants are assistance by government, government agencies and similar bodies, whether local, national or international, in the form of transfers of resources to the Group in return for past or future compliance with certain conditions.

The Group recognises a government grant only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and the grant will be received. As such, a receivable is recognised in the statement of financial position and measured in accordance with the accounting policy mentioned above (see "loans and receivables").

With respect to forgivable loans ("*avances récupérables*"), only the portion of the loan for which there is a reasonable assurance that the Group will meet the terms for forgiveness is recognised as government grant. The Group recognises the portion of forgivable loans that is expected to be reimbursed as a liability. This liability is initially measured at fair value, which corresponds to the present value of the amounts expected to be reimbursed as forgivable loans do not bear interests (see "financial liabilities" above).

In addition, the benefit of a government loan without interest or at a below market rate of interest is treated as a government grant and measured as the difference between the initial discounted value of the loan and the proceeds received or to be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs which the grants are intended to compensate. As a result, grants relating to costs that are recognised as intangible assets or property, plant and equipment (grants related to assets or investment grants) are deducted from the carrying amount of the related assets and recognised in the profit or loss statement consistently with the amortisation or depreciation expense of the related assets. Grants that intend to compensate costs that are expensed as incurred are released as income when the subsidised costs are incurred, which is the case for grants relating to research and development costs expensed as incurred.

Government grants that become receivable as compensation for expenses or losses already incurred are recognised in profit or loss of the period in which they become receivable.

The portion of grants not yet released as income is presented as deferred income in the statement of financial position. In the statement of comprehensive income, government grants are presented as other operating income or financial income depending on the nature of the costs that are compensated.

5.3.2.15. Share-based payments

A share-based payment is a transaction in which the Group receives goods or services either as consideration for its equity instruments or by incurring liabilities for amounts based on the price of the Group's shares or other equity instruments of the Group. The accounting for share-based payment transactions depends on how the transaction will be settled, that is, by the issuance of equity, cash, or both equity or cash.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, if any, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is re-measured, with any changes in fair value recognised in profit or loss for the year.

5.3.2.16. Provisions

A provision is recognised when the Group has a present obligation (legal or constructive), at the end of the reporting period, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows when the effect of time value of money is material.

5.3.2.17. 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.

Some employees of the Group were granted a post-employment pension plan for which the fixed contributions made to an external insurance company are subject to a minimum return guaranteed by the Belgian legislation. The related contributions are expensed when they are incurred and a post-employment provision is recognised only to the extent the benefits accumulated by the employees taking into account the minimum guaranteed return exceed the actual plan assets at closing date.

5.3.2.18. Revenue Recognition

The Group is currently not generating revenue from contracts with customers. Most income recognised by the Group is resulting from government grants.

An accounting policy will be developed in accordance with relevant IFRS requirements when revenue generating arrangements will be entered into by the Group.

5.3.2.19. 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.

5.3.3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The followings are areas where key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial years:

Investment in SCTS

Despite a holding of 49.9% in SCTS, management concluded that the Company controls SCTS considering the combination of the following elements:

- The purpose and design of SCTS are specific to the Company's needs with respect to R&D and production activities, including the construction of a building specific to the production needs of the Company;
- The Company reached the majority on all general assemblies of SCTS since its incorporation; and
- The Company has the option to buy (call option) the SCTS shares held by other shareholders as from 1 January 2014.

Put and call on non-controlling interests in SCTS

The Company has granted to the 50.1% non-controlling interests in SCTS an option to sell (put option) their SCTS shares to the Company. This put option is exercisable as from 1 January 2020 at a strike price amounting to the net assets of SCTS multiplied by the percentage held, with a minimum price floored at 90% of the share subscription value. This put option on non-controlling interests (own equity instrument) gives rise to a gross liability that is initially recognised against equity and measured at the present value of the redemption amount (strike price). This gross liability is subsequently measured at fair value with changes in fair value recognized in profit or loss.

In this context, management made estimations in measuring the expected net assets of SCTS on 1 January 2020 taking into account that the SCTS shareholders' agreement prescribes in substance that a minimum return of 6.5% shall be reached on the investment as from the fourth year of SCTS incorporation. The expected net assets value has been discounted to the reporting date using a rate of 3.5%.

In the statement of financial position on 31 December 2014, the fair value of the gross liability for the put option on non-controlling interests in SCTS amounts to € 1,501,000 (€ 1,450,000 in 2013).

In addition, the Company holds an option to buy (call option) the 50.1% non-controlling interests in SCTS. This call option is exercisable from 1 January 2014 until 31 December 2019 at such a strike price that non-controlling interests realize an internal rate of return reaching 8% on capital contributed to SCTS. This call option is a derivative financial asset of the Company. Considering however that the strike price is based on a return of 8% whereas the minimum agreed return is limited to 6.5% as from the fourth year of SCTS incorporation, management concluded that this call option will always be out of the money. As a result, the fair value of this derivative financial asset is negligible.

Recognition of development costs as intangible assets

Consistently with industry practices, management concluded that development costs incurred by the Group do not meet the recognition conditions before Phase III of the related development project is finalised.

Forgivable loans

Management uses its judgement to estimate the portion of forgivable loans for which there is reasonable assurance that the terms for forgiveness will be met. Consistently with past practices, management expects that it will decide to exploit the results of the R&D project, which triggers the repayment of a portion of the loan (typically 30% in nominal terms) that is recognised as a liability and measured at the present value of the amounts expected to be reimbursed using a market-based discount factor as the loans do not bear interests. Similarly, management expects that revenue potentially generated from the R&D project within 10 years after the exploitation date is insignificant considering the length of the products' development cycle, and consequently that there is reasonable assurance that the remaining part (typically 70% in nominal terms) of the loan will be forgiven. Note 5.3.10 on contingent liabilities provides additional information on that portion of forgivable loans that might become partially reimbursable.

Recognition of deferred tax assets

Deferred tax assets are recognised only if management assesses that these tax assets can be offset against taxable income within a foreseeable future.

This judgment is made on an ongoing basis and is based on budgets and business plans for the coming years, including planned commercial initiatives.

Since inception, the Company has reported losses, and as a consequence, the Company has unused tax losses. Therefore, management has concluded that deferred tax assets should not be recognised as of 31 December 2014, except for the deferred tax asset related to the R&D tax credit as this is independent from future taxable profit.

Automatically Convertible Bonds

On 18 December 2014, the Company issued automatically Convertible Bonds for an amount of € 10,000,000. The bonds bear interest at a rate of 7% per annum. At IPO date, the bonds will automatically be converted into a variable number of new shares equal to a fraction whereby the numerator amounts to 166.5% of the nominal value of the bonds, and the denominator is equal to the IPO offer price. If the IPO had not taken place, the bonds would have been automatically converted on 30 September 2015 into new shares at a fixed conversion ratio of € 11 per share. Under this latter scenario (no IPO), the holders of the instrument would be granted anti-dilutive rights until 30 September 2017.

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

In this context, management made estimations in measuring the fair value of the derivative instrument on the basis of several assumptions, with the most significant one being the probability that an IPO will be launched based on facts and circumstances available on 31 December 2014. Under this scenario, the fair value of the derivative at IPO date would amount to € 6,650,000 (or 66.5% of € 10,000,000), which corresponds to the fair value of additional shares granted to the bondholders upon conversion. The probability associated with that IPO scenario was estimated at 75%. Together with an estimation of the value of the derivative instrument under the alternative scenario (no IPO) weighted at 25%, management estimated that the initial fair value of the derivative instrument amounted to € 5,321,000. Note 3.7.1. provides additional information on the fair value of this derivative instrument which is classified as level 3.

The transaction costs amounting to € 467,000 that have been incurred on the issuance of the bonds have been allocated to the debt component and the equity component on the basis of their relative initial values.

IPO costs

The Company has incurred several costs in connection with to the IPO for an amount of € 0.63 million in 2014 (and € 3.85 million early 2015). Considering that the IPO will also result in the issuance of new shares, management decided to apply a rationale allocation of the costs determined between (i) costs linked to equity transactions that are immediately deducted from the equity of the Company (reported under share premium), and (ii) and other costs relating to the IPO that are expensed in the statement of profit or loss. In this context, management identified the following three types of IPO related costs:

- Costs entirely incremental to the issue of new shares that are recognised in equity, such as success fees proportionate to funds actually raised;

- Costs linked to promotional activities and general overheads that are immediately expensed, such as fees for promotional campaigns; and

- Other IPO related costs, such as lawyer fees to develop the IPO prospectus, that were allocated between expense and equity based on the proportionate increase in capital and share premium.

On this basis, an amount of € 0.33 million was recognised in equity and € 0.31 million in the statement of profit or loss in 2014.

Measurements of share-based payments

Management determined the fair value of equity-settled share-based payments (warrants plans) at grant date using the Black-Scholes pricing model. Significant inputs in this model, as the expected life of the warrant and volatility, are detailed in note 5.3.5.8.

5.3.4. 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.

