ANNUAL REPORT 2015

Bone Therapeutics

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INTRODUCTION

This Annual Report is a registration document within the meaning of article 28 of the Belgian Act of 16 June 2006 on the public offering of securities to trading on a regulated marked (*Loi relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marches réglementés*) (the "**Annual Report**"). On 12 April 2016, the Financial Services and Markets Authority approved the English version of this Annual Report in accordance with article 23 of the aforementioned Act.

LANGUAGE OF THIS ANNUAL REPORT

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

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

PERSONS RESPONSIBLE FOR THE CONTENTS OF THE ANNUAL REPORT

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

STATUTORY AUDITOR

Deloitte Réviseurs d'Entreprises SCCRL, a civil company having the form of a co-operative company with limited liability organised and existing under the laws of Belgium, with registered office at Berkenlaan 8B, 1831 Diegem, Belgium, represented by Mrs Julie Delforge (member of the Belgian *Institut des Réviseurs d'Entreprises/Instituut voor Bedrijfsrevisoren*) is appointed statutory auditor of the Company, for a term of three years ending immediately following the adjournment of the annual general shareholders' meeting of the Company to be held in 2016, resolving upon the financial statements for the fiscal year ended on 31 December 2015.

FORWARD-LOOKING STATEMENTS

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

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

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

MARKET AND INDUSTRY INFORMATION

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

OTHER AVAILABLE INFORMATION

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

the Company's website (www.bonetherapeutics.com) or can be provided upon request to Bone Therapeutics SA, Investor Relations, 37, rue Auguste Piccard, B-6041 Gosselies, Belgium (Tel: +32 2 529 59 90, Fax: +32 2 529 59 93 and e-mail: investorrelations@bonetherapeutics.com).

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

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

AVAILABILITY OF THE ANNUAL REPORT

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

Bone Therapeutics SA
To the attention of Investor Relations
Rue Auguste Piccard 37
B-6041 Gosselies
Belgium
Tel: +32 2 529 59 90
Fax: +32 2 529 59 93
E-mail: investorrelations@bonetherapeutics.com

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

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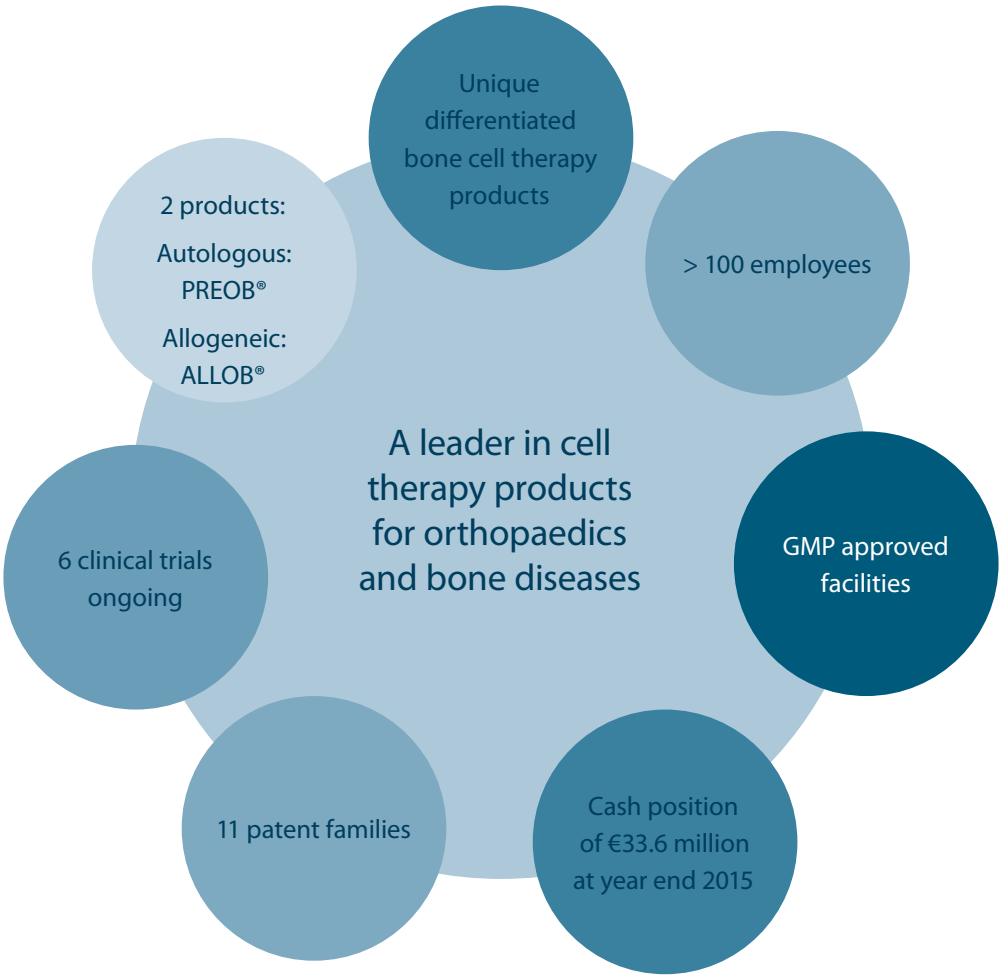
BUSINESS SECTION

BUSINESS SECTION

A leading biotechnology company specializing in the development of cell therapy products for bone fracture repair, fracture prevention and spinal fusion.

Our unique technology allows us to produce biologically active bone-forming 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 for the treatment of degenerative diseases such as osteonecrosis and osteoporosis and for spine disorders. While the existing treatments for these conditions are often highly invasive, associated with considerable complications and risks and repeatedly show lack of efficacy, our products, administrable through a minimally invasive percutaneous approach without open surgery, do not require long hospitalization, have already shown encouraging clinical results and address important unmet medical needs.



LETTER FROM THE CEO AND CHAIRMAN

Dear Shareholder,

2015 has been a truly transformational year for Bone Therapeutics, both operationally and financially, characterized by significant growth and progress, positioning the Company for future success.

We made substantial progress in advancing and expanding our clinical pipeline. We obtained important safety and efficacy results from the ongoing Phase I/IIA trials in delayed-union and spinal fusion with our allogeneic cell therapy product and the initiated a new Phase IIA trial for the minimally-invasive treatment of patients with failed spinal fusions. Throughout the year, we continued progress in the Phase III programs with our autologous cell therapy product, PREOB®.

During 2015 we further expanded our activities in spine. This growing field, which represents 18% of the total orthopaedics market, is characterized by high unmet medical need due to the limited efficacy of current treatments. Bone Therapeutics' aim is to provide safer and more efficient solutions.

During the spring of 2015, we established Bone Therapeutics' US headquarters in Boston in a first step towards expanding our clinical trials in this important market. We will continue to focus our efforts on the US in preparation for the launch of our first US trial by the end of 2016.

Early in 2015 we completed a 2.5 times oversubscribed IPO on Euronext Brussels and Paris, raising total proceeds of € 37 million. The IPO provided us with the necessary funding to execute our clinical and developmental strategy for about three years. We have also received a total of € 5 million in new non-dilutive funding from the Walloon Region. By effectively managing our cash flow, we ended 2015 with a strong cash position of € 33.6 million.

Our first year as a public company has been a great success, and we are proud of what we have accomplished so far. We strongly believe that Bone Therapeutics enters 2016 in good shape and we look forward to continuing to deliver upon our strategy in the year ahead. We thank you for your continued support of Bone Therapeutics as we develop our company into a world leader in its field.

Enrico Bastianelli
CEO

Michel Helbig de Balzac
Chairman

2015 AT A GLANCE

Clinical highlights

- Significant progress in ongoing clinical development, with positive safety and efficacy results from the ongoing Phase II trials
    - ALLOB® Phase I/IIA delayed-union trial: eight patients safely treated, with the first four patients achieving the primary efficacy endpoint
    - PREOB® Phase IIA trial for severe osteoporosis: demonstration of safety of intravenous administration of PREOB® and successful migration of the cells towards the bones most prone to osteoporosis-related fractures
- Initiation of a pioneering Phase IIA trial for the minimally invasive treatment of failed spinal fusions with ALLOB®
- Orphan Drug Designation granted to ALLOB® by the EMA and FDA for the treatment of osteogenesis imperfecta or brittle bone disease

Corporate highlights

- Establishment of US subsidiary, Bone Therapeutics USA Inc., in Boston as a first step in the development of the Company's US clinical trials program
- Opening of new headquarters in Gosselies, Belgium, which will incorporate a state-of-the-art production facility as of early 2017 that will secure first commercial cell therapy production and ensures the continued growth of the Company
- Strengthening of management team with the appointment of Thomas Lienard as CBO to lead activities in business development
- Increased number of employees from 72 at the start of 2015 to 101 at the end of 2015, with the majority of new hires related to the clinical, regulatory and production departments

Financial highlights

- € 37 million raised through successful IPO on Euronext Brussels and Euronext Paris, securing a strong financial runway to execute clinical and developmental strategy
- € 5 million new funding from the Walloon Region to support preclinical research programs
- Ended 2015 with € 33.6 million in cash, well in line with company expectations

Post-period highlights

- Extension of the delayed-union program for ALLOB® into multiple delayed-union fractures
- ALLOB® Phase IIA spinal fusion trial: 75% of patients now treated, with successful fusion demonstrated in the first patient
- Positive efficacy results from the PREOB® Phase IIA trial in severe osteoporosis after the 12-month follow-up of the first cohort of patients in the study, showing that a single administration of PREOB® had sustained beneficial effects on pain and bone turnover markers

MISSION AND STRATEGY

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

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

MARKET OPPORTUNITY AND COMPETITIVE ADVANTAGE

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

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

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 alternative. Competitors known by the Company are preclinical or early clinical phase companies and do not offer a minimally invasive approach like that of Bone Therapeutics. In addition, the Company has been expanding its allogeneic program, which can offer numerous advantages in production, logistics and costs compared to an autologous approach.

In 2015, Bone Therapeutics expanded its activities in the field of spinal fusion. This area represents 18% of the entire orthopaedics market1 and is estimated to grow at a rate of 5-6% over the next few years. The current standard-of-care in spinal fusion is applied with limited success, with up to 30% of patients remaining unsatisfied with their surgery.[2] There is a clear demand for safer and more effective spinal fusion techniques. Bone Therapeutics now has two ongoing Phase II trials in which no safety issues have been reported to date. Promising clinical results have been obtained for the first patient that completed the follow-up period in the ALLOB® spinal fusion trial.

[1] *The Orthopaedic Industry Annual Report published March 2015 by Orthoworld.*

[2] *Rajaee et al. 2014 The Bone & Joint Journal (96) 807-816.*

OUTLOOK FOR 2016

In line with the strategy outlined at the time of the Company's IPO, Bone Therapeutics is accelerating the development of PREOB®, currently in the last clinical phase for the treatment of osteonecrosis and non-union fractures. During 2016, the Company will provide an update on its osteonecrosis trial, now underway in five European countries. Preparations are in progress to initiate a first clinical trial in the US by the end of 2016.

In 2016, the Company will continue its promising Phase I/II trials for ALLOB® and plans to communicate on important efficacy results. Efficacy results for the first eight patients in the Phase I/IIA ALLOB® delayed-union trial are expected during the first half of 2016, as well as efficacy results for the first four patients in the Phase I/IIA ALLOB® spinal fusion trial. The Company also expects to communicate on safety in the first four patients treated in the recently initiated rescue spinal fusion trial.

Good cash management will remain a key priority for the Company, with a strong focus on net cash burn. The Company maintains its guidance, given at the time of the IPO that it has sufficient cash to carry out its strategic objectives until the end of 2017.

EXPECTED CLINICAL NEWS

Recruitment update for Phase III osteonecrosis trial, now ongoing in five European countries

Efficacy results for the first eight patients in the Phase I/IIA ALLOB® delayed-union trial

Efficacy results for the first patient cohort in the Phase IIA spinal fusion trial with ALLOB®

Safety results for the first four patients in the Phase IIA trial for the revision of failed spinal fusions

Launch of first US clinical trial by the end of 2016

OPERATIONAL REVIEW

"Changing the treatment paradigm in orthopaedics"

High unmet medical needs

Bone Therapeutics is a biotechnology company with a mature clinical pipeline of cell products for bone fracture repair, bone fracture prevention and spinal fusion. These areas are characterized by high unmet medical needs due to the lack of efficacious, safe and non-invasive treatments.

Autologous and allogeneic approach

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

Autologous means that the cells are derived from the patient. In the allogeneic approach, the cells are derived from a healthy donor. For both products, the cells originate from the bone marrow of the iliac crest.

Minimally invasive treatment

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) that can be administered via a minimally invasive percutaneous procedure and is expected to offer significant benefits over the current standard-of care.

Pipeline with two products in six indications

Bone Therapeutics has a mature pipeline with two products, PREOB® and ALLOB®, which currently target six indications in three domains and offer the potential for extension towards additional indications.

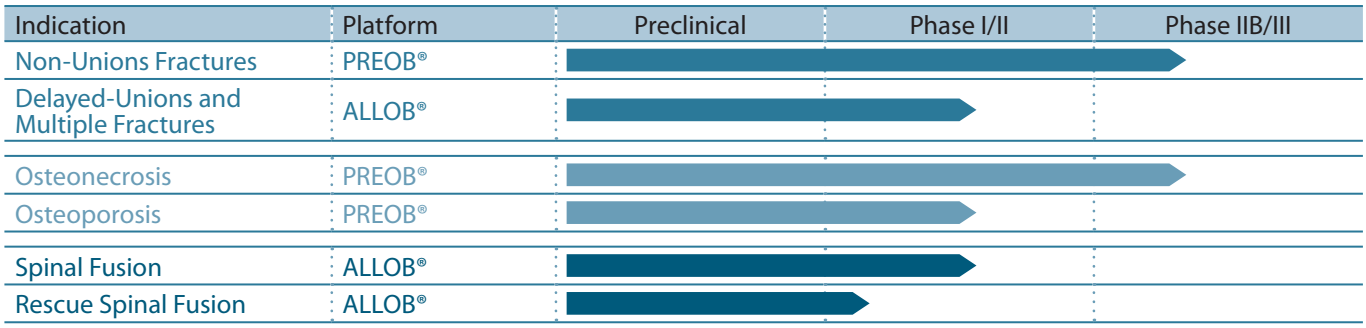


Figure: Clinical pipeline with PREOB®: autologous approach and ALLOB®: allogeneic approach.

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 (PREOB®) and one Phase I/IIA trial for delayed-union fractures (ALLOB®). The latter has recently been extended for the treatment of multiple fractures. These clinical trials are based on the minimally invasive implantation of Bone Therapeutics' autologous and allogeneic osteoblastic cells at the bone defect site.

The Phase IIB/III non-union study will evaluate the efficacy and safety of PREOB® in non-union fractures. In total, 176 patients will be randomized either to receive a single percutaneous administration of PREOB® or a bone autograft as reference treatment in 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 is now running at 10 investigational sites in three countries, Belgium, France and the Netherlands.

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. Thirty-two patients will be evaluated using clinical and radiological scores. An interim analysis evaluating safety and efficacy will be performed following the treatment of 16 patients. Reaching the endpoints in 12 out of 16 patients could allow to prematurely terminate the study and advance into the next phase. The study is running in three countries, Belgium, Germany and the UK.

At the beginning of 2015, the first efficacy results from the trial were reported. Results from the first four patients showed that all four ALLOB®-treated patients met the primary endpoints of the study and three patients had completely healed within six months. The radiological improvement confirms that the treatment with ALLOB®, so far, is efficacious. Currently, as stated in September, eight patients have been treated in the trial without any safety concerns. In early 2016, the Company announced the extension of the trial into multiple delayed-union fractures with an additional Phase IIA trial. This study will complement the ongoing trial and will allow the evaluation of safety and efficacy of higher doses of ALLOB®. More precisely, it will treat patients who have multiple delayed-union fractures with up to four injections of ALLOB® at different fracture sites.

Achievements in 2015

8 patients treated in the ALLOB® Phase I/IIA ALLOB® delayed-union trial in 2015

- Positive efficacy results for the first 4 patients
- Positive safety results for the first 8 patients

Extension of the trial into multiple delayed-union fractures

- Evaluation of the safety and efficacy of higher doses of ALLOB®

Next step:

- Efficacy results for the first 8 patients

Non-union and delayed-union fractures[3]

- Non-union: failure to achieve bone union within 6-9 months and ceasing of reparative processes
- Delayed-union: failure to achieve bone union within an adequate period of time (3-7 months)
- In total, over 1 million patients per year in the US, Europe and Japan
- Current treatments (i.e., bone graft) are often highly invasive with considerable risks and long hospitalization and recovery times
- Currently a 'wait&see' approach is adopted for delayed-union fractures, delaying the patients' return to a normal life

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

FRACTURE PREVENTION PROGRAMS

The Company's product for fracture prevention is 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 has been approved in 37 sites in Belgium, France, the Netherlands, Germany and the UK.

The proof-of-concept osteoporosis study aims to demonstrate the safety and efficacy of PREOB® in the treatment of osteoporotic patients who do not respond to pharmacological treatments. In total, 15 patients will be treated with a single intravenous administration of PREOB®.

In June, preliminary results from the PREOB® Phase IIA study for severe osteoporosis were communicated, demonstrating migration of intravenously-injected cells to the bones most prone to osteoporotic fractures and absence of treatment-related safety concerns in the first seven patients treated in the trial.

Post-period, the 12-month efficacy results from the first cohort of seven patients were announced. These initial data demonstrate positive effects on pain and osteoporosis blood markers after a single administration of PREOB®.

Achievements in 2015

9 patients enrolled in the PREOB® Phase IIA clinical trial for severe osteoporosis and 7 treated

- No safety concerns associated with intravenous administration of PREOB®
- Migration of intravenously-injected cells to the bones

Post-period, promising efficacy results of the first patient cohort in the proof-of-concept osteoporosis trial were announced.

Next step:

- Safety of treatment in next cohort of patients

Osteonecrosis[4]

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

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

Severe osteoporosis[5]

Osteoporosis is characterized by an excessive loss of bone mass leading to bone fragility and increased risk of fractures

- Osteoporosis affects approximately 75 million people in the US, Europe and Japan, of which 30 million have an established osteoporosis
- Up to 30% of osteoporosis patients do not respond adequately to currently available treatments (severe osteoporosis)

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

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

SPINAL FUSION PROGRAMS

In the proof-of-concept Phase IIA spinal fusion study, the Company combines its ALLOB® cells with osteoconductive ceramic micro-granules to improve the current standard-of-care in which currently an autograft or synthetic bone substitute is used. The combination of ALLOB® with the micro-granules has the potential to enhance bone growth (as demonstrated in preclinical studies by the Company), bringing advantages in stability and structure. Sixteen patients with symptomatic degenerative lumbar disc disease who require interbody fusion will be enrolled in the proof-of-concept trial. They will be treated according to the standard-of-care, with the addition of a single dose of ALLOB® cells combined with bioceramic granules to promote bone formation and fusion.

In March 2015, the Company announced the treatment of the first four patients in the ALLOB® Phase IIA spinal fusion trial. By the end of the year, in December, eight patients had been treated without any safety concerns and post-period it was announced that 12 patients or 75% of the total of 16 had been safely treated. Furthermore, the first patient completed the 12-month follow-up period in February. The preliminary efficacy results for this patient demonstrated spinal fusion on CT scans and absence of intervertebral motion on dynamic x-rays as early as 6 months post-treatment after the 12-month evaluation period.

In September, the Company initiated a pioneering trial for the minimally invasive treatment of failed spinal fusion. The study is an open, proof-of-concept Phase IIA trial that will evaluate the safety and efficacy of ALLOB® implantation in rescue spinal fusion over 12 months. Sixteen patients suffering from a failed spinal fusion surgery, diagnosed at 15 months or more following the initial surgery, will be treated with a single injection of ALLOB® into the failed fusion area without the need for open surgery.

Achievements in 2015

8 patients treated in the ALLOB® Phase IIA ALLOB® spinal fusion trial in 2015

- Positive safety results for these first 8 patients

Post-period it was announced that up to date 12 patients have been safely treated and that the first patient in the trial completed the 12-month follow-up period

- Successful spinal fusion was achieved in the first patient within 12 months

Next steps:

- Efficacy results of the first 4 patients in the spinal fusion trial
- Safety results of the first 4 patients treated in the new rescue spinal fusion trial

Spinal fusion[6]

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

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

FINANCIAL REVIEW

HIGHLIGHTS

At the beginning of 2015, Bone Therapeutics launched its IPO on Euronext Brussels and Euronext Paris, which was successfully completed on 11 February and allowed the Company to raise € 37 million. The IPO was largely subscribed by European institutional investors as well as a large number of retail investors (11.3% of allocated shares). The funds have allowed the Company to accelerate the development of Bone Therapeutics.

During the last quarter of 2015, the Company was awarded € 5 million in new funding from the Walloon Region to support its preclinical research projects, an amount equalling 13.5% of the Company's IPO proceeds.

The Company ended 2015 with € 33.6 million in cash, which was well in line with company expectations.

KEY FINANCIALS

(€ million)	FY 2015	FY 2014
Operating income	3.82	3.68
Operating expenses	(16.05)	(9.30)
R&D	(12.91)	(7.96)
G&A	(3.14)[1]	(1.35)
Operating result	(12.22)	(5.63)
Net financial result	(1.80)	(0.19)
Net result	(14.09)	(5.81)
Net cash flow	22.04	9.14
Operating activities	(11.77)	(3.52)
Investing activities	(2.98)	(3.00)
Financing activities	36.78	15.67
Cash position at 31 December	**33.61**	**11.58**

[1] *Including € 1.06 million of IPO costs*

INCOME STATEMENT

In 2015, total (other) operating income amounted to € 3.82 million compared to € 3.68 million in 2014. Other operating income results from grants from the Walloon Region (refundable grants) totalling € 2.12 million in 2015. In addition, the Company benefited from the special regime allowing for the employment of scientific staff with the recovery of company withholding tax for an amount of € 0.71 million, an investment tax credit for an amount of € 0.74 million and € 0.20 million in patent and other subsidies.

R&D expenses in 2015 were € 12.91 million compared to € 7.96 million in 2014. The increase, as anticipated at the time of the IPO, mainly resulted from the increase in activity with respect to clinical programmes, both existing programmes (Phase III) and newly initiated Phase II programmes, but also from strengthening the research and development team.

G&A expenses in 2015 were € 3.14 million compared to € 1.35 million in 2014. Of this total increase amounting to € 1.79 million, € 1.06 million was on account of IPO-expenditure directly impacting the statement of comprehensive income. The remaining € 0.73 million relates to the strengthening of the G&A team but also to comply with the new context of operating as a public company.

The operating loss in 2015 was € 12.22 million. In 2014, Bone Therapeutics reported an operating loss of € 5.63 million. Bone Therapeutics had net financial expenses of € 1.80 million 2015 compared to € 0.19 million in 2014 mainly explained by the non-cash impact of the derivative of the convertible bonds amounting to € 1.33 million and the transaction costs related to the convertible bonds of € 0.28 million.

The net result for the period amounted to € 14.09 million compared to € 5.81 million in 2014.

BALANCE SHEET

Total assets at the end of December 2015 amount to € 50.38 million compared to € 24.20 million at the end of December 2014, with the main increase due to cash and cash equivalents and on property, plant and equipment, resulting from the investments related to the new facilities.

Deferred tax assets totalling € 2.33 million represent a tax credit on investment in R&D, reimbursable by the administration in the foreseeable future (one to seven years). The trade and other receivables amounting to € 7.91 million mainly relate to the amount receivable in respect of an investment grant from the Walloon Region for an amount of € 1.31 million, and to an amount of € 5.68 million in forgivable loans (being the amount receivable of the so called "avances récupérables"). The remaining amount refers to patent grants to be received for an amount of € 0.17 million and VAT to receive for an amount of € 0.57 million.

Cash and cash equivalents at the end of December 2015 amount to € 33.61 million, in comparison with € 11.58 million in 2014. The increase is mainly due to the proceeds of the IPO in February 2015.

Equity amounts to € 28.15 million at the end of December 2015 compared to the negative amount of € 9.49 million at the end of December 2014.

- The share capital and the share premium accounts increased by € 37.03 million coming from the gross proceeds of the IPO (6 February 2015).
- The share capital and the share premium accounts increased by € 10.35 million as a result of the conversion of the Convertible Bonds issued at the end of December 2014 and the beginning of 2015.
- The share premium account decreased by € 2.29 million as a result of the transaction costs related to the IPO.
- The share premium further increased by € 6.65 million through the impact of the recognition of the derivative instrument related to the Convertible Bonds which were issued on 18 December 2014 and on 8 January 2015.
- The retained earnings were impacted by the loss of the period for an amount of € 14.09 million.
- Other reserves increased by € 0.49 million related to the share-based payments.

Liabilities amount to € 22.24 million at the end of December 2015 compared to € 33.69 million at the end of December 2014 with the main decrease due to the current liabilities (conversion of the Convertible Bonds on 6 February 2015).

The non-current liabilities increased from € 7.33 million at the end of 2014 to € 11.69 million on 31 December 2015. They are composed as follows:

- Long term investment credit facilities to finance the infrastructure project (new building at Gosselies) for an amount of € 2.66 million (€ 0 at the end of 2014),
- Reimbursable part of the forgivable loans as recognized at the start of the contracts ("avances récupérables" from the Walloon Region) for an amount € 5.67 million (€ 4.31 million in 2014),
- Loans from related parties (regional investment offices) for an amount of € 1.71 million (€ 1.70 million in 2014),
- Other non-current liabilities for an amount of € 1.58 million represent the put option held by the minority shareholders of SCTS SA, affiliate company of Bone Therapeutics SA, to sell their shares to Bone Therapeutics SA (€ 1.50 million in 2014),
- Other items accounting for € 0.08 million.

Current liabilities amount to € 10.54 million at 31 December 2015 compared to € 26.36 million at the end of December 2014, representing a decrease of € 15.82 million. The financial liabilities amount to € 2.31 million which decreased by € 16.12 million. This is mainly on account of the conversion of the Convertible Bonds and the related derivative, which were both transferred to equity for an amount of € 15.07 million and due the reimbursement of part of the straight loan facility provided by ING and BNP Paribas Fortis for an amount of € 1.23 million following the receipt of this amount from the Walloon Region (pre-financing of an investment grant).

Trade and other payables amounted to € 2.58 million which represented a decrease with € 0.63 million compared to the end of December 2014 mainly accrued IPO-expenses at the end of December 2014.

Other current liabilities amount to € 5.59 million at the end of December 2015 compared to € 4.71 million at the end of December 2014, showing an increase of € 0.88 million due to deferred income related to new grants the Company obtained from the Walloon Region during 2015.

CASH FLOW STATEMENT

Cash used for operating activities amounts to € 11.77 million for the full year 2015 and € 3.52 million for the full year 2014. Higher operational cash outlays are driven by higher research and development expenditures and higher general and administrative expenditures, but also by one-off payments related to the IPO process. Cash received from the Walloon Region relating to grants and subsidies amounted to € 2.29 million in 2015 compared to € 3.51 million in 2014.

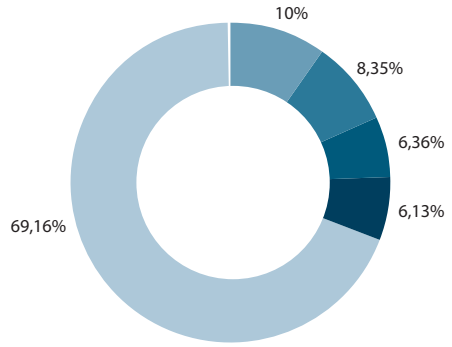
Total operating loss for the period amounts to € 12.23 million compared to a loss of € 5.63 million over the same period in 2014.

Cash flow from investing activities shows a net use of cash for € 2.98 million for the full year 2015 and € 3.00 million for the year 2014. This mainly represents investments made through the Company's affiliate SCTS SA in respect of the construction of the new facilities at the BioPark in Gosselies.

Cash flow generated from financing activities amounts to € 36.78 million for 2015 compared to € 15.67 million in 2014. The difference primarily relates to cash inflow from the capital increase (IPO) for an amount of € 37.38 million during 2015.

The Company ended 2015 with € 33.61 million in cash, which was well in line with company expectations.

SHAREHOLDER STRUCTURE



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

FINANCIAL CALENDAR

Financial calendar 2016	
14 April 2016	Publication Annual Report 2015
10 May 2016	Q1 2016 Business Update
26 May 2016	Annual General Meeting 2016
30 August 2016	Half-year Results 2016
8 November 2016	Q3 2016 Business Update

2

SELECTED FINANCIAL INFORMATION

SELECTED FINANCIAL INFORMATION

Consolidated Income Statement (in thousands of euros)	**2015**	**2014**	**2013**
Total revenues	**3,824**	**3,677**	**3,394**
Research and development expenses	(12,910)	(7,957)	(6,816)
General and administrative expenses	(3,138)	(1,345)	(621)
Operating Loss	**(12,224)**	**(5,626)**	**(4,043)**
Financial Income	194	130	150
Financial Expenses	(1,966)	(310)	(190)
Other	(27)	(3)	18
Income taxes	(61)	0	0
Loss for the period	**(14,085)**	**(5,808)**	**(4,066)**

Consolidated Statement of Financial Position (in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets	8,682	4,942	4,724
Current assets	41,701	19,259	8,087
Of which cash and cash equivalents	33,611	11,576	2,440
TOTAL ASSETS	**50,383**	**24,202**	**12,811**
Total equity	28,147	(9,485)	63
Non-current liabilities	11,693	7,328	6,502
Current liabilities	10,543	26,359	6,246
TOTAL EQUITY AND LIABILITIES	**50,383**	**24,202**	**12,811**

Consolidated Statement of Cash Flows (in thousands of euros)	**2015**	**2014**	**2013**
Net cash used in operating activities	(11,765)	(3,524)	(3,274)
Net cash used in investing activities	(2,982)	(3,004)	(1,748)
Net cash provided by financing activities	36,781	15,665	2,641
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,035**	**9,137**	**(2,382)**
CASH AND CASH EQUIVALENTS at beginning of year	**11,577**	**2,440**	**4,822**
CASH AND CASH EQUIVALENTS at end of year	**33,611**	**11,577**	**2,440**

3
RISK FACTORS

RISK FACTORS

3.1 RISK FACTORS RELATED TO THE COMPANY'S BUSINESS

3.1.1 EARLY STAGE OF DEVELOPMENT

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

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

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

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

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

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

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

Especially in the orthopaedic field, the Company's innovative cell products would, if and when authorised for marketing, constitute a novel treatment paradigm. To its knowledge, the Company is the only clinical stage company that develops cell products using differentiated bone cells for the treatment of orthopaedic conditions. To date, there are no similar products authorised for commercialisation. The lack of similar products causes uncertainty about the registration, the reimbursement and revenues of the product candidates related to both the

PREOB® and ALLOB® platforms and their acceptance by the regulators, third party payers, doctors and patients. The Company cannot give any assurance that it will be able to deal with these unknown factors which may have an adverse effect on the business, the results, the financial situation and the development of the Company.

3.1.2 PRE-CLINICAL AND CLINICAL PROGRAMMES

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

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

3.1.2.2 Uncertain outcome of clinical trials.

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

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

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

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

The changing competitive landscape is a main issue facing the healthcare industry. The Company competes with other companies based on technology, product offering, therapeutic area, intellectual property, geographic area and time to market or other factors. The Company's success depends on, inter alia, the ability to establish a competitive position with respect to all of these factors. The Company believes that its main competitive advantages are its expertise and know-how in cell therapy in general and in cell therapy for bone diseases in particular, the quality (*i.e.*, efficacy and safety) of its product candidates, its efficient and robust manufacturing process, the minimal invasive technique through which its products are

administrated and the choice of the indications (*i.e.*, unmet medical needs in the fields of bone diseases and orthopaedics). However, the Company's competitors may have greater financial, human and other resources than the Company does.

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

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

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

3.1.2.5 Dependence on lead product candidate.

PREOB®, with its Phase III clinical trials in Europe for the treatment of non-union fractures and osteonecrosis, is currently the Company's most advanced product candidate. Although Bone Therapeutics' products are different and are developed for different indications, failure to successfully develop the Company's products which are currently most advanced in their clinical process may adversely affect the development of its other products.

3.1.3 AUTHORISATION AND CERTIFICATION

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

Regulatory risk for current clinical development activities

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

The Company is registered as a "Tissue Establishment" (according to the Belgian Royal Decree of 28 September 2009 on the determination of general conditions with which banks for human body materials, intermediary structures and the production units must comply to be recognized *(Arrêté Royale fixant les conditions générales auxquelles les banques de matériel corporel humain, les structures intermédiaires et les établissements de productions doivent satisfaire pour être agréés*) and the Belgian Act of 19 December 2008 on the obtaining and the use of human body materials for human medical application or for scientific research (*Loi relative à l'obtention et à l'utilisation de matériel corporel humain destiné à des applications médicales humaines ou à fin de recherche scientifique*), transposing the Directive). In addition, the Company's manufacturing site has been inspected by the regional competent authorities (Federal Agency for Medicines and Health Products, Belgium) and is registered as a "Pharmaceutical Establishment" and accredited as a "GMP" facility.

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

Regulatory risks for future regulatory activities

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

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

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

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

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

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

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

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

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

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

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

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

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

Moreover, the Company intends to expand, in collaboration with its affiliate SCTS, its manufacturing capacity to meet anticipated demand for products, when authorised for commercialisation, by building a new manufacturing facility. The Company plans to open this new manufacturing facility in the SCTS building at the BioPark of Gosselies (south of Brussels) mid-2016 after obtaining GMP accreditation. The Company may not be able to expand the manufacturing capacity within the anticipated timeframe or budget or may not be able to obtain the requisite regulatory approvals for the increase in manufacturing capacity in time, or at all. If the Company does not obtain the necessary approvals for this contemplated expansion in a timely manner, its ability to meet demand for its products would be adversely affected. The Company may have difficulties in finding suitable locations or commercially acceptable terms for the leasing of such facilities. Finally, the Company may have difficulties to ensure sufficient supply of human biological materials.

3.1.4 REIMBURSEMENT, COMMERCIALISATION AND MARKET RISK FACTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3.1.5 OPERATIONAL RISK FACTORS

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

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

Most of the Patent Subsidies provide that the Company must ensure a valorisation of the relevant patent or patent application in a certain area (in most cases in the Region), unless the

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

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

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

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

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

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

3.1.5.3 Collaboration with and dependence on SCTS.

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

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

as small enterprise, which in turn may impact its entitlement to further funding in accordance with the Patent Subsidies, certain Research Grants and the SME Agreement.

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

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

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

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

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

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

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

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

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

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

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

Fraud or other misconduct by the Company's employees, principal investigators, consultants and collaborative partners

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

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

Even if the Company believes that its activities comply with the safety standards under the relevant regulations, the risk of contamination or injury from potentially harmful biological material, hazardous materials and chemicals cannot be eliminated entirely. Further, the cost of continued compliance with such new or current standards could negatively affect the Company's profitability and its business.

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

The services of the Company's management team are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Company's management team may terminate their employment or services with the Company at any time with relatively short notice. Two key members of the Company's management team, *i.e.*, the Company's chief executive officer, Mr 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. Upon the departure of certain clinical and scientific personnel or members of its management team, the Company's research and development efforts may be seriously and adversely affected.

Certain key managers do not work for the Company on a full time basis. The Chief Clinical and Regulatory Officer, Mr Guy Heynen, works for the Company on a part-time basis (3 days per week). The Chief Medical Officer, Pr. Valérie Gangji is an active practitioner and provides services to the Company on a regular basis.

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

3.1.5.11 Recently the composition of the Company's board of directors has changed considerably.

Following the latest financing round and in view of the listing of the Company's shares, the Company's board composition changed substantially. Out of the eleven board members, five have been appointed only recently, including three out of the four independent directors. It is yet uncertain whether the Company's board of directors, in its new composition, will be able to perform its role optimally, to interact effectively with the management team, to find an efficient and collegial decision making dynamic and to determine and to agree upon the best strategy for the Company.