5.3.5. NOTES RELATING TO THE STATEMENT OF FINANCIAL POSITION

5.3.5.1. INTANGIBLE ASSETS

The intangible assets consist only of purchased software

(in thousands of euros)	31/12/2014	31/12/2013
Acquisition cost	120	96
Accumulated amortisation and impairment	(67)	(36)
Intangible assets	**54**	**60**

Cost *(in thousands of euros)*	**Software**
Balance at 1 January 2013	**35**
Additions	61
Balance at 31 December 2013	**96**
Additions	25
Balance at 31 December 2014	**120**

Accumulated amortisation and impairment *(in thousands of euros)*	**Software**
Balance at 1 January 2013	**(16)**
Amortisation expense	(20)
Balance at 31 December 2013	**(36)**
Amortisation expense	(31)
Balance at 31 December 2014	**(67)**

5.3.5.2. PROPERTY, PLANT AND EQUIPMENT

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

(in thousands of euros)	31/12/2014	31/12/2013
Acquisition cost	4,322	4,184
Accumulated depreciation and impairment	(1,656)	(1,315)
Property, plant and equipment	2,666	2,869

Cost (in thousands of euros)	Laboratory equipment	IT material	Office furniture	Land	Properties under construction	Total
Balance at 1 January 2013	1,643	79	76	0	418	2,215
Additions	133	12	0	233	1,604	1,982
Disposals	(9)	(4)	0	0	0	(13)
Balance at 31 December 2013	1,766	87	76	233	2,022	4,184
Additions	88	20	0	0	2,938	3,046
Government grant received	0	0	0	0	(2,908)	(2,908)
Balance at 31 December 2014	1,854	107	76	233	2,052	4,322

Accumulated depreciation and impairment (in thousands of euros)	Laboratory equipment	IT material	Office furniture	Land	Properties under construction	Total
Balance at 1 January 2013	(839)	(54)	(47)	0	0	(939)
Amortisation expense	(349)	(19)	(16)	(1)	0	(386)
Disposals	7	4	0	0	0	10
Balance at 31 December 2013	(1,182)	(69)	(63)	(1)	0	(1,315)
Amortisation expense	(316)	(15)	(8)	(2)	0	(341)
Disposals	0	0	0	0	0	0
Balance at 31 December 2014	(1,498)	(84)	(71)	(3)	0	(1,656)

Carrying amount (in thousands of euros)	Laboratory equipment	IT material	Office furniture	Land	Properties under construction	Total
Balance at 31 December 2013	584	18	13	232	2,022	2,869
Balance at 31 December 2014	356	23	5	230	2,052	2,666

Property under construction relates to the new facilities of SCTS at Gosselies. The completion of the facility is planned in different phases. Different parts of the building will be occupied at different points in time. Depreciation will start for the different parts in line with the start of the occupation and for the production zones following GMP approval of the zones. The Company plans to occupy the first phase (administration and R&D facilities) in the second quarter of 2015. The commissioning of the two first production zones is foreseen in the second half of 2016. Committed expenditure on 31 December 2014 amounts to € 673,000 (2013: € 4,188,000).

The evolution (decrease) in property, plant and equipment can mainly be detailed as follows:

- Additional investments to the property under construction of the new facility of SCTS at Gosselies for a total amount of € 2,938,000.

- A government grant awarded (but not yet received) for a total amount of € 2,908,000 related to the construction, which has been deducted from the related property.

The Group has been awarded in 2014 a government grant for a total amount of € 2,908,000 for the new facilities under construction at Gosselies. The grant is payable in three tranches (after 40% of the investment, after 70% of the investment and when the investment is finished). The grant is based on 32% of the total estimated investment. The grant is subject to specific conditions, such as employment, location and innovation. If conditions are not met, the Group has to reimburse the grant partially or entirely.

Furthermore, SCTS obtained a long term financing instrument through BNP Paribas Fortis SA/NV and ING Belgique SA/NV to finance part of the construction of the new facilities. Each one of the banks foresees an amount of € 1,625,000 euro. The contracts were entered into on 6 May 2013 but have not yet been activated.

These instruments have a term of 15 years and can be called upon in function of the progress of the completion of the project.

BNP Paribas Fortis SA/NV has, amongst other things, requested a number of securities in respect of the above loans/facilities to be granted in parity with the security granted to ING Belgique SA/NV. Amongst others this concerns the following:

- A first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 27,500 (€ 25,000 for ING Belgique SA/NV);

- A mandate to a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of € 1,760,000 (€ 1,600,000 for ING Belgique SA/NV).

5.3.5.3. INVESTMENTS IN ASSOCIATES

The investment in associates relates solely to the investment in "Société d'Infrastructures, de Services et d'Energies" ('SISE'). The Group holds 30.94% in SISE (2013: 30.94%) and has significant influence over this entity since its incorporation. SISE is responsible for rendering infrastructure and maintenance services. The associate is accounted for using the equity method in the consolidated financial statements.

The investment in associates recognised in the consolidated statement of financial position can be reconciled as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Balance at 1 January	**282**	**263**
Acquistion of investment	0	0
Capital increase/decrease	0	0
Net income from associates	1	19
Dividend received from associates	0	0
Impairment losses	0	0
Disposal of investment	0	0
Balance at 31 December	**283**	**282**
Goodwill included in carrying amount of investments in associates	0	0

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs adjusted by the Group for equity accounting purposes.

(in thousands of euros)	31/12/2014	31/12/2013
Sales and other operating revenues		
Profit (loss) before interest and taxation	36	68
Finance costs and other finance expenses	(33)	(7)
Taxation	(0)	0
Profit (loss) for the year	**3**	**61**
Profit (loss) attributable to owners of the Company	1	19

(in thousands of euros)	31/12/2014	31/12/2013
Non-current assets	2,362	690
Current Assets	1,095	1,947
Total Assets	**3,457**	**2,637**
Current liabilities	2,349	1,525
Non-current liabilities	194	200
Total Liabilities	**2,543**	**1,725**
Net assets	**914**	**912**
Group's share of net assets	283	282

The Group granted no loans to associates.

5.3.5.4. INCOME TAXES

As Group entities did not realise a taxable profit in 2013 and 2014, there is no current income tax expense recognised in the consolidated financial statements.

The following tables detail the amounts recognised in the consolidated statement of financial position with respect to deferred taxes.

Deferred taxes by source of temporary differences

(in thousands of euros)	Assets		Liabilities	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Property, plant and equipment	0	0	33	5
Intangible assets	3,103	2,858	0	0
Trade and other receivables	19	0	0	450
Financial liabilities	2,186	861	0	0
Other non-current liabilities	510	493	0	0
Other current liabilities	0	0	1,228	1,032
Total	**5,819**	**4,212**	**1,261**	**1,486**

Tax credits and tax losses carried forward and temporary differences

(in thousands of euros)	31/12/2014	31/12/2013
Tax credits	1,759	1,333
Tax credits related to notional interest deduction	141	141
Tax losses	5,893	3,766
Total	**7,793**	**5,239**

Deferred tax assets and liabilities recognised

(in thousands of euros)	Assets		Liabilities	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Deferred tax assets/(liabilities)	13,612	9,451	1,261	1,486
Unrecognized deferred tax assets	(10,592)	(6,632)		
Total recognized deferred taxes	**3,020**	**2,819**	**1,261**	**1,486**
Offsetting	(1,261)	(1,486)	(1,261)	(1,486)
Total net	**1,759**	**1,333**	**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)	31/12/2014	31/12/2013
Tax credits	0	0
Tax credits related to notional interest deduction	415	415
Tax losses	17,338	11,079
Temporary differences	13,410	8,018
Total	**31,162**	**19,512**

The unrecognised tax credits related to notional interest deduction expire in 2019. There is no expiry date on the other sources of deferred tax assets.

Furthermore, the deferred tax asset on the tax credit has been treated as a government grant and presented as other operating income in the consolidated statement of comprehensive income (see note 5.3.6.1).

At closing 2014, there are no unrecognised deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates.

5.3.5.5. TRADE RECEIVABLES AND OTHER RECEIVABLES

The trade and other receivables can be detailed as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Trade receivables		
Trade receivables	8	19
Write-downs on trade receivables	0	0
Total trade receivables	**8**	**19**
Other receivables		
Receivable related to taxes	378	226
Receivable related to tax credit	0	0
Receivable related to Forgivable loans	3,998	5,063
Receivable related to Patent grants	193	192
Receivable related to other grants	12	13
Receivables related to investment grants	2,908	0
Write-downs on other receivables	0	0
Total other receivables	**7,490**	**5,494**
Total trade and other receivables	**7,498**	**5,513**

The other receivables mainly relate to government grants to receive. The receivables related to forgivable loans are further reconciled under note 5.3.6.1.

The receivables related to investments grant are related to the construction of the new facilities at Gosselies. Receivables related to taxes are mainly related to VAT.

5.3.5.6. FINANCIAL ASSETS

Non-current financial assets amounting to € 0.18 million relate to restricted amounts mainly representing warranty in respect of the Galactic's building lease commitments.

5.3.5.7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include following components:

(in thousands of euros)	31/12/2014	31/12/2013
Cash at bank and in hand	11,158	898
Short-term bank deposits	418	1,542
Total	**11,576**	**2,440**

The large increase of the cash and cash equivalents at year-end is the result of the € 10 million received in December 2014 in relation to the Convertible Bonds.

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

5.3.5.8. EQUITY

Share capital and share premium

On 24 February 2014, the shareholders of the Company resolved upon a share split, dividing the 314,960 shares, without nominal value, each representing 1/314,960th of the share capital of the Company by 1,000, creating 3,149,600 shares, without nominal value, each representing 1/3,149,600th of the share capital of the Company. On the same day, the share capital was increased by a contribution in cash in the amount of € 580,000 with issuance of 152,000 shares. The aggregate share premium amounted to € 420,000. Following the capital increase, the share capital of the Company amounted to € 9,868,000 and was represented by 3,301,600 shares.

On 10 July 2014, the share capital was increased by a contribution in cash in the amount of € 598,000 with issuance of 156,640 shares. The aggregate share premium amounted to € 432,000. Following the capital increase, the share capital of the Company amounted to € 10,466,000 and was represented by 3,458,240 shares.

The shares have no nominal value.

Non-controlling interests

The gross liability relating to the put option on non-controlling interest in SCTS (see note 5.3.3) has been recognised against equity, as a reduction of non-controlling interests. Considering however that this gross liability exceeds the amount of non-controlling interests, the balance has been recognised as deduction of group equity (retained earnings) and the amount reported as non-controlling interest is nil.

Share-based payments scheme

The Company has put in place 3 different warrant plans in the course of 2014. In accordance with the terms of these plans, as approved by shareholders at the extraordinary general meetings held on 24 February 2014 and 18 December 2014, the beneficiaries may be granted warrants which on exercise can each be used to subscribe to one ordinary share of the Company (equity-settled share-based payments). No amounts are paid or payable by the beneficiary on grant of the warrant. The warrants carry neither rights to dividends nor voting rights.

The following plans were established during the year 2014

Plan	Beneficiaries	Number of warrants issued	Number of warrants granted	Exercise price of warrants granted	Expiry
Warrant Plan A	Employees, consultants or Directors	113,760	None	To be determined	February 2024
Warrant Plan B	CEO, CFO	46,000	14,800	€ 11	February 2019
Warrant Plan C	CEO, CFO, CCRO	145,000	145,000	€ 11	December 2019

Out of plan A for the employees, consultants and Directors no warrants were granted during 2014. A total 14,800 warrants were granted out of plan B for the CEO and the CFO (the remaining ungranted warrants were cancelled) and all of the 145,000 warrants out of plan C for the CEO, the CFO and the CCRO were granted during 2014. All granted warrants were accepted by the beneficiaries.

Warrants granted out of plan B:

- Are subject to a service vesting period starting on the grant date and ending at the earliest of the IPO date and the first anniversary of the grant.
- Become exercisable from the vesting date until February 2019. .
- Are exercisable at a strike price of € 11.00.
- Which are accepted, vested and which have become exercisable or which will become exercisable are subject to the lock-up conditions in place for existing pre-IPO shareholders.
- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

Warrants granted out of plan C:

- Are subject to the following graded vesting: 25% on IPO date (or 1 January 2016 in no IPO), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.
- Become exercisable from the vesting date until December 2019.
- Are exercisable at a price of € 11.00.
- The duration of this warrant plan is five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

The main terms of Plan B and Plan C can be summarized as follows:

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan B	14,800	22/12/2014	1/02/2019	11	3.76
(2) Warrant Plan C	145,000	22/12/2014	18/12/2019	11	4.11

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 B	Plan C
Number of warrants granted	14,800	145,000
Exercise price (in €)	11	11
Fair value of the share at grant date	11	11
Expected dividend yield	0	0
Expected volatility	43.52%	43.52%
Risk-free interest rate	0.05%	0.05%
Duration in years	4.11	4.99
Fair value (in €)	3.76	4.11

At closing 2014, no warrants were vested. The expenses relating to these plans are disclosed in point 5.3.6.4.

Transaction costs in relation to share capital transactions

The company recorded an amount of € 325,000 related to the capital increase in the context of the IPO which took place on 6 February 2015 for costs incurred and chargeable to equity during year 2014.

Transaction costs in relation to the convertible bonds

For this transaction, we refer to section 5.3.5.9. "Financial liabilities".

The company recorded an amount of € 154,000 related to the convertible bonds in the context of the IPO which took place on 6 February 2015 for costs incurred and chargeable to equity during year 2014. Total costs amount to € 467,000. The difference has been recorded in current liabilities.

5.3.5.9. FINANCIAL LIABILITIES

Financial liabilities are detailed as follows:

(in thousands of euros)	Non-current		Current		Total	
	31/12/2014	31/12/2013	31/12/2014	31/12/2013	31/12/2014	31/12/2013
Finance lease liabilities	110	100	44	229	154	329
Government loans	4,313	3,774	283	208	4,596	3,982
Loans from related parties	1,404	1,178	144	72	1,548	1,250
Convertible Bonds	0	0	9,602	0	9,602	0
Bank debt	0	0	2,900	0	2,900	0
Other financial liabilities	0	0	5,321	0	5,321	0
Total financial liabilities	**5,827**	**5,052**	**18,295**	**509**	**24,122**	**5,561**

Finance lease liabilities

The finance lease liabilities relates to the leases of laboratory equipment (lease term of 5 years) for an amount of € 116,000 and the long lease right on the land (lease term of 99 years) on which the new facilities at Gosselies are constructed, for an amount of € 38,000.

The Group has options to purchase the equipment for a fixed amount at the end of the lease term. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying the obligations under finance leases related to laboratory equipment are fixed at respective contract dates ranging from 2.2% to 3.3% per annum.

The future minimum lease payments related to these finance leases can be reconciled as follows to the liabilities recognised in the consolidated statement of financial position:

Future minimum lease payments (in thousands of euros)	31/12/2014	31/12/2013
Not later than 1 year	58	229
Later than 1 year and not later than 5 years	94	86
Later than 5 years	282	282
Less: future finance charges	(280)	(269)
Present value of minimum lease payments	**154**	**329**

Finance lease liabilities (in thousands of euros)	31/12/2014	31/12/2013
Not later than 1 year	44	229
Later than 1 year and not later than 5 years	85	79
Later than 5 years	25	21
Present value of minimum lease payments	**154**	**329**

Government loans

The government loans relate to the forgivable loans are detailed in note 5.3.6.1. These loans are not bearing any interest.

Loans from related parties

A new subordinated loan from a related party for an amount of € 370,000 was taken up during 2014 (SA Fonds de Capital à Risque). The duration of the loan is 15 years. The loan carries an interest of 6.66% payable on a monthly basis. Capital reimbursement is based on fixed monthly instalments but with a two-year moratorium during which no capital reimbursements will take place. There are no securities provided by the Group in respect of this loan agreement.

Convertible Bonds

The convertible bonds were issued on 18 December 2014 for an aggregate nominal amount of € 10,000,000. The bonds are issued in registered form. Each bond has a nominal value of € 1,000.

The bonds bear interest as from their issue date, at a rate of 7 per cent per annum. Interest is not compounding and is payable five business days after conversion or reimbursement of the bonds. Transaction costs amounting to € 467,000 have been incurred on issuance of the bonds.

The bonds will automatically be converted into shares at the earliest date of (i) the IPO date and (ii) their maturity date (30 September 2015).

If the conversion occurs on IPO date, the number of shares issued upon conversion of the bonds will be equal to a fraction, whereby the numerator is equal to 166.5 per cent of the nominal value of the bonds, and the denominator is equal to the offer price of the IPO. This means that the exact number of shares to be issued upon conversion of the bonds is unknown at the date of issuance. E.g. if the offer price would be set at € 15.5 (mid-point of the offer price range), 107.42 shares would be issued upon conversion of each bond.

If the conversion occurs on 30 September 2015, the number of shares issued upon conversion of the bonds will be equal to a fraction, whereby the numerator is equal to nominal value of the bonds, and the denominator is equal to € 11. In that case, 90.91 shares would be issued upon conversion of each bond.

The embedded conversion option does not meet the definition of equity because the number of shares to be issued at conversion date depends of the share price at that date. Therefore, the embedded conversion option is recognized separately as a derivative financial liability presented under other current financial liabilities and measured at fair value through profit or loss.

Bank debt

The increase is also resulting from the company taking up several straight loans to address short term funding requirements:

On 27 May 2014 BNP Paribas Fortis SA/NV and ING Belgique SA/NV provided both a straight loan facility, each for an amount of € 1,450,000 to pre-finance an investment premium granted by the Walloon Region. The applicable interest rates and terms are decided based on what is appropriate for the chosen term at the time funds are withdrawn. Up to the end of end of December 2014 an amount of € 2.9 million was drawn. Repayment is foreseen following the receipt of the grant from the Walloon Region in respect of this project.

5.3.5.10. OTHER NON-CURRENT LIABILITIES

According to the SCTS shareholders' agreement, the Company has granted to the 50.1% non-controlling interests in SCTS an option to sell (put option) their SCTS shares to the Company. This put option is exercisable as from 1 January 2020 at a strike price amounting to the net assets of SCTS multiplied by the percentage held, with a minimum price floored at 90% of the share subscription value. This put option on non-controlling interests (own equity instrument) gives rise to a gross liability that is initially measured at the present value of the redemption amount (strike price). This gross liability is subsequently measured at fair value with changes in fair value recognized in profit or loss. For additional information on the fair value, see also note 5.3.3.

5.3.5.11. TRADE PAYABLES AND OTHER PAYABLES

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Trade payables	2,853	1,136
Other payables	360	323
Total trade and other payables	**3,213**	**1,458**

Trade payables (composed of supplier's invoices and accruals for supplier's invoices to receive at reporting date) are non-interest bearing and are in general settled 30 days from the date of invoice.

The increase of € 1.72 million is mainly related to the transactions costs incurred in the IPO process at year-end.

Other payables include solely short-term employee benefits liabilities.

5.3.5.12. 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)	31/12/2014	31/12/2013
Deferred income grant Forgivable loans	4,320	3,905
Deferred income grant Patent grants	383	374
Other	7	0
Total	**4,710**	**4,279**

The deferred income related to the grants on the forgivable loans is detailed in note 5.3.6.1.