3.1.6 INTELLECTUAL PROPERTY

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

The Company's success will depend in part on the ability of the Company to obtain, maintain and enforce its patents and other intellectual property rights. The Company's research programmes and product candidates are covered by several patent application families, which are either licensed to the

Company or owned by the Company. There is one key PREOB® product patent currently granted in the United States, Japan and Singapore, and one key product ALLOB® patent granted in Singapore, Japan and Australia. The Company cannot guarantee that the current prosecution of its or its licensors' patent applications will result in granted patents in other territories, including in Europe. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against patent offices and other third-party challenges to their validity, scope and/or enforceability. The Company cannot guarantee that it is or has been the first to conceive an invention and to file a patent or a patent application, notably given the fact that patent applications are not published in most countries before an 18-month period has expired after the date of the filing. There can also be no guarantee that the Company will successfully commercialise a product before a specific patent's expiration date. Moreover, the Company may have no or limited control over the effectiveness of its licensors in preventing the misappropriation of their patents and intellectual property. Because patent law in the biopharmaceutical industry is highly uncertain, there can be no assurance that the technologies used in the Company's research programmes and product candidates are patentable, that patents will be granted to the Company or its licensors under pending or future applications, or that patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that patents granted to the Company or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, hence enabling competitors to circumvent or use them and depriving the Company of the protection it may expect against competitors. Also, taking into account its current patent portfolio and the broad nature of the ULB-028 patent claim, the Company may find it increasingly difficult or impossible to obtain additional or adequate patent protection for improvements and future developments in the same area. If the Company or its licensors do not obtain patents in respect of their products or if the patents of the Company or its licensors are invalidated (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology. The Company cannot guarantee that third parties, contract parties or employees will not claim ownership rights over the patents or other intellectual property rights owned or held by the Company.

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

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

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

The Company's success will depend in part on its ability to operate without infringing on or misappropriating the intellectual property rights of others. The Company cannot guarantee that its activities, or those of its licensors, will not infringe on the patents or other intellectual property rights owned by others. The Company may expend significant

time and efforts and may incur substantial costs in litigation if it is required to defend patent or other intellectual property right claims brought against the Company or its licensors regardless of whether the claims have any merit. Additionally, the Company cannot predict whether it or its licensors will be successful in any litigation. If the Company or its licensors are found to have infringed the patents or other intellectual property rights of others, it may be subject to substantial claims for damages, which could materially impact the Company's cash flow and financial position. The Company may also be required to cease development, use or sale of the relevant research programme, product candidate or process or it may be required to obtain a license for the disputed rights, which may not be available on commercially reasonable terms, if at all. The Company may be unable to develop or commercialise a product, product candidate or research programme, or may cease some of its operations, which may have an adverse effect on the Company's business, prospects, financial condition and results of operations. To date, no patent infringement claim has been made against the Company.

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

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

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

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

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

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

In particular, for its clinical programmes, the Company has entered into license agreements with third parties regarding the ULB-028 patent family and sub-license agreements with SCTS regarding the EP member of the ULB-028 patent family, whereby the Company is granted a back-license. For its preclinical programmes, the Company has entered into license agreements with third parties regarding the ULB-061 patent families. Also in preclinical, the Company has been granted exclusive worldwide rights from its Chief Executive Officer, Enrico Bastianelli SPRL, to develop, manufacture and sell regarding the JTA technology for which it has entered into a sub-license manufacturing agreement with its affiliate SCTS whereby the Company is granted a back-license.

The conditions under which Company may maintain the rights granted to it include, but are not limited to, the payment of (i) fees upon achievement of certain milestones, (ii) royalties on the (net) sales of relevant licensed products, (iii) a percentage of revenues incurred from sub-licensees, as well as the performance of other obligations, such as compliance with research and development obligations and with marketing and distribution arrangements. Furthermore, delays or interruptions in the development or exploitation of the relevant technology may be sanctioned under the terms and conditions of the license agreements. If the Company fails to comply with its obligations under the respective license agreements, the licensor may reduce the scope of the license or terminate the license, resulting in the loss of the use of the related intellectual property rights. Should the Company lose any of its licenses, or if it would be unable to obtain new rights on reasonable terms similar to those which it holds under such license, it might be unable to develop, manufacture or sell its products. This could have an adverse effect on the Company's business, prospects, financial condition and operational results. The termination of certain license agreements could substantially impair the Company's ability to generate revenues.

In particular, the provisions of the license agreement pursuant to which the Company (and its affiliates) has been granted a non-transferable, exclusive and worldwide license over the technology claimed by the ULB-028 patent family (**the ULB-028 License**) could generate an additional cash-out, as the royalties to be paid by the Company to the ULB on revenues received by the Company from sub-licenses under the agreement are based on estimations, and can be adjusted upwards in function of the actual figures. In addition, if the Company fails to meet the agreed objectives under the ULB-028 License, the Licensor may require the Company to produce a written report summarizing its efforts during the previous year and the milestones to be achieved in the next year, and if the licensor demonstrate that such report is reasonably not satisfactory. An independent expert can be called to evaluate the Licensee's report and the Licensor's objections. ULB has the right to reduce the scope of the license, make it non-exclusive or to terminate it. The ULB also has the right to terminate the ULB-028 License if the exploitation of the bone cell therapy by the Company was to be delayed for a period of 2 years or if such exploitation was to be interrupted for a period of 6 months. Any limitation in scope, loss of exclusivity or termination of the ULB-028 License could materially affect the Company's ability to generate revenues. Furthermore, in the event the Company develops an improvement to the BONE-028 patent family and related know-how, the ULB has been granted a right of first refusal to negotiate commercial license rights on such improvement outside the field of scope (skeletal and dental diseases and applications) at fair market conditions to be determined on a good faith basis between the parties, which could affect future partnering opportunities of the Company.

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

3.1.7 FINANCIAL RISK FACTORS

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

The Company is still in early stages of developing its product candidates and has not completed development of any product. The Company does not anticipate generating revenue from sales for the foreseeable future. It has incurred significant losses since its incorporation in 2006. Under IFRS, net loss for the period ended 31 December 2014 was € 21,670,000. On 31 December 2015, the Company had an accumulated deficit of € 35,752,000. These losses resulted principally from costs incurred in research and development, preclinical testing, clinical development of its product candidates as well as costs incurred

for research programmes and from general and administrative expenses, and may result in the Company incurring further significant losses for several years. These losses, among other things, will continue to cause the Company's working capital and the shareholders' equity to decrease. There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that the Company may experience fluctuating revenues, operating results and cash flows. As a result, period to period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance. For several years, the accumulated consolidated losses of the Company will increase due to the significant cost of Phase III trials. This will result in an increase in the additional resources necessary for its activities.

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

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

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

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. In addition to non-dilutive financing and grants from the Walloon Region, the Company currently relies on equity financing for additional funding. Changes in regional financing and grant policies, a shift in regional investment priorities or challenges by the European instances may reduce or jeopardise the Company's ability to obtain or retain non-dilutive financing, grants and/or other benefits. For instance, the European Commission has opened a state aid investigation to determine whether the Belgian exemption to pay professional withholding tax on part of the remuneration paid to scientific personnel qualifies as unlawful state aid. The Company has benefitted from this exemption since its introduction. If the European Commission decides that the exemption constitutes unlawful state aid, the Company may be requested to repay all unlawfully received benefits (plus interests) to the Belgian State. Also, future growth of the Company, whether or not including geographical expansion, could limit the Company's eligibility to obtain similar non-dilutive financing or grants.

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

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

The Company, in particular its affiliate SCTS, is exposed to interest rate risk. Although interest rate risk arising from the EURIBOR-linked interest rate under SCTS's long term loans may be hedged through the use of financial risk management instruments, fluctuations in interest rate may nonetheless significantly affect its interest expenses.

3.2 RISK FACTORS RELATED TO THE SHARES

3.2.1 THE MARKET PRICE OF THE SHARES MAY FLUCTUATE WIDELY IN RESPONSE TO VARIOUS FACTORS

A number of factors may significantly affect the market price of the shares including changes in the operating results of the Company and its competitors, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, changes in estimates in relation to the

duration or success of the Company's clinical trials, changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates.

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

3.2.2 FUTURE ISSUANCES OF SHARES OR WARRANTS MAY AFFECT THE MARKET PRICE OF THE SHARES AND COULD DILUTE THE INTERESTS OF EXISTING SHAREHOLDERS

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

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

3.2.3 HOLDERS OF THE SHARES OUTSIDE BELGIUM AND FRANCE MAY NOT BE ABLE TO EXERCISE PRE-EMPTION RIGHTS

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

3.2.4 LIMITED SHARES AVAILABLE FOR SALE IN THE MARKET

The number of shares that are available for sale by the public are limited by lock-up arrangements. Pending such arrangements, the liquidity of the shares trading on the regulated markets of Euronext Brussels and Euronext Paris may be limited and this may cause the Company's share price to be volatile.

3.2.5 THE MARKET PRICE OF THE SHARES COULD BE NEGATIVELY IMPACTED BY SALES OF SUBSTANTIAL NUMBERS OF SHARES IN THE PUBLIC MARKETS

Upon termination of the arrangements referred to in Clause 3.2.4, sales of shares that were previously subject to transfer restrictions could cause to decrease the Company's share price. The current restrictions on transfers of shares by shareholders and the Company allow to limit sudden, unorganised sales of large numbers of the Company's shares by existing shareholders. However, no guarantee can be given that there are no such large, unorganised sales by other shareholders prior to the end of such term, or that there are such large, unorganised sales by existing significant shareholders after such term. Any such large, unorganised sale of shares could have an adverse effect on the Company's share price.

3.2.6 THE COMPANY DOES NOT INTEND TO PAY DIVIDENDS FOR THE FORESEEABLE FUTURE

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

3.2.7 CERTAIN SIGNIFICANT SHAREHOLDERS OF THE COMPANY MAY HAVE DIFFERENT INTERESTS FROM THE COMPANY AND MAY BE ABLE TO CONTROL THE COMPANY, INCLUDING THE OUTCOME OF SHAREHOLDER VOTES

Currently, the Company is not aware that any of its current shareholders have entered or will enter into a shareholders' agreement with respect to the exercise of their voting rights in the Company. Nevertheless, they could, alone or together,

have the ability to elect or dismiss directors, and, depending on how broadly the Company's other shares are held, take certain other shareholders' decisions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Alternatively, to the extent that these shareholders have insufficient votes to impose certain shareholders' decisions, they could still have the ability to block proposed shareholders' resolutions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings were such decisions are submitted to voting by the shareholders. Any such voting by the shareholders may not be in accordance with the interests of the Company or the other shareholders of the Company.

3.2.8 ANY SALE, PURCHASE OR EXCHANGE OF THE SHARES MAY BECOME SUBJECT TO THE FINANCIAL TRANSACTION TAX

On 14 February 2014, the EU Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax (the "FTT"). The intention is for the FTT to be implemented through an enhanced cooperation procedure in 11 member states (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia, together the "Participating Member States").

Pursuant to the Draft Directive, the FTT will be payable on financial transactions, provided (a) at least one party to the financial transaction is established or deemed established in a Participating Member State, and (b) there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transactions, or is acting in the name of a party to the transaction. The FTT will however not apply to (inter alia) primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue.

The rates of the FTT will be fixed by each Participating Member State, but will amount to at least 0.1% of the taxable amount for transactions involving financial instruments other than derivatives. The taxable amount for such transactions will in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT will be payable by each financial institution established or deemed established in a Participating Member State which is either a party to the financial transaction, or acting in the name of a party to the transaction or where the transaction has been carried out on its account. When the FTT due was not paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, will become jointly and severally liable for the payment of the FTT due.

Investors should therefore in particular note that, following implementation, any sale, purchase or exchange of shares will be subject to the FTT at a minimum rate of 0.1%, provided that the abovementioned criteria are met. The investor may be liable to pay this charge or reimburse a financial institution for the charge, and/or the charge may affect the value of the shares. The issuance of new shares should not be subject to the FTT.

A statement made by the Participating Member States (other than Slovenia) indicated that a progressive implementation of the FTT is being considered and that the FTT may initially only apply to transactions involving shares and certain derivatives, with implementation occurring by 1 January 2016. Full details are however not available.

The Draft Directive remains subject to negotiations between the Participating Member States and may therefore be changed at any time. Moreover, once the Draft Directive has been adopted (the "FTT Directive"), it will need to be implemented into the respective domestic laws of the Participating Member States, whereby the domestic provisions implementing the FTT Directive could deviate from the FTT Directive itself.

Investors should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of shares in the Company.

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ABOUT BONE THERAPEUTICS

ABOUT BONE THERAPEUTICS

4.1 GENERAL INFORMATION

The legal and commercial name of the Company is Bone Therapeutics SA. Bone Therapeutics is registered with the legal entities register (Charleroi) under number 0882.015.654 and was incorporated in Belgium on 16 June 2006, for an indefinite period of time. The Company is a limited liability company incorporated in the form of a 'société anonyme' under the laws of Belgium. The Company's registered office is located at Rue Auguste Piccard 37, 6041 Gosselies (Belgium) (phone: +32 2 529 59 90 and fax: +32 2 529 59 93).

4.2 IMPORTANT EVENTS IN THE DEVELOPMENT OF BONE THERAPEUTICS' BUSINESS

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

2014	• IRD patent granted in JP & AU • ALLOB® patent granted in JP & AU • First patient treated with Bone Therapeutics' allogeneic bone cell product ALLOB® • ALLOB® granted ODD status for osteonecrosis in the US • Clearance to start ALLOB® Phase I/IIA trial for in spinal fusion procedures for degenerative lumbar disc disease • Renewal of Certificate of GMP Compliance • The Company and partners awarded prestigious M-ERA.net research funding
2015	• € 350,000 raised in convertible bonds • Expansion of portfolio of product candidates with new research into innovative combined cell-matrix product • Successful € 37 million Initial Public Offering on Euronext Brussels and Euronext Paris • Acceleration of ALLOB® Phase I/IIA delayed-union trial • Treatment of first patients in ALLOB® Phase I/IIA spinal fusion trial • Establishment of US subsidiary • Official opening of new headquarters in Gosselies • First results of PREOB® Phase IIA osteoporosis trial • Safe treatment of second patient cohort in ALLOB® Phase I/IIA delayed-union trial • Initiation of pioneering trial for minimally invasive treatment of failed spinal fusion • ALLOB® granted ODD status for osteogenesis imperfecta in Europe and the US • Awarded € 3 million funding from the Walloon Region • Recruitment of the first half of patients in the ALLOB® Phase IIA spinal fusion trial completed
2016	• Awarded € 2 million funding from the Walloon Region • Expansion of the delayed-union program with ALLOB® into multiple fractures • Bone Therapeutics extends Kasios collaboration • Recruitment for ALLOB® spinal fusion trial 75% completed and positive efficacy results of first patient • Promising initial efficacy results from PREOB® Phase IIA trial in severe osteoporosis

4.3 INVESTMENTS

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

The new facilities provide accommodation for both the Company's as well as SCTS's activities in respect of production, research and development (including production process development) and represent the headquarter of the Company.

The modular design of the facility will allow for a progressive increase in production capacity to meet pre-commercial and first commercial requirements for PREOB® and ALLOB®.

The total program represents an investment of approximately € 9.50 million, including land for the amount of € 0.23 million and an investment in SISE SA of € 0.28 million (see below). The investment plan has been staged in three phases. A first phase

has been completed at the end of March 2015 and includes the entire shell of the building and the completed administration and research and development facilities. The completion of the second phase (first two production zones out of total of six and auxiliary production facilities) is now foreseen for the end of April 2016. The third phase is planned for 2017 and comprises the installation of four more production units, to meet the production requirements for clinical trials, pre-commercial and the first commercial activities. Further modules can be added in future to increase capacity in line with demand. These additional modules fall outside the scope of the aforementioned investment budget.

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

The investment until 31 December 2015 amounts to € 7.67 million. Completion of the second phase in 2016 will require a further € 0.75 million (representing firm commitments) bringing the total investment (excluding the investment in land and in SISA SA) to € 8.35 million.[7] The investment project until completion of this second phase will be fully financed from four different sources. The direct investment for the Company amounts to € 1.27 million representing the equity investment of the Company into SCTS. In addition to the equity investment by the Company an amount of € 1.28 million in equity has been provided for by other shareholders of SCTS, representing the non-controlling interest. A further amount of € 0.87 million in subordinated loans has been provided for by two regional investment bodies (related parties) and € 2.47 million out of a total initial amount of € 2.91 million is provided through an investment grant provided for by the Region under the SME Agreement (unused funds from the initial grant representing € 0.44 million at the end of 2015 are no longer available to fund the project beyond 31 December 2015). Finally, € 3,250,000 is provided in bank loans in equal shares by BNP Paribas Fortis SA and ING Banque SA. For the completion of the third phase, the Company will re-estimate the funding requirement at an appropriate point in time.

The facility fits in a larger project known as the Walloon Cell Therapy Platform ("PWTC") (*Plateforme Wallonne de Thérapie Cellulaire*) whereby two cell therapy companies[8] have joined forces to build facilities at a joined location at the Biopark of Gosselies (50 km south of Brussels, near the airport Brussels South). PWTC comprises three service companies: SCTS (*Skeletal Cell Therapy Support), HCTS (Hepatic Cell Therapy Support)* and SISE (*Société d'Infrastructures, de Services et d'Energies*). SCTS and HCTS will make a maximum use of shared services provided through SISE SA to establish their industrial project, but in the same time maintaining control of their proprietary production processes and know-how by having their own physically separated building infrastructure. The project allows for both companies to considerably expand their production capacity in future. Besides a service provider, SISE SA is also the landowner on which the infrastructure of SCTS is constructed. There is long term (99 years) lease agreement in place between SISE and SCTS.

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

The below consists in an overview of the Company's principal investments for the financial years ended on 31 December 2013, 31 December 2014 and 31 December 2015 (excluding recognition of the government grant of € 2.47 million mentioned above):

(in thousands of €)	2015	2014	2013	Before 2013	**Total**
	New	New	New	New	
Property under construction	2,812	2,983	1,604	418	**7,675**
Laboratory equipment	91	88	124	1,642	**1,944**
Land	0	0	233	0	**233**
Other	43	20	8	155	**226**
Intangible assets	52	25	61	35	**172**

- Property under construction relates to the new facilities constructed by SCTS at the BioPark of Gosselies (south of Brussels). The investment for 2013 the amount is
- € 1,604,000, for 2014 the amount is € 2,983,000 and for 2015 the amount is € 2,812,000. At 31 December 2015 the total amount invested amounts to € 7,675,000.
- Laboratory equipment includes capital expenditure for € 124,000 in 2013, € 88,000 in 2014 and € 91,000 in 2015. At 31 December 2015 the total amount invested amounts to € 1,944,000.
- Land represents a long lease right of 99 years on which the new facilities of the Company are being constructed. The amount is € 233,000.
- Others investments include IT material and office furniture. At 31 December 2015, the total amount invested is € 226,000.
- Intangible assets relate to purchased software. At 31 December 2015, the total amount invested is € 172,000.

[7] For the completion of the third phase, a supplementary budget will be required. Technological evolution will however be considered to optimize further the infrastructure. The budgetary requirements will be defined later.
[8] Bone Therapeutics SA through SCTS SA and Promethera SA through its subsidiary HCTS (Hepatic Cell Therapy Support) SA.

At the date of the Annual Report, there are firm commitments for an amount of € 0.75 million for the further completion of the facilities at Gosselies.

4.3.1 SISE AND GIE BOCEGO

SISE and Groupement d'Intérêt Economique BOCEGO (consisting of the Company and SCTS) (**"GIE BOCEGO"**) have been granted (i) subsidies specifically aimed to support the creation of employment opportunities and added production values of SMEs and (ii) an exemption from property tax in relation to an investment programme for the creation of new job units, under two agreements dated 16 September 2013 between the Region and SISE and 24 April 2014 between the Region and GIE BOCEGO. The subsidies granted under these agreements amount to € 830,370.00, and respectively € 2,907,692.30. The exemption from property tax is valid for a 5-year period in relation to a maximum amount relating to investments in tangible capital assets.

The Company and SCTS have been awarded a subsidy in the amount of € 2,907,692.30 (financed directly by the Walloon Region for an amount of € 1,890,000 and for an amount of € 1,017,692.30 by the European Union), which covers 32.31% of the € 9.0 million estimated construction cost of the building. The total initial projected cost represents € 9.5 million, taking into consideration the related participation in SISE SA, landlease agreements and related costs. The payment of the subsidy will take place gradually in accordance with the investment programme and the progress of the construction (after 40% of the investment, after 70% of the investment and after finalisation of the investment). Full pay-out of the amount required completion of the project by the end of 2015. As it was decided to complete the third phase of the project at a later stage (2017 at the earliest) and as the second phase was not entirely completed by the end of 2015 the total amount which could be claimed for this project was limited to 32.31% of the actual amount spent until that date. At 31 December 2015 the amount which has been claimed amounted to € 2,47 million. The unclaimed funds of € 0.53 million are no longer available. For completion of the third phase, the Company will seek to obtain new similar grants in how far still available, and in function of the capital needs required for the completion of the third phase.

The grant of the subsidy was made subject to a number of Company-related conditions, which could give rise to a (partial) claim-back by the Walloon Region and the European Union in case of non-compliance therewith. For example, the Company (in its capacity as member of GIE BOCEGO) will need to employ (on average) an additional minimum number of employees (32 people based on the final amount claimed at the end of 2015) at its site in Gosselies, as of 1 January 2018 until 31 December 2021. The subsidy could also be claimed back in the event of non-realisation of at least 80% of the investment programme or if the Company transfers, does not use or ceases to use the facility (for its intended purpose) within a 5-year period following the realisation of the investments. In addition to the aforementioned specific conditions related to the Company, the subsidy agreement also contains more general conditions which are customary for subsidies, such as conditions in relation to information- and publicity related obligations and conditions related to compliance with fiscal, social and environmental regulations.

4.4 LEGAL PROCEEDINGS

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

4.5 SIGNIFICANT CHANGE IN THE FINANCIAL OR TRADING POSITION OF BONE THERAPEUTICS SINCE 31 DECEMBER 2015

No significant changes have been observed since 31 December 2015.

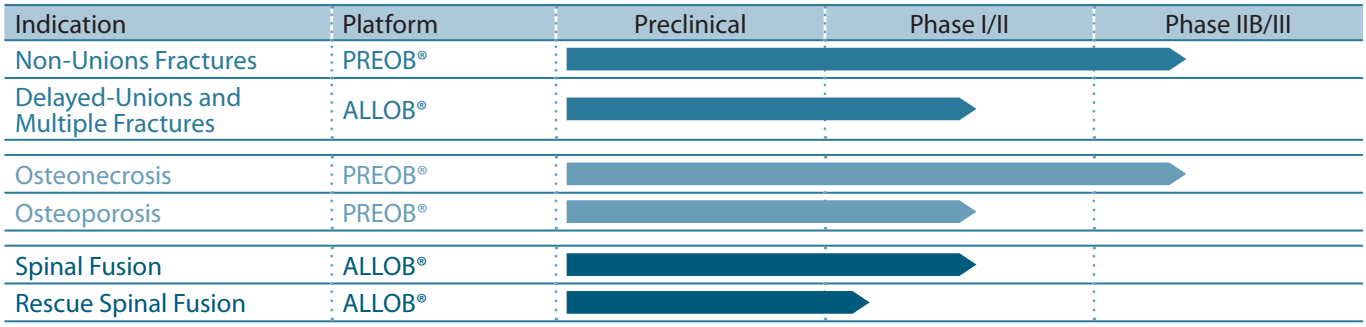
5
BUSINESS OVERVIEW

BUSINESS OVERVIEW

5.1 BONE THERAPEUTICS' ACTIVITIES

The Company is a biotechnology company with an advanced clinical pipeline of cell products for bone fracture repair and fracture prevention (two Phase II/III and four Phase I/II clinical studies). These areas are characterized by high unmet medical needs due to the lack of efficacious and safe, non-invasive, treatments and by limited competition, despite large markets. Indeed, the current standard-of-care involves heavy surgery and long recovery periods. The Company is creating a new and unique treatment approach using differentiated bone-forming cells (osteoblasts) administered via a minimally invasive percutaneous procedure, expected to offer significant benefits over the current standard-of-care.

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



Clinical pipeline with PREOB®: autologous approach and ALLOB®: allogeneic approach.[9]

5.2 COMPANY MISSION AND STRATEGY

The Company aims to be a leading regenerative company providing innovative cell therapy products for high unmet medical needs (defined as a medical need that is not addressed adequately by an existing therapy)[10] in the fields of bone fracture repair and prevention. To achieve this objective, the Company is pursuing the following strategies:

- Complete 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

OUTLOOK FOR 2016:

In line with the strategy outlined at the time of the Company's IPO, Bone Therapeutics is accelerating the development of PREOB®, currently in the last clinical phase for the treatment of osteonecrosis and non-union fractures. During 2016, the Company will provide an update on its osteonecrosis trial, now underway in five European countries. Preparations are in progress to initiate a first clinical trial in the US by the end of 2016.

In 2016, the Company will continue its promising Phase I/II trials for ALLOB® and plans to communicate on important efficacy results. Efficacy results for the first eight patients in the Phase I/IIA ALLOB® delayed-union trial are expected during the first half of 2016, as well as efficacy results for the first four patients in the Phase I/IIA ALLOB® spinal fusion trial. The Company also expects to communicate on safety in the first four patients treated in the recently initiated rescue spinal fusion trial.

Good cash management will remain a key priority for the Company, with a strong focus on net cash burn. The Company maintains its guidance, given at the time of the IPO that it has sufficient cash to carry out its strategic objectives until the end of 2017.

[9] *The recently initiated Phase IIA trial for rescue spinal fusion has been added to the pipeline.*
[10] *FDA Guidance for Industry – Available Therapy, July 2004.*

5.3 TECHNOLOGY

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

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

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

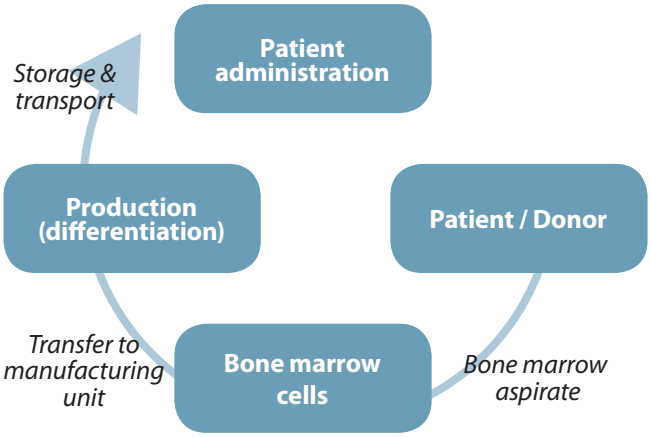
- On the one hand, the osteoblastic cells will replace the defective or missing osteoblasts by new osteoblasts that will form new bone and repair the defective bone.
- On the other hand, the presence of osteoblastic cells will create a healthy bone environment by recruiting haematopoietic and osteoprogenitor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

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

The Company aims to improve:

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

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



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

5.3.1 PREOB®: AUTOLOGOUS CELL PRODUCT

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

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

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

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

5.3.2 ALLOB®: ALLOGENEIC CELL PRODUCT

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

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

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

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

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

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

As a next step and in collaboration with Kasios, the companies aim to combine Bone Therapeutics' ALLOB® cells with Kasios' spinal fusion cage containing a 3D-bioprinted synthetic matrix (or 'waffle'). The goal of this combined product is to simplify the surgical procedure and accelerate the fusion process.

5.3.3 ADMINISTRATION VIA A MINIMALLY INVASIVE APPROACH

Administration of the cells is achieved via a minimally invasive technique. The cells are administered directly into the bone defect site through a small skin incision using a small-diameter trephine (similar to a large needle – diameter is 5 mm). During the implantation, the position of the trephine into the bone defect site is visualized by fluoroscopy (a standard radiography used by orthopaedic surgeons). The simple procedure is performed under anaesthesia in an operating room, where it only takes 20 - 40 minutes to administer the injection.

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

Administration of PREOB® to osteoporosis patients is achieved by intravenous infusion.

5.4 PRINCIPAL MARKETS

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

The relevant fracture repair and fracture prevention markets (including the osteoporosis market) represent a global market of around $ 34 billion and 42 million patients. 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.[11] The market addressed by the Company is characterized by high unmet medical needs (defined as a medical need that is not addressed adequately by an existing therapy)[12]. Indeed, most current treatments are either minimally 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, the field of fracture repair and prevention has so far remained

[11] *Orthoworld, The Orthopaedic Industry Annual Report for 2013 (relating to fracture repair procedures and spine procedures) – Transparancy Market Research, Osteoporosis Drugs Market – Global Industry Analysis, Pipeline Analysis, Size, Share, Growth, Trends & Forecast, 2014-2020 (relating to treatment of osteoporosis patients).*
[12] *FDA Guidance for Industry – Available Therapy, July 2004.*

relatively clear of new treatments and there are almost no reported clinical trials. In bone cell therapy clinical development programmes are still limited to a small number of indications (*e.g.*, spinal fusion) and companies (*e.g.*, Mesoblast), although there is a growing interest at the level of academic research.

5.4.1 THE FRACTURE REPAIR MARKET

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

5.4.1.1 Non-Union and Delayed-Union

Description

Non-union fractures are characterised by a failure to achieve bone union within 6-9 months. As all reparative processes have ceased in this condition, additional surgical intervention is required. A delayed-union fracture is defined as a fracture that has not united within a period of time that would be considered adequate for bone healing. Inadequate reduction of a fracture leading to instability or poor immobilization may be a reason for delay in fracture union. Other factors such as age, smoking, alcohol consumption or a medical condition can increase the risk of a delayed-union. Currently a "wait and see" approach is mostly adopted in the treatment of delayed-union fractures, sometimes for several months, which delays the patient's return to a normal life and places a significant financial burden on society.

Market Size

In the US, long bone fractures account for approximately 10% of all non-fatal injuries.[13] Close to 10 million fractures occur every year and over 3 million fracture repair surgeries are performed in Europe, the US and Japan. This led to revenues of more than $7 billion in the global fracture repair market in 2014, an increase of 8% compared to the year before. This market is expected to continue to grow steadily over the coming years.[14] Major driving factors for the fracture repair devices market are the increase in the elderly population, growing healthcare costs, and the increase in prevention measures for various orthopaedic-related problems. The leading causes of orthopaedic fracture cases are the ageing population, increasing participation in sports and rising number of road accidents. This market is expected to continue to grow steadily over the coming years[15].

The Company has estimated the incidence of non-union and delayed-union fractures based on (i) the number of osteosynthesis (orthopaedic external or internal fixation devices) annually performed and (ii) the reported rates of fractures evolving to non-union or delayed-union. In the base case scenario, the annual number of addressable patients in Europe, the US and Japan is estimated to be 214,500 for non-union and 715,000 for delayed-union.

Competition

The use of osteosynthesis material and bone grafts is a well-established practice for the repair of fractures.

In the case of a non-union, numerous techniques have been developed ranging from non-invasive procedures (ultrasound and electromagnetic stimulation) to surgical re-interventions using bone auto- or allograft (synthetic bone substitutes or cadaver bone: DBM from Biomet, Synthes, etc.). To date, bone autograft remains the gold standard treatment for this condition as it presents 75-85% efficacy and advantageously avoids risks of disease transmission[16]. Yet, associated side-effects are considerable, with complications (pain at harvest site, infection…) reported in 20% of patients (for iliac crest harvest procedures in particular)[17].

Apart from bone grafting, Osigraft™ (the (ortho-) biological product (*i.e.*, protein) *rhBMP-7*; Olympus Biotech) was, to the Company's knowledge, the only pharmaceutical therapy approved (in a restricted indication) but has now been withdrawn from the market, leaving it open to new players in the field. Studies have revealed poor results for other "orthobiologics" (PDGF from BioMimetic Therapeutics, PTH from Lilly or Kuros and more recently *Romosozumab* from Amgen/UCB)[18], forcing them to discontinue or put on hold their clinical development.

To its knowledge, the Company is the only clinical stage company that develops bone cell products using differentiated bone cells for the treatment of non-union and delayed-union fractures.

Excluding the bone void filler products in support of bone graft surgeries, Wright Medical Technology (the US) has developed an injectable bone void filler product for delayed/non-unions of non-weight-bearing bones smaller than 3mm to be mixed with blood or marrow and Novadip Biosciences (BE) has a preclinical stage autologous undifferentiated cell product mixed with cadaver bone.

[13] *Kanakaris et al., The health economics of the treatment of long-bone non-unions. Injury 2007(38S)S77-S84.*
[14] *Orthoworld. The orthopaedic industry annual report for year ending December 31, 2014.*
[15] *Orthoworld. The orthopaedic industry annual report for year ending December 31, 2013.*
[16] *Friedlaender G, et al. Osteogenic protein-1 (BMP-7) in the treatment of tibial non-unions: a prospective, randomised clinical trial comparing Rhop-1 with fresh autograft. J Bone Joint Surg Am. 2001(83)151-158.*
[17] *Friedlaender G, et al. Osteogenic protein-1 (BMP-7) in the treatment of tibial non-unions: a prospective, randomised clinical trial comparing Rhop-1 with fresh autograft. J Bone Joint Surg Am. 2001(83)151-158.*
[18] *UCB Prospectus dated 6 March 2013.*

Overview of cell therapy companies active in non-union and delayed-union[19].

Companies	Location	Product(s)	Source	Product type	Indication	Status
Wright Medical Technology	US	Ignite®	Autologous	Injectable scaffold – medical device	Non-union or Delayed-union of <3mm of non-weight-bearing bones	N/A
Xcelia	Spain	Xcel-Mt-Osteo-Alpha	Autologous	Bone marrow-derived MSC	Non-union	Ph I/II ongoing
Novadip Biosciences	Belgium	Creost®	Autologous	Adipose-derived MSC (3D structure)	Non-union	Preclinical (some clinical data under hospital exemption)
Discountinued clinical programmes:						
Vericel Corporation	US	Ixmyelocel-T	Autologous	MSC/HSC/EP + scaffold	Non-union	PhI/II completed in 2007

Today, there is no therapeutic option - both safe and efficacious[20] - for the management of non-union fractures. In this context, the Company intends to position its cell therapy-based products as a first-line treatment for this indication. The Company expects its products to be as efficacious as the standard-of-care (bone autograft), and superior in terms of patient safety (*i.e.*, the minimally-invasive cell implantation would avoid open surgery and a long hospital stay and allow for a faster recovery).

Similarly, Bone Therapeutics' bone cell products are being considered for the treatment of delayed-union fractures. As this indication is rarely treated by physicians, the Company will first have to introduce this new approach in the management of these fractures. Instead of waiting (for the confirmation of a non-union diagnosis), surgeons will be provided with an early non-invasive therapeutic option, offering reduced healing time and yielding substantial cost savings.[21] The Company believes that it can play a significant role in creating this new market, given the fact that the Company benefits from being an early actor in the field.

5.4.1.2 Spinal fusion and rescue spinal fusion

Description

Spinal fusion is considered as the gold standard surgery for treating a broad spectrum of degenerative spine disorders, including degenerative disc disease, spondylolisthesis, scoliosis and stenosis, to relieve pain and improve function. Spinal fusion consists of bridging two or more vertebrae with the use of a cage and graft material, traditionally autologous bone graft, – placed into the intervertebral space – for fusing an unstable portion of the spine or immobilizing a painful vertebral motion segment. Despite the fact that spinal fusion surgery is routine, non-union and failure to relieve lower back pain are unfortunately still frequent as on average 30% of spinal fusion patients are not completely satisfied with their surgery.[22]

Market Size

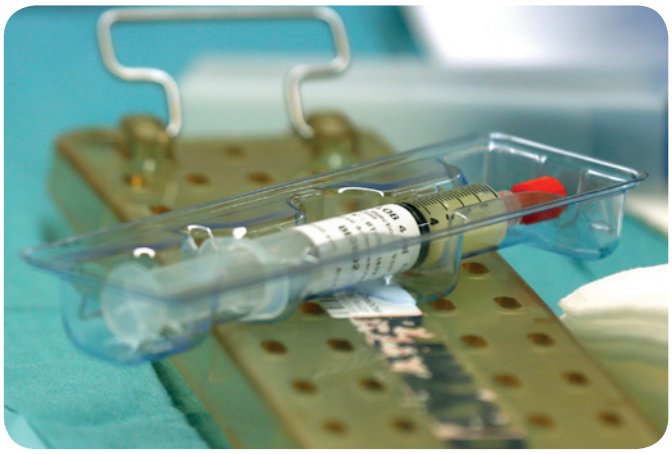
Over 1 million spinal fusions are performed each year in Europe and the US, the majority of which are to address degenerative lumbar disc disease. The Company's estimates regarding market size are based on hospital discharge data and market reports. Using these data, the Company estimates that each year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

One of the most common complications encountered in spinal fusion surgery is failed fusion (complete or partial), reported in approximately 5% to 35% of procedures, which could lead to debilitating pain, deformities, and subsequent revision surgery. Its management is one of the most challenging problems in this field. Procedures to salvage failed lumbar fusions focus on achieving a solid fusion, and consequently relieving and controlling pain and symptoms, minimizing disability, and improving the quality of life. However, revision surgeries are associated with higher procedure-related complication rates, technical difficulties, and longer operative times.[23] Moreover, success rates are poor and not always reliable for both fusion and clinical results.