5.3.6. NOTES RELATING TO THE STATEMENT OF COMPREHENSIVE INCOME

5.3.6.1. OTHER OPERATING INCOME

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

(in thousands of euros)	31/12/2014	31/12/2013
Grants income related to forgivable loans	2,472	2,383
Grants income related to exemption on withholding taxes	570	430
Grants income related to tax credit	426	405
Grants income related to patents	166	87
Other grants income	43	88
Total	**3,677**	**3,394**

Forgivable loans

The forgivable loans ("*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 recognised for the loan to be received and presented as other receivables (see note 5.3.5.5). 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 (typically 30%) becomes refundable based upon an agreed repayment schedule, whereas the remaining part (typically 70%) only becomes refundable to the extent revenue is generated within 10 years after the date at which exploitation has been decided. Accordingly, if no revenue is generated within that period of 10 years, any non-refunded part of the loan is forgiven. No interest is charged on the loan.

In accordance with IFRS, a forgivable loan from government should be treated as a government grant when there is a reasonable assurance that the Group will meet the terms for loan to be forgiven. Consistently with the length of the products' development cycle, it is expected that no significant revenue will be generated within a period of 10 years starting from the exploitation date of the R&D project. Consequently, there is a reasonable assurance that related part of the loan (typically 70%) will be forgiven. Till date, the Group decided to exploit all R&D projects which were supported by the Walloon Region under the scheme of "Avances récupérables". These decisions have triggered the repayments of the related part of the loans (typically 30%) as per the agreed terms.

On this basis, a financial liability is recognised for the discounted value of the minimum refundable amount in case of exploitation (presented as government loans in note 5.3.5.9), and any difference with the amount receivable from the government is accounted for as a grant and presented as deferred income within other current liabilities in the consolidated statement of financial position (see note 5.3.5.12). The deferred income is released as other operating income as the R&D costs compensated by the grant are incurred, whereas 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 forgivable loans is reconciled as follows:

(in thousands of euros)	**31/12/2014**	**31/12/2013**
Opening balance	5,063	6,362
New grants	3,013	2,325
New loans	691	536
Cash received	(4,768)	(4,160)
Closing balance	**3,998**	**5,063**

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

(in thousands of euros)	**31/12/2014**	**31/12/2013**
Opening balance	3,982	3,459
New loans	691	537
Repayment	(203)	(135)
Unwind of discount	121	121
Closing balance	**4,596**	**3,982**

The deferred income related to the forgivable loans recognised in the consolidated statement of financial position can be reconciled as follows:

(in thousands of euros)	**31/12/2014**	**31/12/2013**
Opening balance	3,904	4,084
Released as operating income	(2,472)	(2,383)
Released as finance income	(121)	(121)
Increase on new grants	3,013	2,325
Closing balance	**4,320**	**3,904**

Grants related to tax credit

The Company has applied for an income tax credit that corresponds to a percentage of qualifying R&D costs to which the income tax rate (33.99%) is applied. In case of insufficient current tax payable against which to set off the tax credit, the latter is carried-forward to the following four years. At the end of this period, the balance of the unused tax credit is paid by the tax authorities. Considering that R&D tax credits are ultimately paid by the authorities, the related benefit is treated as a government grant and released as other operating income when the R&D costs compensated by the grant are expensed.

Grants related to the exemption of withholding taxes for researchers

Companies that employ scientific researchers benefit from a partial exemption from payment of withholding tax on their salaries. They must transfer to the tax authorities only 20% of the withholding tax due on the salary of these researchers while the remaining amount is considered to be a government grant. These grants are recognised in the consolidated statement of comprehensive income at the same moment the related personnel expenses are incurred.

Grants related to patents

The Group receives government grants related to patents. On average, the grants received cover 70% of the fees incurred in the process of obtaining patents.

Considering that patent costs are expensed as incurred, related patent grants are immediately recognised as other operating income when the patent fees are incurred.

5.3.6.2. RESEARCH AND DEVELOPMENT EXPENSES

(in thousands of euros)	31/12/2014	31/12/2013
Lab fees and other operating expenses	3,735	3,283
Employee benefits expenses	3,625	2,975
Depreciations, amortisations and impairment losses	316	349
Patents costs	282	208
Total	**7,957**	**6,816**

Research and development expenses amounted to € 7.96 million for the full year 2014, showing an increase of € 1.14 million (+17%) from 2013 to 2014. The increase is mainly resulting from the increase in activity in respect of clinical programs by both accelerating existing programs (Phase III) as well as in initiating new Phase II programs.

5.3.6.3.GENERAL AND ADMINISTRATION EXPENSES

(in thousands of euros)	31/12/2014	31/12/2013
Employee benefits expenses	632	224
Depreciation and amortisation expense	56	58
Other expenses	657	339
Total	**1,345**	**621**

General and administrative expenses for the full year 2014 amounted to € 1.35 million and have increased by € 0.72 million compared to the same period in 2013. This increase is mainly a further result of the strengthening of the Management Team both in salaries as in operational supporting expenditure. Other expenses have increased as a result of services performed related to the issue of the convertible bonds and the planned IPO.

5.3.6.4. EMPLOYEE BENEFIT EXPENSES

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Short term benefits	3,405	2,522
Social security cost	707	556
Post-employment benefits and other benefits	84	107
Share-based compensation	48	0
Other expenses	13	15
Total	**4,257**	**3,200**

Post-Employment Benefit Plan`

The Group has implemented a post-employment benefit plan as from 2013 for members of the management with an employee status. The post-employment benefit plan is by law subject to minimum guaranteed rates of return, currently 3.25% on employer contributions and 3.75% on employee contributions. These rates, which apply as an average over the entire career, may be modified by Belgian Royal Decree in which case the new rate(s) apply to both the accumulated past contributions and the future contributions as from the date of modification. Additionally, the insurer has contractually agreed upon an average total net return of at least 3.25% for the first 3 years (2013-2016).

At 31 December 2014, no liability was recognized in the consolidated statement of financial position as there was no difference between the minimum guaranteed reserves and the actual accumulated reserves (2013: nil).

The contributions paid during 2014 for those plans amounted to € 37,000 by the employer (no employee contributions) compared to € 35,000 in 2013.

The plan assets at 31 December 2014 consisted of € 64,000 individual insurance reserves in benefit of still 'active' employees, which benefit from a weighted average guaranteed interest rate of 2.25%, and € 6,000 reserves in a related (collective) financing fund.

Number of employees in full time equivalents:

Number of employees	31/12/2014	31/12/2013
Research and development	58	47
General and administrative	3	2
Total	**61**	**49**

5.3.6.5. FINANCIAL RESULT

(in thousands of euros)	31/12/2014	31/12/2013
Interest income on bank deposits	9	29
Interest income on government loans	115	121
Total interest income	124	150
Interest on borrowings	(85)	(31)
Interest on government loans	(115)	(121)
Interest on obligations under finance leases	(19)	(20)
Interest on convertible bonds	(31)	0
Fair value gain or losses	(51)	(14)
Other	(4)	(4)
Total financial expenses	(304)	(190)
Exchange gains/ (losses)	(4)	(1)
Share of profit/(loss) of associates	0	19
Total financial result	**(183)**	**(41)**

Financial income amounts to € 0.12 million in line with last year's income and relates mainly to income recognition on non-interest bearing government loans and more in particular the minimum refundable amount of the forgivable loans referred to in note 5.3.6.1.

Financial expenses amount to € 0.30 million in 2014 compared to € 0.20 million for the full year 2013 and consist mainly of the unwinding of the discount on government loans (presented as interest on government loans).

The fair value gains or losses relate to the changes in fair value of the put option on non-controlling interests recognised as other non-current financial liabilities (see note 5.3.5.10) and to the changes in fair value of the embedded derivative in the convertible bonds recognised as financial liabilities (see note 5.3.5.9).

5.3.6.6. EARNINGS PER SHARE

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

	31/12/2014	31/12/2013*
Profit/loss for the period attributable to the owners of the Company (in thousands of euros)	(5,734)	(4,079)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	3,385,747	3,049,030
Basic loss per share (in euros)	**-1,69**	**-1,34**

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2014 and 2013 as the inclusion of these instruments would have an adverse effect, i.e. reducing the loss per share. The impact of the dilutive instruments on the earnings per share would be as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Impact on weighted average number of ordinary shares outstanding		
Share-based payment plan - warrants	159,800	0
Convertible bond converted at a premium of 166,5% in case of IPO	132,784	0

5.3.7. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

5.3.7.1. OVERVIEW OF FINANCIAL INSTRUMENTS

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

(in thousands of euros)	IAS 39 Category	31/12/2014	31/12/2013
Other non-current financial assets			
Non-current receivables	Loans and receivables	181	180
Trade and other receivables	Loans and receivables	7,119	5,287
Other financial assets	Loans and receivables	0	0
Cash and cash equivalents	Loans and receivables	11,576	2,440
Total financial assets		**18,876**	**7,907**
Non-current financial liabilities			
Finance lease liabilities	At amortised cost	110	100
Government loans	At amortised cost	4,313	3,774
Loans from related parties	At amortised cost	1,404	1,178
Other non-current liabilities			
Put on non-controlling interests	At fair value through profit or loss	1,501	1,450
Current financial liabilities			
Finance lease liabilities	At amortised cost	44	229
Government loans	At amortised cost	283	208
Loans from related parties	At amortised cost	144	72
Convertible Bonds	At amortised cost	9,602	0
Other financial liabilities	At fair value through profit or loss	5,321	0
Trade and other payables			
Trade payables	At amortised cost	2,889	1,136
Total financial liabilities		**25,611**	**8,147**

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

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

(in thousands of euros)	31/12/2013		
	Carrying amount	**Fair value**	**Fair value level**
Non-current financial liabilities			
Finance lease liabilities	100	100	Level 2
Government loans	3,774	3,655	Level 2
Loans from related parties	1,178	1,159	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,450	1,450	Level 3
Current financial liabilities			
Finance lease liabilities	229	229	Level 2
Government loans	208	208	Level 2
Loans from related parties	72	72	Level 2
Total	**7,011**	**6,873**	

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

The financial liabilities subsequently measured at fair value on Level 3 fair value measurement are on the one hand the put option granted by the Group to non-controlling interests in SCTS, which has been fully consolidated. These commitments to purchase equity instruments have been recognized under other non-current liabilities and concern 50.1% of SCTS.

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

Reconciliation in thousands of euros	31/12/2014	31/12/2013
Opening balance	1,450	1,811
Total gains or losses in profit or loss	51	14
Decrease of capital	0	(375)
Closing balance	**1,501**	**1,450**

The put option has been measured using a discounted cash flow analysis based on significant unobservable inputs, such as expected rate of return (6.5%) and discount rate (3.5%). See also note 5.3.3 of these consolidated financial statements on significant judgements.

If the above unobservable input linked to the expected rate of return was 10% higher/lower while all the other variables were held constant, the carrying amount of the put option would increase/decrease by € 48,000 (2013: increase/decrease by € 47,000).

On the other hand conversion option embedded in the convertible bond shown other current financial liabilities has also been measured at Level 3 fair value measurement. The table shows the reconciliation of the Level 3 fair value measurement for the embedded conversion option:

Reconciliation in thousands of euros	31/12/2014	31/12/2013
Opening balance	0	0
Recognition of embedded derivative in convertible bond	5,321	0
Closing balance	**5,321**	**0**

The derivative embedded in the convertible bonds has been measured using a probability weighted valuation model based on significant unobservable inputs, such as the probability that an IPO would occur based on facts and circumstances at issue date (75%), volatility of the shares (43%), and discount rate (7%). See also note 5.3.3 of these consolidated financial statements on significant judgements.

If the above unobservable input linked to the volatility rate was 10% higher/lower while all the other variables were held constant, the carrying amount of the embedded conversion option would decrease/increase by € 78,000.

If the above unobservable input linked to the probability of an IPO were 10% higher/lower while all the other variables were held constant, the carrying amount of the embedded conversion option would decrease/increase by € 487,000

5.3.7.2. CREDIT RISK

The Company believes that its credit risk, relating to receivables, is limited because currently almost all of its receivables are with public institutions.

Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk, to which the Group is theoretically exposed as at the balance sheet date, is the carrying amount of the financial assets.

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

5.3.7.3. 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).

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

The following table details the Group's remaining contractual maturity of its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Group may be required to pay.

31/12/2014 *in thousands of euros*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible bonds**	**Total**
Within one year	58	283	202	233	776
>1 and <5 years	94	3,088	1,125	0	4,307
>5 and <10 years	15	1,969	438	0	2,422
>10 and <15 years	15	116	100	0	231
>15 years	252	0	0	0	252

31/12/2013 *in thousands of euros*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible bonds**	**Total**
Within one year	229	208	109	0	546
>1 and <5 years	86	2,486	930	0	3,502
>5 and <10 years	15	2,055	374	0	2,444
>10 and <15 years	15	148	0	0	163
>15 years	252	0	0	0	252

5.3.7.4. INTEREST RATE RISK

The Company has limited interest rate risk.

The company has next to forgivable loans (non-interest bearing on a cash basis) a number of medium term loans provided by regional investments bodies at fixed market interest rates.

SCTS has concluded on 15 July 2014 long term loans with two commercial banks with an interest rate linked to the Euribor 3M and short term loans to pre-finance subsidies to be received in respect of the building under construction (until the committed subsidies are paid out) at similar short term rates.

For the long-term loan the Company is permanently monitoring the short-term interest rates versus options to swap these rates versus a long term interest rate (IRS) in function of the remaining term of the loan.

5.3.7.5. FOREIGN EXCHANGE RISK

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

However should the Company enter into long term collaboration agreements with third parties for which revenues would be expressed in a foreign currency, the Company might in such case consider to enter into a hedging arrangement to cover such currency exposure (in case the related expenditure is planned in local currency). The Company will also monitor exposure in this respect following the establishment of its US subsidiary.

5.3.8. RELATED-PARTY TRANSACTIONS

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

SISE, which is an associate of the

Group, performed certain services for the Company, for which an amount of € 169,000 (2013: € 146,000) was charged, being an appropriate allocation of costs incurred by the associate. Furthermore, a liability is recognised in the consolidated statement of financial position for an amount of € 207,000, consisting of trade payables (€ 169,000) and a finance lease liability for the long lease right on the land (€ 38,000, of which € 35,000 as a non-current liability).

As a result of the relationship of the government (i.e. Walloon Region) with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. However, the principal amounts recognised in the financial statements relate to government grants for a total of € 21.89 million (see note 5.3.6.1) Next to the government grants, government agencies granted loans to the Group for a total amount of € 1,620,000 (2013: € 1,250,000).

The remuneration of Directors and other members of key management personnel during the year was as follows:

(in thousands of euros)	31/12/2014	31/12/2013
Short-term benefits	803	330
Post-employment benefits	0	0
Other long-term benefits	0	0
Share-based payments	48	0
Termination benefits	0	0
Total	**851**	**330**

5.3.9. CONTINGENT ASSETS AND LIABILITIES

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

From incorporation until 31 December 2014, the Company has been awarded non-dilutive financial support from the Region totalling € 19,194,000. This financial support has been granted in the form of recoverable cash advances ("RCAs") for an amount of € 16,500,000 of which € 13,522,000 has been paid out to the Company as of 31 December 2014, and in the form of (non-refundable) subsidies for an amount of € 2,694,000 of which € 1,674,000 has been paid out to the Company as of 31 December 2014. The Company intends to continue to apply for RCAs and subsidies to fund its development and research programs.

As per 31 December 2014, the Company has received a total of € 13,522,000 in recoverable cash advances out of a total of € 16,500,000. Taking into accounts the unused amounts of the terminated contracts, the residual amount to receive out of the existing contracts amounts to € 2,978,000 and should be received over 2015 and 2016 depending on the progress of the different programmes partially funded by the Region.

The table below details the amounts yet to be receive for the Company Bone Therapeutics SA and Skeletal Cell Therapy Support SA at 31 December 2014:

(in 000 €)			Amounts received for the years ended 31 December				Amounts yet to receive
Contract N°	Subsidy Names	Contractual amount	Previous year	2013	2014	Total	2015 and beyond
Recoverable cash advances for Bone Therapeutics SA							
5369	HOMING	648	648	0	0	648	0
5827	MATOB	744	744	0	0	744	0
6064	PREOB	998	719	279	0	998	0
6446	METHODES	660	358	302	0	660	0
5993	JOINTAIC	432	389	0	43	432	0
6834	STABCELL	394	0	266	128	394	0
6805	ALLOB NU	600	0	225	375	600	0
6337	PREOB NU	2,961	768	1,176	1,017	2,960	1
6187-6700	ALLOB	1,363	749	0	194	943	420
6081	GXP	1,567	858	552	0	1,410	157
6539	MAXBONE	690	366	0	163	529	161
6855	JTA	600	0	150	271	421	179
7029	CRYO	550	0	138	0	138	413
7028	PREOB ON3	1,000	0	250	268	518	482
7187	BANK	260	0	0	130	130	130
7186	ALLOB IF	620	0	0	372	372	248
7217	MXB BIOPRINTING	1,000	0	0	600	600	400
Recoverable cash advances for Skeletal Cell Therapy Support SA							
6804	PROFAB	735	0	523	95	618	117
7253	JTA PROD	678	0	0	407	407	271
TOTAL		**16,500**	**5,599**	**3,860**	**4,063**	**13,522**	**2,978**

As described in notes 5.3.2.14, the advances are recognized in other operating income as they are received.

Certain RCAs are governed by the currently applicable Walloon regulations (the "New Contracts"), and certain RCAs are governed by the previously applicable Walloon regulations (the "Old Contracts"). The Old Contracts and the New Contracts differ in certain respects.

Certain specific characteristics of the Old Contracts (contracts 5369 and 5827) are the following:

- Funding by the Region covers 70% of the budgeted costs;
- Certain activities have to be performed within the Region;
- In case of an out-licensing agreement or a sale to a third party, the Company will have to pay in principle 10% of the payments received (excl. of VAT) to the Region;
- Turnover-independent reimbursements, turnover-dependent reimbursements, and amounts due in case of an out-licensing agreement or a sale to a third party, are, in the aggregate, capped at 100% of the principal amount paid out by the Region;
- Turnover-dependent reimbursements, 5% of the principal amount of the RCA, payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year.

Certain specific characteristics of the New Contracts are the following:

- Funding by the Region covers 60% of the budgeted costs (contracts 6064, 6187, 6700, 6446, 6337, 6539, 6804, 6805, 6834, 6855, 7029, 7028, 7187, 7217 and 7253); or covers 75% of the budgeted project costs is there is a collaboration with a Company established in Region (contracts 5993, 6081 and 7186);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount increased with interest at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) payable on the amount which is repaid at that moment;
- Turnover-dependent reimbursements range between 0.007% and 1.28% of turnover realized during a specific year;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- In case of bankruptcy, the research results obtained by the Company under the New Contracts are expressed to be assumed by the Region by operation of law.