[19] *Company websites and clinicaltrials.gov.*
[20] *Bone autograft has a high efficacy, but is associated with high complication rates.*
[21] *Heckman et al. The economics of treating tibia fractures. The cost of delayed unions. Bull Hosp Jt Dis. 1997(56)63-72.*
[22] *Rajaee et al. National trends in revision spinal fusion in the USA: Patient characteristics and complications. The bone and joint journal 2014(96)807-816.*
[23] *Ma et al. Comparative In-Hospital Morbidity and Mortality after Revision versus Primary Thoracic and Lumbar Spine Fusion Spine J. 2010 (10)881–889.*

Through review of scientific literature and interviews with spine surgeons, the Company has estimated that the average proportion of failed spinal fusions is close to 25% (range from 5% to 35%).[24] When comparing this rate of failure with the reported rate of revision surgery it appears that only 25% of patients with failed spinal fusion have the revision procedure they need.[25] Reasons for this are the high complication rate and the difficulty of surgery, as mentioned above. Access to healthcare has therefore been set to 25%. The Company consequently estimates the addressable population for rescue lumbar spinal fusion to be 33,875 in Europe, the US and Japan.

In recent years, the spinal fusion market has grown considerably; spinal fusions increased by 77% in the US from 2002 to 2011.[26] According to a GlobalData report, this growth is largely the results of the increase in indications for which spinal surgery can be performed. GlobalData estimates that the market will continue to grow, albeit at a smaller annual rate of 5%. On the one hand, the ageing population supports expansion; on the other hand, changing reimbursement policies may start putting pressure on the market. The Company believes that through the development of new minimally invasive treatments, more patients suffering from failed spinal fusion will be eligible for a revision surgery.



Competition

The spinal fusion market is segmented into two product classes, *i.e.*, hardware devices (plates, screws and cages) and bone grafts. These two classes are inter-related as the hardware is needed to stabilise the vertebrae and the grafts are needed to promote fusion. Bone autograft is still perceived as the gold-standard for spinal fusion procedures, despite high safety concerns (in particular donor site pain).[27] As a wide array of alternatives is now on the market, a gradual shift is observed from bone autograft towards bone substitutes. This overcrowded product class - with over 200 different products available for the surgeons - is currently dominated by major medical device manufacturers. The bone substitutes on the market are (i) allografts, mostly cadaver bone (DBM from Biomet, Zimmer, Synthes, etc.) and (ii) ceramics (Stryker, Baxter, etc.). The market for bone substitutes is characterized by rapid technological change, frequent introduction of new products and evolving surgical practices toward minimally invasive procedures. Experts estimate that this market will be driven mostly by innovation and by the companies' novel positioning as part of a broad therapy system. In such a therapeutic setting, the synergic combination of hardware devices, bone substitutes and adapted surgeries would ensure better therapeutic outcomes.

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

Recently, the negative media coverage surrounding Medtronic's Infuse® (along with FDA investigations, lawsuits and decreased sales) has opened the market to alternative therapies.[28] In this changing landscape, the Company believes that its cell products, used as an add-on therapy to synthetic bone substitutes in standard fusion procedures, could offer a better treatment option - and will be cost-effective by achieving a faster and more solid fusion. A cell therapy approach for spinal fusion has already been investigated by Mesoblast with its undifferentiated stem cells. Following completion of Phase II in 2012, Phase III has been put on hold due to a change in Mesoblast's priorities.[29]

[24] *Aghion et al. Failed back syndrome. Medicine & Health / Rhode Island 2012(95)391-393.*
[25] *Awe et al. Impact of total disc arthroplasty on the surgical management of lumbar degenerative disc disease: Analysis of the Nationwide Inpatient Sample from 2000 to 2008. Surgical Neurology International 2011(2)139-143.*
[26] *Size of spinal fusion market to suffer amid scrutiny. GlobalData, Joseph Gregory, May 6, 2014.*
[27] *Myeroff C and Archdeacon M. Autogenous Bone Graft: Donor sites and Techniques. The Journal of Bone and Joint Surgery. 2011; 93A (23): 2227-36.*
[28] *http://www.drugwatch.com/infuse/.*
[29] *Mesoblast press release dated 26 August 2014 and Mesoblast website.*

Overview of cell therapy companies active in lumbar spinal fusion.[30]

Companies	Location	Product(s)	Source	Product type	Status
Theracell	UK	Chondroseal	Autologous	Adipose-derived stem cells + injectable scaffold	N/A
Mesoblast	Australia	Neofuse®	Allogeneic	Bone-marrow-derived MPC + scaffold	Ph II completed On hold
Xcelia	Spain	Xcel-Mt-Osteo-Alpha	Autologous	Bone marrow-derived MSC	Ph I/IIA ongoing
Novadip Biosciences	Belgium	Creost®	Autologous	Adipose-derived MSC (3D structure)	Preclinical (some clinical data under hospital exemption)
Discontinued clinical programmes:					
Vericel Corporation	US	NA	Autologous	MSC/HSC/EP + scaffold	Ph I/IIA completed

EP: endothelial progenitor cell; HSC: hematopoietic stem cell; MSC: mesenchymal stem cells. Vericel Corporation was formerly Aastrom Biosciences.

In parallel, the Company has initiated, in the course of 2015, a clinical trial to evaluate the use of its cell products ALLOB® as a last-line treatment for failed spinal fusion procedures. In this setting, the products are implanted by a unique minimally-invasive percutaneous injection into the failed fusion area to trigger bone formation. The Company expects these products to compete advantageously with standard medical practises (*i.e.*, open re-interventions) with regard to enhanced safety and efficacy.

5.4.2 THE FRACTURE PREVENTION MARKET

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

5.4.2.1 Osteonecrosis of the hip

Description

Osteonecrosis is a painful condition in which the joint of the hip degenerates progressively, ultimately leading to collapse of the femoral head, requiring a total hip replacement. This condition typically affects relatively young people (30-50 years old)[31], where hip replacement is not appropriate due to the limited lifespan of the prosthesis. Unfortunately, due to the lack of alternative treatments, nearly 50% of patients will require a hip replacement before the age of 40. It is estimated that out of the total hip arthroplasties ("**THA**") performed, which exceed 1.5 million procedures each year in the US and in Europe, about 10% can be attributed to osteonecrosis.[32] The global sales related to hip replacement exceeded $6 billion in 2014.[33] Assuming 10% of the hip prosthesis market in Europe and the US concerns osteonecrosis, the market of hip replacement for osteonecrosis can be estimated to be close to € 0.5 billion.

Market Size

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

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

Competition

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

Core decompression is the most used therapeutic option for early-stage osteonecrosis: despite the highly variable reported success rates (14-82%)[34] and a controversial efficacy,

[30] *Company websites and clinicaltrials.gov.*
[31] *Lane NE. Therapy Insight: osteoporosis and osteonecrosis in systemic lupus erythema-tosus. Nature Clinical Practice Rheumatology. October 2006; 2(10): 562-569.*
[32] *5-12%: Lieberman et al. OSteonecrosis of the hip: management in the twenty-first century. J Bone Joint Surg Am 2003(84)834-853; 10%: Mankin et al. Nontraumatic necrosis of bone. NEJM 1992(326)1473-1479; 5-18%: Vail et al. The incidence of osteonecrosis. Osteonecrosis – etiology, diagnosis and treatment 1997 p.43-49.*
[33] *Orthoworld. The orthopaedic industry annual report for year ending December 31, 2014.*
[34] *Ciombor, Deborah McK, Aaron, Roy K. M.D. Biologically Augmented Core Decompression for the Treatment of Osteonecrosis of the Femoral Head. Techniques in Orthopaedics March 2001; 16(1): pp 32-38.*

this surgical procedure dating back to the 1940s is still considered as the standard of care. Other available treatments include (i) conservative interventions (*e.g.*, exercise, electrical stimulation) which are usually used upon diagnosis and (ii) surgical approaches, such as osteotomy or bone graft. These surgeries show good results, but their invasiveness limits their application to advanced stage (III) patients. Other therapeutic options more recently developed (*e.g.*, with growth factors, cement, bone marrow graft) are either perceived to have limited effectiveness or excessive complexity.[35]

Furthermore, to the best of the Company's knowledge, there are no on-going clinical studies for this condition and no other cell therapy companies active in osteonecrosis using differentiated bone cells.

Overview of cell therapy companies active in osteonecrosis.[36]

Companies	Location	Product(s)	Source	Product type	Indication	Status
REBORNE (Academic EU Project)	Europe	REBORNE ORTHO-2	Autologous	Bone marrow–derived MSC	Osteonecrosis	PhI ongoing
Discontinued clinical programmes:						
Vericel Corporation	US	NA	Autologous	MSC/HSC/EP	Hip osteonecrosis	PhII completed in 2010

EP: endothelial progenitor cell; HSC: hematopoietic stem cell; MSC: mesenchymal stem cells. Vericel corporation was formerly Aastrom Biosciences.

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

5.4.2.2 Severe osteoporosis

Description

Osteoporosis is characterized by an excessive loss of bone mass leading to bone fragility and increased risk of fracture.

Market Size

The disease affects approximately 75 million people in Europe, the US and Japan, of which 30 million have an established osteoporosis, making it one of the most common and debilitating chronic diseases. The severity of the condition can be best understood by the fact that, in Europe, one osteoporotic fracture occurs every 30 seconds. In 2013, the global osteoporosis drug market generated $8 billion in revenues,[37] with the market expected to grow at a compound average growth rate of 4-5%.[38]

Competition

Several anti-osteoporotic treatments exist of which most prevent bone resorption and do not induce bone formation. Despite the availability of these treatments, osteoporosis remains a significant health problem for patients who do not respond to or fail to comply with their regimens. Up to 30% of osteoporosis patients do not respond adequately to treatment and are still losing bone mass or experiencing fractures.[39]

The market for osteoporosis is segmented on the basis of the drugs' mechanisms of action. Available biologics either inhibit bone resorption (bisphosphonates (*alendronate*; Merck), RANK–L inhibitors (*denosumab*; Amgen, etc.)), or promote bone formation (parathyroid hormone (*teriparatide*; Eli Lilly)).[40] Traditionally dominated by bisphosphonates, the market is expected to substantially change over the next decade following the recent genericization of bisphosphonates and the emergence of new drug classes as second-line therapies.[41] Despite demonstrated efficacy, most available drugs are not fully satisfying due to safety issues (*e.g.*, osteonecrosis of the jaw), intolerance to treatment and regimen inconvenience. Together with the 35% non-responding patients, these concerns motivate physicians to seek novel alternative treatments.[42]

It is a highly competitive field for first-line with multiple major pharmaceutical companies operating in the field. The Company believes there is a significant opportunity for cell therapy-based products, such as the Company's products, as last-line treatment for patients who do not respond to the available biologics or who fail to comply with their regimens. Potential competitors would include *odanacatib* (Merck) and

[35] *Zalavras et al. Osteonecrosis of the femoral head: evaluation and treatment. J Am Acad Orthop Surg 2014(22)455-464.*
[36] *Company websites and clincialtrials.gov.*
[37] *PharmaPoint: Osteoporosis - Global Drug Forecast and Market Analysis to 2022.*
[38] *Global Industry Analysts, Osteoporosis Therapeutics: A Global Strategic Business Report (2012); Infiniti Research Limited (Technavio), Osteoporosis Drugs Market in the APAC Region 2015-2019 (2014); Infiniti Research Limited (Technavio), Global Osteoporosis Drugs Market Report 2014-2018 (2014); Transparency Market Research, Osteoporosis Drugs Market (2013).*
[39] *Confavreux et al. Defining treatment failure in severe osteoporosis. Joint Bone Spine 2010(77)128-132.*
[40] *Geusens et al. Drug Insight: choosing a drug treatment strategy for women with osteoporosis – an evidence-based clinical perspective Nature Clinical Practice Rheumatology 2008(4)240-248.*
[41] *Visiongain. Osteoporosis Treatment and Prevention: World Drug Market Forecast 2014-2024 & Future Prospects for Leading Companies.*
[42] *Confavreux et al. Defining treatment failure in severe osteoporosis. Joint Bone Spine 2010(77)128-132.*

romosozumab (Amgen/UCB) which are likely to enter the market in the coming years for first-line treatment.

5.5 REGULATORY FRAMEWORK

In each country where it conducts its research and intends to market its products and product candidates, the Company has to comply with regulatory laws and regulations (hereinafter, collectively the Regulatory Regulations), including regulations laid down by regulatory agencies and by other national or supra-national regulatory authorities (hereinafter, collectively the Competent Authorities), as well as industry standards incorporated by such Regulatory Regulations, that regulate nearly all aspects of the Company's activities. The Competent Authorities notably include the European Medicines Agency (EMA) in Europe – as well as the national agencies – and the Food and Drug Administration (FDA) in the US.

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

5.5.1 MEDICINAL PRODUCT AND CLINICAL STUDY REGULATIONS

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

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

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

Bone Therapeutics' Manufacturing Site has been inspected by the regional competent authorities (Federal Agency for Medicines and Health Products, Belgium) and is registered as a "Pharmaceutical Establishment" and accredited as a "GMP" facility under the number 1698 by the Belgian Competent Authorities (Federal Agency for Medicines and Health Products), as requested by the Directive 2001/83/EC, 2009/120/EC and regulation EC 1394/2007.

Overview of cell therapy companies active in osteonecrosis.

Agreement / license	Competent Authority*	Date of approval
Manufacturing authorization and intra-EU distribution authorization for PREOB® & ALLOB®	Federal Agency for Medicines and Health Products	Agreement updated on: 8 Jan 2013
GMP agreement	Federal Agency for Medicines and Health Products	23 Jan 2012 (renewal received Oct 2014)
Tissue Bank / Production Establishment (PREOB®)	Federal Agency for Medicines and Health Products	18 Jul 2011
Tissue Bank / Intermediary Structure (ALLOB®)	Federal Agency for Medicines and Health Products	19 Feb 2013

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

Competent Authorities are aware of the specificities of cell-based product candidates, and give much attention to their upfront characterisation and to the development of assays to measure their biological activity. The preclinical and clinical development paths are broadly similar in Europe (governed by Directive 2001/20) and in the US. Initially, non-clinical studies are conducted to evaluate the mode of action and safety through *in vitro* and *in vivo* studies. Upon successful completion of preclinical studies, a request for a Clinical Trial Authorisation (CTA, in the EU) or an Investigational New Drug application (IND, in the US), needs to be approved by the relevant Competent Authorities and Ethics Committee for clinical trials to be allowed to start. Clinical trials are typically conducted in sequential phases, Phases I, II and III, with Phase IV studies conducted after marketing approval. Phase IV trials are generally required for products that receive conditional and/or accelerated approval (but may be required for other products as well). These phases may be compressed, may overlap or may be omitted in some circumstances.

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

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

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

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

5.5.2 MARKETING APPROVAL

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

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

5.5.3 PRICING AND REIMBURSEMENT

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

Acceptance for reimbursement comes with cost, use and often volume restrictions, which again vary from country to country.

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

5.6 MATERIAL AGREEMENTS

For information on the Company's material financing agreements see Section 5.8.

For information on the Company's material grants and subsidies agreements see Section 5.9.

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

5.6.1 SHAREHOLDERS' AGREEMENT IN RELATION TO SCTS

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

5.6.2 LICENSE AGREEMENT BETWEEN UNIVERSITÉ LIBRE DE BRUXELLES (ULB) AND THE COMPANY REGARDING ULB-028 PATENT FAMILY

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

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

new objectives fixed, either on a mutual agreement by the Parties or by the independent expert, Licensor may either reduce the scope of the agreement or make the agreement non-exclusive or terminate it.

In the event that the Company develops an improvement to the technology, it must grant the ULB a free, perpetual, worldwide and non-exclusive license over such improvement for research and educational purposes only. The ULB is also granted a right of first refusal to negotiate license rights over such improvement outside the skeletal and dental diseases and application field for commercial purposes. In the event that the ULB develops an improvement to the technology, the Company has a right of first refusal to negotiate license rights over such improvement at fair market conditions.

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

5.6.3 CO-OWNERSHIP AGREEMENT BETWEEN THE ULB, THE UNIVERSITÉ DE LIÈGE-PATRIMOINE, LE CENTRE HOSPITALIER UNIVERSITAIRE DE LIÈGE (CHU) AND THE COMPANY REGARDING THE ULB-061 PATENT FAMILY

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

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

The Company is granted a right of first refusal of an exclusive patent license agreement regarding the considered patent family. Such license agreement was entered into on 17 April 2014 (see under Section 5.6.4).

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

If the claimed invention is operated by the Company according to its above right of first refusal, the cost of the patent prosecution shall be supported by the Company for the duration of the granted patent license and the benefits of this operation shall be shared with the other parties according to their part in the ownership of the invention and related patent rights.

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

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

5.6.4 LICENSE AGREEMENT BETWEEN THE ULB, THE UNIVERSITÉ DE LIÈGE-PATRIMOINE, LE CENTRE HOSPITALIER DE LIÈGE AND THE COMPANY REGARDING THE ULB-061 PATENT FAMILY

The ULB, the Université de Liège-Patrimoine (ULg), le Centre Hospitalier (CHU) de Liège and the Company entered into a co-ownership agreement dated 18 October 2011 (see under Section 5.6.3) regarding the ULB-061 patent family, according to which the Company was granted a right of first refusal to obtain a license agreement regarding the said patent family. Implementing this right of first refusal, the parties entered into a license agreement on 17 April 2014. Under this agreement, the Company is granted an exclusive, non-assignable, worldwide license to use the technology claimed by the ULB-061 patent family in the field of bone and joint pathologies.

The licensors however retain the right to operate this technology in the above field for research and educational purposes only. The Company may grant sublicenses, the choice of sub-licensee(s) being subject to prior approval by the licensors. In consideration of the rights granted to the Company, it pays certain moderate

lump-sum amounts and single digit royalties to the licensors.

The Company recognizes that it must use its reasonable commercial efforts to develop products under the technology according to a development program (which the Company may reasonably amend) appended as schedule 2 to the license agreement (preclinical development during 2014-2017, exploratory Phase I/IIA study during 2018-2020, confirmatory Phase IIB/III study during 2020-2024, regulatory approval (CE marking) during 2025, EU product launch from 2026).

The Company must use its best efforts to manufacture and market such products according to a marketing plan to be drafted by the Company not later than 60 months after the date of the license agreement. If it fails to do so, the licensors may require the Company to produce a written report summarizing its efforts during the previous year and the milestones to be achieved in the next year, and if the licensors demonstrate that such report is reasonably not satisfactory, they may terminate the license agreement.

In the event that the Company develops an improvement to the technology, it must grant the licensors a free, perpetual, worldwide non-exclusive license over such improvement for research and educational purposes only. In the event that the ULB develops an improvement to the technology and is willing to license it, the Company has a right of first refusal to negotiate license rights over such improvement in the field of the license.

The license agreement will expire on the expiry of the obligation to pay royalties as determined above. In such case the license is said to become perpetual and fully paid-up. The Company may terminate the license agreement at its discretion by giving 6 months prior written notice to the licensors.

Either party may terminate the agreement if the other party is in breach of its terms and fails or has not taken reasonable steps to remedy the breach within 60 days of receiving a written notice to do so.

The licensors may terminate the agreement if the Company, (i) ceases to carry on its business related to the agreement, (ii) is likely to become insolvent or bankrupt or subjected to liquidation or insolvency proceedings or (iii) commits an act of dishonesty with respect to the licensors or the technology (such as challenging ownership or validity of patents in the patent family).

5.6.5 LICENSE AGREEMENT BETWEEN ENRICO BASTIANELLI SPRL AND THE COMPANY REGARDING THE BPBONE-001 AND BPBONE-002 PATENT FAMILIES

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

In consideration of the rights granted to the Company, the Company pays certain moderate lump-sum payments and average low single digit royalties on net sales to Enrico Bastianelli SPRL. Sublicense agreements are subject to royalties in line with Section 5.6.2 "License agreement between Université libre de Bruxelles (ULB) and the Company regarding ULB-028 patent family".

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

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

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

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

previous agreement but within the field of joint diseases and applications.

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

5.6.6 AGREEMENT BETWEEN ENRICO BASTIANELLI SPRL AND THE COMPANY REGARDING THE BONE-011 PATENT FAMILY

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

Under this agreement the Company is granted an exclusive and worldwide license in the field of cell therapy for bone diseases (royalty-free) and in the field of joint diseases and applications (on a royalty bearing basis). These royalties to be paid by the Company are identical to the royalties and percentages which are due under the agreement between the same parties regarding the BPBONE-001 and BPBONE-002 patent families (see Section 5.6.5 "License agreement between Enrico Bastianelli SPRL and the Company regarding the BPBONE-001 and BPBONE-002 patent families").

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

5.6.7 SUBLICENSE AGREEMENT BETWEEN SCTS AND THE COMPANY REGARDING THE EP MEMBER OF THE ULB-028 PATENT FAMILY

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

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

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

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

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

5.6.8 SUBLICENSE AGREEMENT BETWEEN THE COMPANY AND SCTS REGARDING THE BPBONE-001 & 002 PATENT FAMILIES

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

The Company is granted a worldwide exclusive back-license over all the results and improvements obtained by SCTS in the above field. In consideration of the said back-license, the Company must make payments to SCTS in accordance with an agreement between the parties to be set out in a separate

document. It is not clear if such separate document has already been agreed between the parties.

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

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

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

5.7 COLLABORATIONS

5.7.1 INDUSTRIAL COLLABORATIONS

The Company has entered into industrial collaborations with:

- Kasios SPRL (Belgium and France), to develop novel products for spinal fusion procedures. The first collaboration combines the Company's allogeneic product ALLOB® with Kasios' synthetic micro-granules bone substitute. The project is supported by the Walloon Region and will run for two years. A new project, announced on 2 February, 2016, aims to provide a ready-to-use product for spinal fusion procedures by combining the ALLOB® cells with Kasios' spinal fusion cage with 3D-printed matrix. Kasios is a France-based company with a Belgian subsidiary (Kasios SPRL) that specializes in synthetic bone substitutes for orthopaedics and dental surgery and has an established expertise in biomaterials.
- Fujifilm Manufacturing Europe B.V. (The Netherlands), to identify the therapeutic advantages of the combined use of recombinant-collagen scaffold and cells for orthopaedic applications. A Marie Curie grant has been awarded (part of the European Commission Seventh Framework Programme for Research and Innovation (FP7)) to support the project. The Dutch manufacturing company is one of the largest Fujifilm production companies outside Japan.
- SIRRIS (Belgium) and Image Analysis Ltd. (United Kingdom), to assess the feasibility of developing 3-D patient-tailored bioresorbable bone tissue engineered products for the reconstruction of bone defects. A European M-ERA.net grant has been awarded to support this research. Image Analysis is a medical imaging company set up to bridge the gap between the best of academic research and routine clinical practice. SIRRIS is the Belgian research centre for the technological industry established in 1949, and is a European leader in additive manufacturing.
- BIO.be (Belgium), to develop and valid new alternative control quality methods. The project is subsidized by the Walloon Region. BIO.be is a Belgian SME specialized in pathological and genetic analysis (subsidiary of The Institute of Pathology and Genetics - IPG).
- CER Groupe (Belgium), to study the immune response of human cells xenografts in a non-animal heterologous model and to study the effect of ALLOB® product on osteomyelitis. Both projects are CWALity[43] projects founded by the Walloon Region. CER Groupe is the merger of various non-profit associations, has forged a solid expertise in the field of biomedical research, and is currently recognized by the Walloon Region as a certified Research Centre.

5.7.2 ACADEMIC / CLINICAL COLLABORATIONS

5.7.2.1 Collaboration with the Université libre de Bruxelles

The Company has a core academic, research and license collaboration with the Université libre de Bruxelles and Erasme University Hospital (Brussels). The Université libre de Bruxelles, owner of the ULB-028 patent family entitled "A method for cell differentiation and uses thereof" (see Section 5.6.2 "License agreement between Université libre de Bruxelles (ULB) and the Company regarding ULB-028 patent family") concerning PREOB®, has granted the Company a worldwide, exclusive, personal and non-transferable license to use, modify, perform research, develop, manufacture and commercialize the licensed products.

5.7.2.2 Collaboration with the Université libre de Bruxelles, Université de Liège-Patrimoine and Centre Hospitalier Universitaire de Liège

The Company has entered into a license agreement with the Université libre de Bruxelles, Université de Liège-Patrimoine and Centre Hospitalier Universitaire de Liège on 17 April 2014 concerning the invention related to "Markers for impaired

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

fracture healing" (see Section 5.6.4 "License agreement between the ULB, the Université de Liège-Patrimoine, le Centre Hospitalier de Liège and the Company regarding the ULB-061 patent family"). The Company has been granted a worldwide, exclusive royalty-bearing license to develop, use, make, have made, offer for sale, sell and import products and to perform licensed processes.

5.7.2.3 Collaboration with CHU Liège (Sart-Tilman)

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

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

The Company is cooperating for several of its research projects with the Centre for Microscopy and Molecular Imaging (CMMI) that was created in a joint venture between the Université de Mons and Université libre de Bruxelles. The CMMI has created a profound expertise in imaging and cellular labelling that gives the Company access to essential information for preclinical characterization and validation of products and allows better evaluation of safety and efficacy of clinical products in development. Two projects, funded by the Walloon Region, have been set up in coooperation with CMMI: (i) the "CARTIM" project was designed to validate the efficacy of new osteoarthritis treatments in a novel model that allows non-invasive and quantitative measurement of cartilage *in vivo*; (ii) the "OSTEOMOD" project will evaluate and follow the efficacy of fracture repair treatments *in vivo* in small animals through quantitative and qualitative imaging.

5.7.2.5 Collaboration with the Department of Rheumatology and Physical Medicine (Hôpital Erasme, Université libre de Bruxelles)

Bone Therapeutics is collaborating with the Department of Rheumatology and Physical Medicine (Hôpital Erasme, Université libre de Bruxelles) on the discovery of new systemic cell therapies to treat bone diseases. The joint project, named "OsCirc" for circulating osteoblasts, is a 2-year public-private partnership (PPP) supported by the Walloon Region. OsCirc will seek to further evaluate circulating osteoblasts as a differentiated cell product to be utilized as an innovative systemic treatment for bone diseases. This collaborative project will be another important step in developing intravenous cell therapies to treat bone diseases.

5.8 FINANCING AGREEMENTS

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

Bone Therapeutics SA has the following financing agreements in place:

- Under the framework of the European Regional Development Fund 2007-2013 (ERDF/FEDER) the Company has been granted, through a selection progress organized by the Walloon Region through Novallia SA, a long term subordinated loan for a an amount of € 500,000 for a period of 10 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance the development of PREOB® for the treatment of non-union fractures. The loan carries a market-based interest rate and as of the third year fixed quarterly instalments are due to reimburse the capital. The loan was concluded on 25 May 2012 and the final repayment is foreseen on 31 March 2022.
- A long term subordinated loan has been awarded to the Company by Sambrinvest SA for an amount of € 250,000 for a period of 7 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance research activities related to severe fractures. The loan carries a market-based interest rate and as of the start of the third year fixed monthly instalments are due to reimburse the capital. The contract was concluded on 24 February 2011, the loan was granted on 31 July 2012 and the final payment is foreseen on 30 June 2019.
- Furthermore, the Company has a number of leasing agreements provided by WBC Incubator to finance research equipment, representing an amount outstanding of € 0.08 million as per 31 December 2015.

SCTS SA has the following financing agreements in place:

- La SA Fonds de Capital à Risque has provided a subordinated loan to SCTS SA for an amount of € 370,000. This loan fits within the framework of Regional support as referred to under the EFDR/FEDER regulations. The duration of the loan is for 15 years. The loan carries a market-based interest rate payable on a monthly basis. Capital reimbursement is based on fixed monthly instalments but with a two year moratorium during which no capital reimbursements will take place. There are no securities provided by SCTS SA in respect of this loan agreement. The contract was concluded on 27 March 2013. The first capital reimbursement of € 2,371.79 is foreseen for 31 March 2016.
- Under the framework of the European Regional Development Fund 2007-2013 (ERDF/FEDER) SCTS SA has been granted, through a selection process organized by the Walloon Region through Novallia SA, a subordinated loan for a an amount of € 500,000 euro for a period of 10 years (with a 2 years moratorium in respect of capital reimbursements). The loan serves to finance the development work (optimization of production processes) under the "PROFAB" project. The loan carries a market-based interest rate and as of the third year fixed quarterly instalments are due to reimburse the capital. The loan was concluded on June 21, 2013 and the final repayment is foreseen on 30 June 2023. The first capital reimbursement of € 15,625 was made on 30 September 2015.
- The Walloon Region (through a delegated mission for Sofipôle SA) has provided a subordinated loan to SCTS SA for an amount of € 500,000. This loan serves to co-finance the construction project for a platform for cellular therapy in the SCTS building at the BioPark of Gosselies (south of Brussels). The loan is to be repaid in full at the maturity date being 30 June 2028. The loan carries a market-based interest rate payable on a quarterly basis. There are no securities provided by SCTS SA in respect of this subordinated loan. The contract was entered into on 10 April 2013. This loan has been used at the end of the year 2015.
- BNP Paribas Fortis SA/NV and ING Belgique SA/NV provided long term investment credit facilities to finance the infrastructure project, each for an amount of € 1,625,000 euro.

At the end of 2015, the Company received € 1.10 million from ING and € 1.56 million from BNP Paribas Fortis.

Although the terms and conditions of the investment credit facilities are different, they have a term of 15 years which can be called upon in function of the progress of the completion of the project. In principle, the applicable interest rate amounts to EURIBOR 3M (the reference rate) increased with a market-based interest rate. SCTS SA has the option to negotiate fixed interest rates for periods up to the end of the contracts. The capital will be repaid in fixed amounts payable on a quarterly basis. The first reimbursement of € 31,250 to BNP Paribas Fortis SA/NV was made on 30 September 2015 and the first reimbursement of € 31,250 to ING Belgique SA/NV was made on 30 September 2015.

In addition to the long term credit facilities, both banks provided a straight loan facility, each for an amount of € 1,450,000 to pre-finance the investment premium granted by the Walloon Region. The contracts were entered into on 27 May 2014. The straight loans facilities were fully drawn at the end of December 2014. The Company already reimbursed € 1.63 million in July 2015.

For the straight loan facility interest rates and terms are decided based on what is appropriate for the chosen term. On the date of this Annual Report, these facilities are used.

BNP Paribas Fortis SA/NV has, amongst other things, requested the following security in respect of the above loans/facilities to be granted in parity with the security granted to ING Belgique SA/NV:

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

5.9 GRANTS AND SUBSIDIES

UNION EUROPÉENNE

5.9.1 BONE THERAPEUTICS

From incorporation until 31 December 2015, the Company has been awarded non-dilutive financial support from the Walloon Region totalling € 21,896,000. This financial support has been granted in the form of recoverable cash advances ("**RCAs**") for an amount of € 18,517,000 of which € 14,960,000 has been paid out to the Company as of 31 December 2015, and in the form of (non-refundable) subsidies for an amount of € 3,380,000 of which € 2,604,000 has been paid out to the Company as of 31 December 2015. The Company intends to continue to apply for RCAs and subsidies to fund its development and research programs.

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

5.9.1.1 Recoverable cash advances

RCAs are dedicated to support specific research and development programs. After approval/grant, RCA contracts consist of three steps, *i.e.*, the "research phase", the "decision phase" and the "exploitation phase". During the research phase, the Company receives funds from the Walloon Region based on statements of expenses. At the end of the research phase, the Company should within a period of six months decide whether or not to exploit the results of the research program (decision phase). The exploitation phase has a duration of 10 years or 25 years. In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable. The reimbursements of the RCAs to the Walloon Region consist of two elements, *i.e.*, turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum independent of the Company's turnover). The accounting treatment for RCA's, following IFRS guidelines, is different for the turnover-independent reimbursements than for the turnover-dependent reimbursements in function of the likelihood of the reimbursement of the last ones. The turnover-independent part will be considered as a "government loan", whilst the turnover-dependant part of the RCA will be considered as "forgivable loan". For a detailed description of the respective accounting treatments we refer to the notes to the consolidated financial statements 15.1.9.1 "Other operating income – Forgivable loans".

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

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

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

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

- Funding by the Walloon Region covers **70%** of the budgeted costs;
- Certain activities have to be performed within the Walloon Region;
- In case of an out-licensing agreement or a sale to a third party, the Company will have to pay in principle 10% of the payments received (excl. of VAT) to the Walloon Region;
- The exploitation phase has a duration of **10 years**
- Turnover-independent reimbursements, turnover-dependent reimbursements, and amounts due in case of an out-licensing agreement or a sale to a third party, are, in the aggregate, capped (except for interests) at **100%** of the principal amount paid out by the Walloon Region;

- Turnover-dependent reimbursements, 5% (including accrued interest) of the principal amount of the RCA, payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year.

Contracts granted before 2015 contain the following specific conditions:

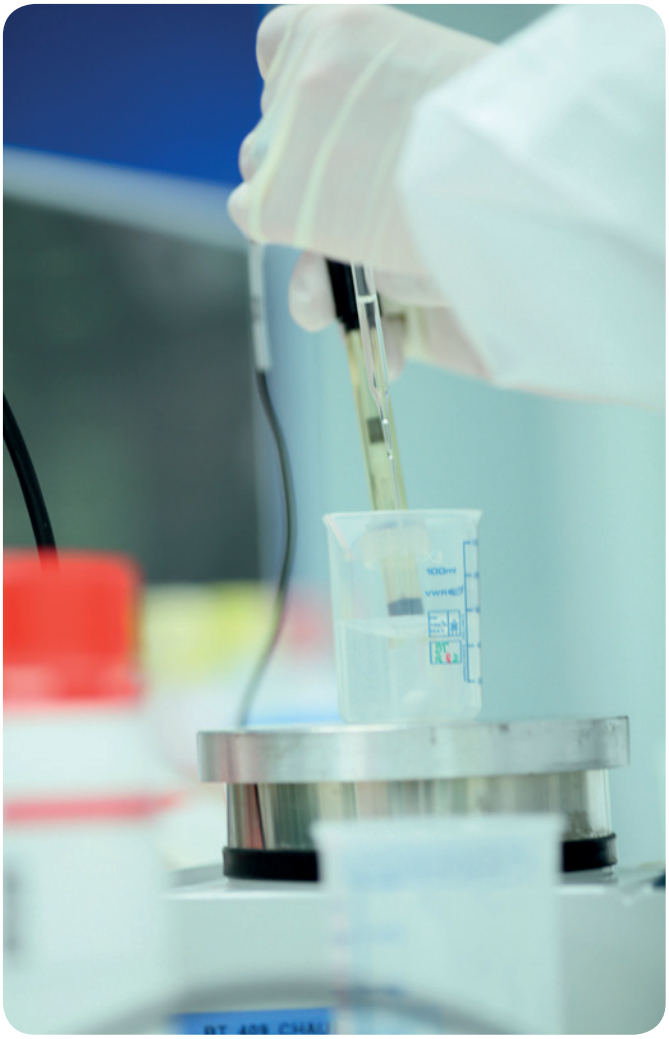
- Funding by the Walloon Region covers **60%** of the budgeted costs (contracts 6064, 6187, 6700, 6446, 6337, 6539, 6805, 6834, 6855, 7029, 7028, 7187 and 7217); or covers **75%** of the budgeted project costs if there is a collaboration with a Company established in Walloon Region (contracts 5993, 6081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

Contracts granted as of 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **55%** of the budgeted costs (contracts 7405 and 7433);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate **30%** of the principal amount;
- The exploitation phase has a duration of **25 years**
- Turnover-dependent reimbursements range between 0.847% and 0.90% of turnover realized during a specific year;
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at **200%** of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted as of 2015 are expressed to be assumed by the Walloon Region by operation of law.