As of 31 December 2014, the total amount of forgivable loans released in income amounts to € 9,956,000 compared to € 7,938,000 at the end of last year. This amount corresponds to the maximum contingent liability. For part of this amount, repayment will indeed occur only if the Company generates revenue for such an amount and in such a timing that the probability associated with this scenario is assessed to be remote.

The table below summarize for the Company Bone Therapeutics SA, in addition to the specific characteristics described above, certain terms and conditions for the recoverable cash advances:

Contract N°	Grant Names	Initial budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2014 (k€)	Turnover-dependent reimbursement
5369	HOMING*	650	2012-2021	648	215	5%
5827	MATOB*	800	2012-2021	744	190	5%
6064	PREOB*	998	2013-2022	299	51	0.051%
6446	METHODES*	660	2014-2023	198	7	0.073%
5993	JOINTAIC*	432	2014-2023	130	0	0.085%
6834	STABCELL*	411	2014-2024	118	0	0.04%
6805	ALLOB NU*	600	2014-2026	180	0	0.2%
6337	PREOB NU*	2,961	2014-2024	888	0	0.59%
6187-6700	ALLOB	1,363	2015-2029	409	0	1.2%
6081	GXP	1,567	2015-2024	470	0	0.007%
6539	MAXBONE	690	2015-2024	207	0	0.08%
6855	JTA	600	2016-2025	180	0	0.042%
7029	CRYO	550	2016-2025	165	0	0.37%
7028	PREOB ON3	1.000	2016-2025	300	0	0.05%
7187	BANK	260	2016-2025	78	0	0.175%
7186	ALLOB IF	620	2017-2026	186	0	1.28%
7217	MXB BIOPRINTING	1,000	2017-2026	300	0	0.1093%
TOTAL		**15,162**		**5,500**	**463**	

**Exploitation already signified to the Region*

The table below summarize for the Company Skeletal Cell Therapy Support SA, in addition to the specific characteristics described above, certain terms and conditions for the recoverable cash advances:

Contract N°	Subsidy Names	Initial budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2014 (k€)	Turnover-dependent reimbursement
6804	PROFAB	735	2015-2024	221	0	1,28%
7253	JTA PROD	678	2017-2026	203	0	0,1%
TOTAL		**1,413**		**424**	**0**	

5.3.10. COMMITMENTS

Operating leases relate to leases of offices (lease term of 3 years) and company cars (lease term of 4 years). The Group does not have an option to purchase the leased assets at the expiry of the lease periods. For the period ended 31 December 2014 minimum lease payments for a total amount of € 496,000 have been recognised in the consolidated statement of comprehensive income (2013: € 425,000).

The following table presents the non-cancellable operating lease commitments:

(in thousands of euros)	**31/12/2014**	**31/12/2013**
Not later than 1 year	411	496
Later than 1 year and not later than 5 years	161	549
Later than 5 years	0	0
Total	**572**	**1,046**

5.3.11. EVENTS AFTER THE REPORTING PERIOD

The annual consolidated financial statements on 31 December 2014 were authorised for issue by the Board of Directors of the Company on 27 April 2015. Accordingly, events after the reporting period are those events that occurred between 1 January 2015 and 27 April 2015.

Automatically Convertible Bonds

On 8 January 2015, the Company issued automatically convertible bonds for an additional aggregate amount of € 350,000. The bonds are issued in registered form. Each Bond has a nominal value of € 1,000. The bonds bear interest as from their issue date, at the rate of 7% per annum.

The bonds were automatically converted on 6 February 2015 into shares at the date of the completion of the Initial Public Offering at the terms agreed upon resulting in the issuance of 36,422 shares (see below).

Issue of share capital

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

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

On 11 February 2015, the share capital was increased by a contribution in cash in the amount of € 911,663 with issuance of 301,875 shares (exercise of the over-allotment option post IPO). The aggregate share premium for this transaction amounted to € 3,918,000.

Following the above mentioned capital increase, the share capital of the Company amounted to € 20,708,000 and was represented by 6,849,654 shares. The share premium accounts before considering the cost of the capital operation amounts to € 44.70 million.

Offering related costs

In relating to the IPO, the Company has incurred a number of costs as set out below:

- Banker fees for € 2,617,000
- External services including lawyers, communication experts € 495,000
- Regulatory fees (Euronext and FSMA) and audit and accounting fees (IFRS) € 118,000
- Insurance € 44,000
- Internal fees € 571,000

Considering that the offering is also expected to result in the issuance of new shares, a rationale allocation of the above mentioned costs will be determined between (i) costs linked to equity transactions that are immediately deducted from the equity of the Company, and (ii) and other costs relating to the offering that are expensed in the statement of profit or loss.

On this basis, an amount of € 2.79 million was recognised in equity and € 1.06 million in the statement of profit or loss in 2015.

6

STATUTORY ACCOUNTS AS OF 31 DECEMBER 2014 AND 2013 ACCORDING TO BELGIAN GAAP

6.1. CONDENSED STATUTORY ANNUAL ACCOUNTS

In accordance with Art. 105 of the Belgian Companies' Code, the condensed statutory financial statements of Bone Therapeutics SA are presented here. These condensed statements have been drawn up using the same accounting principles for preparing the full set of statutory financial statements of Bone Therapeutics SA for the financial year ending 31 December 2014. This section contains the Annual Accounts of Bone Therapeutics SA presented in a condensed format. 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.*

6.1.1. BALANCE SHEET

ASSETS *(in thousands of euros)*	**31/12/2014**	**31/12/2013**
Non-current assets	**11,226**	**10,505**
Formation expenses	355	43
Intangible assets	9,133	8,418
Property, plant and equipment	375	681
Financial fixed assets	1,363	1,363
Current assets	**15,294**	**6,243**
Amounts receivable within one year	4,682	4,241
Investments	363	1,287
Cash and cash equivalents	10,065	588
Deferred charges and accrued income	184	127
TOTAL ASSETS	**26,520**	**16,748**

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/2014**	**31/12/2013**
Equity	**1,276**	**5,455**
Share capital	10,466	9,288
Share premium	7,564	6,712
Accumulated profits (losses)	(16,754)	(10,544)
Liabilities	**25,243**	**11,293**
Amounts payables after more than one year	**3,593**	**1,999**
Amounts payables within one year	**21,651**	**9,293**
Current portion of amounts payable after one year	10,424	318
Trade debts	3,155	1,494
Taxes, remuneration and social security	247	278
Other amounts payable	2,336	1,400
Accrued charges and deferred income	5,489	5,804
TOTAL EQUITY AND LIABILITIES	**26,520**	**16,748**

6.1.2. STATUTORY INCOME STATEMENT

(in thousands of euros)	Year ended 31 December	
	2014	2013
Operating income	**10,357**	**8,843**
Turnover	0	0
Capitalised of R&D expenditure	6,286	5,543
Other operating income	4,071	3,300
Operating charges	**(16,374)**	**(12,060)**
Cost of goods sold	0	0
Services and other goods	(6,086)	(4,253)
Remuneration, social security, pensions	(2,485)	(2,408)
Depreciation and amounts written off fixed assets	(5,942)	(5,227)
Provisions for liabilities and charges	0	0
Other operating charges	(1,861)	(173)
Operating profit/(loss)	**(6,017)**	**(3,217)**
Financial income	15	21
Income from current assets	8	21
Other financial income	6	0
Financial expenses	(208)	(47)
Interest on financial debts	(68)	(44)
Other financial charges	(140)	(3)
Result Profit/ (loss) before taxes	**(6,210)**	**(3,243)**
Income taxes	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(6,210)**	**(3,243)**

6.2. ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE STATUTORY FINANCIAL STATEMENTS OF BONE THERAPEUTICS SA

Dear Shareholders,

We are pleased to present to you the statutory financial statements for the fiscal year ended 31 December 2014

6.2.1. STRATEGIC AND BUSINESS HIGHLIGHTS

2014 has been a year of significant growth and progress for Bone Therapeutics. A lot of effort was put into broadening the clinical pipeline and accelerating our clinical trials and these developments are now bearing fruit.

The Company received authorisation from the Competent Authorities and Central Ethics Committee to enrol patients into the pivotal Phase III trial for PREOB® in osteonecrosis in the UK. This will significantly accelerate recruitment into the program, which is currently running in 37 centres across Europe.

The first patient was treated with the new allogeneic product, ALLOB® in 2014 and the Company initiated two important proof-of-concept trials with this product, one in the treatment of delayed-union fractures and one in spinal fusion procedures. ALLOB® is the first ever allogeneic differentiated osteoblastic cell therapy product developed for the treatment of orthopaedic conditions and has the potential to become a first-line treatment for impaired fracture healing, thanks to its minimally invasive percutaneous administration. The Company received approval for the ALLOB® Phase II trial in spinal fusion in September 2014, which was another important step to ensure further development of the allogeneic product as well as diversification of the portfolio.

The first results of the delayed-union and spinal fusion trials were reported in 2014 and at the beginning of 2015. Safety was confirmed in both studies after the treatment of the first four patients. In addition, the Company reported that all four patients in the delayed-union trial met the primary endpoints of the study and three patients had their delayed union fracture completely healed. These initial results give confidence to the Company that ALLOB® could offer significant benefit to patients who currently have to wait until the treating surgeon decides they can be treated with current techniques, which involve highly invasive surgery and long and painful recovery.