Changes made to contracts granted before 2015:

During 2015, it was agreed to prolong the duration of the exploitation phases of the projects linked to ALLOB®. The duration for those projects has been extended until 31 December 2042. This concerns the following contracts: contracts 6805, 6187, 6700, 7187 and 7186.



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

Contract N°	Name	Initial budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2015 (k€)	Turnover-dependent reimburse-ment
5369	HOMING*	650	2012-2021	648	280	5%
5827	MATOB*	800	2012-2021	744	270	5%
6064	PREOB*	998	2013-2022	299	101	0.051%
6446	METHODES*	660	2014-2023	198	14	0.073%
5993	JOINTAIC*	432	2014-2023	130	0	0.085%
6834	STABCELL*	411	2015-2024	118	5	0.04%
6805	ALLOB NU*	600	2015-2042	180	10	0.2%
6337	PREOB NU*	2,961	2015-2024	888	30	0.59%
6187-6700	ALLOB	1,363	2015-2042	409	0	1.2%
6081	GXP	1,567	2015-2024	470	0	0.007%
6539	MAXBONE*	690	2015-2024	207	7	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	2016-2042	78	0	0.175%
7186	ALLOB IF	620	2017-2042	186	0	1.28%
7217	MXB BIOPRINTING	1,000	2017-2026	300	0	0.1093%
7405	MECA OB	1,815	2018-2042	545	0	0.847%
7433	ALLOB SEQ	1,920	2018-2041	576	0	0.90%
TOTAL		**18,897**		**6,621**	**717**	

**Exploitation already signified to the Walloon Region*

Out of these contracted RCAs, up to 31 December 2015, € 14,960,000 has been effectively paid out. The remaining € 3,557,000 is expected to be received before mid-2018.

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

Subsidy Names	Related Company's Projects & Activities	Description
HOMING	PREOB®	Study of homing properties of PREOB®
MATOB	PREOB®	Study of secretion of extracellular matrix proteins of PREOB®
PREOB	PREOB®	Phase IIB clinical study in osteonecrosis with PREOB®
METHODES	Quality control	Optimisation of QC analytical methods
JOINTAIC	JTA	Pharmaceutical development of JTA
STABCELL	PREOB® & ALLOB®	Optimisation of PREOB® and ALLOB® stability
ALLOB NU	ALLOB®	Preclinical and clinical development of ALLOB®
PREOB NU	PREOB®	Non-union clinical study with PREOB®
ALLOB	ALLOB®	Preclinical and clinical development of ALLOB®

GXP	Quality system	Set-up of preclinical, clinical and quality control quality systems
MAXBONE	MXB	Pharmaceutical development of MXB
JTA	JTA	Pharmaceutical development of JTA
CRYO	ALLOB®	Development of cryopreservation of ALLOB
PREOB ON3	PREOB®	Phase III clinical study in osteonecrosis with PREOB®
BANK	ALLOB®	Optimization of human biological material supply
ALLOB IF	ALLOB®	Preclinical and clinical development of ALLOB® in spine fusion
MXB BIOPRINTING	MXB	Preclinical development of 3D MXB cell-matrix products
MECA OB	ALLOB®	Study of cell mechanisms implicated in chemotaxis and migration of osteoblastic cells
ALLOB SEQ	ALLOB®	Study of the ALLOB® cells secretome and its impact on the serum profile of key proteins implicated in bone reconstruction in delayed-union fractures phase II study.

5.9.1.2 Subsidies

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

Subsidies granted by the Walloon Region and amounting to € 3,380,000 are related to patent applications (contracts 820020, 920572, 820018, 920571, 820060, 820126, 920569, 820127, 820125, 920570, 1120242, 1320011, 1320145, 1320190, 820019, 820046, 820047, 1120198, 1220075, 1320146, 1120197, 1220076, 1320144, 1220028, and 1220029) together the "**Patent Subsidies**") and research programs (contracts n° 1017112, 6559, 607051, 1217891, 1318272, 1318269 and 1318215).

As of 31 December 2015, the Company has been granted subsidies related to patent applications totalling € 1,081,000 of which € 911,000 has been received. The balance will be granted based on statements of expenses to be submitted to the Walloon Region.

The Company has also been granted subsidies by the Walloon Region to fund 70% of costs of research programs for an amount of € 2,059,000 (contracts n° 1017112, 6559, 1217891, 1318272 and 1318269) (together, the "Research Subsidies"), to fund 80% of costs of research programs for an amount of € 240,000 (contract n°1318215) and by the European Commission to fund 100% of costs of research programs for an amount of € 368.000 (contract n° 607051). These Region and European Commission subsidies for research are in principle not refundable. Out of the subsidies contracted as of 31 December 2015 for research programs, € 1,693,000 has been effectively paid out. The remaining € 606,000 is expected to be received before end of 2017.

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

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

5.9.2 SKELETAL CELL THERAPY SUPPORT (SCTS)

Since incorporation, SCTS has been awarded non-dilutive financial support from the Walloon Region totalling € 3,345,000. This financial support has been granted in the form of RCAs for an amount of € 2,950,000 of which € 1,433,000 has been paid out to SCTS as of 31 December 2015, and in the form of (non-refundable) subsidies for an amount of € 395,000 of which € 395,000 has been paid out to the SCTS as of 31 December 2015.

5.9.2.1 Recoverable cash advances

RCAs are dedicated to support specific research and development programs. After approval/grant, RCA contracts consist of three steps, *i.e.*, the "research phase", the "decision phase" and the

"exploitation phase". During the research phase, SCTS receives funds from the Walloon Region based on statements of expenses.

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

At the end of the research phase, SCTS and Bone Therapeutics should within a period of six months decide whether or not to exploit the results of the research program (decision phase). The exploitation phase has a duration of 10 years, 15 years or 25 years. In the event SCTS decides to exploit the results under an RCA, the relevant RCA becomes refundable. The reimbursements of the RCAs to the Walloon Region consist of two elements, *i.e.*, turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum independent of SCTS' turnover). The accounting treatment for RCA's, following IFRS guidelines, is different for the turnover-independent reimbursements than for the turnover-dependent reimbursements in function of the likelihood of the reimbursement of the last ones. The turnover-independent part will be considered as a "government loan", whilst the turnover-dependant part of the RCA will be considered as "forgivable loan". For a detailed description of the respective accounting treatments we refer to the notes to the consolidated financial statements.

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

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

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

Contracts granted before 2015 contain the following specific conditions:

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

Contracts granted as of 2015 contain the following specific conditions:

- Funding by the Walloon Region covers **55%** of the budgeted costs (contracts n°7280 and 7406);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;

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

SCTS has contracted the following RCAs with the Walloon Region:

Contract N°	Name	Initial budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2015 (k€)	Turnover-dependent reimbursement
6804	PROFAB	735	2015-2024	221	0	1,28%
7253	JTA PROD	678	2017-2026	203	0	0,1%
7280	MO SELECT	353	2017-2031	106	0	0.082%
7406	CRYOFIN	1,185	2018-2042	356	0	0.553%
TOTAL		**2,951**		**886**	**0**	

Out of these contracted RCAs, as of 31 December 2015, € 1,433,000 has been effectively paid out. The remaining € 1,517,000 is expected to be received before end of 2018.

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

Subsidy Names	Related Company's Projects & Activities	Description
PROFAB	PREOB®	Optimisation of PREOB® production
JTA PROD	JTA	Optimisation of JTA production
MO SELECT	ALLOB®	Optimisation of bone marrow selection
CRYOFIN	ALLOB®	Optimisation of ALLOB® cryopreservation

5.9.2.2 Subsidies

SCTS has also been granted a subsidy by the Walloon Region to fund 90% of the costs of a research program for an amount of € 395,000 (contract n°7120). The subsidy is in principle not refundable. As of 31 December 2015, the full amount has been effectively paid out.

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

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

5.10 INTELLECTUAL PROPERTY

5.10.1 PATENTS AND PATENT APPLICATIONS OWNED OR LICENSED BY THE COMPANY

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

In total, the Company's intellectual property portfolio comprises 11 patent families:

- ULB-028 (WO 2007/093431): Cell populations comprising osteoblastic cells characterised by the expression of certain cell markers, and further comprising the method for obtaining such a cell population.
- BONE-001 (WO 2009/087213): Cell populations comprising osteoblastic cells characterised by the expression of certain cell markers, and further comprising the method for obtaining such a cell population.
- BONE-002 (WO 2009/080749): Therapeutic use of isolated bone-forming cells in the treatment of the inflammatory component of inflammatory rheumatic diseases (IRD).
- BONE-004 (WO 2009/135905): Isolated mesenchymal stem cells (MSC) derived from bone marrow and expressing certain cell-surface markers and methods for obtaining such MSC.
- BONE-006 (WO 2009/135914): Therapeutic use of isolated bone-forming cells in the treatment of bone diseases or conditions associated with immunodeficiency or immunosuppression
- BONE-011 (WO 2014/049063): Discovery of advantageous properties of solvent/detergent-treated plasma in pharmaceutical formulations, which render the formulations particularly suitable for administration to bone or joints, such as to treat musculoskeletal diseases.
- BPBONE-001 (WO 2009/101194): Intra-articular pharmaceutical composition for use in the treatment and/or the prevention of acute or chronic osteoarticular diseases, such as osteoarthritis, and acute or chronic osteoarticular symptoms (*i.e.*, pain, loss of mobility and/or function).
- BPBONE-002 (WO 2009/101210): Pharmaceutical composition for use in the treatment and/or the prevention of acute or chronic osteoarticular diseases and acute or chronic osteoarticular symptoms, especially osteoarthritis.
- ULB-061 (WO 2012/168482): Novel biomarker for the prediction, diagnosis, prognosis and/or monitoring of impaired bone fracture healing.
- BONE-013 (EP15164903.5): Method for in vitro preservation of cells comprising maintaining adherent mesenchymal stem cells (MSC) or adherent MSC-derived cells in suspension in a composition comprising at least 20% v/v human plasma or human serum or a mixture thereof.
- BONE-014 (EP15184844.7): Methods for implanting cells (including MSCs and MSC-derived cells) for rescue interbody fusion.

The Company owns the exclusive worldwide license of ULB-028 and ULB-061.

Overview of patents and patent applications.

Reference	Publication No	Title (product)	Priority date	Territory	End of term
ULB-028	WO 2007/093431	Method for cell differentiation and use thereof (PREOB®)	16 Feb 2006	JP SG US CA (EP, HK, IN)	16 Feb 2027 16 Feb 2027 30 Aug 2028 16 Feb 2027 under examination
BONE-001	WO 2009/087213	Osteogenic differentiation of bone marrow stem cells and mesenchymal stem cells using a combination of growth factors (ALLOB®)	11 Jan 2008	JP SG AU (AU-DIV, CA, CN-DIV, EP, HK, IN, KR, US, US-DIV)	9 Jan 2029 9 Jan 2029 9 Jan 2029 under examination
BONE-002	WO 2009/080749	Human bone-forming cells in the treatment of inflammatory rheumatic diseases (PREOB® & ALLOB®)	21 Dec 2007	AU EP HK JP SG CA (KR, US)	19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 19 Dec 2028 under examination
BONE-004	WO 2009/135905	Mesenchymal stem cells and bone-forming cells (PREOB® & ALLOB®)	7 May 2008	SG AU (CA, EP, HK, IN, JP, KR, US, US-DIV)	7 May 2029 7 May 2029 under examination
BONE-006	WO 2009/135914	Human bone-forming cells in the treatment of conditions and bone diseases associated with immunodeficiency or immuno-suppression (PREOB®)	7 May 2008	SG AU (CA, EP, HK, JP, KR, US)	7 May 2029 7 May 2029 under examination
BONE-011	WO 2014/049063	Formulations involving solvent/detergent-treated plasma (S/D plasma) and uses thereof (MXB)	26 Sep 2013	(AU, CA, CN, EP, HK, IL, IN, JP, KR, SG, US)	under examination
BPBONE-001	WO 2009/101194	Pharmaceutical composition for use in the treatment and/or the prevention of osteoarticular diseases (JTA)	13 Feb 2009	CN HK SG AU (BZ, CA, EP, IL, IN, JP, KR, US)	13 Feb 2029 13 Feb 2029 13 Feb 2029 13 Feb 2029 under examination
BPBONE-002	WO 2009/101210	Pharmaceutical composition for use in the treatment and/or prevention of osteoarticular diseases (JTA)	16 Feb 2009	SG AU JP (BZ, CA, EP, IL, IN, KR, US)	16 Feb 2029 16 Feb 2029 16 Feb 2029 under examination
ULB-061	WO 2012/168482)	Markers for impaired bone fracture healing	10 Jun 2011	EP (AU, CA, HK, IL, JP, SG, US)	10 Jun 2031 under examination
BONE-013	EP15164903.5	In vitro preservation of therapeutic cells (ALLOB® & JTA)	23 Apr 2015	European application	-
BONE-014	EP15184844.7	Methods for implanting cells for rescue interbody fusion (PREOB®, ALLOB® & MXB)	11 Sep 2015	European application	-

Overview of patent ownership and related contracts.

Reference	Product / Clinical stage	*Owner(s)*	Contract(s)
ULB-028	PREOB® / Phase II/III	Université libre de Bruxelles (ULB)	Exclusive, worldwide license to the Company Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-licence to the Company
BONE-001	ALLOB® / Phase II	Bone Therapeutics SA	
BONE-002	PREOB® & ALLOB® / Phase II/III	Bone Therapeutics SA	
BONE-004	PREOB® & ALLOB® / Phase II/III	Bone Therapeutics SA	
BONE-006	PREOB® / Phase II/III	Bone Therapeutics SA	
BONE-011	MXB / Preclinical	Bone Therapeutics SA (50%) Enrico Bastianelli SPRL (50%)	Free worldwide exclusive rights on cell therapy applications for the Company
BPBONE-001	JTA / Preclinical	Bone Therapeutics SA	Formerly owned by Enrico Bastianelli SPRL – transferred to the Company subject to payment by the Company of royalties when applied in the field of joint diseases and applications Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-licence to the Company
BPBONE-002	JTA / Preclinical	Bone Therapeutics SA	Formerly owned by Enrico Bastianelli SPRL – transferred to the Company subject to payment by the Company of royalties when applied in the field of joint diseases and applications Royalty-free sublicense to SCTS* for manufacturing with an exclusive worldwide back-licence to the Company
ULB-061	Preclinical	Université libre de Bruxelles (70%) Université de Liège /Centre Hospitalier Universitaire de Liège (15%) Bone Therapeutics SA (15%)	Exclusive, worldwide license to the Company
BONE-013	Excipient for cell products such as PREOB®, ALLOB® & MXB / Phase II	Bone Therapeutics SA	
BONE-014	PREOB®, ALLOB® & MXB / Phase II	Bone Therapeutics SA	

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

5.10.2 TRADEMARKS AND DESIGNS

On the date of this Annual Report, the Company obtained trademarks for both its PREOB® and ALLOB® products. International registration of PREOB® under class 5 (goods) and class 42 (services) was obtained in April 2012 in the Benelux, the EU, the US and Japan and is currently ongoing for Canada. ALLOB® was internationally registered under class 5 and class 42 in February 2012 and in the Benelux, the EU, the US, Japan and South Korea and application is currently ongoing in Canada.

5.10.3 ORPHAN DRUG DESIGNATION

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

5.11 MANUFACTURING

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

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

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

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

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

- Two steps can be defined in PREOB® and ALLOB® manufacturing process:
  - The obtaining (autologous for PREOB® and allogeneic for ALLOB®) of the human bone marrow (starting material);
  - The manufacturing of PREOB® and ALLOB® in dedicated accredited facilities.
- PREOB® and ALLOB® are manufactured in certified facilities.[44]
- Bone marrow donation is performed in accordance with the specific regional legislation governing cell and tissue collection. Bone marrow is harvested by a trained and qualified physician from patients (PREOB®) or from adult alive healthy volunteer donors (ALLOB®). Bone marrow is collected in compliance with Good Tissue Practice and based on specific criteria and methods for tests or examinations (this may be subject to change upon new legislation). The patient or donor selection criteria include relevant factors that may assist in identifying and screening out persons whose donation could present a health risk to the recipients or to themselves. The traceability of the human biological material is maintained from bone marrow procurement to PREOB® or ALLOB® administration. Eligibility criteria for donor selection are based (i) on serology, (ii) on medical history and anamnesis and (iii) on physical/clinical examination. After obtaining written informed consent, bone marrow is aseptically harvested

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

from the posterior iliac crest under local anaesthesia. The bone marrow is collected in a sterile bag (blood bag) and sent out under controlled conditions to the manufacturing facilities.[45]

- The PREOB® and ALLOB® manufacturing process consists in the ex vivo culture of human bone marrow-derived mesenchymal stromal cells in order to generate human osteoblastic cells. The manufacturing process has been developed in order to minimize cell manipulation and to reduce the number of raw materials and disposable entering in the process. PREOB® and ALLOB® are manufactured following standardized and validated manufacturing process by trained operators. Manufacturing process includes 3 key steps (i) bone marrow and culture medium preparation, (ii) ex vivo culture in specific proprietary culture medium and (iii) cells recovering and conditioning in drug product. At the end of manufacturing, PREOB® and ALLOB® cells are collected, controlled and re-suspended in excipients.
- PREOB® and ALLOB® are provided in a single-use, pre-filled, ready-to-use syringe. They can be provided in several dosages depending on the indication and the size of the bone defect to be treated. They are conditioned to be sent to hospitals under controlled conditions for administration.
- PREOB® and ALLOB® manufacturing processes have been developed to minimize the number of cell manipulations and to limit the number of reagents entering in contact with the cells.

Facilities and capacity:

- The Company is currently producing at its facilities based at the Galactic Innovation Campus (GIC) building in Brussels with two production lines (PREOB® and ALLOB®) which are both GMP approved. The available capacity meets the requirements for the current pre-clinical and clinical developments.
- The Company's production activities are contemplated to be transferred to the new facilities at the BioPark of Gosselies (south of Brussels) in the first half of 2017 after obtaining GMP accreditation. Initially two new manufacturing units should become available. The modular design of the facility will allow for a progressive increase in production to meet pre-commercial and first commercial requirements. As of 2018 four more production units should be commissioned in this respect. Further production modules can be added in future to increase capacity in line with demand.
- In the long term, it is envisaged that production will be organized in a de-centralized way to cover the 3 key regions (EU, US and Japan), in particular in respect of the production of the autologous product PREOB® (patient himself to provide bone marrow as the first step in the production process). With respect to the production of the allogeneic product ALLOB® (product made from bone marrow from independent donors) a further centralized production approach remains possible.

5.12 INFORMATION TECHNOLOGY

The Company uses adequate commercial platforms to support its operations, such as an ERP platform for finance and production purposes. Maintenance agreements are in place to guarantee continuity of the operations.

Data are stored at 2 physically separated in-house secured locations (Anderlecht and Gosselies).

During 2015, IT maintenance was outsourced to a service provider having the capacity to address support of all IT-areas of the Company. At the end of 2015, an IT Manager has been hired to take care of the further professionalization of the IT-environment.

5.13 INSURANCE

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

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

All ongoing clinical trials are covered by insurance policies in accordance with the regulations in place in all countries where these trials are taking place.

Property owned by the Company is insured for fire and theft.

The Company has also concluded a D&O policy for the benefit of its directors.

[45] *For its PREOB® product the Company has a license as a Tissue Bank/Production Establishment for human autologous tissue-derived materials by the FAMPH received on July 18, 2011. The license was renewed following inspection on May 22, 2014. For its ALLOB® product the Company has a license as a Tissue Bank/intermediary Structure by the FAMPH for human allogeneic tissue-derived materials delivered on February 19, 2013.*

6

ORGANISATIONAL STRUCTURE

ORGANISATIONAL STRUCTURE

6.1 ORGANIGRAM

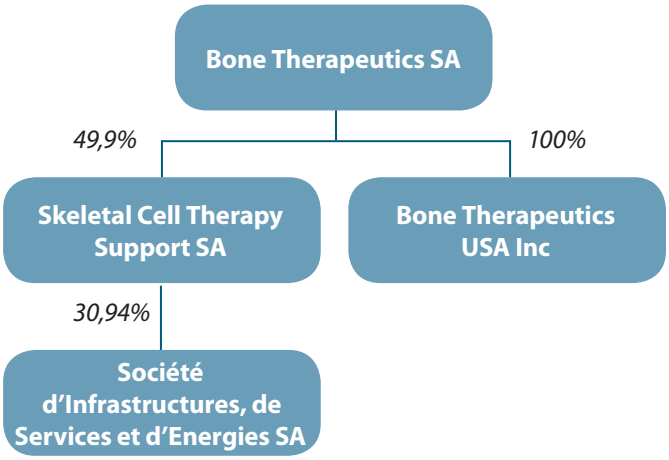
At the date of this Annual Report, Bone Therapeutics SA has the following affiliates:

Belgium

- Skeletal Cell Therapy Support SA, incorporated on 5 December 2011.
- Société d'Infrastructure, de Services et d'Energies SA, incorporated on 12 December 2011.

United States of America

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



6.2 INFORMATION ON HOLDINGS

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

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

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

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

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

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

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

7

PROPERTY, PLANT AND EQUIPMENT

PROPERTY, PLANT AND EQUIPMENT

7.1 ENVIRONMENT AND HEALTH & SAFETY

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

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

The Company has set up a service for protection and prevention at its premises, such as the monitoring of the health of employees, provided by an independent health service company. Scientific employees receive an annual medical check-up and other employees receive a medical check-up every 5 years.

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

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

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

7.2 PROPERTIES AND FACILITIES

At the end of April 2015 the Company has moved a large part of its operational activities to new facilities at the BioPark situated at 6041 Gosselies (south of Brussels), 37 rue Auguste Piccard (which has become the registered address of the Company). These new facilities are owned by its affiliate SCTS SA. This new facility covers approximately 3000m^2 in total. Almost 1700m^2 are for administrative and R&D purposes and include also an animal house. 1300m^2 are foreseen for production activities (completion of first part targeted for mid-2016). Until the completion and the GMP accreditation (early 2017) the Company will run its production operations at the Galactic Innovation Campus (GIC) at Anderlecht (Brussels). The Company has access to a total dedicated space of 800m^2 for production and related activities. At this Brussels based facility two production units are available accommodating two GMP approved production lines for its products PREOB® and ALLOB®. The available capacity meets the requirements for the current clinical & pre-clinical programmes.

Early 2017, the production activities will be transferred to the new facilities at the BioPark of Gosselies (south of Brussels). Initially two manufacturing units will be available. As of 2018 four more production units will be commissioned to meet the production requirements for the ongoing clinical trials, pre-commercial and the first commercial activities. Further production modules can be added in future on the same plot of land to increase capacity in line with demand.

The facility fits in a larger project known as PWTC or the "Plateforme Wallonne de Thérapie Cellulaire" whereby two cell therapy companies[46] have joined forces to build facilities at a joined location on the Biopark at Gosselies (50 km south of Brussels near the airport Brussels South). PWTC comprises three service companies: SCTS (*Skeletal Cell Therapy Support*), HCTS (*Hepatic Cell Therapy Support*) and SISE (*Société d'Infrastructures, de Services et d'Energies*). SCTS and HCTS will make a maximum use of shared services provided through SISE SA to establish their industrial project, but on the same time maintaining full control of their proprietary production processes and know-how by having their own physically separated building infrastructure. The project allows for both companies to considerably expand their production capacity in future.

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

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

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

7.3 INVESTMENTS

Overview of the Company's principal investments for the financial years ended on 31 December 2013, 31 December 2014 and 31 December 2015.

(in thousands of €)	2015	2014	2013	Before 2013	Total
	New	New	New	New	
Property under construction	2,812	2,983	1,604	418	**7,675**
Laboratory equipment	91	88	124	1,642	**1,944**
Land	0	0	233	0	**233**
Other	43	20	8	155	**226**
Intangible assets	52	25	61	35	**172**

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

8

CAPITAL RESOURCES

CAPITAL RESOURCES

8.1 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

At the end of 2015, the Company's capital amounts to € 20,708,372.90, represented by 6,849,654 ordinary shares without nominal value. The consolidated share premium amounted to € 42,670,433.14 million whereby the costs related to capital increases are deducted from the proceeds from the capital increase through the share premium account. The reconciliation, at consolidated level is shown in the consolidated statement of shareholders' equity below:

	Attributable to owners of the parent					
(in thousands of €)	Share capital	Share premium	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
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)	(5,809)
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)**	**(9,485)**	**0**	**(9,485)**
Total comprehensive income of the period	0	0	(14,144)	(14,144)	59	(14,085)
Issue of share capital	6,990	30,390	0	37,380	0	37,380
Transaction costs for equity issue	0	(2,788)	0	(2,788)	0	(2,788)
Conversion of Convertible Bonds	3,253	13,397	0	16,650	0	16,650
Share-based payment	0	0	486	486	0	486
Mouvement non-controlling interests	0	0	59	59	(59)	0
Other	0	0	(13)	(13)	0	(13)
Balance at 31 December 2015	**20,708**	**42,670**	**(35,232)**	**28,147**	**0**	**28,146**

8.2 SECURITIES ISSUED BY THE COMPANY

At the date of this Annual Report, the Company's capital amounts to € 20,708,372.90, represented by 6,849,654 ordinary shares without nominal value.

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

8.3 OVERVIEW FUNDING

Up to 31 December 2015, the Company has been able to fund its operations with a long term perspective through the following funding instruments:

- € 65 million in net proceeds from private equity placements in Bone Therapeutics SA;
- € 1.3 million in invested cash through the non-controlling interest held by third parties in its affiliate SCTS SA;
- € 25.5 million of non-dilutive funding, mainly through recoverable cash advances, subsidies and patents provided by the Walloon Region and to lesser extent through regular grants. In total, € 22.2 million was granted to Bone Therapeutics SA and € 3.3 million was granted to SCTS SA;
- € 3.25 million as a long term investment credit provided by BNP Paribas Fortis SA/NV and ING Belgique SA/NV (each for half of the amount) for the construction of the SCTS building at the Biopark of Gosselies (South of Brussels);
- € 2.1 million in loans, provided by related parties (regional investment vehicles) which have been recorded as current and non-current financial liabilities and
- € 2.5 million through an investment grant provided by the Walloon Region on the SCTS building.

9

RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES

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

9.1 INTELLECTUAL PROPERTY

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

In total, the Company's intellectual property portfolio comprises 11 patent families. For a detailed description, we refer to Section 5.10.

9.2 RESEARCH AND DEVELOPMENTS, PATENTS AND LICENCES COSTS

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

The R&D expenses are described as follow:

(in thousands of €)	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Lab fees and other operating expenses	6,462	3,735	3,283	2,777
Employee benefits expenses	5,770	3,625	2,975	2,973
Depreciations, amortisations and impairment losses	326	316	349	351
Patents costs	352	282	208	270
Total	**12,910**	**7,957**	**6,816**	**6,371**

10
TREND INFORMATION

TREND INFORMATION

10.1 CELL THERAPY IN GENERAL

Regenerative medicine is a fast growing domain, with cell-based therapies representing the most mature sub-sector. This area has since several years been characterized by intense academic research and these programmes have recently reached the industry. The larger number of Phase I/II trials compared to more advanced trials demonstrates the start of the move from preclinical research into the clinic. The Alliance for Regenerative Medicine reports[47] that there are currently more than 580 regenerative medicine companies with over 74 approved and/or marketed products and almost 571 ongoing clinical trials. Specifically in the area of stem cell-based treatments, 9 products were available on the market in 2014 (up from 7 in 2012 and five in the three years before). The worldwide stem cell therapy market is estimated to grow at a CAGR of 39.5% from 2015 to 2020.[48]

The growing interest in regenerative medicine and cell therapy is reflected in the amount invested in companies in this field. In the first three quarters of 2015, $9.3 billion in financing was raised in the regenerative medicine field, of which $6.3 billion by cell therapy companies. This represents an increase of 198% compared to the same period in 2014.[49]

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

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

10.2 ORTHOPAEDICS

The treatment of bone defects and bone diseases has since long involved the use of bone grafts and implants. These approaches have known little innovation over the past years and often show limited efficacy. The introduction of tissue engineering over the past few decades has generated considerable interest in exploiting the potential of cell-based therapy in orthopaedics. Consequently, we have seen the initiation of several research projects and 'pilot' studies. According to the Alliance for Regenerative Medicine, in 2014 15 stem cell-based products were in preclinical and Phase I trials and 13 products were in Phase II and III clinical trials in the field of musculoskeletal diseases. Recent early-stage initiatives by companies such as Xcelia, Novadip Biosciences or Epibone show the interest of the industry in regenerative medicine in orthopaedics that is still in its infancy. According to the Company, Bone Therapeutics is a leader in this field, as it is the only clinical-stage company developing bone cell products using differentiated bone cells for the treatment of orthopaedic conditions.

10.3 MINIMALLY INVASIVE APPROACH

Minimally invasive approaches are performed with minimal incision in the patient's body and facilitate lower hospitalisation and recovery times and ensure minimal trauma and blood loss. These advantages in addition to the increased awareness regarding minimally invasive surgeries, have increased its use by physicians. The trend towards minimally invasive surgery is also attributed to the increasing incidence of various diseases that usually require surgical treatment, the ageing of the global population (elderly people carry a high risk in terms of success of the surgery) and the introduction of technologically advanced products (e.g. visualization and monitoring technologies).The global market for minimally invasive surgery has been estimated to grow at the rate of 10.5% from 2013 to 2019.[50]

[47] *ARM Quarterly data report (Q3 2015)*
[48] *RnR Market Research: Stem Cell Therapy Market by Treatment Mode (Autologous & Allogeneic), Therapeutic Applications (CNS, CVS, GIT, Wound Healing, Musculoskeletal, Eye, & Immune System) - Regulatory Landscape, Pipeline Analysis & Global Forecasts to 2020 (2014)*
[49] *ARM Quarterly data report (Q3 2015)*
[50] *Transparency Market Research: Minimally invasive surgery Market – Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2013-2019 (2015)*

11
CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

11.1 GENERAL

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

11.2 COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

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

- Although at the date of this Prospectus, 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).

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

11.3 BOARD OF DIRECTORS

11.3.1 COMPOSITION OF THE BOARD OF DIRECTORS

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

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

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

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

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

The table below provides an overview of the mandates held since IPO (6 February 2015).

Name	Position	Start or renewal of mandate	Term of mandate	Nature of mandate	Professional address
Roland Baron	Director	2015	2019	Independent	Milford Street 33, Boston MA 02118, Unites States of America
Enrico Bastianelli SPRL, with as permanent representative Enrico Bastianelli	Managing Director	2015	2019	Executive	Avenue Libération 41, 1640 Rhode-Saint-Genèse, Belgium
Chris Buyse	Director	2014	2017	Independent	Baillet Latourlei 119A, 2930 Brasschaat
SFPI SA, with as permanent representative François Fontaine until 1 March 2015 and Jean-Paul Prieels from 1 March 2015	Director	2015	2019	Non-Executive	Avenue Louise 32-46, 1050 Brussels, Belgium
Magenta Tree BVBA, with as permanent representative Thierry François	Director	2015	2019	Independent	Ophemstraat 133, 3050 Oud-Heverlee, Belgium
Wim Goemaere BVBA, with as permanent representative Wim Goemaere	Managing Director	2013	2016	Executive	Zakstraat 72, 9112 Sinaai, Belgium
Michel Helbig de Balzac	Director	2013	2016	Chairman	Avenue du Parc 61, 1310 La Hulpe, Belgium
Paul Magrez	Director	2015	2019	Independent	Lindenhoekje 7, 1970 Wezembeek-Oppem, Belgium
Marc Nolet de Brauwere van Steeland	Director	2015	2019	Independent	Avenue du Verger 35, 1640 Rhodes-Saint-Genèse, Belgium
Jean-Jacques Verdickt	Director	2014	2016	Non-Executive	Rue Jacques de Meeus 16, 1428 Lillois Witterzee, Belgium
Partigest-Garance SA, with as permanent representative Jacques Reymann	Director	2015	2017	Non-Executive	Rue Roberts Jones 58, 1180 Brussels, Belgium

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 since 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 held the position of Vice President and Head of the Bone Diseases Group at Hoechst Marion Roussel and then Aventis. In 2002, he founded ProSkelia, a small pharmaceutical company devoted to the discovery and development of new drugs for bone and hormonal diseases. He has held the positions of President and Chief Scientific Officer of ProSkelia and then ProStrakan, until April 2006. He is the founder and 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** has over 30 years' experience in international finance and financial management. He holds a Master's degree in Applied Economics from the University of Antwerp

and an MBA from the Vlerick School of Management in Ghent. From August 2006 to 2014, he was CFO and Director at ThromboGenics NV, a biotechnology company listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was CFO of CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign, he served as finance manager WorldCom/MCI Belux, and CFO and CEO ad interim of Keyware Technologies. Before, he kept positions in finance at Spector Photo Group, Lyonnaise des Eaux (Suez) and Unilever. He currently holds a Director position in several private and public companies.

- **Dr. Jean-Paul Prieels**, Ph.D (permanent representative of SFPI SA from 1 March 2015) holds a PhD in Biochemistry from Université libre de Bruxelles in Belgium. After ten year at the university, he started his industrial career at Petrofina in 1983 as Biotechnology Manager and joined GlaxoSmithKline Biologicals in 1987. His responsibilities gradually expanded to lead the vaccine preclinical R&D development activities in Rixensart, Belgium. He retired as Senior Vice President of Research & Development at GlaxoSmithKline Biologicals in 2011. His career spans from basic research to applied research and product development. He was instrumental in the development of several commercially available vaccines, such as Rotarix, Cervarix and Synflorix. Today he is Director at Vaximm AG, Theradiag SA, Abivax SA, Promethera Biosciences, Pluriomics, Themis, Leukocare, Nouscom, Euroscreen, Q-Biologicals SA and DNAlytics. He is member of the Scientific Advisory Board of Singapore Bioprocessing Technology Institute and MolMed SPA and member of the European Vaccine Initiative Board of Stakeholders.

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

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

- **Paul Magrez** is a medical doctor and computer scientist with more than 25 years of experience in diagnostics (personalized medicine), clinical biology, biotechnology (vaccines), and pharmaceutical industries. His experience mainly resides in the development of business plans, the search for private and public funding and the business & commercial development. After 15 years in large pharmaceutical companies (UCB, SB, GlaxoWellcome, GSK), in different executive positions, he became CEO of several companies in the field of biotechnology (Innogenetics), diagnostics (Biomedical Diagnostics in Paris) and clinical biology (Pasteur CERBA). In 2011, Mr. Magrez founded his own consulting firm in support of SMEs and start-ups, Paul Magrez BVBA. In 2015, together with three other partners, he founded a life sciences investment fund: FUND+.

- **Marc Nolet de Brauwere van Steeland** obtained his Master's degree as a Mining Civil Engineer from the Catholic University of Louvain (UCL) in 1982, then specialized as a Civil Engineer in Industrial Management at the Katholieke Universiteit Leuven (KUL) in 1983. He started his career in 1984, as manager of the engineering department at Petrofina (Kentucky Prince Coal Corporation). In 1987, he also took charge of the development of a downstream activity (gold mining) at Chemetech Corporation. He served for these two companies until 1989, then moved on to McKinsey & Company, as an associate. In 1992, he created Dat International SA with an ex-colleague of McKinsey, and set up a distribution network specialized in supply parts from the EEC to local companies in East Africa. Finally, in 1997, he became CEO of Physiol SA. Besides, he was nominated Director at ETEX group in 2003, where he served as chairman of the Audit committee from 2006 to 2013. He became Chairman of the Nominations and Remunerations Committee in 2013. In addition, he 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 entrepreneurial sector. For over twelve years, he served as Director of Fabricom Group which was part of Tractebel (part of GDF-Suez, today Engie). 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 General Bank, Fortis Bank as from 1998. He served as member of the Board and member of the Executive Committee from 1993 to 2002. In 2004, he became the Chief Executive Officer of Magotteaux, until December 2006 and remained as Director until 2009. He served also as Chairman or non-executive Director of various companies, such as Alcatel Bell, Techspace Aero, Snecma, FREE, Carmeuse, Euroclear (Plc and Bank), IBA…He was also Chairman of Union Wallonne des Entreprises. He is presently director of Logiver, Calyos and other non for profit organizations.