Four new preclinical projects were initiated in 2014. Among them, three projects are funded by the Walloon region (DGO6) and one by the EU funded network, M-Era.Net. Research activities for two of these projects, Ceracell and MXB Bioprinting, started in 2014. The goal of these projects is to combine Bone Therapeutics' allogeneic bone-forming (osteoblastic) cells within a 3-D bioprinted scaffold to treat large bone defects resulting from trauma, bone disease or surgical procedures such as bone metastasis resection. This innovative approach represents a compelling alternative to bone autograft, the current standard-of-care for large bone defects, which is associated with significant morbidities.

To support the clinical operations, Guy Heynen was appointed to reinforce the Management Team as Chief Clinical and Regulatory Officer in November. His long-standing experience within major pharmaceutical companies around the world is key to the progress of Bone Therapeutics as the Company prepares to bring his products to the market. During 2014, Bone Therapeutics continued to further expand its operations and by 31 December 2014, employed 72 people, up from 52 people at the end of December 2013.

Securing a strong financial base for Bone Therapeutics has been a critical goal for the Company and essential to position the business for future success. Bone Therapeutics has been in the unique position to be able to fund itself to the late stage development of its key products and an IPO was the logical next step for the business. At the end of 2014, the Company issued Convertible Bonds for an amount of € 10 million. The Convertible Bonds were subscribed by existing shareholders of the Company as well as by new investors, including SFPI SA and Sofipôle SA. In February 2015, the Company successfully completed its Initial Public Offering on Euronext Brussels and Euronext Paris, raising € 37 million and the Company is proud to say that the IPO was 2.5x oversubscribed. The funds raised will further support and accelerate the development of the advanced pipeline and consolidate Bone Therapeutics' leadership in bone cell therapy.

2014 at a glance

- Operational
  - *Progressing further with two ongoing Phase III trials for PREOB® for the treatment of osteonecrosis and [non-union fractures], including authorization of patient enrolment in five new prestigious centres in the UK for the PREOB® Phase III osteonecrosis trial*
  - *Initiation of first ever clinical trials with Bone Therapeutics' unique allogeneic bone cell therapy product ALLOB® for delayed-union fractures and use in spinal fusion procedures*
  - *Positive efficacy results from the first four patients in a Phase I/IIA proof-of-concept trial of ALLOB® for the treatment of delayed-union fractures already reported post period end*
  - *Safe treatment of the first four patients in a Phase I/IIA trial administration of ALLOB® in spinal fusion procedures reported post period end*
- People and corporate
  - *Management team strengthened to support clinical trial ramp up with the appointment of Guy Heynen as Chief Clinical and Regulatory Officer*
  - *Increased total number of staff from 52 at the start of 2014 to 72 at the end of 2014, with the majority of new hires related to the clinical development*
  - *Strengthened the Board of Directors with three new Independent Directors: Roland Baron, Paul Magrez and Thierry François, adding valuable scientific, business development and corporate finance expertise*
- Financial
  - *€ 47 million of new funds raised through successful € 37.0 million IPO on Euronext Brussels and Euronext Paris post period end and the conversion of a € 10.0 million convertible bond issued in December 2014, securing a strong financial platform to execute its clinical and commercial strategy*

6.2.2. OUTLOOK 2015

In 2015, we expect to make good progress with all projects in our pipeline, building on the foundations laid in 2014. The Company anticipates a steady stream of news for 2015 with efficacy results from the Phase I/IIA delayed-union trial (8 patients) and safety results from the spinal fusion trial (4-8 patients). In the Phase III osteonecrosis trial, the Company intends to update the market on site and patient recruitment. Importantly, the first safety and efficacy results from the Phase I/IIA proof-of-concept osteoporosis trial (8 patients) are anticipated to become available in mid-2015.

The Company intends as well to add an additional Trial to its clinical development programme extending further its presence in the field of spine fusions

A final important process we are initiating in 2015 is the expansion of our business to the US. In the first half of 2015, the Company created a subsidiary, Bone Therapeutics USA Inc., in Boston, Massachusetts. This is the first step in the extension of our clinical trials to the US. The subsidiary will be located on Kendall Square, Cambridge, in the heart of the Boston area biotechnology cluster.

6.2.3. FINANCIAL REVIEW

The statutory accounts are drawn up in accordance with BEGAAP and have been approved by the Board of Directors on 27 April 2015.

Key financials

(in thousands of euros) **Summary P&L statement**	**Year ended 31 December**	
	2014	**2013**
Turnover	0	0
Capitalised of R&D expenditure	6,286	5,543
Other operating income	4,071	3,300
Total operating income	**10,357**	**8,843**
Services and othe goods	(6,086)	(4,253)
Remuneration, social security, pensions	(2,485)	(2,408)
Depreciation and amounts written off fixed assets	(5,942)	(5,227)
Other operating charge	(1,861)	(173)
Operating profit/(loss)	**(6,017)**	**(3,217)**
Net financial income (+) / loss (-)	(193)	(26)
Income taxes	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(6,210)**	**(3,243)**

Income statement

The total operating income amounts to € 10.3 million compared to € 8.8 million in the previous year. The variation is mainly explained by an increase of the R&D capitalized costs (+ € 0.7 million) and by an increase of income recognized from the forgivable loans (avances récupérables), patent subsidies and higher amount of tax credit (+ € 0.6 million).

The total charges are mainly impacted by an increase of the caption service and other goods. This increase of € 1.8 million can be explained by one-off expenses linked to the IPO of 6 February 2015 but incurred during 2014 and to the issue of bonds of 18 December 2014 (+ € 0.8 million), remuneration of the Management Team which was further strengthened during 2014 (+ € 0.3 million) and in increase in R&D costs (+ € 0.6 million) linked to higher activity in respect of the ongoing clinical trials. Other operating charges are impacted by the recognition of the full debt during 2014 for projects supported by the Walloon Region for which the Company decided to that the results of these projects would be further exploited.

(in thousands of euros)	**31/12/2014**	**31/12/2013**
Non-current assets	11,226	10,505
Current Assets	15,294	6,243
of which cash :	10,428	1,876
Total Assets	26,520	16,748
Current liabilities	21,651	9,293
Non-current liabilities	3,593	1,999
Total Liabilities	**25,243**	**11,293**
Net assets	**1,276**	**5,455**

Balance sheet

Total assets per 31 December 2014 amount to € 26.5 million, compared to € 16.7 million at the end of the previous year.

The net book value of the intangible fixed assets is € 9.1 million per 31 December 2014, compared to € 8.4 million per 31 December 2013. During 2014, investments in intangible fixed assets amount to € 6.3 million and consist of R&D costs which were capitalized. The balance as per 31 December 2014 consists out of the intangible fixed assets mainly relate to capitalized R&D costs, capitalized patent costs and purchased software licenses.

The net book value of the tangible fixed assets amounts to € 0.4 million at the end of 2014, compared to € 0.7 million per 31 December 2013.

The financial assets amount to € 1.4 million, remaining unchanged during 2014 and consist out of the participation in Skeletal Cell Therapy Support SA. This participation is valued at acquisition cost. As per 31 December 2014, the Board of Directors is confident that there are no factors indicating the need for an impairment on this participation.

Amounts receivable within one year amount to € 4.6 million, of which € 0.6 million trade debtors and € 4 million other amounts receivable. In total € 0.6 million relates to intercompany receivables, € 1.6 million relates to tax credit and € 1.9 million relates to receivables related to forgivable loans ("avances récupérables") and patent subsidies.

The cash and cash equivalents amount to € 10.1 million at 31 December 2014, compared to € 0.6 million at the end of the previous year.

Per 31 December 2014, the net equity amounts to € 1.3 million compared to € 5.5 million in the previous year. The impact of the two capital increases for a total amount of € 2 million where more than offset by the net result of the year amounting to a loss of € 6.2 million.

Total liabilities amount to € 25.2 million on 31 December 2014, compared to € 11.3 million at the end of previous year. The increase is due to the issue of € 10 million of Convertible Bonds at the end of 2014, the recognition of the debt linked to the projects supported by the Walloon Region for which the Company decided to that the results of these projects would be further exploited in 2014 (+ € 1.8 million) and by the increase of € 1 million of the upfront payments (at the start of new projects) linked to the projects supported by the Walloon Region

6.2.4. CAPITAL INCREASES AND ISSUANCE OF FINANCIAL INSTRUMENTS

On 24 February 2014, the shareholders of the Company resolved upon a share split, dividing the 314,960 shares, without nominal value, each representing 1/314,960th of the share capital of the Company by 1,000, creating 3,149,600 shares, without nominal value, each representing 1/3,149,600th of the share capital of the Company. On the same day, the share capital was increased by a contribution in cash in the amount of € 580,000 with issuance of 152,000 shares. The aggregate share premium amounted to € 420,000. Following the capital increase, the share capital of the Company amounted to € 9,868,000 and was represented by 3,301,600 shares.

On 10 July 2014, the share capital was increased by a contribution in cash in the amount of € 598,000 with issuance of 156,640 shares. The aggregate share premium amounted to € 432,000. Following the capital increase, the share capital of the Company amounted to € 10,466,000 and was represented by 3,458,240 shares.