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

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

11.3.2 OTHER MANDATES

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

Board of Directors and/or Management Team Members	Current Mandates	Past Mandates
Roland Baron	Professor, Harvard Medical School and Mass. General Hospital Member of the executive committee of the American Society for Bone and Mineral Research Co-Chair of the International Federation of Musculoskeletal Research Societies	President of the executive committee of the American Society for Bone and Mineral Research
Enrico Bastianelli (permanent representative of Enrico Bastianelli SPRL)	Independent board member at Pepric NV	N/A
Valérie Gangji (Enrico Bastianelli SPRL)	Board member of the Belgian Society of Rheumatology Board member of the Belgian Society of Physical Medicine	N/A
Chris Buyse	Director at Celyad SA Director at Iteos SA Director at Bioxodes SA Dierctor at Fund+ NV Director at Keyware technologies NV Director at Immo David NV Director at Pinnacle investments NV Director at Creabuild NV Director at Bio Incubator NV Director at Orgenisis Inc Director at Life Sciences Research Partners VZW	Director at Thrombogenics NV
Marc Nolet de Brauwere van Steeland	Managing director at PhysIOL SA Director at Etex SA	N/A
Thierry François (permanent representative Magenta Tree BVBA)	Manager at Magenta Tree BVBA Director at Re-Vive Brownfield Fund II CVBA Director at the Belgian Venture Capital & Private Equity Association VZW	Director at Fortis Private Equity Belgium NV Director at Fortis Private Equity Expansion Belgium NV Director at Fortis Private Equity Venture Belgium NV Director at Fortis Private Equity Management NV Director at Velleman International NV Director at Colfridis NV Director at Artstone NV Director at Packing Invest NV Director at Packing Creative Systems NV Director at Sofindev II NV Director at Sofindev III NV

Paul Magrez	General Manager at Paul Magrez BVBA VC partner at Fund+	Chief Executive Officer and chairman of the board of directors at BARC NV Chief Executive Officer and chairman of the board of directors at LBS NV Chief Executive Officer and chairman of the board of directors at CRI NV
Wim Goemaere (permanent representative of Wim Goemaere BVBA)	Director at SISE SA	Chief financial officer at Devgen NV Director at Devgen Inc. (US). Director and chief financial officer at Devgen Seeds and Crop Technology PvT (India) and Devgen Seeds and Crop Technology PTE (Singapore)
Guy Heynen	Chief executive officer at Guy Heynen Consulting Independent board member and advisor at Euroscreen SA Independent board member at Pluriomics SA President of the Board of Creativenture SA	Regional Medical Monitor at Pfizer GmbH President of the board and scientific advisor at Progenosis SA
Michel Helbig de Balzac	Chairman of the board of directors at Northwestern 2 SA Managing partner at Nausicaa Ventures SCA Managing director at BAMS Angel Fund I SCA Managing director at Wagram Invest SA Director at SPACEBEL SA Director at Ovizio SA Director at Biosourcing SA Director at Kyotech 1 SA Director at Belgian Offshore Platform	Deputy chairman of the board of directors of EDORA ASBL Director at Windeo Green Energy SA
Jean-Paul Prieels (permanent representative SFPI SA)	Director of Vaximm AG Board Member of Q-Biologicals Board Member of DNAlytics Director of TheraDiag SA Director of Abivax SA Director of Promethera Biosciences Director of Pluriomics Director of Euroscreen Director of Themis Director of Leukocare Director of Nouscom	Director at Okairos AG Chairman of Immune Health Board Member of Henogen Board Member of Pevion Biotech AG
Jacques Reymann	Director at Be Pharbel SA Director at Be Pharbel Manufacturing SA Managing director at Partigest-Garance SA Director at Nuovo Director at Alphamédias SA Co-manager at SCI Cana (France)	Co-manager at BIOMIM Director at Enco 3 (France) Director at ACCADIS

Jean-Jacques Verdickt	Director at Logiver SA Manufacturing company director at Calyos SA Chairman of Fonds Verdickt Degroux ASBL Director of Foundation IRSA	Deputy chairman of the board, chairman of the risk committee group, chairman of the audit committee of the bank and member of the Group nomination and remuneration committee at Euroclear Plc, SA and Euroclear Bank SA Director and member of the audit committee at CBC Banque SA Director and chairman of the audit committee at Ion Beam Application SA Director at Snecma SA Director and chairman of the board at Techspace Aero SA Director and chairman of the nomination and remuneration committee at Banque Commerciale du Congo SA Manager at JJ Verdickt SPRL Director of Foundation Free
Thomas Lienard	N/A	Managing Director at Lundbeck SA Director Prométhéa ASBL

11.3.3 ACTIVITY REPORT

The Board of Directors met 12 times during 2015 to discuss and decide on specific matters. Below is the detail of the attendance:

Board of Directors	Number of attendances[51]
M. Michel Helbig de Balzac, Chairman	12/12
Enrico Bastianelli SPRL, represented by M. Enrico Bastianelli, CEO	11/11
Wim Goemaere BVBA, represented by M. Wim Goemaere, CFO	11/11
Magentra Tree BVBA, represented by M. Thierry François	11/11
SFPI SA,represented by M. Jean-Paul Prieels	11/11
Partigest-Garance SA, represented by M. Jacques Reymann	12/12
M. Jean-Jacques Verdickt	12/12
M. Chris Buyse	10/12
M. Paul Magnez	8/9
M. Marc Nolet de Brauwere van Steeland	9/11
Prof. Roland Baron	8/9

11.3.4 PERFORMANCE EVALUATION OF THE BOARD

Out of the activity report included above it is clear that the Board as a Company organ has been very active with a strong participation and contribution of all its members during the course of 2015.

Prior to the IPO the Board of Directors has investigated how it could best organize itself to address the challenges ahead and to align with the requirements for listed companies. The Board reflected on the composition of the Board (post IPO) in respect of the number of Board Members, on guaranteeing continuity 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 an evaluation has been planned for to take place in 2016.

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. At different occasions during the year 2015 the board together with the executive directors took the opportunity to reflect on how to streamline the interactions between both the non-executive directors and the executive directors including the implementation of a reporting on key performance indicators.

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

11.3.5 COMMITTEES WITHIN THE BOARD OF DIRECTORS

11.3.5.1 General

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

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

11.3.5.2 Audit Committee

11.3.5.2.1 Role

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

11.3.5.2.2 Duties

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

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

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

11.3.5.2.3 Composition

The 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.

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

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

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

11.3.5.2.4 Operation

As of 2015, the Audit Committee will meet at least four times a year and whenever a meeting is deemed necessary or advisable for its proper functioning. Decisions are 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 2015, the Audit Committee met five times.

11.3.5.3 Nomination and Remuneration Committee

11.3.5.3.1 Role

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

11.3.5.3.2 Duties

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

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

When performing its duties relating to the composition of the Board of Directors, the Nomination and Remuneration

Committee takes into account the criteria for the composition of the Board of Directors, as stated in the terms of reference of the Board of Directors.

11.3.5.3.3 Composition

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

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

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

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

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

11.3.5.3.4 Operation

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

During 2015, the Nomination and Remuneration Committee met nine times with particular emphasis on the:

- performance evaluation 2014 of the Executive Directors including bonus determination
- definition of the objectives 2015 of the Executive Directors
- review stock option plans
- discussion on functioning of and strengthening of the Management Team
- recruitment of new team members of the Management Team and other senior positions

Prior to the IPO:

- composition of the Board, the selection of new Independent Directors in preparation of becoming a public company
- approval of the Corporate Governance Charter
- composition and definition of the mandated to be given to the Management Team

11.4 MANAGEMENT TEAM

11.4.1 GENERAL

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

11.4.2 MANAGEMENT TEAM

11.4.2.1 Role

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

11.4.2.2 Duties

The Management Team has the following tasks:

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

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

11.4.2.3 Composition

The Executive Directors (CEO and CFO), CBO, 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	Position
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
Thomas Lienard SPRL, represented by Thomas Lienard	Chief Business Officer
Enrico Bastianelli SPRL, represented by Valérie Gangji	Chief Medical Officer
Guy Heynen	Chief Clinical and Regulatory Officer

- **Enrico Bastianelli SPRL, represented by Mr Enrico Bastianelli,** (47) (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 Procter & 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,** (52) (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.

- **Thomas Lienard SPRL, represented by Mr Thomas Lienard,** (39) (CBO). Mr Lienard has over 15 years of national and international sales and marketing experience in the pharmaceutical industry. Prior to joining Bone Therapeutics, Mr Lienard worked at Lundbeck, where he acted as Managing Director for Belgium and Luxemburg and was vital to the launch of several products. He led a team of up to 80 employees, generating over EUR 50 million in sales. Before his position at Lundbeck, Mr Lienard worked at Eli Lilly and Company, where he held various positions in sales and marketing in Europe and the US, including Sales Director Belgium in 2010. Mr Lienard started his career in 1999 as consultant at McKinsey & Company. Mr Lienard graduated from Solvay Brussels School of Economics and Management as Master in Business Engineering in 1999 and obtained a Master of Business Administration (MBA) from Harvard Business School in Boston in 2004.
- **Enrico Bastianelli SPRL, represented by Pr Valérie Gangji** (47) (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**, (70) (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.

11.4.3 OPERATION

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

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

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

The new CBO was appointed in November 2015. He will assume responsibility for activities regarding business development, business operations and strategic planning.

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

11.5 SCIENTIFIC ADVISORY BOARD

11.5.1 ROLE

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

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

11.5.2 COMPOSITION

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

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

11.6 INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

11.6.1 INTERNAL MECHANISM

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

11.6.2 RISK ANALYSIS

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

11.6.3 FINANCIAL RISK MANAGEMENT

11.6.3.1 Liquidity risk management

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

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

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

11.6.3.2 Interest rate risk management

The Company has limited interest rate risk. 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.

11.6.3.3 Credit risk

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

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

11.6.3.4 Foreign exchange risk

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

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

11.6.4 CONTROLS, SUPERVISION AND CORRECTIVES ACTIONS

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

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

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

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

The Company has implemented an ERP system in support of its financial and logistics management. This system will be evaluated at regular intervals in how far it meets the needs of the organization. Where and when necessary, the system will be further upgraded to address new needs or to strengthen controls.

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

11.7 MARKET ABUSE REGULATIONS

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

These prohibitive provisions and the monitoring of compliance

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

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

The Company 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.

11.8 REMUNERATION REPORT

11.8.1 PROCEDURE

11.8.1.1 Directors

Prior to the IPO (6 February 2015), the Remuneration Committee made 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. 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.

11.8.1.2 Executive Directors and the Management Team

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

11.8.2 REMUNERATION POLICY

11.8.2.1 Director's remuneration

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

For the year 2015, the following remuneration policy was put in place by the Company in respect of Non-Executive Director remuneration.

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

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

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

The remuneration package for the Non-Executive Directors 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 members of the Audit Committee (with the exception of Mr. Jean-Jacques Verdickt), to be increased by € 2,500 for the Chairman of the Committee and (ii) with a fixed annual fee

of € 3,000 for members of the Nomination and Remuneration Committee, to be increased by € 2,000 for the Chairman of the Committee. Any changes to these fees will be submitted to the shareholders' meeting for approval. The Executive Directors will not receive any specific remuneration in consideration for their membership of the Board of Directors. The total remuneration for the Non-Executive Directors for 2015 amounts to € 193,500. The table below provides an overview of the remuneration per Non-Executive Directors.

	Remuneration
Non-Executive Directors	**EUR**
Michel Helbig de Balzac (chairman)[52]	33,000
Chris Buyse[53]	30,500
Roland Baron	20,000
SFPI SA with permanent representative Jean-Paul Prieels[54]	20,000
Paul Magrez	25,000
Marc Nolet de Brauwere van Steeland	20,000
Magenta Tree BVBA with permanent representative Thierry François	25,000
Partigest-Garance SA with permanent representative Jacques Reymann[55]	20,000
Jean-Jacques Verdickt[56]	0

On an individual basis, a remuneration of € 1,393 was paid to Mr. Roland Baron, € 3,000 was paid to Jean-Paul Prieels and € 1,000 was paid to Jacques Reymann for their contribution in 2015 outside their mandate.

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 planning to adapt the remuneration policy for Non-Executive Directors as described above subject to approval by the Annual General Meeting to be held on 26 May 2016. On recommendation of the Nomination and Remuneration Committee, the Board decided to propose to the Annual General Meeting the following changes:

- To increase the remuneration of the Chairman of the Board from € 20,000 + € 10,000 to € 20,000 + € 20,000
- To increase the remuneration of the Chairman of the Audit Committee from € 5,000 + € 2,500 to € 5,000 + € 5,000To increase the remuneration of the Chairman of the Nomination and Remuneration Committee from € 3,000 + € 2,000 to € 5,000 + € 5,000
- To increase the remuneration of the Members of the Nomination and Remuneration Committee from € 3,000 to € 5,000

The table below provides an overview of significant positions held directly or indirectly on 31 December 2015 of shares by the Non-Executive Members of the Board of Directors. The overview must be read together with the notes referred to below.

	Shares	
Non-Executive Directors	**Number**	**%**
Michel Helbig de Balzac (chairman)	309,559	4.52%
Chris Buyse	135,134	1.97%
Roland Baron	0	0.00%
SFPI SA with permanent representative Jean-Paul Prieels	401,406	5.86%
Paul Magrez	0	0.00%
Marc Nolet de Brauwere van Steeland	166,562	2.43%
Magenta Tree BVBA with permanent representative Thierry François	0	0.00%
Partigest-Garance SA with permanent representative Jacques Reymann	565,952	8.26%
Jean-Jacques Verdickt	177,892	2.60%

None of the Non-Executive Directors hold warrants on 31 December 2015.

[52] *Through Naussica Ventures SCA and Business Angels Fund I SCA*
[53] *Through LSRP VZW*
[54] *All shares held by SFPI SA*
[55] *All shares held by Jacques Reymann*
[56] *Through JJ Verdickt & consorts*

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

11.8.2.2.1 Remuneration policy

The remuneration package applicable in 2015 for the Executive Directors and the members of the Management Team are in line with the remuneration levels in comparable companies for these functions. 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 programmes, financial management of key financial parameters, realization of collaborations or concluding new grants, investor relation activities, compliance matters and regulatory approvals and successful completion of audits). The valuation period is aligned with the fiscal year.
- The variable remuneration will be partly in cash (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.
- The Company currently does not foresee in a specific pension plan neither for the CEO nor for the other members of the Management Team.

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

In the financial year 2015, Bone Therapeutics paid a total of € 618,000 of remuneration in respect of the CEO, Mr Enrico Bastianelli. This includes:

- A fixed remuneration of € 255,000
- An amount of € 297,000 in cash in relation to the realisation of the IPO (6 February 2015)
- A variable component of € 40,000 in relation to the realisation of objectives for 2015
- Other of € 26,000 (licence fee, car and life insurance premium)

The CEO holds 105,566 shares of the Company and 100,000 warrants granted during 2014.

The Management Team in place during 2015 was as follows:

- Wim Goemaere BVBA, represented by Wim Goemaere, CFO – for the full year 2015
- Thomas Lienard SPRL, represented by Thomas Lienard – as of November 2015
- Enrico Bastianelli SPRL, represented by Valérie Gangji, CMO – for the full year 2015
- Guy Heynen, CCRO – for the full year 2015

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 € 836,000 in 2015 (full company costs but excluding VAT and stock based compensation).

This includes:

- A fixed remuneration of € 499,000
- An amount of € 274,000 in cash in relation to the realisation of the IPO (6 February 2015)
- A variable component of € 49,000 in relation to the realisation of objectives for 2015
- Other of € 14,000 (car and life insurance premium)

The Management Team does not hold any shares of the Company on 31 December 2015 but holds 59,800 warrants.

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

	Shares		Warrants	
Managers	**Number**	**%**	**Number**	**%**
Enrico Bastianelli SPRL	-	-	-	-
Enrico Bastianelli	105,566	1.54%	100,000	2.66%
Valérie Gangji	-	-	-	-
Wim Goemaere BVBA	-	-	-	-
Wim Goemaere	-	-	39,800	1.06%
Thomas Lienard SPRL	-	-	-	-
Thomas Lienard	-	-	-	-
Guy Heynen	-	-	20,000	0.53%

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

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

- Plan B
  - **Vesting**: the warrants subject to a service vesting period starting on the grant date and ending at the earliest of (i) the date of the initial public offering of the Company and (ii) the first anniversary of the grant.
  - **Exercise period**: the warrants are exercisable as from the vesting date until February 2019. After having become exercisable, the warrants can be exercised during 2 specific defined periods during each year or during additional periods to be determined by the Board of Directors of the Company, but not later than 5 years following the creation of these warrants.
  - **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, *i.e.* 18 December 2014).
  - **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.
- Plan C
  - **Vesting**: 25% on the date of the initial public offering of the Company (or 1 January 2016 in the event no initial public offering takes place), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.

- **Exercise period**: the warrants are exercisable as from the vesting date until December 2019.
- **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, *i.e.* 18 December 2014).
- **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

11.8.2.3 Severance provisions and payments

Enrico Bastianelli

The management agreement between Enrico Bastianelli and the Company is tacitly renewed on a yearly basis for a maximum of five 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 (i) 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 (ii) 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.

Wim Goemaere

The management agreement between Wim Goemaere and the company is tacitly renewed on a yearly basis for a maximum of five 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 Goemaere 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.

Thomas Lienard

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

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

11.8.2.4 Claw back provisions

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

12
RELATED PARTY TRANSACTIONS

RELATED PARTY TRANSACTIONS

12.1 GENERAL

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

12.2 CONFLICTS OF INTEREST OF DIRECTORS

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

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

12.2.1 BOARD OF DIRECTORS OF 8 JANUARY 2015

According to Article 523 of the Companies Code, Enrico Bastianelli (EB), and Wim Goemaere (WG) report having a conflict of interest opposed to points 2 and 3 of the agenda, as these points are linked on decisions on compensation to be paid by Bone Therapeutics to companies E Bastianelli SPRL and BVBA Wim Goemaere.

EB also states having a conflict of interest in item 4 of the agenda since this relates to decisions on existing license or to be concluded between the Company and E Bastianelli SPRL. The financial consequences of these decisions for the Company is the amount of the salary, including in the license agreement and, regarding the warrants, the dilution that results for shareholders. EB and WG do not attend the Board meeting.

According to Article 523 of the Companies Code, Michel Helbig de Balzac (MHB) and Chris Buyse (CB) report having a potential conflict of interest opposed to points 2 of the agenda, as these issues relate to decisions on remuneration to be paid by Bone Therapeutics at Wagram Invest and Sophia which they are shareholders. MHB and CB will withdraw from the Board meeting when these issues will be addressed. The financial consequences of these decisions for the Company is the amount of the salary.

According to Article 523 of the Companies Code, the Auditors of the Company will be notified of these situations of conflicts of interest.

The Board members expressed their agreement with the following agenda:

1. Approval of the minutes of the Board (with conflict of interest) of 19 December 2014
2. Recommendations of REMCO 6 January
   - Composition and function definition and mandate for the Team Management to set up;
   - Compensation benefits made in recent months by 3 people;
   - Approval of the Governance Charter on the part Directors and Committees;
   - Bonus of the Management for the last quarter 2014;
   - Bonus objectives of management for 2015 (principles).
3. Decision to cancel unallocated warrants Plan B
4. Approval of the JTA agreement between EB and the Company

Resolutions

1. Approval of Minutes of 19 December 2014: The Board unanimously approved the minutes of the Board of 19 December 2014 which was signed during the meeting.

2. Recommendations of REMCO 6 January:

- Composition and function definition and mandate for the Team Management to set up: The Board unanimously approved the constitution of a management team composed of SPRL E Bastianelli represented by E Bastianelli, BVBA W Goemaere represented by Wim Goemaere, SPRL E Bastianelli represented by Valérie Gangji and Guy Heynen and the "Terms of Reference" as proposed by the Committee.
- Compensation for services provided in recent months by 3 people: Proposed by the Remuneration and Nomination Committee, the Board decided unanimously to grant, in consideration of the services provided, to:

- C Buyse (Sophia): A total amount of € 77,525 for consultancy services provided in 2014 since July, according to the decision of the Board of 16 July 2014, the amount of which will be deducted from the already invoiced.
- MHB (Wagram Invest): the sum of € 40,000 for the work performed in 2014.
- Valérie Roels: The total gross amount necessary to achieve a net amount of € 5,000.

- Approval of Governance Charter on the directors and committees part: The Board will approve the Charter of Governance at its next session.
- Bonus of the Management for the last quarter 2014: The Board unanimously approved the Committee's recommendations regarding bonuses of Management:
  - For EB SPRL: no elements are intervened triggering an additional bonus compared to that awarded in July and September.
  - For BVBA WG: an additional bonus of € 63,000, for a total amount of € 78,000 for all the goals achieved in fundraising in 2014, net of the bonus € 15,000 paid on those achieved in this last September material paid on this occasion in October 2014.
- Objectives of management bonuses for 2015: The Board accepted the Committee's proposal to develop the 2015 targets with the new committee set up after the IPO.

3. Decision to cancel unallocated warrants Plan B. The Council decided unanimously to cancel the 31,200 residual unallocated warrants Plan B decided by the EGM of 24 January 2014.

4. Approval of the amendment to the JTA agreement signed in 2007 between EB and the Company. The Council unanimously approved the addendum signed on 17 December 2014.

12.2.2 BOARD OF DIRECTORS OF 19 JANUARY 2015

Before the start of the deliberation and decisions on the items on the agenda, Mr. Enrico Bastianelli (permanent representative of Enrico Bastianelli SPRL), Mr. Wim Goemaere (permanent representative of Wim Goemaere BVBA), Mr. Jacques Reymann (permanent representative Partigest Garance-SA), SFPI SA, Jean-Jacques Verdickt, Marc Nolet of Brauwere van Steenland and Chris Buyse informed the Council that the procedure in Article 523 of the companies Code must be followed, indicating that they have a potential conflict of interest as defined in Article 523 of the companies Code, on the following items to the agenda, and for the reasons given below:

(A) Approval and ratification of documents and transactions

(B) Approval of the offer price range

(C) Approval of the Offer Period

Application of the procedure described in Article 523 of the Companies Code:

(A) Statement by Mr. Enrico Bastianelli (permanent representative of Enrico Bastianelli SPRL), Mr. Wim Goemaere (permanent representative of Wim Goemaere BVBA), Mr. Jacques Reymann (permanent representative of Partigest Garance-SA), SFPI SA, Mr. Jean-Jacques Verdickt, Marc Nolet of Brauwere van Steenland and Chris Buyse.

Enrico Bastianelli Wim Goemaere, Jacques Reymann, SFPI SA, Jean-Jacques Verdickt, Marc Nolet of Brauwere van Steenland and Chris Buyse reported a potential conflict of interest, such as defined in Article 523 of the companies Code, regarding the decisions to be adopted, because:

- Mr Enrico Bastianelli holds 110.820 shares of the Company; Mr Jacques Reymann holds [538,382] shares of the Company; Mr Jean-Jacques Verdickt (via Verdickt JJ & Consorts) holds 175,107 shares of the Company;
- The Company offered the warrants to Mr. Enrico Bastianelli and Wim Goemaere some of which will be automatically acquired and exercisable at the end of the Offer;
- SFPI SA (with as permanent representative Mr. François Fontaine) holds 250 automatically convertible bonds of the Company, Mr. Jean-Jacques Verdickt (via Verdickt JJ & Consorts) holds 50 automatically convertible bonds of the Company, Mr. Jacques Reymann holds 50 automatically convertible bonds of the Company, Mr. Marc Nolet of Brauwere van Steenland (via Alegrecha TCS) automatically holds 1,000 convertible bonds of the Company, providing for automatic conversion into shares of the Company at the close of the Offer, with discount in relation to the Offer Price; and
- Mr. Enrico Bastianelli (via Enrico Bastianelli SPRL), Mr. Wim Goemaere via Wim Goemaere BVBA receive a bonus of success estimated for the two together, a total of 600,000 at the close of the Offer.

Enrico Bastianelli, Wim Goemaere, Jacques Reymann, François Fontaine, Jean-Jacques Verdickt, Marc Nolet of Brauwere van Steenland and Chris Buyse confirm that they will inform the auditor of the Company their conflict of interest.

(B) Justification decisions to make

The Offering and the listing of the Company's shares on Euronext give the Company the necessary financial resources to continue its operations.

The revenue of the offer can be used to support the development of the Company, obtain additional working capital, create a public market for the shares of the Company, and facilitate future access to the Company to the capital markets.

The CEO noted, moreover, that the Company also wishes to use the net proceeds of the Offering to conduct European clinical trials underway with two pivotal Phase III (including the acceleration of patient recruitment) and three tests Phase I / II; to begin clinical testing in the United States, to finance general corporate needs and to optimize production in order to reduce cost of goods sold and to allow an increase in production capacity on the existing site.

(C) Financial consequences for the Company

The Company intends to prepare an initial public offering to allow the subscription of 2,050,000 new shares in a price range to be determined by the Board (based on the advice of bookrunners attached). The amount of the new shares may be increased by maximum 15%, to a total of 2,357,500 new shares. Bryan, Garnier & Co, acting on its own behalf and on behalf of Kepler Capital Markets and Bank Degroof, received over-allotment option, corresponding to maximum 15% of the new shares subscribed under the Offering for the sole purpose of allowing the joint bookrunners cover any over-allotments. The financial impact of the Company's offer will depend on the price of shares to be issued. The minimum amount for the Offering is 7.5 million, the amount below which the Offer will not be realized.

(D) Interest Company

In the light of the arguments above, the Board considers that the decisions are in the interest of the Company.

Resolutions

3. The Board decides unanimously to approve any action, transaction, document, declaration, certificate, notification and action to be taken, adopted or signed under the Documents and / or operation, including their respective implementation.

4. The Board decided unanimously (less Mr Reymann) provide the indicative price range of the Offering on the advice of bookrunners seal between EUR 14.5 and EUR 16.5 per new share and to fix the number maximum of shares to 1,750,000 out green shoe and surallotement.

6. The Council decided unanimously to fix the Offer Period between 22 January 2015 and 2 February 2015 (the Offer Period). The Offer Period will be included in the Prospectus.

12.2.3 BOARD OF DIRECTORS OF 3 FEBRUARY 2015

Before the start of the deliberation and decisions on the items on the agenda, Enrico Bastianelli (permanent representative of Enrico Bastianelli SPRL), Wim Goemaere (permanent representative of BVBA Wim Goemaere), Jacques Reymann (permanent representative of Partigest-Garance SA), SFPI SA , Jean- Jacques Verdickt, Marc Nolet of Brauwere van Steeland and Chris Buyse informed the Board that the procedure in Article 523 of the Companies Code must be followed, indicating that they have a potential conflict of interest as defined in Article 523 of the Companies Code in connection with points 2 and 5 to the agenda. In accordance with Article 523 of the Companies Code, the statutory auditor of the Company will be informed of this conflict of interest.

Application of the procedure described in Article 523 of the Companies Code

(A) Declaration of Mr Enrico Bastianelli (permanent representative of Enrico Bastianelli SPRL), Mr Wim Goemaere (permanent representative of BVBA Wim Goemaere), Mr Jacques Reymann (permanent representative of Partigest-Garance SA), SFPI SA Mr Jean- Jacques Verdickt , Mr Marc Nolet of Brauwere Steeland van and Mr Chris Buyse.

Mr Enrico Bastianelli, Mr Wim Goemaere, Mr Jacques Reymann, SFPI SA , Mr Jean- Jacques Verdickt, Mr Marc Nolet of Brauwere Steeland van and Mr Chris Buyse reported having a potential conflict of interest, as defined in Article 523 of the Companies Code, concerning the decisions to be adopted because:

- Mr Enrico Bastianelli holds 110,820 shares of the Company; Mr Jacques Reymann holds 538,382 shares of the Company; Mr Jean- Jacques Verdickt (via Verdickt JJ & Consorts) holds 175,107 shares of the Company ;
- The Company has offered warrants to Mr Enrico Bastianelli and Mr Wim Goemaere some of which will be automatically acquired and exercisable at the end of the Offer ;
- SFPI SA (with as permanent representative Mr François Fontaine) holds 250 automatically convertible bonds of the Company, Mr Jean-Jacques Verdickt (via Verdickt JJ & Consorts) holds 50 automatically convertible bonds of the Company, Mr Jacques Reymann holds 50 automatically convertible bonds of the Company, Mr Marc Nolet of Brauwere van Steeland (via Alegrecha

TCS) automatically holds 1,000 convertible bonds of the Company, providing for automatic conversion into shares of the Company at the close of the Offer, with discount in relation to the Offer Price; and

- Mr Enrico Bastianelli (via Enrico Bastianelli SPRL), Mr Wim Goemaere via Wim Goemaere BVBA receive a bonus of success at the end of the Offer.

Mr Enrico Bastianelli, Mr Wim Goemaere, Mr Jacques Reymann, Mr François Fontaine, Mr Jean- Jacques Verdickt, Mr Marc Nolet of Brauwere Steeland van and Mr Chris Buyse confirm that they will inform the Auditor of the Company their conflict of interest.

(B) Justifications for decisions to make

The proceeds from the Offering may be used to support the development of the Company, obtain additional working capital, create a public market for the shares of the Company, and facilitate future access to the Company to the capital markets.

The CEO stated, moreover, that the Company also wishes to use the net proceeds of the Offering to conduct European clinical trials underway with two pivotal Phase III (including the acceleration of patient recruitment) and three tests Phase I / II; to begin clinical testing in the United States, to finance general corporate needs and to optimize production to reduce costs of goods sold and to allow an increase in production capacity on the existing site.

(C) Financial consequences for the Company

The Company launched an initial public offering to allow the subscription of new shares in the price range determined by the Board (based on the advice of joint bookrunners). The amount of the new shares may be increased by maximum 15%. The joint bookrunners received over-allotment option, corresponding to maximum 15% of the new shares subscribed under the Offering for the sole purpose of allowing joint bookrunners cover any over-allotments. The financial impact of the Company's Offer will depend on the price of shares to be issued. The minimum amount for the Offer is EUR 17.5 million, the amount below which the Offer will not be realized.

(D) Interest Company

In the light of the arguments above, the Board considers that the decisions are in the interest of the Company.

Resolutions

2. After deliberation and according to the opinion of joint bookrunners and Pricing Committee, the Board decides that it is in the best interests of the Company (i) to complete the Offer based on an Offer Price of € 16 per share, and accordingly to approve the Offer Price and (ii) to exercise the Option increase. At the closing of the Offer, the number of new shares issued by the Company in connection with the Offer (taking into account the Council's decision to exercise the option to increase as described in the Prospectus) will amount to 2,012,500 shares. The joint bookrunners may on-assign 301,875 existing shares (borrowed and covered by a warrant over-allotment) as part of stabilization. Based on the Offer Price of € 16, the conversion of automatically convertible bonds will result in 1,077,046 new shares issue (irrespective of the round down per individual investor) at the close of the Offer. The Board decided to approve the allocation of allowances proposed by the joint bookrunners, subject to the agreement of the FSMA. The Board believes that the criteria used by the joint bookrunners take into account the quality of orders, the name and the financial soundness of institutions and recognizes the existence of a balance between the institutions and geographic positioning. The Board decided to grant power of attorney to two directors acting jointly and with power of substitution, to obtain a different allocation of allowances from the one proposed by the joint bookrunners case of such request from the FSMA: the Board also gives power of attorney to two directors acting jointly and with power of substitution, to establish the record of conversions under Article 591 of the Companies Code.

5. The Board, after issuing certain change requests of the project of Subscription Agreement, some accepted others not, interviewed Allen & Overy LLP to whether certain elements of the Agreement could not be changed in a more favourable way for the Company. Allen & Overy LLP considers that in the present circumstances, the provisions of the Agreement are standard market practice for this type of operations. The Board therefore decided to approve the Subscription Agreement on that basis.

12.2.4 BOARD OF DIRECTORS OF 27 APRIL 2015

1. Statement Enrico Bastianelli SPRL and Jean-Paul Prieels

Before the start of deliberation, Enrico Bastianelli SPRL, with as permanent representative Enrico Bastianelli, and Jean-Paul Prieels, the permanent representative of SFPI SA say they have a potential conflict of interest as defined in Article 523 of the Companies Code.

This conflict of interest arises because:

For Enrico Bastianelli SPRL:

The Board wants to allow the CEO to implement an investigation phase of a new indication for the range JTA, as explained in more detail in the slides presented to the Board, allowing him to return with more information about it in the course of the year. Enrico Bastianelli SPRL receives royalties under a license agreement on the JTA technology concluded with the Company on 17 December 2014.

For Jean-Paul Prieels:

Jean-Paul Prieels, permanent representative of SFPI SA, will be prompted, in case of positive decision of the Board, to carry out a strategic analysis task, the details will be discussed later by the Board members. Jean-Paul Prieels will be paid by the Company for the exercise of its benefits.

2. Justification for the decision to be taken

For Enrico Bastianelli SPRL:

The Board believes that an extension of the range JTA could be useful for the Company, particularly in view of the PRP (platelet-rich plasma) as an alternative to the extension of the range could represent JTA.

For Jean-Paul Prieels:

As part of the evaluation by the Board of discretionary application complementarities and scientific interest of integration with other companies, and in light of the advantages and opportunities arising for Technology discussed beforehand and relating to therapeutic targets referred (allogeneic vs autologous, natural vs synthetic matrices and fat cells versus mesenchymal), the Board believes that a strategic review mission is necessary.

To this end, the Board considers that Jean-Paul Prieels, is well placed to carry out this mission because it is a specialist with knowledge and methodology required for that purpose.

3. Financial result for the Company

for Enrico Bastianelli SPRL:

The financial consequences for the Company's decision to develop a new indication for the range JTA are still impossible to accurately assess at this stage. They are linked to royalty agreements between the Company and Enrico Bastianelli SPRL. Indeed, to the extent that new indications constitute "New Improvements" under Article 7 of the JTA, Enrico Bastianelli SPRL would receive additional royalties for these new indications equivalent to 50% of the amounts provided for in Article 4 JTA. An extension of the range would increase JTA payments owed by the Company to Enrico Bastianelli SPRL. "

for Jean-Paul Prieels:

The financial consequences for the Company's decision to entrust John Paul Prieels executing strategic analysis of the mission cannot be determined precisely because (i) the organizational details of the mission have yet to be discussed by the Board members in the coming days, and (ii) it is still difficult to assess the total number of hours that will be conducted as part of this mission. The following items can however already be determined, Jean-Paul Prieels be paid by the Company in the amount of 125 € per hour worked. The financial consequences are in any case strictly limited to the mission entrusted to Jean-Paul Prieels.

4. Social interest

In view of the above arguments, the Council believes that the two decisions are taken within the framework of the corporate interest of the Company. The above two directors do not participate in the deliberations or vote. Pursuant to Article 523 of the Companies Code, the auditor of the Company will be notified of these situations of conflicts of interest.

5. Deliberations and decisions

a. Discussion and deliberation on the broader strategic mission entrusted to Jean-Paul Prieels

The Board decided to appoint Mr. Jean-Paul Prieels, strategic analysis mission particularly regarding choice of applications (autologous versus allogeneic) cell sources and dies, as described in the note to the attention of Board of 23 April 2015, and requests him to come back with a report on the matter at the next Board meeting to be held 2 July 2015.

b. Discussion and deliberation on extending the range JTA

After a presentation by the CEO, the Board decided to allow the CEO to implement an investigation phase of a new indication for the range JTA, as described in the slides presented to the Board, allowing him to return with more information about that later in the year.

12.2.5 BOARD OF DIRECTORS OF 22 MAY 2015

1. Statement Enrico Bastianelli SPRL and Wim Goemaere BVBA

Before the start of deliberation, Enrico Bastianelli BVBA, with as permanent representative Enrico Bastianelli and Wim Goemaere BVBA, with as permanent representative Wim Goemaere, say they have a potential conflict of interest as defined in Article 523 of Companies Code. This conflict of interest arises because Enrico Bastianelli SPRL and Wim Goemaere BVBA are respectively the CEO and CFO of the Company and the beneficiaries of the bonus for which the Council must determine the objectives.

2. Justification for the decision to be taken

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

3. Financial result for the Company

The Board does not rule on the maximum amount of the annual bonus, which was agreed with the beneficiaries in August 2013, but only on the objectives to get the bonus of 2015. The decision therefore has no additional financial impact for the Company, but only determine the conditions for granting it.

4. Social interest

In view of the above arguments, the Board believes that the decisions are taken within the framework of the corporate interest of the Company. The above two directors do not participate in the deliberations or vote. Pursuant to section 523 of the Companies Code, the auditor of the Company will be notified of these situations of conflicts of interest.

5. Deliberation s and decisions

After an introduction by the Chairman, Mr Magrez, the chairman of the Nomination and Remuneration Committee, presented the recommendations of the Nomination and Remuneration Committee which met on 6 May. Mr Magrez said that the recommendations were developed in close cooperation with the management. After deliberation on the appropriate objectives, the Board decided to propose to the management, to emphasize the importance of team work, submit payment of the bonus to shared goals for 50% of the bonus and personal goals 50% of the bonus.

The Board decided to propose to the management, in shared goals, including four related components:

- recruitment;
- the market performance;
- the establishment of a business plan; and
- the establishment of an efficient management committee.

The Board decided to propose to the CEO of individual objectives related to US business development, clinical development, spin-off and establishment of an efficient and experienced trial team which can achieve the clinical goals.

The Board decided to propose to CFO individual objectives related to aspects of investor relations, compliance and budget control.

The Board requests the Chairman of the Nomination Committee and discuss with management compensation proposals of the Board and, if appropriate, make adjustments to common criteria and / or individual. The Commission notes that in the absence of detailed strategic and operational plans these objectives are preliminary, and that some of these objectives will be refined and, if necessary, modified to strategic choices that will be discussed at the next meeting of Board in early July.

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

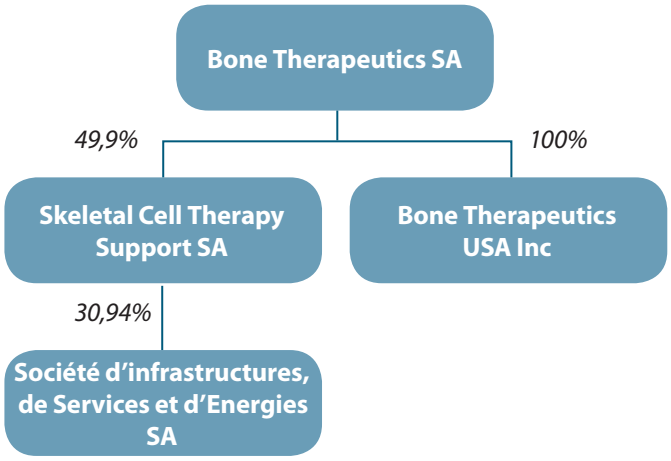
The BONE-011 patent family is co-owned by the Company and Enrico Bastianelli SPRL and the Company has entered into an agreement with Enrico Bastianelli SPRL regarding the use of BPBONE-001 and BPBONE-002 patent families.

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.

12.4 RELATED PARTY TRANSACTIONS

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



12.4.1 TRANSACTIONS WITH SCTS

The Company has granted SCTS 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).

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

12.4.2 TRANSACTIONS WITH BONE THERAPEUTICS USA INC.

In course of 2015, expenses related to all activities executed through Bone Therapeutics USA Inc. have been re-invoiced to Bone Therapeutics SA at 31 December 2015.

12.4.3 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.

12.4.4 TRANSACTIONS WITH THE WALLOON REGION

As a result of the relationship of the Walloon Region with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. The Company (and SCTS) have obtained a number of loan facilities through 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 2015, the Company has been awarded non-dilutive financial support from the Walloon Region, amounting to in aggregate € 25.5 million, in the form of both recoverable cash advances and subsidies.

12.4.5 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 11.8.2.2 "Remuneration of the CEO and the other Executive Directors and the Management Team".

12.5 TRANSACTIONS WITH AFFILIATES

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

13
EMPLOYEES

EMPLOYEES

13.1 NUMBER OF EMPLOYEES

On 31 December 2015, the Company employs 101 employees in total. The table below shows the evolution of employment since 2012 and does not take into account the temporary workers and the management members.

As of 31 December	2012		2013		2014		2015	
	BT	SCTS	BT	SCTS	BT	SCTS	BT	SCTS
R&D	35	9	37	13	34	35	57	37
Administration	2	0	2	0	2	1	5	2
Total	37	9	39	13	36	36	62	39
Total of BT and SCTS	**46**		**52**		**72**		**101**	

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

25% 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.

13.2 ARRANGEMENTS FOR INVOLVING THE EMPLOYEES IN THE CAPITAL OF THE COMPANY

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

14

SHARES AND SHAREHOLDERS

SHARES AND SHAREHOLDERS

14.1 HISTORY OF CAPITAL - CAPITAL INCREASE AND ISSUANCE OF SHARES

14.1.1 SECURITIES ISSUED BY THE COMPANY

At the date of 31 December 2015, the Company's capital amounts to € 20,708,372.90, represented by 6,849,654 ordinary shares without nominal value.

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

14.1.2 HISTORY OF CAPITAL

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

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

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

On 12 November 2008, the existing classes of shares were abolished and the share capital was increased by a contribution in kind in the amount of € 84,800.00 with issuance of 8,480 shares. The new shares were issued at a price of € 73.11 per share (of which € 10 in capital and € 63.11 in issuance premium). The aggregate issuance premium amounted to € 535.00 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 per share (of which € 38.19 in capital and € 121.81 in issuance premium). The aggregate issuance premium amounted to € 3,166,695.00. Following the capital increase, the share capital of the Company amounted to € 6,362,825.00 and was represented by 166,603 shares.

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

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

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

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

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

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

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

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

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

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

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

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.

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
12/11/2008	Capital increase	8,480	73.11	84,800	984,800	98,480
12/11/2008	Incorporation issuance premium	None	Not applicable	535,200	1,520,000	98,480
12/11/2008	Capital increase	42,126	91.38	650,197.96	2,170,197.96	140,606
12/11/2008	Incorporation issuance premium	None	Not applicable	3,199,802.04	5,370,000.00	140,606
13/01/2011	Capital increase	25,997	160	992,825	6,362,825	166,603
24/11/2011	Capital increase	15,194	160	580,258.86	6,943,083.86	181,797
27/11/2012	Capital increase	38,591	65.79	1,473,790.29	8,416,874.15	220,388
27/11/2012	Capital increase	71,772	0.01	0.32	8,416,874.47	292,160
10/06/2013	Capital increase	22,800	65.79	870,732.00	9,287,606.47	314,960
24/02/2014	Share split	None	Not applicable	Not applicable	Not applicable	3,149,600
24/02/2014	Capital increase	152,000	6.579	580,488	9,868,094.47	3,301,600
10/07/2014	Capital increase	156,640	6.579	598,206	10,466,302.63	3,458,240
05/02/2015	Capital increase	2,012,500	16.00	6,077,750.00	16,544,052.63	5,470,740
05/02/2015	Conversion convertible bonds	1,077,039	6.59	3,252,657.78	19,796,710.41	6,547,779
11/02/2015	Exercise of the over-allotment option	301,875	16.00	911,662.50	20,708,372.90	6,849,654

14.2 AUTHORISED CAPITAL

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

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

No transactions have been taken under the authorized capital during 2015.

14.3 CHANGES IN CAPITAL

14.3.1 CHANGES TO THE SHARE CAPITAL BY THE SHAREHOLDERS OF THE COMPANY

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

14.3.2 CAPITAL INCREASES BY THE BOARD OF DIRECTORS OF THE COMPANY

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

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

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

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

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

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

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

14.4 WARRANT PLANS

14.4.1 WARRANT PLANS ISSUED IN THE COURSE OF 2014

The Company has issued three warrant plans in the course of the financial year ended on 31 December 2014:

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

Plan	CEO	CFO	CCRO	Employees, Directors, consultants	Total
Plan A	-	-	-	-	-
Plan B[1]	10,000	4,800	0	0	14,800
Plan C	90,000	35,000	20,000	0	145,000
Total	**100,000**	**83,000**	**20,000**	**0**	**203,000**

[1] The remaining warrants under plan B, being 31,200 warrants, have been cancelled.

On 18 December 2014, the following warrants were granted in accordance with the abovementioned plans:

14.4.2 SUMMARY OF THE OUTSTANDING WARRANT PLANS

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

14.4.2.1 Plan A

- **Vesting**: 1/3 on the first anniversary of the grant of the warrants, 1/3 on the second anniversary of the grant and 1/3 on the third anniversary of the grant, under the conditions that the beneficiary is working for the Company. Warrants will vest immediately in case of a change of control, an initial public offering or a public takeover bid.
- **Exercise period**: when vested, the warrants are exercisable during 2 specific defined periods during the year or during additional periods to be determined by the Board of Directors of the Company, but not later than 10 years following the creation of these warrants.
- **Exercise price**: the exercise price will be determined by the Board of Directors of the Company, in accordance with the rules applicable to listed companies.
    - at the closing price of the share of the day preceding the day of the offer; or
    - the 30-day average price of the share of the 30 calendar days preceding the date of the offer.
- **Term**: ten years. All warrants that have not been exercised within the ten year period as of their creation become null and void.

14.4.2.2 Plan B

- **Vesting**: the warrants subject to a service vesting period starting on the grant date and ending at the earliest of (i) the date of the initial public offering of the Company and (ii) the first anniversary of the grant.
- **Exercise period**: the warrants are exercisable as from the vesting date until February 2019. After having become exercisable, the warrants can be exercised during 2 specific defined periods during each year or during additional periods to be determined by the Board of Directors of the Company, but not later than 5 years following the creation of these warrants.
- **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, *i.e.* 18 December 2014).
- **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

14.4.2.3 Plan C

- **Vesting**: 25% on the date of the initial public offering of the Company (or 1 January 2016 in the event no initial public offering takes place), 25% on 1 January 2016, 25% on 1 July 2016 and 25% on 1 January 2017.
- **Exercise period**: the warrants are exercisable as from the vesting date until December 2019.
- **Exercise price**: € 11.00 (this price was determined on the date of the grant of the warrants, *i.e.* 18 December 2014).
- **Term**: five years. All warrants that have not been exercised within the five year period as of their creation become null and void.

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

- The share capital of the Company amounts to € 20,708,372.90 and is fully paid-up. It is represented by 6,849,654 shares, each representing a fractional value of € 3.02 or one 6,849,654th of the share capital. The Company's shares do not have a nominal value.
- Other than the applicable Belgian legislation on the disclosure of significant shareholdings and the Company's articles of association, there are no restrictions on the transfer of shares.
- There are no agreements between shareholders which are known by the Company and may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- There are no holders of any shares with special voting rights.
- There is no external control over the employee incentive plans; warrants are granted directly to the beneficiary.
- Each shareholder of Bone Therapeutics is entitled to one vote per share. Voting rights may be suspended as provided in the Company's articles of association and the applicable laws and articles.
- The rules governing the appointment and replacement of board members and amendment to articles of association are set out in the Company's articles of association and in the Company's corporate governance charter.
- The powers of the board of directors, more specifically with regard to the power to issue or redeem shares are set out in the Company's articles of association. The board of directors was not granted the authorization to purchase its own shares "to avoid imminent and serious danger to the Company" (*i.e.*, to defend against public takeover bids). The Company's articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- The Company is a party to the following significant agreements which, upon a change of control of the Company or following a takeover bid can enter into force or, subject to certain conditions, as the case may be, can be amended, be terminated by the other parties thereto or give the other parties thereto (or beneficial holders with respect to bonds) a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:
  - Investments credit of € 1,625,000 of 31 May 2013 between ING Belgique SA and Skeletal Cell Therapy Support SA – Specification clauses and special conditions for investment loans (Edition 2005):
  - ING Belgique SA – General regulation for credits (Edition 2012);
  - BNP Paribas Fortis SA – Terms of New Facilities for Companies (4 March 2014);
  - BNP Paribas Fortis SA – Terms of New Facilities for Companies (20 December 2001);
  - Convention for the grant of a subordinated loan of 27 March 2013 between Fonds de Capital à Risque SA (the Lending Company) and Skeletal Cell Therapy Support SA (the Borrowing Company);
  - Convention for the grant of a subordinated loan of 24 February 2011 between Sambrinvest SA (the Lending Company) and Bone Therapeutics SA (the Borrowing Company);
  - Convention for a subordinated loan of 25 May 2012 between Novallia SA (the Lender) and Bone Therapeutics SA (the Borrower);
  - 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.

14.6 TRANSPARENCY

The articles of the association of the Company do not impose any additional notification obligations other than the notification obligations required in accordance with Belgian law. The voting rights of the major shareholders of the Company differ in no way from the rights of other shareholders of the Company.

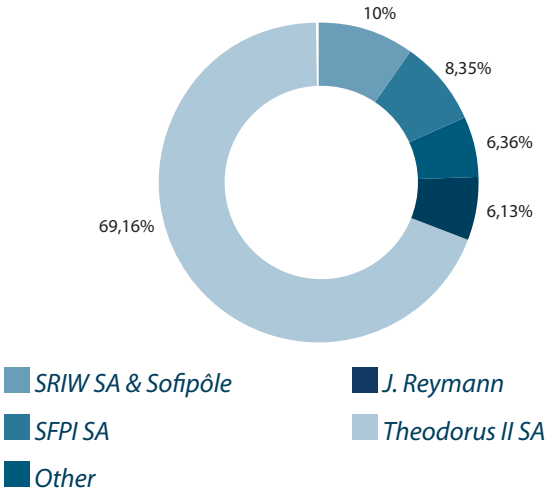
14.7 SHAREHOLDERS

On 31 December 2015, there are 6,849,654 shares representing a total share capital of the Company of € 20,708,372.90. 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 2015 is 304,760.

The table below provides an overview of the shareholders that have notified the Company of their ownership of securities of the Company. This overview is based on the most recent transparency declaration submitted to the Company.

Shareholder structure on 31 December 2015



14.8 DIVIDENDS AND DIVIDEND POLICY

14.8.1 ENTITLEMENT TO DIVIDENDS

Dividends can only be distributed if, following the declaration and payment of the dividends, the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements prepared in accordance with Belgian GAAP (*i.e.*, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortised activated costs of incorporation and extension and the non-amortised activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, pursuant to the Belgian Company Code and the articles of association, the Company must allocate at least 5% of its annual net profits under its statutory non-consolidated accounts to a legal reserve until the reserve equals 10% of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on ordinary shares expires five years after the date the Board of Directors has declared the dividend payable, whereupon the Company is no longer under an obligation to pay such dividends.

14.8.2 DIVIDEND POLICY

The Company has never declared or paid any dividends on its shares.

The Company's dividend policy will be determined by, and may change from time to time by determination of, the Company's Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors. The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out in the Belgian Company Code.

Belgian law and the Company's articles of association do not require the Company to declare dividends. The Board of Directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders in the near future.

15

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED FINANCIAL STATEMENTS

15.1 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2015, 2014 AND 2013 UNDER IFRS

15.1.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS *(in thousands of euros)*	**Note**	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets		**8,682**	**4,942**	**4,724**
Intangible assets	15.1.8.1	69	54	60
Property, plant and equipment	15.1.8.2	5,793	2,667	2,869
Investments in associates	15.1.8.3	282	283	282
Financial assets	15.1.8.6	205	181	180
Deferred tax assets	15.1.8.4	2,333	1,759	1,333
Current assets		**41,701**	**19,259**	**8,087**
Trade and other receivables	15.1.8.5	7,912	7,498	5,513
Other current assets		178	186	134
Cash and cash equivalents	15.1.8.7	33,611	11,576	2,440
TOTAL ASSETS		**50,383**	**24,202**	**12,811**

EQUITY AND LIABILITIES *(in thousands of euros)*	**Note**	**31/12/2015**	**31/12/2014**	**31/12/2013**
Equity				
Equity attributable to owners of the parent		**28,147**	**(9,485)**	**63**
Share capital		20,708	10,466	9,288
Share premium		42,670	1,671	6,635
Retained earnings		(35,752)	(21,670)	(15,860)
Other reserves		520	48	0
Non-controlling interests		**0**	**0**	**0**
Total equity	**15.1.8.8**	**28,147**	**(9,485)**	**63**
Non-current liabilities		**11,693**	**7,328**	**6,502**
Financial liabilities	15.1.8.9	10,118	5,827	5,052
Deferred tax liabilities	15.1.8.4	0	0	0
Other non-current liabilities	15.1.8.10	1,575	1,501	1,450
Current liabilities		**10,543**	**26,359**	**6,246**
Financial liabilities	15.1.8.9	2,313	18,437	509
Trade and other payables	15.1.8.11	2,579	3,213	1,458
Current tax liabilities	15..1.8.4	61	0	0
Other current liabilities	15.1.8.12	5,590	4,710	4,279
Total liabilities		**22,236**	**33,687**	**12,748**
TOTAL EQUITY AND LIABILITIES		**50,383**	**24,202**	**12,811**

15.1.2 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in thousands of euros)	Note	2015	2014	2013
Revenue		**0**	**0**	**0**
Other operating income	15.1.9.1	3,824	3,677	3,394
Total operating income		**3,824**	**3,677**	**3,394**
Research and development expenses	15.1.9.2	(12,910)	(7,957)	(6,816)
General and administrative expenses	15.1.9.3	(3,138)	(1,345)	(621)
Operating profit/(loss)		**(12,224)**	**(5,626)**	**(4,043)**
Interest income	15.1.9.5	194	130	150
Financial expenses	15.1.9.5	(1,966)	(310)	(190)
Exchange gains/(losses)	15.1.9.5	(26)	(4)	(1)
Share of profit/(loss) of associates	15.1.9.5	(1)	1	19
Result Profit/(loss) before taxes		**(14,025)**	**(5,808)**	**(4,066)**
Income taxes	15.1.9.6	(61)	0	0
PROFIT/(LOSS) FOR THE PERIOD		**(14,085)**	**(5,808)**	**(4,066)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(14,085)**	**(5,808)**	**(4,066)**
Basic and diluted loss per share (in euros)	15.1.9.7	**(1,91)**	**(1,69)**	**(1,34)**
Profit/(loss) for the period attributable to the owners of the Company		(14,144)	(5,734)	(4,079)
Profit/(loss) for the period attributable to the non-controlling interests		59	(74)	13
Total comprehensive income for the period attributable to the owners of the Company		(14,144)	(5,734)	(4,079)
Total comprehensive income for the period attributable to the non-controlling interests		59	(74)	13

15.1.3 CONSOLIDATED STATEMENT OF CASH FLOW

Consolidated Statement of Cash Flows (in thousands of euros)	Note	2015	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES				
Operating profit/(loss)		(12,224)	(5,626)	(4,043)
Adjustments for:	15.1.8.1 & 15.1.8.2			
Depreciation, Amortisation and Impairments		394	371	407
Share-based compensation	15.1.9.1	486	48	0
Grants income related to forgivable loans	15.1.9.1	(2,123)	(2,472)	(2,383)
Grants income related to patents	15.1.9.1	(207)	(166)	(87)
Grants income related to tax credit		(736)	(426)	(405)
Other		(24)	29	83
Movements in working capital:				
Trade and other receivables (excluding government grants)		1,171	(547)	(170)
Trade and Other Payables		(788)	1,746	337
Cash generated from operations		**(14,052)**	**(7,035)**	**(6,261)**
Cash received from grants related to forgivable loans		2,267	3,338	2,913
Cash received from grants related to patents		19	173	75
Net cash used in operating activities		**(11,765)**	**(3,524)**	**(3,274)**
CASH FLOW FROM INVESTING ACTIVITIES				
Interests received		143	20	39
Purchases of property, plant and equipment	15.1.8.2	(3,048)	(2,999)	(1,710)
Purchases of intangible assets	15.1.8.1	(52)	(25)	(61)
Proceeds from other current financial assets		0	0	0
Payments to acquire financial investments		(24)	0	(17)
Net cash used in investing activities		**(2,982)**	**(3,004)**	**(1,748)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from government loans		972	1,430	1,248
Repayment of government loans		(283)	(203)	(135)
Reimbursements of other non-current liabilities	15.1.8.9	0	0	(375)
Proceeds from loans from related parties	15.1.8.9	500	370	500
Reimbursements of financial lease liabilities		(188)	(49)	(37)
Proceeds from other financial loans		1,437	2,900	0
Interests paid		(279)	(6)	(52)
Proceeds received from convertible loan (net of transaction costs)	15.1.8.8	0	9,533	0
Proceeds from issue of equity instruments of the Company (net of issue costs)		34,622	1,690	1,491
Net cash provided by financing activities		**36,781**	**15,665**	**2,641**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**22,035**	**9,137**	**(2,382)**
CASH AND CASH EQUIVALENTS at beginning of year		**11,577**	**2,440**	**4,822**
CASH AND CASH EQUIVALENTS at end of year		**33,611**	**11,577**	**2,440**

15.1.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent					
(in thousands of euros)	**Share capital**	**Share premium**	**Retained earnings**	**Total equity attributable to owners of the parent**	**Non-controlling interests**	**TOTAL EQUITY**
Balance at 1 January 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)	(5,809)
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)**	**(9,485)**	**0**	**(9,485)**
Total comprehensive income of the period	0	0	(14,144)	**(14,144)**	59	(14,085)
Issue of share capital	6,990	30,390	0	**37,380**	0	37,380
Transaction costs for equity issue	0	(2,788)	0	**(2,788)**	0	(2,788)
Conversion of Convertible Bonds	3,253	13,397	0	**16,650**	0	16,650
Share-based payment	0	0	486	**486**	0	486
Mouvement non-controlling interests	0	0	59	**59**	(59)	0
Other	0	0	(13)	**(13)**	0	(13)
Balance at 31 December 2015	**20,708**	**42,670**	**(35,232)**	**28,147**	**0**	**28,146**

15.1.5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15.1.5.1 General information

Bone Therapeutics SA (the "Company") is a limited liability company governed by Belgian law. The address of its registered office is Rue Auguste Piccard 37, 6041 Gosselies, Belgium. 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" and Bone Therapeutics USA Inc "BT US" (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 24 March 2016.

15.1.5.2 Summary of significant accounting policies

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

15.1.5.2.1 Statement of compliance

The Group's consolidated financial statements for the year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("IFRS").

15.1.5.2.2 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 2015.

- Improvements to IFRS (2011-2013) (applicable for annual periods beginning on or after 1 January 2015)
- IFRIC 21 – Levies (applicable for annual periods beginning on or after 17 June 2014)

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 2015:

- 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)
- IFRS 16 Leases (applicable for annual periods beginning on or after 1 January 2019, 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 (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 7 Statement of Cash Flows – Disclosure Initiative (applicable for annual periods beginning on or after 1 January 2017, but not yet endorsed in EU)
- Amendments to IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses (applicable for annual periods beginning on or after 1 January 2017, 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)

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.

15.1.5.2.3 Basis of preparation

The consolidated financial statements are presented in thousands of euros, unless otherwise stated. Euro is also the functional currency of both the Company and SCTS. The USD is the functional currency for Bone Therapeutics USA Inc. The functional currency is the currency of the economic environment in which an entity operates. The consolidated financial statements have been prepared on a historical basis, unless otherwise stated.

15.1.5.2.4 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.

15.1.5.2.5 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.

15.1.5.2.6 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.

15.1.5.2.7 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
Building	20 years
Office furniture	4 years
Lab equipment	3 to 5 years
IT equipment	3 years

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

15.1.5.2.8 Leases

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

Finance leases

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

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

Operating leases

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

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

15.1.5.2.9 Impairment of tangible and intangible assets

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

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

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

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

15.1.5.2.10 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.

15.1.5.2.11 Cash and cash equivalents

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

15.1.5.2.12 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.

15.1.5.2.13 Income tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the

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

15.1.5.2.14 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 including future interest payments using a market-based discounting factor (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 as incurred.

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

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

15.1.5.2.15 Share-based payments

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

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

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

15.1.5.2.16 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.

15.1.5.2.17 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 employ-

ees of the Company are covered by an external insurance company, where premiums are paid annually and expensed as they were incurred.

Belgian contributions plans subject to legal minimum return:

Due to the fact that the Belgian law prescribes that the employer would guarantee a minimum rate of return on the contributions, such plans are classified as defined benefit plans under IFRS.

The cost of providing benefits is determined using the projected unit credit (PUC) method, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (including interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in OCI is reflected immediately in retained earnings and will not be reclassified to the statement of comprehensive income.

Past service cost is recognised in the statement of comprehensive income in the period of a plan amendment.

Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income;
- remeasurement

The Group presents the first two components of defined benefit costs in the statement of comprehensive income in the line items employee benefits and financial expense or financial income respectively. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of returns frm the plans or reductions in future contributions to the plans.

15.1.5.2.18 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.

15.1.5.2.19 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.

15.1.6 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

15.1.6.1 Investment in SCTS

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

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

15.1.6.2 Put and call on non-controlling interests in SCTS

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

In this context, management made estimations in measuring the expected net assets of SCTS on 1 January 2020 taking into account that the SCTS shareholders' agreement prescribes in substance that a minimum return of 6.5% shall be reached on the investment as from the fourth year of SCTS incorporation. The expected net assets value has been discounted to the reporting date using a rate of 3.1%.

In the statement of financial position on 31 December 2015, the fair value of the gross liability for the put option on non-controlling interests in SCTS amounts to € 1,575,000 (€ 1,501,000 in 2014).

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

15.1.6.3 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.

15.1.6.4 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 including future interest payments using a market-based discounting factor (risk free).

In respect of the part of the loan where reimbursement is revenue dependent, management will assess on a regular basis the probability of the revenue dependent repayment (up to 170% of the total loan). In case the probability of the reimbursement become more than likely (over 50%), a provision will be accounted for in accordance with IAS 37. Whenever the likelihood of the reimbursement is higher than remote for a specific project, a contingent liability is disclosed.

Management will also assess on a regular basis to what extent the variable part of the loan will be repayable. The repayment is determined as a percentage of the revenue generated by each project.

Note 15.1.12 on contingent assets and liabilities provides additional information on the portion of forgivable loans that might become partially reimbursable in the future.

15.1.6.5 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 2015, except for the deferred tax asset related to the R&D tax credit as this is independent from future taxable profit.

15.1.6.6 Automatically Convertible Bonds

On 18 December 2014 and on 8 January 2015, the Company issued automatically Convertible Bonds for a total of € 10,350,000. The bonds bear interest at a rate of 7% per annum. At IPO date, the bonds were automatically converted into a variable number of new shares equal to a fraction whereby the numerator amounts to 166.5% of the nominal value of the bonds, and the denominator is equal to the IPO offer price. If the IPO had not taken place, the bonds would have been automatically converted on 30 September 2015 into new shares at a fixed conversion ratio of € 11 per share. Under this latter scenario (no IPO), the holders of the instrument would be granted anti-dilutive rights until 30 September 2017.

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

In this context, management made estimations in measuring the fair value of the derivative instrument on the basis of several assumptions, with the most significant one being the probability that an IPO will be launched based on facts and circumstances available on 31 December 2014. Under this scenario, the fair value of the derivative at IPO date would amount to € 6,650,000 (or 66.5% of € 10,000,000), which corresponds to the fair value of additional shares granted to the bondholders upon conversion. The probability associated with that IPO scenario was estimated at 75%. Together with an estimation of the value of the derivative instrument under the alternative scenario (no IPO) weighted at 25%, management estimated that the initial fair value of the derivative instrument amounted to € 5,321,000. In 2015, the Company has recorded the difference (€1,329,000) into the statement of comprehensive income. Note 15.1.8.9. 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. In 2014, an amount of € 154,000 was recognised in equity and an amount of € 31,000 was recognised in the statement of comprehensive income. For the year 2015, the Company recognised an amount of € 282,000 in the statement of comprehensive income.

15.1.6.7 IPO costs

In 2015, the Company has incurred costs in connection with the IPO for an amount of € 3.81 million in 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) 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 € 2.75 million was recognised in equity and € 1.06 million in the statement of profit or loss in 2015. In 2014, an amount of € 0.33 million was recorded in equity and an amount of € 0.31 million was recorded into the profit and loss accounts.

15.1.6.8 Measurement of share-based payments

Management determined the fair value of equity-settled share-based payments (warrants plans) at grant date using the Black-Scholes pricing model. Significant inputs of this model, as the expected life of the warrant and volatility, are detailed in note 15.1.8.8.

15.1.7 OPERATING SEGMENT INFORMATION

The Group does not make the distinction between different operating segments, neither on a business or geographical basis in accordance with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors of the Company.

All non-current assets are located in Belgium.

15.1.8 NOTES RELATING TO THE STATEMENT OF FINANCIAL POSITION

15.1.8.1 Intangible assets

The intangible assets consist only of purchased software.

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Acquisition cost	172	120	96
Accumulated amortisation and impairment	(103)	(67)	(36)
Intangible assets	**69**	**53**	**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	**121**
Additions	52
Balance at 31 December 2015	**172**

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)**
Amortisation expense	(36)
Balance at 31 December 2015	**(103)**

15.1.8.2 Property, plant and equipment

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

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Acquisition cost	7,805	4,322	4,184
Accumulated depreciation and impairment	(2,013)	(1,656)	(1,315)
Property, plant and equipment	**5,793**	**2,666**	**2,869**

Property, plant and equipment (PPE) at the end of December 2015 amount to € 5.79 million, it increased by € 3.13 million compared to the end of 2014. The increase is mainly related to the construction of the new facility of SCTS in Gosselies.

Cost *(in thousands of euros)*	Laboratory equipment	IT material	Office furniture	Land	Building	Properties under construction	Total
Balance at 1 January 2013	**1,643**	**79**	**76**	**0**	**0**	**418**	**2,215**
Additions	133	12	0	**233**	0	1,604	**1,982**
Disposals	(9)	(4)	0	**0**	0	0	**(13)**
Balance at 31 December 2013	**1,766**	**87**	**76**	**233**	**0**	**2,022**	**4,184**
Additions	88	20	0	0	0	2,938	3,046
Government grant awarded	0	0	0	0	0	(2,908)	(2,908)
Balance at 31 December 2014	**1,854**	**107**	**76**	**233**	**0**	**2,052**	**4,322**
Additions	91	17	26	0	0	2,912	3,046
Government grant awarded	0	0	0	0	(2,471)	2,471	0
Adjustment on government grant not used	0	0	0	0	0	437	437
Transfer	0	0	0	0	6,671	(6,671)	0
Balance at 31 December 2015	**1,945**	**124**	**102**	**233**	**4,200**	**1,201**	**7,805**

Total investment at acquisition cost at the end of 2015 amounts to € 7.81 million. This amount contains € 10.28 million of actual investments reduced with € 2.47 million of investment grants (for the details of the conditions, see section 4.3.1). Commited expenditure on 31 December 2015 amounts to € 750,000 (2014: € 673,000).

The caption "Properties under construction" shows a total investment of € 7.87 million made over the period 2012-2015. An amount of € 6.67 million has been transferred to capture "building" being the part of the facilities of SCTS at Gosselies already completed and that become operational in the course of 2015. Out of a total amount of € 2.91 million government grants awarded and originally posted under properties under construction in 2014, an amount of € 2.47 million was finally used (meeting the final granting conditions – see also section 4.3) and transferred to the capture "building" in order to reflect the appropriate amount of the investment. The remainder amounting to € 0.44 million, being the amount not meeting the final granting conditions, was adjusted under "properties under construction". The balance at the end of December 2015 under "properties under construction" of € 1.20 million relates to the part of the building which is currently further completed and is expected to be fully commissioned in 2017 (following obtaining GMP accreditation for the production zone).

The balance of € 4.20 million under "building" represents the net investment (net of investment grants) in the facilities currently in use at Gosselies.

The table below shows the changes in the accumulated depreciation and impairment of property, plant and equipment at the end of 2015.

Accumulated depreciation and impairment *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Properties under construction**	**Total**
Balance at 1 January 2013	**(839)**	**(54)**	**(47)**	**0**	**0**	**0**	**(939)**
Depreciation expense	(349)	(19)	(16)	**(1)**	0	0	**(386)**
Disposals	7	4	0	**0**	0	0	**10**
Balance at 31 December 2013	**(1,182)**	**(69)**	**(63)**	**(1)**	**0**	**0**	**(1,315)**
Depreciation expense	(316)	(15)	(8)	(2)	0	0	(341)
Disposals	0	0	0	0	0	0	0
Balance at 31 December 2014	**(1,498)**	**(84)**	**(71)**	**(3)**	**0**	**0**	**(1,656)**
Depreciation expense	(225)	(15)	(8)	(3)	(106)	0	(357)
Balance at 31 December 2015	**(1,722)**	**(99)**	**(79)**	**(6)**	**(106)**	**0**	**(2,013)**

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. (See section 5.8 for more details).

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).

15.1.8.3 Investments in associates

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

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

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Balance at 1 January	283	282	263
Acquistion of investment	0	0	0
Capital increase/decrease	0	0	0
Net income from associates	(1)	1	19
Dividend received from associates	0	0	0
Impairment losses	0	0	0
Disposal of investment	0	0	0
Balance at 31 December	**282**	**283**	**282**
Goodwill included in carrying amount of investments in associates	0	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)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Sales and other operating revenues			
Profit (loss) before interest and taxation	19	36	68
Finance costs and other finance expenses	(21)	(33)	(7)
Taxation	(0)	(0)	0
Profit (loss) for the year	**(2)**	**3**	**61**
Profit (loss) attributable to owners of the company	(1)	1	19

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets	2,640	2,362	690
Current Assets	643	1,095	1,947
Total Assets	**3,283**	**3,457**	**2,637**
Current liabilities	2,192	2,349	1,525
Non-current liabilities	181	194	200
Total Liabilities	**2,372**	**2,543**	**1,725**
Net assets	**911**	**914**	**912**
Group's share of net assets	282	283	282

The Group granted no loans to associates.

15.1.8.4 Income taxes

The affiliate SCTS realised a taxable profit in 2015. An amount was recorded in current income tax expense in the consolidated financial statements as follows:

Current tax	31/12/2015	31/12/2014	31/12/2013
in respect of the current year	61	0	0
in respect of prior years	0	0	0
Total income taxes	**61**	**0**	**0**

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		
	31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013
Property, plant and equipment	0	0	0	67	33	5
Intangible assets	5,406	3,103	2,858	0	0	0
Trade and other receivables	0	19	0	428	0	450
Financial liabilities	706	2,186	861	0	0	0
Other non-current liabilities	535	510	493	0	0	0
Other current liabilities	0	0	0	712	1,228	1,032
Total temporary differences	**6,647**	**5,819**	**4,212**	**1,208**	**1,261**	**1,486**

Tax credits and tax losses carried forward and temporary differences

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Tax credits	2,495	1,759	1,333
Tax credits related to notional interest deduction	141	141	141
Tax losses	8,713	5,893	3,766
Total	**11,349**	**7,793**	**5,239**

Deferred tax assets and liabilities recognised

(in thousands of euros)	Assets			Liabilities		
	31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013
Deferred tax assets/(liabilities)	**17,996**	**13,612**	**9,451**	**1,208**	**1,261**	**1,486**
Unrecognised deferred tax assets	(14,293)	(10,592)	(6,632)			
Total recognised deferred taxes	**3,702**	**3,020**	**2,819**	**1,208**	**1,261**	**1,486**
Offsetting	(1,208)	(1,261)	(1,486)	(1,208)	(1,261)	(1,486)
Total, net	**2,495**	**1,759**	**1,333**	**0**	**0**	**0**

The following table presents an overview of the deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognized:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Tax credits	0	0	0
Tax credits related to notional interest deduction	415	415	415
Tax losses	25,635	17,338	11,079
Temporary differences	16,002	13,410	8,018
Total	**42,052**	**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 15.1.9.1).