6.2.5. CORPORATE GOVERNANCE STATEMENT

6.2.5.1. Corporate Governance Code

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

6.2.5.2. Compliance with the Corporate Governance Code

Bone Therapeutics' Corporate Governance Charter is based on the provisions of the Belgian Corporate Governance Code (2009 edition). It supplements the corporate governance guidelines contained in the Belgian Companies Code and in the articles of association of the Company.

However, the Board is of the opinion that the Company is justified in not adhering to certain principles of the Belgian Corporate Governance Code, considering the specific nature, size and organization of the Company. Any deviation from the Corporate Governance Code will be indicated, and the reason for such deviation ("comply or explain") either in this Corporate Governance Charter, or in the annual Statement on Corporate Governance included in the Annual Report.

These deviations include:

- Although at the date of the Corporate Governance Charter, no options have been granted to Non-Executive Directors, the Company has reserved the possibility to grant variable remuneration (upon advice of the Nomination and Remuneration Committee), such as long-term stock-related incentive plans, to Non-Executive Directors, so that the Company, as a small-sized listed enterprise, could grant options or warrants to Non-Executive Directors if it would be of the opinion that such grant is necessary to attract or retain (internationally) renowned experts with the most relevant skills, knowledge and expertise.

- The management agreement of Enrico Bastianelli SPRL provides for a notice period or corresponding compensatory payments of up to maximum 18 months (relating to a non-compete undertaking).

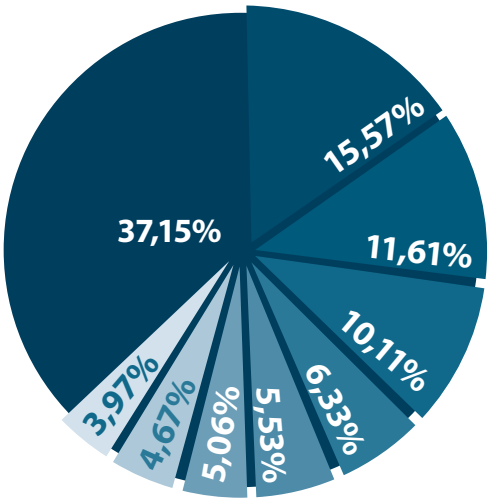
6.2.5.3. Control environment

We refer to the consolidated report "3.3.1 Control Environment" and "3.3.4 Control, Supervision and corrective actions".

6.2.5.4. Shareholders' structure at balance sheet date

On 31 December 2014, there were 3,458,240 shares representing a total share capital of the Company of € 10,466,302.63. The total number of outstanding warrants on 31 December 2014 was 304,760. On 11 February 2015, after the completion of the IPO and exercise of the over-allotment option, the total number of outstanding shares was 6,849,654.

Shareholder structure on 31 December 2014



- *J. Reymann*
- *Theodorus II SA*
- *SRIW SA*
- *Christian Boon Falleur*
- *Sambrinvest SA*
- *JJ Verdickt*
- *Nausicaa Ventures SCA*
- *Business Angels Fund I SCA*
- *Other*

6.2.5.5. Composition of the Board of Directors and its Committees

We refer to the consolidated report "3.4.1 Composition of the Board of Directors" and "3.4.4. Committees within the Board of Directors".

6.2.6. REMUNERATION REPORT

We refer to the consolidated report "3.8 Remuneration report".

6.2.7. RISK

We refer to the consolidated report "3.3.2 Risk Analysis".

6.2.8. LISTING OF ELEMENTS WHICH BY THEIR NATURE WOULD HAVE CONSEQUENCES IN CASE OF A PUBLIC TAKE-OVER BID ON THE COMPANY

We refer to the consolidated report "4.5 Listing of elements which by their nature would have consequences in case of a public take-over bid on the Company".

6.2.9. RESEARCH AND DEVELOPMENT

Bone Therapeutics entire efforts on date are going to R&D activities. Pre-clinical research are aimed at further broadening the pipeline and supporting the ongoing clinical developments. Production support the clinical trial programs and within production continuous efforts are made to further optimize the production process. All this happens within a strictly regulated environment. As such almost the entire costs of the Company are linked to R&D as well as during 2014 as in the next 2 years to come. In 2014, the Company therefore continues to capitalize its R&D expenditure. In 2014 this represented an amount of € 6,286,000 compared to € 5,543,000 in 2013.

6.2.10. USE OF AUTHORIZED CAPITAL

In accordance with the articles of association, the Extraordinary General Shareholders Meeting of Bone Therapeutics SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association.

This authorization is valid for a period of five years and was given on 5 February 2015. The Board of Directors may increase the share capital of the Company within the framework of the authorized capital for an amount of up to € 19,796,710. When increasing the share capital within the limits of the authorized capital, the Board of Directors may, in the Company's interest, restrict or cancel the shareholders preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the Company or its subsidiaries.

6.2.11. CONFLICT OF INTEREST ACCORDING ARTICLE 523 OF THE COMPANY CODE

We refer to the consolidated report "3.6. Conflict of Interest of Directors and members of the executive team and transactions with affiliated companies".

6.2.12. GOING CONCERN ASSESSMENT

The 2014 statutory results of the Company show a loss of € 6,210,000, and the statutory statement of financial position includes a loss carried forward of € 16,754,000. These statutory financial statements have been prepared assuming that the Group will continue as a going concern considering:

- The cash balance as per 1 January 2015 amounting to € 10,4 million (mainly resulting from the issue of Convertible Bonds on 18 December 2014 for a gross amount of € 10.0 million);
- The success of the IPO which took place on 6 February 2015 and which resulted in gross proceeds of € 37 million;
- The continuous support from the Walloon Region the Company expects to receive through non-dilutive financing instruments to support on-going and new research projects.

Considering all these elements, the Board is of the opinion that the Group's financial future is guaranteed in the near future.

6.2.13. SUBSEQUENT EVENTS

The annual consolidated financial statements on 31 December 2014 were authorised for issue by the Board of Directors of the Company on 27 April 2015. Accordingly, events after the reporting period are those events that occurred between 1 January 2015 and 27 April 2015.

Automatically Convertible Bonds

On 8 January 2015, the Company issued automatically Convertible Bonds for an additional aggregate amount of € 350,000. The bonds are issued in registered form. Each Bond has a nominal value of € 1,000. The bonds bear interest as from their issue date, at the rate of 7% per annum.

The bonds were automatically converted on 5 February 2015 into shares at the date of the completion of the Initial Public Offering at the terms agreed upon resulting in the issuance of 36,422 shares (see below).

Issue of share capital

On 5 February 2015, though an Initial Public Offering of 2,013,000 new shares, the Company was able to raise a total amount of € 32.2 million. The share capital was increased by a contribution in cash in the amount of € 6.078.000 with issuance of 2,013,000 shares. The aggregate share premium for this transaction amounted to € 26,122,000.

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

On 11 February 2015, the share capital was increased by a contribution in cash in the amount of € 911,663 with issuance of 301,875 shares (exercise of the over-allotment option post IPO). The aggregate share premium for this transaction amounted to € 3,918,000.

Following the above mentioned capital increase, the share capital of the Company amounted to € 20,708,000 and was represented by 6,849,654 shares. The share premium accounts before considering the cost of the capital operation amounts to € 44.70 million.

Offering related costs

In relating to the IPO, the Company has incurred a number of costs as set out below:

- Banker fees for € 2,617,000
- External services including lawyers, communication experts € 495,000
- Regulatory fees (Euronext and FSMA) and audit and accounting fees (IFRS) € 118,000
- Insurance € 44,000
- Internal fees € 571,000

Considering that the offering is also expected to result in the issuance of new shares, a rational allocation of the above mentioned costs will be determined between (1) costs linked to equity transactions that are immediately deducted from the equity of the Company, and (2) and other costs relating to the offering that are expensed in the statement of profit or loss.

On this basis, an amount of € 2.79 million was recognised in equity and € 1.06 million in the statement of profit or loss in 2015.

6.2.14. DISCHARGE OF THE BOARD OF

DIRECTORS AND THE STATUTORY AUDITOR

We ask you to approve the annual accounts as drawn up by the Board of Directors and audited by the statutory auditor. We ask you to grant the Directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2014 the discharge of liability for the exercise of their respective mandates during the said fiscal year.

6.2.15. SUMMARY OF VALUATION RULES

A. 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.

B. 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 three years.

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.

Avances récupérables (Forgivable loans)

Forgivable loans are linked to R&D expenses which according to our valuation principles are capitalized and amortized over a 3 year period. As such the forgivable loans will be taken into revenue in line with the depreciation of the related capitalized R&D.

When the decision is made to exploit the results of the work financed through the forgivable loans, the recoverable advances are recognized in debt in full during the year the decision was taken. At the same time, the forgivable loan 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. The long-term debt will be discounted using an appropriate discount rate.

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.

6.2.16. FEES PAID TO AUDITORS FOR AUDIT AND OTHER ACTIVITIES

Here is the detail of the audit and non-audit fees for the year 2014:

Detail in €	Amount
Statutory audit fees Bone Therapeutics	16,000
Statutory audit fees SCTS	4,080
Additional fees in the context of issuance of IFRS consolidated F/S for the year 2011, 2012 and 2013*	78,000
Total audit fees Deloitte for FY14	**98,080**
Assistance in the IFRS conversion (IFRS experts)**	72,000
Total non-audit fees Deloitte and related parties	**72,000**
Total	**170,080**

** an amount of € 55,910 has been recognized in 2014*
*** an amount of € 47,600 has been recognized in 2014*


Bone Therapeutics

Bone Therapeutics SA
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