At closing 2015, there are no unrecognised deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates.

15.1.8.5 Trade receivables and other receivables

The trade and other receivables can be detailed as follows:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Trade receivables			
Trade receivables	9	8	19
Write-downs on trade receivables	0	0	0
Total trade receivables	**9**	**8**	**19**
Other receivables			
Receivable related to taxes	574	378	226
Receivable related to tax credit	162	0	0
Receivable related to Forgivable loans	5,680	3,998	5,063
Receivable related to Patent grants	170	193	192
Receivable related to other grants	10	12	13
Receivables related to investment grants	1,308	2,908	0
Write-downs on other receivables	0	0	0
Total other receivables	**7,903**	**7,490**	**5,494**
Total trade and other receivables	**7,912**	**7,498**	**5,513**

Trade and other receivables amount to € 7.91 million showing an increase of € 0.42 million compared to the end of December 2014. The increase of the receivables related to forgivable loans (+ € 1.68 million - further reconciled under note 15.1.9.1) and in tax receivables (+ € 0.20 million) mainly VAT is largely offset by the decrease of the receivables related to the investment grants. In fact, the Company has received a first tranche of € 1.16 million in July 2015 and € 0.44 million are no longer available as the conditions for granting this amount were not met. The Company still needs to receive an amount of € 1.31 million.

15.1.8.6 Financial assets

Non-current financial assets amounting to € 0.21 million relate to restricted amounts mainly representing warranty in respect of the Galactic's building lease commitments.

15.1.8.7 Cash and cash equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Cash at bank and in hand	3,787	11,158	898
Short-term bank deposits	29,824	418	1,542
Total	**33,611**	**11,576**	**2,440**

The large increase of the cash and cash equivalents at year-end is mainly due to the success of the IPO of February 2015.

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

15.1.8.8 Equity

15.1.8.8.1 Share capital and share premium

On 5 February 2015, through 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. 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 conversion of bonds 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 increases, the share capital of the Company amounted to € 20,708,000 and is represented by 6,849,654 shares. The share premium account before considering the transaction costs amounts to €44.70 million.

15.1.8.8.2 Non-controlling interests

The gross liability relating to the put option on non-controlling interest in SCTS (see note 15.1.6.2) has been recognised against equity, as a reduction of non-controlling interests. Considering however that this gross liability exceeds the amount of non-controlling interests, the balance has been recognised as deduction of group equity (retained earnings) and the amount reported as non-controlling interest is nil.

15.1.8.8.3 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[57]	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

[57] *Warrants were granted and accepted 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 if 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 and the fair value at grant date of warrants granted out of Plan B and C are as follows:

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan B	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 2015, all the warrants of Plan B and 25% of warrants of Plan C are vested. The expenses relating to these plans are disclosed in point 15.1.9.4.

15.1.8.8.4 Transaction costs in relation to share capital transactions

In relation to the IPO, the Company has recognized in 2015 a number of costs as set out below:

- Banker fees for € 2,597,000
- External services including lawyers, communication experts € 493,000
- Regulatory fees (Euronext and FSMA) and audit and accounting fees (IFRS) € 97,000
- Insurance € 44,000
- Internal fees € 572,000

On this basis, an amount of € 2.75 million was recognized in equity and € 1.06 million in the statement of comprehensive income in 2015. In 2014, an amount of €0.33 million was recorded in equity and an amount of €0.31 million was recorded into the statement of comprehensive income.

15.1.8.8.5 Transaction costs in relation to the convertible bonds

The total transaction costs related to the Convertible Bonds (converted at the IPO – 6 February 2015) amounts to € 467,000. The Company recorded an amount of € 31,000 in the statement of comprehensive income and € 154,000 in equity in 2014. In 2015, the Company recorded an amount of € 282,000 in the comprehensive income statement.

15.1.8.9 Financial liabilities

Financial liabilities are detailed as follows:

(in thousands of euros)	Non-current			Current			Total		
	31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013	31/12/2015	31/12/2014	31/12/2013
Finance lease liabilities	79	110	*100*	33	44	*229*	111	154	*329*
Government loans	5,671	4,313	3,774	408	283	208	6,078	4,596	3,982
Loans from related parties	1,706	1,404	1,178	199	144	72	1,904	1,548	1,250
Convertible Bonds		0	0		0	0		9,745	0
Bank debt	2,663	0	0	1,674	2,900	0	4,337	2,900	0
Other financial liabilities	0	0	0	0	5,321	0	0	5,321	0
Total financial liabilities	**10,118**	**5,827**	**5,052**	**2,313**	**18,437**	**509**	**12,431**	**24,264**	**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 € 75,000 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 € 36,000.

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)*	31/12/2015	31/12/2014	31/12/2013
Not later than 1 year	35	58	229
Later than 1 year and not later than 5 years	62	94	86
Later than 5 years	279	282	282
Less: future finance charges	(265)	(280)	(269)
Present value of minimum lease payments	**111**	**154**	**329**

Finance lease liabilities *(in thousands of euros)*	31/12/2015	31/12/2014	31/12/2013
Not later than 1 year	33	44	229
Later than 1 year and not later than 5 years	55	85	79
Later than 5 years	24	25	21
Present value of minimum lease payments	**111**	**154**	**329**

Government loans

The government loans relate to the repayable part of forgivable loans (not linked to turnover) and are detailed in note 15.1.9.1. Interest is charged to this repayable part at a rate based on Euribor 1 year + 100 basis point.

Loans from related parties

A new subordinated loan from a related party for an amount of € 500,000 was taken up during 2015 (Sofipôle SA). This loan serves to co-finance the construction project for a platform for cellular therapy in the SCTS building at the BioPark of Gosselies (south of Brussels). The loan is to be repaid in full at the maturity date being 30 June 2028. The loan carries a market-based interest rate of 7% payable on a quarterly basis.

Bank debt

In respect of non-current debts, the Company has taken up two long term investment credit facilities from BNP Paribas Fortis SA/NV and ING Belgique SA/NV to finance the Infrastructure project for a total amount of € 2.66 million. Those 2 loans have a term of 15 years and the applicable interest rate amounts to EURIBOR 3M (the reference rate) increased with a margin of 2.5%. SCTS SA has the option to negotiate fixed interest rates for periods up to the end of the contracts.

In respect of current debt, the decrease is resulting from the reimbursement of the first tranche of € 1.16 million which was used to pre-finance the subsidies.

15.1.8.10 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 the statement of comprehensive income. In the statement of financial position on 31 December 2015, the fair value of the gross liability for the put option on non-controlling interests in SCTS amounts to € 1,575,000 (€ 1,501,000 in 2014).

For additional information on the fair value, see also note 15.1.6.

15.1.8.11 Trade and other payables

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Trade payables	1,818	2,853	1,136
Other payables	761	360	323
Total trade and other payables	**2,579**	**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 decrease of € 1.04 million is mainly related to exceptional items related to the IPO process at the end of 2014.

Other payables include solely short-term employee benefits liabilities and the increase is explained by the strengthening of the teams.

15.1.8.12 Other current liabilities

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

Future minimum lease payments *(in thousands of euros)*	31/12/2015	31/12/2014	31/12/2013
Deferred income grant Forgivable loans	5,428	4,320	3,905
Deferred income grant Patent grants	156	383	374
Other	7	7	0
Total	**5,590**	**4,710**	**4,279**

The deferred income related to the grants on the forgivable loans is detailed in note 15.1.9.1.

15.1.9 NOTES RELATING TO THE STATEMENT OF COMPREHENSIVE INCOME

15.1.9.1 Other operating income

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

Future minimum lease payments *(in thousands of euros)*	**31/12/2015**	**31/12/2014**	**31/12/2013**
Grants income related to forgivable loans	2,123	2,472	2,383
Grants income related to exemption on withholding taxes	709	570	430
Grants income related to tax credit	736	426	405
Grants income related to patents	207	166	87
Other grants income	49	43	88
Total	**3,824**	**3,677**	**3,394**

Forgivable loans

The forgivable loans ("Avances récupérables") are granted to support specific research and development programmes. After the approval of these loans by the government (*i.e.* Walloon Region), a receivable is recognised for the loan to be received and presented as other receivables (see note 15.1.8.5). 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% and up to 170%) only becomes refundable to the extent revenue is generated within 10 or 25 years after the date at which exploitation has been decided. Accordingly, if no revenue is generated within that period of 10 or 25 years, any non-refunded part of the loan will ultimately not be repaid.

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.

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 15.1.8.9), 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 15.1.8.12).

The variable part is recognized as "government grants" (see note 15.1.6.4 - part less than probable to be reimbursed), this part is presented under the caption "deferred income". The deferred income is released as "other operating income" as the R&D costs compensated by the grant are incurred. The part of the grant representing the discount effect on the minimum refundable amount is released as interest income over the period of the interest free loan.

The receivable related to the forgivable loans is reconciled as follows:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Opening balance	**3,998**	**5,063**	**6,362**
New grants	3,898	3,013	2,325
New loans	1,023	691	536
Cash received	(3,239)	(4,768)	(4,160)
Closing balance	**5,680**	**3,998**	**5,063**

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

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Opening balance	**4,596**	**3,982**	**3,459**
New loans	1,023	691	537
Repayment	(254)	(203)	(135)
Unwind of discount	715	121	121
Closing balance	**6,079**	**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)	31/12/2015	31/12/2014	31/12/2013
Opening balance	**4,320**	**3,904**	**4,084**
Released as operating income	(2,123)	(2,472)	(2,383)
Released as finance income	(667)	(121)	(121)
Increase on new grants	3,898	3,013	2,325
Closing balance	**5,428**	**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 and qualify as "R&D center" benefit from a partial exemption from payment of withholding tax on the salaries of scientific staff. They must transfer to the tax authorities only 20% of the withholding tax due on the salary of these researchers while the remaining amount is considered to be a government grant. These grants are recognised in the consolidated statement of comprehensive income at the same moment the related personnel expenses are incurred.

Grants related to patents

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

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

15.1.9.2 Research and development expenses

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Lab fees and other operating expenses	6,462	3,735	3,283
Employee benefits expenses	5,770	3,625	2,975
Depreciations, amortisations and impairment losses	326	316	349
Patents costs	352	282	208
Total	**12,910**	**7,957**	**6,816**

Research and development expenses amounted to € 12.91 million for the full year 2015, showing an increase of € 4.95 million (+62%) from 2014 to 2015. The increase is mainly resulting from the increase in activity in respect of clinical programmes by both accelerating existing programmes (Phase III) as well as in initiating new Phase II programmes impacting both lab fees and other operating expenses and employee benefits expenses.

15.1.9.3 General and administration expenses

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Employee benefits expenses	1,847	632	224
Depreciation and amortisation expense	66	56	58
Other expenses	1,225	657	339
Total	**3,138**	**1,345**	**621**

General and administrative expenses for the full year 2015 amounted to € 3.14 million compared to only € 1.35 million over the same period last year. The expenses have increased by € 1.79 million compared to the same period in 2014. Of this increase, € 1.06 million was accounted for as IPO-expenditure directly impacting the statement of comprehensive income. The remaining € 0.73 million relates to the strengthening of the team but also to comply with the new context of operating as a public company.

15.1.9.4 Employee benefit expenses

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/2015	31/12/2014	31/12/2013
Short term benefits	5,886	3,405	2,522
Social security cost	1,034	707	556
Post-employment benefits and other benefits	190	84	107
Share-based compensation	486	48	0
Other expenses	21	13	15
Total	**7,617**	**4,257**	**3,200**

15.1.9.4.1 Post-Employment Benefit Plan

The Group has a group insurance plan based on defined contributions for some employees, for which the insurance company guarantees an interest rate until retirement (type 'branche 21 / tak21'). The contributions are a flat percentage of the salary depending on the category of personnel, entirely paid by the employer. By law, the employer has to guarantee a minimum rate of return on the contributions.

As a consequence of the law of 18 December 2015, the minimum rates of return were modified as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75% (1.75% for 2016);
- for the contributions paid until end December 2015, the previously applicable minimum rate of return (i.e 3.25%) continues to apply until the date of leaving of the participants (in case of insured plans).

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

The Group was not in a position to receive a complete actuarial computation under the PUC method due to the recent publication of the law.

Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would have an immaterial impact.

15.1.9.4.2 Number of employees in full time equivalents:

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Research and development	80	58	47
General and administrative	5	3	2
Total	**85**	**61**	**49**

15.1.9.5 Financial result

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Interest income on bank deposits	67	9	29
Interest income on government loans	126	115	121
Total interest income	**193**	**124**	**150**
Interest on borrowings	(34)	(85)	(31)
Interest on government loans	(126)	(115)	(121)
Interest on obligations under finance leases	(16)	(19)	(20)
Interest on convertible bonds	(98)	(31)	0
Transaction costs on convertible bonds	(282)	0	0
Fair value impact of derivative related to convertible bonds	(1,329)	0	0
Fair value gain or losses	(74)	(51)	(14)
Other	(10)	(4)	(4)
Total financial expenses	**(1,969)**	**(304)**	**(190)**
Exchange gains/(losses)	**(26)**	**(4)**	**(1)**
Share of profit/(loss) of associates	(1)	0	19
Total financial result	**(1,801)**	**(183)**	**(41)**

Financial income amounts to € 0.19 million and is composed of interest income on bank deposits and income recognition on government loans in particular the minimum refundable amount of the forgivable loans referred to in note 15.1.9.1 which come at a below market rate interest.

Financial expenses amount to € 1.97 million in 2015 are mainly linked to the Convertible Bonds (€ 1.71 million). The changes in fair value of the embedded derivative in the convertible bonds recognised as financial liabilities in 2014 (see note 15.1.8.9) amount to € 1.33 million. The unwinding of the discount of the government loans (below market rate interest – presented as interest on government loans) amounts to € 0.09 million.

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 15.1.8.9) and amounts to € 0.07 million.

15.1.9.6 Income taxes

The Group has recognized an incomes taxes of € 61,000 over the year 2015. The amount has been computed as follows:

(in thousands of euros)	**Bone Therapeutics**	**SCTS**
Profit (loss) before tax - BEGAAP	(8,364)	301
Losses carried forward	(17,338)	(94)
Other	0	(44)
Total losses carried forward	(25,702)	178
Belgian statutory income tax rate	33,99%	33,99%
Income taxes	**0**	**61**

15.1.9.7 Earnings per share

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

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Profit/loss for the period attributable to the owners of the Company (in thousands of euros)	(14,144)	(5,734)	(4,079)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	7,419.287	3,385.747	3,049.030
Basic loss per share (in euros)	**-1,91**	**-1,69**	**-1,34**

**2013 has been restated for comparative reasons to reflect the share split effected in 2014 (in comparison with the figures published in the prospectus).*

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2015 and 2014 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)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Impact on weighted average number of ordinary shares outstanding			
Share-based payment plan - warrants	159,800	159,800	0
Convertible bond converted at a premium of 166,5% in case of IPO	**0**	**132,784**	**0**

15.1.10 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

15.1.10.1 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	31/12/2015	31/12/2014	31/12/2013
Other non-current financial assets				
Non-current receivables	Loans and receivables	205	181	180
Trade and other receivables	Loans and receivables	7,339	7,119	5,287
Other financial assets	Loans and receivables	0	0	0
Cash and cash equivalents	Loans and receivables	33,611	11,576	2,440
Total financial assets		**41,154**	**18,876**	**7,907**
Non-current financial liabilities				
Finance lease liabilities	At amortised cost	79	110	100
Government loans	At amortised cost	5,671	4,313	3,774
Loans from related parties	At amortised cost	1,706	1,404	1,178
Other non-current liabilities				
Put on non-controlling interests	At fair value through profit or loss	1,575	1,501	1,450
Current financial liabilities				
Finance lease liabilities	At amortised cost	33	44	229
Government loans	At amortised cost	408	283	208
Loans from related parties	At amortised cost	199	144	72
Convertible bonds	At amortised cost	0	9,745	0
Other financial liabilities	At fair value through profit or loss	0	5,321	0
Trade and other payables				
Trade payables	At amortised cost	1,818	2,889	1,136
Total financial liabilities		**11,487**	**25,754**	**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.

	31/12/2015		
(in thousands of euros)	Carrying amount	Fair value	Fair value level
Non-current financial liabilities			
Finance lease liabilities	79	79	Level 2
Government loans	5,671	6,421	Level 2
Loans from related parties	1,706	2,108	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,575	1,575	Level 3
Current financial liabilities			
Finance lease liabilities	33	33	Level 2
Government loans	408	408	Level 2
Loans from related parties	199	199	Level 2
Other financial liabilities	0	0	Level 3
Total	**9,669**	**10,822**	

	31/12/2014		
(in thousands of euros)	**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**	

	31/12/2013		
(in thousands of euros)	**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	**31/12/2015**	**31/12/2014**	**31/12/2013**
Opening balance	1,501	1,450	1,811
Total gains or losses in profit or loss	74	51	14
Decrease of capital	0	0	(375)
Closing balance	**1,575**	**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 15.1.6.2 of these consolidated financial statements on significant judgements.

If the above unobservable input linked to the expected rate of return was 10% higher/lower while all the other variables were held constant, the carrying amount of the put option would increase/decrease by € 50,000 (2014: increase/decrease by € 48,000).

On the other hand, at the end of 2014, the 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	31/12/2015	31/12/2014	31/12/2013
Opening balance	5,321	0	0
Change in fair value	1,329	0	0
Recognition of embedded derivative in convertible bond	0	5,321	0
Exercice	(6,650)	0	0
Closing balance	**0**	**5,321**	**0**

At the end of 2015, no reconciliation at Level 3 is necessary in this respect.

15.1.10.2 Credit risk

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

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

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

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

15.1.10.3 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.

31/12/2015 *in thousands of euros*	Financial lease liabilities	Government loans	Loans from related parties	Convertible bonds
Within one year	35	*408*	286	0
>1 and <5 years	62	*3,833*	1,222	0
>5 and <10 years	15	*1,841*	473	0
>10 and <15 years	15	614	610	0
>15 years	249	695	0	0

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

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

15.1.10.4 Interest rate risk

The Company has limited interest rate risk.

The Company has with the forgivable loans 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 a fixed margin of 2.5% + 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.

15.1.10.5 Foreign exchange risk

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

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

15.1.11 RELATED-PARTY TRANSACTIONS

The structure of the group has been described in Chapter 6.

For more detail about the related-party transactions, please refer to Chapter 12.

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

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of € 256,000 (2014: € 169,000) 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 € 196,000, consisting of trade payables

(€ 160,000) and a finance lease liability for the long lease right on the land (€ 36,000, of which € 33,000 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 € 25.24 million (see chapter 5, section 5.10). Next to the government grants, government agencies granted loans to the Group for a total amount of € 2,120,000 (2014: € 1,620,000).

The remuneration of Directors of the Board and the management team during the year was as follows:

Reconciliation in thousands of euros	31/12/2015	31/12/2014	31/12/2013
Short-term benefits	1,563	803	330
Post-employment benefits	0	0	0
Other long-term benefits	0	0	0
Share-based payments	486	48	0
Termination benefits	0	0	0
Total	**2,049**	**851**	**330**

For more details according to the remuneration of the management, we refer to Section 11.8.

15.1.12 CONTINGENT 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.

In these cases where the probability for repayment of the variable part has become more than remote (PoS > 15%), management needs to evaluate on a regular basis to what extent the variable part of the loan will be repayable (up to 170% of the total grant). In case the probability of the reimbursement become more than probable (over 50%), a provision will be accounted for considering the present value of the amount to be reimbursed taking into account the probability of success for the realisation of the necessary revenue stream. In accordance with IAS 37, whenever the likelihood of the reimbursement is higher than 15% for a specific project, a contingent liability will be disclosed.

At current, all projects (for which a recoverable cash advance was obtained) are less than probable (PoS ≤ 50%) in respect of revenue potential to the extent that today the Company cannot say if one of its current projects will make it to market because of the specific nature of the project itself (clinical projects can fail at all times during the development process) but also considering broader risks such as the fact that the Company does not have any experience or guarantees it will be able to commercialise its products or on itself or through a partnership and the Company has no experience or guarantees that it will be able to produce its products at a large scale. Finally uncertainty remains over the fact that the Company will obtain sufficient financing resources to bring the product on the market. This management judgement that revenue potential is less than probable is also consistent with the treatment of R&D costs that are currently not capitalised as intangible assets for substantially the same reason.

To evaluate the probability of success of a project (≤ 15% or > 15% & ≤ 50% or > 50%), management will apply "Probability of Success- " factors as per industry standard and as used by analysts to consider projects for valuation purposes (linked to projects in different parts of their development: pre-clinical, clinical phase I, II, III).

To estimate the amounts to be disclosed as contingent liability or posted as provision, management will:

- Estimate the revenue potential over time for each project corrected with the probability of success (midpoint of possible outcomes) of the related projects
- Set of the revenue potential against the timelines agreed upon and defined in the contracts under considerations as the "exploitations phase" whereby projects with an agreed term of 10 years have a much lower revenue potential over the exploitation period than recent contracts which have a term of 25 years (as of 2015) or contracts which were subject to change in terms from 10 to 25 years during the course of 2015
- Discount the expected revenues at a discount rate which only considers time value of money for risk free investments. The additional risks which were not included in the probability of success-factors used above, such as industrialization, commercialization and company financing risks are not considered. For a company with a similar maturity and profile as Bone Therapeutics (e.g. introducing novel technologies), DCF between 15% and

20% could be considered as normal. Using however the risk-free interest rate as DCF result in a higher liability which reflects the fact that estimated revenues and repayments could be higher than the one which were considered based on an PoS adjusted revenue streams.

From incorporation until 31 December 2015, the Company (Bone Therapeutics and SCTS) has been awarded non-dilutive financial support from the Walloon Region in the form of recoverable cash advances for an amount of € 21,467,000 of which € 16,393,000 has been paid out to the Company as of 31 December 2015. The Company intends to continue to apply for recoverable cash advances to fund its development and research programmes. The residual amount to receive out of the existing contracts amounts to € 5,074,000 and should be received over 2016, 2017 and 2018 depending on the progress of the different programmes partially funded by the Region.

RCAs are governed by the applicable Walloon regulations as explained in Chapter 5, section 5.10.

Description of the conditions:

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

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

Contracts granted before 2015 contain the following specific conditions:

- Funding by the Walloon Region covers 60% of the budgeted costs (contracts 6064, 6187, 6700, 6446, 6337, 6539, 6804, 6805, 6834, 6855, 7029, 7028, 7187, 7217 and 7253); or covers 75% of the budgeted project costs if there is a collaboration with a Company established in Walloon Region (contracts 5993, 6081 and 7186);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of 10 years
- Turnover-dependent reimbursements range between 0.007% and 1.28% of turnover realized during a specific year;
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Walloon Region;
- In case of bankruptcy, the research results obtained by the Company under the Contracts granted before 2015 are expressed to be assumed by the Walloon Region by operation of law.

Contracts granted as of 2015 contain the following specific conditions:

- Funding by the Walloon Region covers 55% of the budgeted costs (contracts 7280, 7405, 7406 and 7433);
- Certain activities have to be performed within the European Union;
- Turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- The exploitation phase has a duration of 15 years for contract n°7280 and a duration of 25 years for the others;
- Turnover-dependent reimbursements range between 0.847% and 0.90% of turnover realized during a specific year;
- Interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made) + 100 basis points) accrue as of the 1st day of the exploitation phase;
- Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Walloon Region;

- In case of bankruptcy, the research results obtained by the Company under the Contracts granted as of 2015 are expressed to be assumed by the Walloon Region by operation of law.

Changes made to contracts granted before 2015:

During 2015, it was agreed to prolong the duration of the exploitation phases of the projects linked to ALLOB®. The duration for those projects has been extended until 31 December 2042. This concerns the following contracts: contracts 6805, 6187, 6700, 7187 and 7186.

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°	Name	Initial budget (k€)	Exploitation phase	Turnover-independent reimbursement (k€)	Total reimbursed 12/2015 (k€)	Turnover-dependent reimbursement
Forgivable loans for Bone Therapeutics SA						
5369	HOMING	650	2012-2021	648	280	5%
5827	MATOB	800	2012-2021	744	270	5%
6064	PREOB	998	2013-2022	299	101	0.051%
6446	METHODES	660	2014-2023	198	14	0.073%
5993	JOINTAIC	432	2014-2023	130	0	0.085%
6834	STABCELL	411	2015-2024	118	5	0.04%
6805	ALLOB NU	600	2015-2042	180	10	0.2%
6337	PREOB NU	2,961	2015-2024	888	30	0.59%
6187-6700	ALLOB	1,363	2015-2042	409	0	1.2%
6081	GXP	1,567	2015-2024	470	0	0.007%
6539	MAXBONE	690	2015-2024	207	7	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	2016-2042	78	0	0.175%
7186	ALLOB IF	620	2017-2042	186	0	1.28%
7217	MXB BIOPRINTING	1,000	2017-2026	300	0	0.1093%
7405	MECA OB	1,815	2018-2042	545	0	0.847%
7433	ALLOB SEQ	1,92	2018-2041	576	0	0.90%
TOTAL		**18,897**		**6,621**	**717**	
Forgivable loans for Skeletal Cell Therapy Support						
6804	PROFAB	735	2015-2024	221	0	1,28%
7253	JTA PROD	678	2017-2026	203	0	0,10%
7280	MO SELECT	353	2017-2031	106	0	0.082%
7406	CRYOFIN	1,185	2018-2042	356	0	0.553%
TOTAL		**2,951**		**886**	**0**	

In respect of the above projects management estimates that 16 out of 21 projects have a probability of success (PoS) > 15%. Considering revenues adjusted for PoS and cumulative revenues for all of these 16 projects adjusted for the time value of money at 2,43% (EONIA 15 years) the maximum contingent liability (not considering the industrialization risk, the commercialization risk and the company financing risk) amounts to € 11,047,000 to be repaid over the period 2020-2033. Increasing the PoS to 100% for all projects with an initial PoS > 15% results in increase of this liability to € 12,861,000. Management believes that a conservative approach was taken in respect of the amount which is disclosed as contingent liability.

15.1.13 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 € 584,000 have been recognised in the consolidated statement of comprehensive income (2014: € 496,000).

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

Reconciliation in thousands of euros	31/12/2015	31/12/2014	31/12/2013
Not later than 1 year	393	411	496
Later than 1 year and not later than 5 years	222	161	549
Later than 5 years	0	0	0
Total	**615**	**572**	**1,046**

15.1.14 EVENTS AFTER THE REPORTING PERIOD

The annual consolidated financial statements on 31 December 2015 were authorised for issue by the Board of Directors of the Company on 24 March 2016. Accordingly, events after the reporting period are those events that occurred between 1 January 2016 and 24 March 2016. No such events occurred.

15.2 ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BONE THERAPEUTICS SA

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the fiscal year that ended 31 December 2015, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

15.2.1 FINANCIAL AND STRATEGIC HIGHLIGHTS OF 2015

Financial highlights

At the beginning of 2015, Bone Therapeutics launched its IPO on Euronext Brussels and Euronext Paris, which was successfully completed on 11 February and allowed the Company to raise € 37 million. The IPO was largely subscribed by European institutional investors as well as a large number of retail investors (11.3% of allocated shares). The funds have allowed the Company to accelerate the development of Bone Therapeutics.

During 2015, Bone Therapeutics was granted a total of € 5 million in new funding from the Walloon Region, an amount equalling 13.5% of the IPO proceeds. The funds will support the Company's preclinical research programs.

The Company ended 2015 with € 33.6 million in cash, which was well in line with company expectations.

(€ million)	FY 2015	FY 2014
Operating income[58]	3.82	3.68
Operating expenses	(16.05)	(9.30)
R&D	(12.91)	(7.96)
G&A	(3.14)[1]	(1.35)
Operating result	(12.22)	(5.63)
Net financial result	(1.80)	(0.19)
Net result	(14.09)	(5.81)
Net cash flow	22.04	9.14
Operating activities	(11.77)	(3.52)
Investing activities	(2.98)	(3.00)
Financing activities	36.78	15.67
Cash position at 31 December	**33.61**	**11.58**

Significant operational and corporate events of 2015

At the beginning of the year, the first efficacy results from the **ALLOB® Phase I/IIA trial in delayed-union fractures** were reported. 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 within six months. As communicated in September, eight patients had been treated in the trial without any safety concerns. The Safety Monitoring Committee reviewed the initial safety data and unanimously agreed that the trial can proceed as planned and can continue to enrol patients. Post-period, the

[58] *Including € 1.06 million of IPO costs.*

Company announced the extension of the trial into **multiple delayed-union fractures**. This study will complement the ongoing trial and will allow the evaluation of safety and efficacy of higher doses of ALLOB®.

In March, the Company announced the treatment of the first four patients in the **ALLOB® Phase IIA spinal fusion trial**. By the end of the year, in December, eight patients had been treated without any safety concerns and post-period it was announced that 12 patients out of were safely treated, reaching 75% of the trial recruitment target. Additionally, after the 12-month follow-up of the first patient treated early 2015, preliminary efficacy results showed spinal fusion on CT scans and absence of intervertebral motion on dynamic x-rays.

On April 13, the Company announced the creation of its **US subsidiary**, Bone Therapeutics USA Inc., with headquarters in Boston, Massachusetts. It was the first milestone in a process that will lead to the initiation of clinical trials in the US. On April 24, Bone Therapeutics officially opened its new **headquarters in Gosselies**, south of Brussels. Following the rapid expansion of the Company, this was an important step to underpin the Company's continued growth and commercial readiness. The state-of-the-art production facility will secure first commercial cell therapy production and will allow the further growth of the Company.

In June, preliminary results from the **PREOB® Phase IIA study for severe osteoporosis** were communicated, demonstrating migration of intravenously-injected cells to the bones and absence of treatment-related safety concerns.

In September, the Company initiated a pioneering trial for the minimally invasive **treatment of failed spinal fusion**. In about 25% of lumbar spinal fusion cases, patients remain unsatisfied with the results of this procedure. In this trial, patients that are suffering from a failed spinal fusion surgery will be treated with a single injection of ALLOB® into the failed fusion area without the need for open surgery.

In November, **Thomas Lienard** was appointed as Chief Business Officer. He assumes responsibility for activities in business development, business operations and strategic planning. During 2015, Bone Therapeutics continued the expansion of its operations. By 31 December 2015, the Company employed 101 people, up from 72 at the end of December 2014.

Also in November, ALLOB® received **orphan drug designation** for osteogenesis imperfecta from the EMA (European Medicines Agency) and FDA (Food and Drug Administration in the US). Osteogenesis imperfecta, also known as brittle bone disease, is a rare genetic disorder that causes bone fragility, fractures and deformities. Although the Company has not yet started clinical trials in this area, the orphan drug designation provides the opportunity for the future to develop a more effective treatment that, contrary to the available treatments, could target the cause of the disease.

2015 at a glance

Clinical highlights

- Significant progress in ongoing clinical development, with positive safety and efficacy results from the ongoing Phase II trials
    - ALLOB® Phase I/IIA delayed-union trial: eight patients safely treated, with the first four patients achieving the primary efficacy endpoint
    - PREOB® Phase IIA trial for severe osteoporosis: demonstration of safety of intravenous administration of PREOB® and successful migration of the cells towards the bones most prone to osteoporosis-related fractures
- Initiation of a pioneering Phase IIA trial for the minimally invasive treatment of failed spinal fusions with ALLOB®
- Orphan Drug Designation granted to ALLOB® by the EMA and FDA for the treatment of osteogenesis imperfecta or brittle bone disease

Corporate highlights

- Establishment of US subsidiary, Bone Therapeutics USA Inc., in Boston as a first step in the development of the Company's US clinical trials program
- Opening of new headquarters in Gosselies, Belgium, which will incorporate a state-of-the-art production facility as of early 2017 that will secure first commercial cell therapy production and ensures the continued growth of the Company
- Strengthening of management team with the appointment of Thomas Lienard as CBO to lead activities in business development
- Increased number of employees from 72 at the start of 2015 to 101 at the end of 2015, with the majority of new hires related to the clinical, regulatory and production departments

Financial highlights

- € 37 million raised through successful IPO on Euronext Brussels and Euronext Paris, securing a strong financial runway to execute clinical and developmental strategy
- € 5 million new funding from the Walloon Region to

support preclinical research programs

- Ended 2015 with € 33.6 million in cash, well in line with company expectations

Post-period highlights

- Extension of the delayed-union program for ALLOB® into multiple delayed-union fractures
- ALLOB® Phase IIA spinal fusion trial: 75% of patients now treated, with successful fusion demonstrated in the first patient
- Positive efficacy results from the PREOB® Phase IIA trial in severe osteoporosis after the 12-month follow-up of the first cohort of patients in the study, showing that a single administration of PREOB® had sustained beneficial effects on pain and bone turnover markers

15.2.2 OUTLOOK FOR 2016

In line with the strategy outlined at the time of the Company's IPO, Bone Therapeutics is accelerating the development of PREOB®, currently in the last clinical phase for the treatment of osteonecrosis and non-union fractures. During 2016, the Company will provide an update on its osteonecrosis trial, now underway in five European countries. Preparations are in progress to initiate a first clinical trial in the US by the end of 2016.

In 2016, the Company will continue its promising Phase I/II trials for ALLOB® and plans to communicate on important efficacy results. Efficacy results for the first eight patients in the Phase I/IIA ALLOB® delayed-union trial are expected during the first half of 2016, as well as efficacy results for the first four patients in the Phase I/IIA ALLOB® spinal fusion trial. The Company also expects to communicate on safety in the first four patients treated in the recently initiated rescue spinal fusion trial.

Good cash management will remain a key priority for the Company, with a strong focus on net cash burn. The Company maintains its guidance, given at the time of the IPO that it has sufficient cash to carry out its strategic objectives until the end of 2017.

15.2.3 FINANCIAL REVIEW OF THE YEAR ENDING 31 DECEMBER 2015

15.2.3.1 Analysis of the consolidated statement of comprehensive income

The following table includes information relating to the Company's audited statement of comprehensive income for the years ended 31 December 2015, 2014 and 2013.

Reconciliation in thousands of euros	2015	2014	2013
Revenue	0	0	0
Other operating income	3,824	3,677	3,394
Total operating income	3,824	3,677	3,394
Research and development expenses	(12,910)	(7,957)	(6,816)
General and administrative expenses	(3,138)	(1,345)	(621)
Operating profit/(loss)	**(12,224)**	**(5,626)**	**(4,043)**
Interest income	194	130	150
Financial expenses	(1,966)	(310)	(190)
Exchange gains/(losses)	(26)	(4)	(1)
Share of profit/(loss) of associates	(1)	1	19
Result Profit/(loss) before taxes	**(14,025)**	**(5,808)**	**(4,066)**
Income taxes	(61)	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(14,085)**	**(5,808)**	**(4,066)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(14,085)**	**(5,808)**	**(4,066)**
Basic and diluted loss per share (in euros)	**(1,91)**	**(1,69)**	**(1,34)**
Profit/(loss) for the period attributable to the owners of the Company	(14,144)	(5,734)	(4,079)
Profit/(loss) for the period attributable to the non-controlling interests	59	(74)	13
Total comprehensive income for the period attributable to the owners of the Company	(14,144)	(5,734)	(4,079)
Total comprehensive income for the period attributable to the non-controlling interests	59	(74)	13

In 2015, total (other) operating income amounted to € 3.82 million compared to € 3.68 million in 2014. Other operating income is coming from grants from the Walloon Region ("avances récupérables") in total for an amount of € 2.12 million in 2015. In addition the Company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of € 0.71 million, an investment tax credit for an amount of € 0.74 million and € 0.2 million in patent and other subsidies.

R&D expenses in 2015 were at € 12.91 million compared to € 7.96 million in 2014. The increase is mainly resulting from the increase in activity in respect of clinical programmes both existing programmes (Phase III) as well as newly initiated Phase II programmes but also from strengthening the research and development teams.

G&A expenses in 2015 were at € 3.14 million compared to € 1.35 million in 2014. Of this total increase amounting to € 1.79 million, € 1.06 million was on account of IPO-expenditure directly impacting the statement of comprehensive income. The remaining € 0.73 million relates to the strengthening of the G&A team but also to the adaptation of the support activities to comply with the new context of operating as a public company.

The operating loss in 2015 was at € 12.22 million. In 2014, Bone Therapeutics reported an operating loss of € 5.63 million. Bone Therapeutics had net financial expenses of € 1.80 million 2015 compared to € 0.19 million in 2014 mainly explained by the non-cash impact of the derivative of the convertible bonds amounting to € 1.33 million and the transaction costs related to the convertible bonds of € 0.28 million.

The reported net loss in 2015 amounted to € 14.09 million or € 1.91 loss per share (on a fully diluted basis). In 2014, the Company made a net loss of € 5.54 million, equivalent to a loss per share of € 1.69 (on a fully diluted basis).

15.2.3.2 Analysis of the consolidated statement of financial position

The table below shows the audited consolidated balance sheet on 31 December 2015, 2014 and 2013.

ASSETS *(in thousands of euros)*	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets	**8,682**	**4,942**	**4,724**
Intangible assets	69	54	60
Property, plant and equipment	5,793	2,667	2,869
Investments in associates	282	283	282
Financial assets	205	181	180
Deferred tax assets	2,333	1,759	1,333
Current assets	**41,701**	**19,259**	**8,087**
Trade and other receivables	7,912	7,498	5,513
Other current assets	178	186	134
Cash and cash equivalents	33,611	11,576	2,440
TOTAL ASSETS	**50,383**	**24,202**	**12,811**

Total assets at the end of December 2015 amount to € 50.38 million compared to € 24.20 million at the end of December 2014 with the main increase on account of cash and cash equivalents and on property, plant and equipment. Property, plant and equipment amounts to € 5.79 million compared to € 2.67 million at the end of December 2014. The increase is explained by an addition of € 3.05 million (including € 2.91 million related to the building). The Company has recorded an amount of € 0.36 million as net depreciation. Finally, the amount of the investment grant awarded by the Walloon Region of in total € 2.91 million was adjusted with € 0.44 million (increase in invested value) as this amount could not be claimed due to the rephrasing of the construction works and to the elapse of the investment period agreed upon.

Deferred tax assets totalling € 2.33 million are representing a tax credit on investment in R&D reimbursable in the foreseeable future (3 to 4 years). The trade and other receivables amounting to € 7.91 million relate to on the one the hand the grant mentioned above still to be received from the Walloon Region for an amount of € 1.31 million and on the other hand an amount of € 5.68 million forgivable loans (being the amount receivable of the so called "Avances récupérables"). the remaining amount refers to patent grants to be received for an amount of € 0.17 million and VAT to receive for an amount of € 0.57 million.

Cash and cash equivalents at the end of December 2015 amount to € 33.61 million. The increase is mainly due to the proceeds of the IPO in February 2015.

EQUITY AND LIABILITIES *(in thousands of euros)*	31/12/2015	31/12/2014	31/12/2013
Equity			
Equity attributable to owners of the parent	28,147	(9,485)	63
Share capital	20,708	10,466	9,288
Share premium	42,670	1,671	6,635
Retained earnings	(35,752)	(21,670)	(15,860)
Other reserves	520	48	0
Non-controlling interests	**0**	**0**	**0**
Total equity	28,147	(9,485)	63
Non-current liabilities	**11,693**	**7,328**	**6,502**
Financial liabilities	10,118	5,827	5,052
Deferred tax liabilities	0	0	0
Other non-current liabilities	1,575	1,501	1,450
Current liabilities	**10,543**	**26,359**	**6,246**
Financial liabilities	2,313	18,437	509
Trade and other payables	2,579	3,213	1,458
Current tax liabilities	61	0	0
Other current liabilities	5,590	4,710	4,279
Total liabilities	**22,236**	**33,687**	**12,748**
TOTAL EQUITY AND LIABILITIES	**50,383**	**24,202**	**12,811**

Equity amounts to € 28.15 million at the end of December 2015 compared to negative amount of € 9.49 million at the end of December 2014.

- The share capital and the share premium accounts increased with € 37.03 million coming from the gross proceed of the IPO (6 February 2015).
- The share capital and the share premium accounts increased with € 10.35 million as a result of the conversion of the Convertible Bonds issued at the end of December 2014 and the beginning of 2015.
- The share premium account decreased with € 2.29 million as a result of the transaction costs related to the IPO.
- The share premium further increased with € 6.65 million through the impact of the recognition of the derivative instrument related to the Convertible Bonds which were issued on 18 December 2014 and on 8 January 2015.
- The retained earnings were impacted by the loss of the period for an amount of € 14.09 million.
- Other reserves increased with an amount of € 0.49 million related to the share-based payments.

The non-controlling interest in the Company's affiliate SCTS has been set at "0" and has been represented as a liability on the balance sheet for an amount of € 1.58 million on 31 December 2015. 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 15.1.5) of the consolidated financial statements of the Company.

Liabilities amount to € 22.24 million at the end of December 2015 compared to € 33.69 million at the end of December 2014 with the main decrease coming on account of the current liabilities (conversion of the Convertible Bonds on 6 February 2015).

The non-current liabilities increased from € 7.33 million at the end of 2014 to € 11.69 million on 31 December 2015. They are composed as follows:

- Long term investment credit facilities to finance the infrastructure project for an amount of € 2.66 million (€ 0 at the end of 2014),
- reimbursable part of the forgivable loans as recognized at the start of the contract ("Avances récupérables" from the Walloon Region) for an amount € 5.67 million (€ 4.31 million in 2014),

- loans from related parties (regional investment offices) for an amount of € 1.71 million (€ 1.70 million in 2014),
- other non-current liabilities for an amount of € 1.58 million represent the put option explained above (€ 1.50 million in 2014),
- other items accounting for € 0.08 million.

Current liabilities amount to € 10.54 million at 31 December 2015 compared to € 26.36 million at the end of December 2014 representing a decrease of € 15.81 million. The financial liabilities amount to € 2.31 million and did decrease with € 16.13 million. This is mainly on account of the conversion of the Convertible Bonds and the related derivative which were both transferred to equity for an amount of € 15.07 million and due the reimbursement of part of the straight loan facility provided by ING and BNP Paribas Fortis for an amount of € 1.23 million following the receipt of this amount from the Walloon Region (investment grant).

Trade and other payables amounted to € 2.58 million which represented a decrease with € 0.63 million compared to the end of December 2014 mainly accrued IPO-expenses at the end of December 2014.

Other current liabilities amount to € 5.59 million at the end of December 2015 compared to € 4.71 million at the end of December 2014, showing an increase of € 0.89 million due to deferred income related to new grants the Company obtained from the Walloon Region during 2015.

15.2.3.3 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 2015, 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 2015.

Consolidated Statement of Cash Flows *(in thousands of euros)*	**2015**	**2014**	**2013**
Net cash used in operating activities	**(11,765)**	**(3,524)**	**(3,274)**
Net cash used in investing activities	**(2,982)**	**(3,004)**	**(1,748)**
Net cash provided by financing activities	**36,781**	**15,665**	**2,641**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,035**	**9,137**	**(2,382)**
CASH AND CASH EQUIVALENTS at beginning of year	**11,577**	**2,440**	**4,822**
CASH AND CASH EQUIVALENTS at end of year	**33,611**	**11,577**	**2,440**

Cash flow from operating activities 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 in support of the R&D programs;
- 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 € 11.77 million for the full year 2015 and € 3.52 million for the full year 2014. Higher operational cash outlays are driven by higher research and development expenditures and higher general and administrative expenditures but also by one-off payments related to the IPO process. Cash received from the Walloon Region relating to grants and subsidies amounted to € 2.29 million in 2015 compared to € 3.51 million in 2014.

Total operating loss for the period amounts to a loss of € 12.23 million compared to a loss of € 5.63 million over the same period in 2014.

Cash flow from investing activities shows a net use of cash for € 2.98 million for the full year 2015 and € 3.00 million for the year 2014. This mainly represents investments made through the Company's affiliate SCTS in respect of the construction of the new facilities at the BioPark in Gosselies.

Cash flow generated from financing activities amounts to € 36.78 million for 2015 compared to € 15.67 million in 2014. On the one hand cash inflows are explained by:

- capital increases for an amount of € 37.38 million during 2015 offset by the IPO transaction costs for an amount of € 2.75 million directly impacting equity (net € 34.62 million) (2.02 million during 2014);
- long term loans provided by the banks for an amount of € 1.44 (€ 2.90 million in 2014);
- loans provided by related parties (regional investments bodies) for an amount of € 0.50 million in 2015 (€ 0.37 million in 2014);
- non-forgivable loans provided to the Company by the Walloon Region (R&D project financing) for an amount of € 0.97 million in 2015 (€ 1.43 million in 2014).
- during 2014, the Company received net proceeds of € 9.53 million from the issuance of convertible bonds

and on the other hand cash outflows for:

- reimbursements of non-forgivable loans for an amount of € 0.28 million in 2015 (€ 0.20 million in 2014);
- other reimbursements (lease contracts) and interest paid for an amount of € 0.44 million in 2015 (€ 0.06 million in 2014);
- during 2014, cash outlays in respect of the 2015 IPO were accounted for 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 € 36.81 million in 2015 (€ 15.67 million in 2014).

15.2.4 HEADCOUNT EVOLUTION

On 31 December 2015, the Company employs 101 employees in total. The table below shows the evolution of employment since 2012 and does not take into account the temporary workers and the members of the management team with operating and management contract.

As of 31 December	2012		2013		2014		2015	
	BT	SCTS	BT	SCTS	BT	SCTS	BT	SCTS
R&D	35	9	37	13	34	35	57	37
Administration	2	0	2	0	2	1	5	2
Total	37	9	39	13	36	36	62	39
Total of BT and SCTS	**46**		**52**		**72**		**101**	

To support its growth, staff was recruited throughout all departments but in particular the research and development departments and the production department.

25% 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.

15.2.5 CORPORATE GOVERNANCE STATEMENT

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

15.2.6 REMUNERATION REPORT

We would like to refer to Chapter 11, section 11.8 ("Remuneration report").

15.2.7 RISKS

We would like to refer to Chapter 3 ("RISK FACTORS").

15.2.8 GOING CONCERN

The 2015 consolidated results of the Company show a loss of € 14,085,000, and the consolidated statement of financial position includes a loss carried forward of € 35,752,000. These consolidated financial statements have been prepared assuming that the Group will continue as a going concern considering:

- The cash balance as per 31 December 2015 amounting to € 33.61 million mainly resulting from proceeds (gross proceeds of € 37 million) of the IPO which took place on 6 February 2015 ;
- 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 for at least the next 12 months.

15.2.9 EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

The annual consolidated financial statements on 31 December 2015 were authorised for issue by the Board of Directors of the Company on 24 March 2016. Accordingly, events after the reporting period are those events that occurred between 1 January 2016 and 24 March 2016. No such events occurred.

15.3 AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Office Park Alleur
Rue Alfred Deponthière 46
4431 Liège (Loncin)
Belgium
Tel. + 32 4 349 34 10
Fax + 32 4 349 34 11
www.deloitte.be

Bone Therapeutics SA

Statutory auditor's report to the shareholders' meeting on the consolidated financial statements for the year ended 31 December 2015

To the shareholders

As required by law, we report to you in the context of our appointment as the company's statutory auditor. This report includes our report on the consolidated financial statements together with our report on other legal and regulatory requirements. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium. The consolidated statement of financial position shows total assets of 50.383 (000) EUR and the consolidated statement of comprehensive income shows a consolidated loss (group share) for the year then ended of 14.144 (000) EUR.

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

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

Statutory auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the statutory auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Unqualified opinion

In our opinion, the consolidated financial statements of Bone Therapeutics SA give a true and fair view of the group's net equity and financial position as of 31 December 2015, and of its results and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Report on other legal and regulatory requirements

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

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

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

Liège, 25 March 2016

The statutory auditor

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

15.4 AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Office Park Alleur
Rue Alfred Deponthière 46
4431 Liège (Loncin)
Belgium
Tel. + 32 4 349 34 10
Fax + 32 4 349 34 11
www.deloitte.be

Bone Therapeutics SA

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.

Deloitte Bedrijfsrevisoren / Reviseurs d'Entreprises
Burgerlijke vennootschap onder de vorm van een coöperatieve vennootschap met beperkte aansprakelijkheid /
Société civile sous forme d'une société coopérative à responsabilité limitée
Registered Office: Berkenlaan 8b, B-1831 Diegem
VAT BE 0429.053.863 - RPR Brussel/RPM Bruxelles - IBAN BE 17 2300 0465 6121 - BIC GEBABEBB

Member of Deloitte Touche Tohmatsu Limited

Deloitte.

Unqualified opinion

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

15.5 AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012

Deloitte.

Deloitte Bedrijfsrevisoren /
Reviseurs d'Entreprises
Office Park Alleur
Rue Alfred Deponthière 46
4431 Liège (Loncin)
Belgium
Tel. + 32 4 349 34 10
Fax + 32 4 349 34 11
www.deloitte.be

Bone Therapeutics SA

Auditor's report on the consolidated financial statements for the years ended 31 December 2012 and 31 December 2013

To the Board of Directors

We report on the financial information set out in Annex C of the prospectus of Bone Therapeutics SA (the "Company") and, together with its subsidiary, the "Group" (the "Investment Circular"). This financial information has been prepared for inclusion in the Investment Circular on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex XXV item 20.1 of Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") and is given for the purpose of complying with that requirement and for no other purpose.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Bone Therapeutics SA (the "Company") and together with its subsidiary, the "Group" for the years ended 31 December 2012 and 31 December 2013 prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated statement of financial position shows total assets of 12,811 (000) EUR for the year ended 31 December 2013 and 14,418 (000) EUR for the year ended 31 December 2012 and the consolidated statement of comprehensive income shows a consolidated loss (group share) of 4,079 (000) EUR for the year ended 31 December 2013 and 3,689 (000) EUR for the year ended 31 December 2012.

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, 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.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit for the purposes of the Investment Circular. 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 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 Auditor considers internal control relevant to the group's preparation and fair presentation of consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of directors, as well as evaluating the overall presentation of the consolidated financial statements. We have obtained from the group's officials and the board of directors the explanations and information necessary for performing our audit.

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

Deloitte.

Our work has been carried out in accordance with ISA and not with other auditing or standards and practices generally accepted in jurisdictions outside Belgium, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Unqualified opinion

In our opinion, the consolidated financial statements of Bone Therapeutics SA give a true and fair view, for the purposes of the Investment Circular, of the Group's net equity and financial position as of 31 December 2012 and 2013, and of its results and its cash flows for the years then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

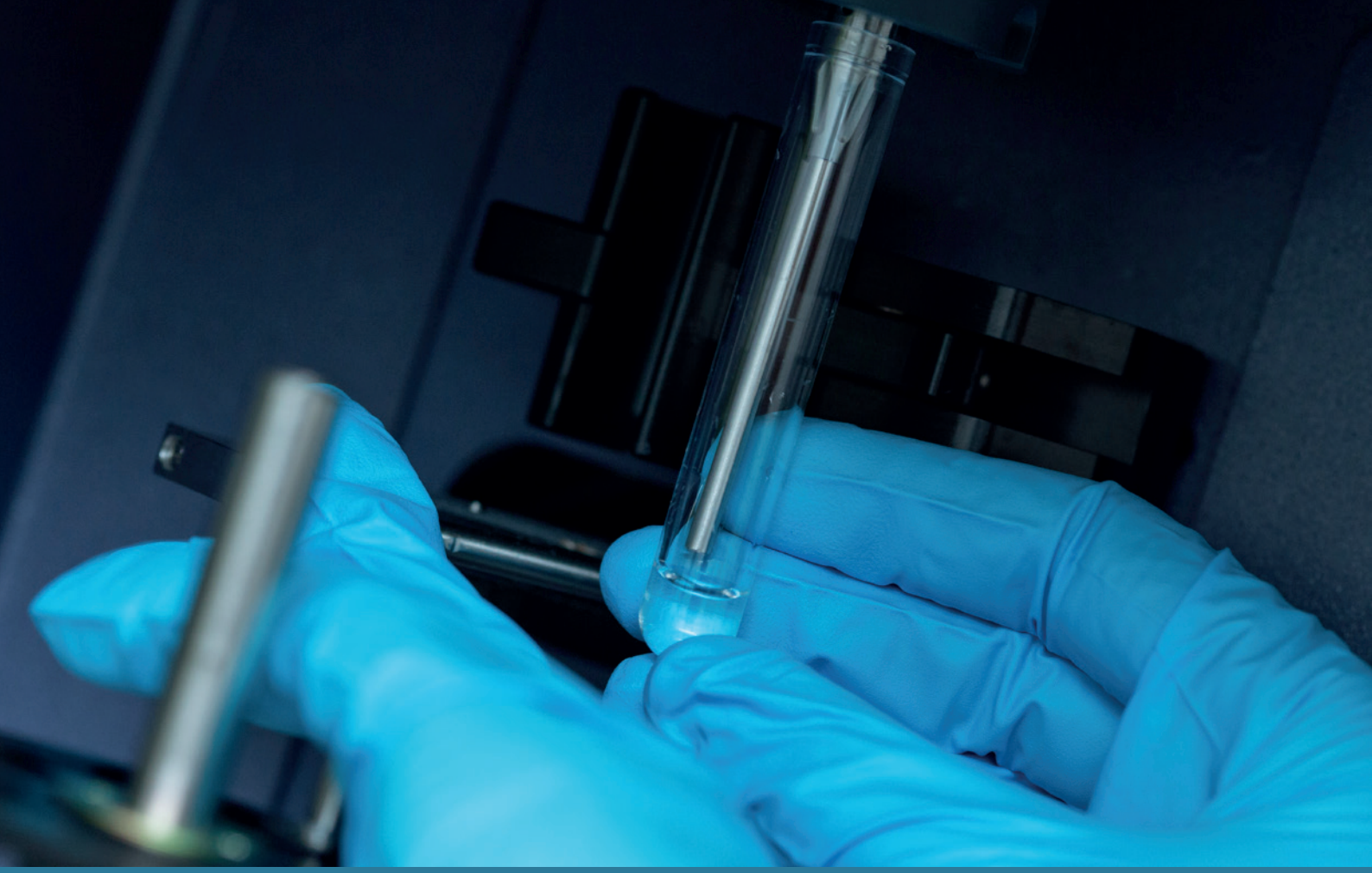
Declaration

For the purposes of art. 61 of the Law of 16 June 2006, we are responsible for this report as part of the Investment Circular and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Investment Circular in compliance with Annex XXV item 1.2 and Annex III item 1.2 of the Prospectus Directive Regulation.

Liège, 20 January 2015

The Auditor

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



16

STATUTORY ACCOUNTS

STATUTORY ACCOUNTS

16.1 CONDENSED STATUTORY ANNUAL ACCOUNTS

In accordance with Art. 105 of the Belgian Companies' Code, the condensed statutory financial statements of Bone Therapeutics SA are presented here. These condensed statements have been drawn up using the same accounting principles for preparing the full set of statutory financial statements of Bone Therapeutics SA for the financial year ending 31 December 2015. 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.

16.1.1 BALANCE SHEET

ASSETS *in thousands of euros*	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets	**17,697**	**11,226**	**10,505**
Formation expenses	2,629	355	43
Intangible assets	13,339	9,133	8,418
Property plant and equipment	240	375	681
Financial assets	1,489	1,363	1,363
Current assets	**37,544**	**15,294**	**6,243**
Amounts receivable for more than one year	2,317	0	0
Amounts receivable within one year	3,012	4,682	4,241
Investments	29,265	363	1,287
Cash and cash equivalents	2,751	10,065	588
Deferred charges and accrued income	198	184	127
TOTAL ASSETS	**55,241**	**26,520**	**16,748**

EQUITY AND LIABILITIES *in thousands of euros*	**31/12/2015**	**31/12/2014**	**31/12/2013**
Equity	**40,293**	**1,276**	**5,456**
Share capital	20,708	10,466	9,288
Share premium	44,702	7,564	6,712
Accumulated profits (losses)	(25,117)	(16,754)	(10,544)
Provisions	**0**	**0**	**0**
Amounts payables after more than one year	**4,093**	**3,593**	**1,999**
Amounts payables within one year	**10,856**	**21,651**	**9,294**
Current portion of amounts payable after one year	541	10,424	318
Trade debts	2,487	3,155	1,494
Taxes remuneration and social security	546	247	278
Other amounts payable	2,514	2,336	1,400
Accrued charges and deferred income	4,768	5,489	5,804
Total liabilities	**14,949**	**25,244**	**11,293**
TOTAL EQUITY AND LIABILITIES	**55,241**	**26,520**	**16,749**

16.1.2 STATUTORY INCOME STATEMENT

	Year ended 31 December		
in thousands of euros	**2015**	**2014**	**2013**
Operating income	**14,560**	**10,357**	**8,843**
Turnover	0	0	0
Own construction capitalised	10,558	6,286	5,543
Other operating income	4,002	4,071	3,300
Operating charges	**(22,911)**	**(16,374)**	**(12,061)**
Cost of goods sold	0	0	0
Services and othe goods	(11,288)	(6,086)	(4,253)
Remuneration, social security, pensions	(3,335)	(2,485)	(2,408)
Depreciation and amounts written off fixed assets	(7,209)	(5,942)	(5,227)
Provisions for liabilities and charges	0	0	0
Other operating charge	(1,078)	(1,861)	(173)
Operating profit/(loss)	**(8,351)**	**(6,017)**	**(3,218)**
Financial income	128	15	21
Financial expenses	(141)	(208)	(47)
Result Profit/(loss) before taxes	**(8,364)**	**(6,210)**	**(3,244)**
Income taxes	0	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(8,364)**	**(6,210)**	**(3,244)**

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

Dear Shareholders,

We are pleased to present to you the statutory financial statements for the fiscal year ended 31 December 2015

16.2.1 STRATEGIC AND BUSINESS HIGHLIGHTS OF 2015

Significant operational and corporate events of 2015

At the beginning of the year, the first efficacy results from the **ALLOB® Phase I/IIA trial in delayed-union fractures** were reported. 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 within six months. As communicated in September, eight patients had been treated in the trial without any safety concerns. The Safety Monitoring Committee reviewed the initial safety data and unanimously agreed that the trial can proceed as planned and can continue to enrol patients. Post-period, the Company announced the extension of the trial into **multiple delayed-union fractures**. This study will complement the ongoing trial and will allow the evaluation of safety and efficacy of higher doses of ALLOB®.

In March, the Company announced the treatment of the first four patients in the **ALLOB® Phase IIA spinal fusion trial**. By the end of the year, in December, eight patients had been treated without any safety concerns and post-period it was announced that 12 patients out of were safely treated, reaching 75% of the trial recruitment target. Additionally, after the 12-month follow-up of the first patient treated early 2015, preliminary efficacy results showed spinal fusion on CT scans and absence of intervertebral motion on dynamic x-rays.

On April 13, the Company announced the creation of its **US subsidiary**, Bone Therapeutics USA Inc., with headquarters in Boston, Massachusetts. It was the first milestone in a process that will lead to the initiation of clinical trials in the US. On April 24, Bone Therapeutics officially opened its new **headquarters in Gosselies**, south of Brussels. Following the rapid expansion of the Company, this was an important step to underpin the Company's continued growth and commercial readiness. The state-of-the-art production facility will secure first commercial cell therapy production and will allow the further growth of the Company.

In June, preliminary results from the **PREOB® Phase IIA study for severe osteoporosis** were communicated, demonstrating migration of intravenously-injected cells to the bones and absence of treatment-related safety concerns.

In September, the Company initiated a pioneering trial for the minimally invasive **treatment of failed spinal fusion**. In about 25% of lumbar spinal fusion cases, patients remain unsatisfied with the results of this procedure. In this trial, patients that are suffering from a failed spinal fusion surgery will be treated with a single injection of ALLOB® into the failed fusion area without the need for open surgery.

In November, **Thomas Lienard** was appointed as Chief Business Officer. He assumes responsibility for activities in business development, business operations and strategic planning. During 2015, Bone Therapeutics continued the expansion of its operations. By 31 December 2015, the Company employed 62 people, up from 36 at the end of December 2014.

Also in November, ALLOB® received **orphan drug designation** for osteogenesis imperfecta from the EMA (European Medicines Agency) and FDA (Food and Drug Administration in the US). Osteogenesis imperfecta, also known as brittle bone disease, is a rare genetic disorder that causes bone fragility, fractures and deformities. Although the Company has not yet started clinical trials in this area, the orphan drug designation provides the opportunity for the future to develop a more effective treatment that, contrary to the available treatments, could target the cause of the disease.

2015 at a glance

Clinical highlights

- Significant progress in ongoing clinical development, with positive safety and efficacy results from the ongoing Phase II trials
    - ALLOB® Phase I/IIA delayed-union trial: eight patients safely treated, with the first four patients achieving the primary efficacy endpoint
    - PREOB® Phase IIA trial for severe osteoporosis: demonstration of safety of intravenous administration of PREOB® and successful migration of the cells towards the bones most prone to osteoporosis-related fractures
- Initiation of a pioneering Phase IIA trial for the minimally invasive treatment of failed spinal fusions with ALLOB®
- Orphan Drug Designation granted to ALLOB® by the EMA and FDA for the treatment of osteogenesis imperfecta or brittle bone disease

Corporate highlights

- Establishment of US subsidiary, Bone Therapeutics USA Inc., in Boston as a first step in the development of the Company's US clinical trials program
- Opening of new headquarters in Gosselies, Belgium, which

will incorporate a state-of-the-art production facility as of early 2017 that will secure first commercial cell therapy production and ensures the continued growth of the Company

- Strengthening of management team with the appointment of Thomas Lienard as CBO to lead activities in business development
- Increased number of employees from 36 at the start of 2015 to 62 at the end of 2015, with the majority of new hires related to the clinical, regulatory and production departments

Financial highlights

- € 37 million raised through successful IPO on Euronext Brussels and Euronext Paris, securing a strong financial runway to execute clinical and developmental strategy
- € 5 million new funding from the Walloon Region to support preclinical research programs
- Ended 2015 with € 32,02 million in cash, well in line with company expectations

Post-period highlights

- Extension of the delayed-union program for ALLOB® into multiple delayed-union fractures
- ALLOB® Phase IIA spinal fusion trial: 75% of patients now treated, with successful fusion demonstrated in the first patient
- Positive efficacy results from the PREOB® Phase IIA trial in severe osteoporosis after the 12-month follow-up of the first cohort of patients in the study, showing that a single administration of PREOB® had sustained beneficial effects on pain and bone turnover markers

16.2.2 OUTLOOK FOR 2016

In line with the strategy outlined at the time of the Company's IPO, Bone Therapeutics is accelerating the development of PREOB®, currently in the last clinical phase for the treatment of osteonecrosis and non-union fractures. During 2016, the Company will provide an update on its osteonecrosis trial, now underway in five European countries. Preparations are in progress to initiate a first clinical trial in the US by the end of 2016.

In 2016, the Company will continue its promising Phase I/II trials for ALLOB® and plans to communicate on important efficacy results. Efficacy results for the first eight patients in the Phase I/IIA ALLOB® delayed-union trial are expected during the first half of 2016, as well as efficacy results for the first four patients in the Phase I/IIA ALLOB® spinal fusion trial. The Company also expects to communicate on safety in the first four patients treated in the recently initiated rescue spinal fusion trial.

Good cash management will remain a key priority for the Company, with a strong focus on net cash burn. The Company maintains its guidance, given at the time of the IPO that it has sufficient cash to carry out its strategic objectives until the end of 2017.

16.2.3 FINANCIAL REVIEW

The statutory accounts are drawn up in accordance with BEGAAP and have been approved by the Board of Directors on 24 March 2016.

16.2.3.1 Key financials

	Year ended 31 December		
in thousands of euros	**2015**	**2014**	**2013**
Turnover	0	0	0
Own construction capitalised	10,558	6,286	5,543
Other operating income	4,002	4,071	3,300
Services and othe goods	(11,288)	(6,086)	(4,253)
Remuneration, social security, pensions	(3,335)	(2,485)	(2,408)
Depreciation and amounts written off fixed assets	(7,209)	(5,942)	(5,227)
Other operating charge	(1,078)	(1,861)	(173)
Operating profit/(loss)	**(8,351)**	**(6,017)**	**(3,218)**
Net financial income (+) / loss (-)	(13)	(193)	(26)
Income taxes	0	0	0
PROFIT/(LOSS) FOR THE PERIOD	**(8,364)**	**(6,210)**	**(3,244)**

16.2.3.2 Income statement

The total operating income (own construction capitalised and other operating income) amounts to € 14.56 million compared to € 10.36 million in the previous year. The increase is mainly explained by higher R&D expenses which are capitalized under Belgian GAAP (+ € 4.27 million). Other operating income, representing revenue recognized on "avances récupérables" and patent subsidies remains in line with the amount reported for 2014.

Total operating charges excluding depreciation charges (Services and other goods, Remuneration, social security charges and pension charges and other operating charges) amount to €15.70 million compared to € 10.43 million for 2014. Operating charges are mainly impacted by an increase of the caption service and other goods (+ € 5.20 million). This increase can be explained on the one hand by one-off expenses of € 1.04 million linked to the IPO of 6 February 2015 and charged directly to profit and loss. On the other hand R&D costs increased considerably following the extension of the existing clinical trial program with four new Phase II programmes been put on the rails in 2014 and 2015. As the company is temporarily make use of facilities at two different locations this is also having an impact on costs. Other operating charges are representing the recognition of the fixed debt during 2015 for projects supported by the Walloon Region for which the Company decided that the results of these projects would be further exploited.

The operating loss amounts to € 8.35 million in 2015 compared to € 6.02 million in 2014. The reported net loss in 2015 is at € 8.36 million compared to € 6.21 million in 2014.

16.2.3.3 Balance sheet

(in thousands of euros)	**31/12/2015**	**31/12/2014**	**31/12/2013**
Non-current assets	17,697	11,226	10,505
Current Assets	37,544	15,294	6,243
of which cash :	32,016	10,428	1,875
Total Assets	55,241	26,520	16,748
Current liabilities	10,856	21,651	9,294
Non-current liabilities	4,093	3,593	1,999
Total Liabilities	14,949	25,244	11,293
Net assets	**40,293**	**1,276**	**5,455**

Total assets per 31 December 2015 amount to € 55.24 million, compared to € 26.52 million at the end of the previous year with the main changes on account of the improved cash position of the Company (current assets), following the IPO and the increase in intangible fixed assets due to the capitalization of R&D expenses (non-current assets) and the increase of formation expenses (IPO).

Non-current assets have increased with € 6,48 million amounting to € 17,70 million at the end of December 2015. The net book value of the intangible fixed assets amounts to € 13.34 million per 31 December 2015, compared to € 9.13 million per 31 December 2014. During 2015, investments in intangible fixed assets (capitalization of R&D expenses) amounted to € 10.56 million whilst depreciation of such expenses during the year only amounted to € 6.37 million. The net book value of the formation expenses amounts to € 2.63 million at the end of 2015, compared to € 0.36 million per 31 December 2014. The increase of € 2.27 million coming on account of capitalized IPO expenses. The financial assets amount to € 1.49 million, at the end of 2015, compared to € 1.4 million per 31 December 2014. The increase of € 0.1 million resulting from the participation made by the Company in Bone Therapeutics USA INC. The participation in Skeletal Cell Therapy Support SA is valued at acquisition cost and remains unchanged. As per 31 December 2015, the Board of Directors is confident that there are no factors indicating the need for an impairment on these participations. The balance of € 0.24 million at the end of 2015 coming on account of property, plant and equipment (down € 0.13 million since the end of 2014). It should be noted that the new facilities the Company has taken into use are owned by its subsidiary SCTS SA.

Current assets have increased by € 22.22 million amounting to € 37.55 million at the end of December 2015.Amounts receivable for more than one year amount to € 2.31 million and correspond to the long term part of the tax credit to be received. Amounts receivable within one year amount to € 3.01 million, of which € 0.65 million trade debtors and € 2.36 million other amounts receivable. In total € 0.84 million relates to intercompany receivables, € 1.62 million relates to receivables related to forgivable loans ("avances récupérables") and

patent subsidies and € 0.16 million relates to the tax credit. Investments and cash and cash equivalents amount to € 32.02 million at 31 December 2015, compared to € 10.43 million at the end of the previous year.

Per 31 December 2015, the net equity amounts to € 40.29 million compared to € 1.28 million in the previous year:

- The share capital and the share premium accounts increased with € 37.03 million coming from the gross proceed of the IPO (6 February 2015).
- The share capital and the share premium accounts increased with € 10.35 million as a result of the conversion of the Convertible Bonds issued at the end of December 2014 and the beginning of 2015.
- The accumulated losses were impacted by the loss of the period for an amount of € 8.36 million.

Total liabilities amount to € 14.95 million on 31 December 2015, compared to € 25.24 million at the end of previous year. The decrease is mainly due to the fact that Convertible Bonds of € 10 million (at the end of 2014) have been converted into shares at the date of the IPO.

16.2.3.4 Appropriation of the result

The Company ended the year with a loss of € 8.36 million. Carried forward losses at the end of 2014 amounted to € 16.75 million. The Board of Directors proposes the loss for 2015 to losses carried forward. Losses carried forward after appropriation of the loss for 2015 therefore amounts to € 25.12 million.

(in thousands of euros)	**31/12/2015**
Loss for the period	(8,364)
Loss carried forward for the year	(16,754)
Total loss carried forward	**(25,118)**

16.2.4 CAPITAL INCREASES

On 5 February 2015, through 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. 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 conversion of bonds 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 increases, the share capital of the Company amounted to € 20,708,000 and is represented by 6,849,654 shares. The share premium account before considering the transaction costs amounts to €44.70 million.

16.2.5 CORPORATE GOVERNANCE STATEMENT

16.2.5.1 Corporate Governance Code

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

16.2.5.2 Compliance with the Corporate Governance Code

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

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

These deviations include:

- 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).

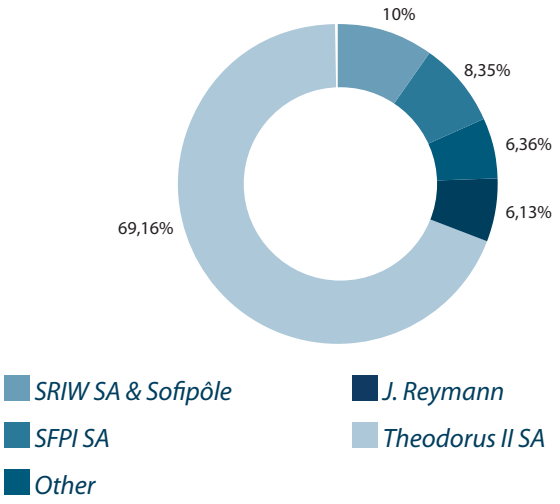
16.2.5.3 Control environment

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

16.2.5.4 Shareholders' structure at balance sheet date

On 31 December 2015, there are 6,849,654 shares representing a total share capital of the Company of € 20,708,372.90. 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 2015 is 304,760.

Shareholder structure on 31 December 2015



16.2.5.5 Composition of the Board of Directors and its Committees

We would like to refer to Chapter 11 ("CORPORATE GOVERNANCE").

16.2.6 REMUNERATION REPORT

We would like to refer to Chapter 11, section 11.8 ("Remuneration report").

16.2.7 RISK

We would like to refer to Chapter 3 ("RISK FACTORS").

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

We would like to refer to Chapter 14 ("Shares and Shareholders").

16.2.9 RESEARCH AND DEVELOPMENT

Bone Therapeutics entire efforts on date are going to R&D activities. Pre-clinical research are aimed at further broadening the pipeline and supporting the ongoing clinical developments. Production support the clinical trial programs and within production continuous efforts are made to further optimize the production process. All this happens within a strictly regulated environment. As such almost the entire costs of the Company are linked to R&D as well as during 2015 as in the next 2 years to come. In 2015, the Company therefore continues to capitalize its R&D expenditure. In 2015 this represented an amount of € 10.56 million compared to € 6.29 million in 2014.

16.2.10 USE OF AUTHORIZED CAPITAL

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

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

16.2.11 CONFLICT OF INTEREST ACCORDING ARTICLE 523 OF THE COMPANY CODE

We refer to Chapter 12 ("Related Party Transactions").

16.2.12 GOING CONCERN ASSESSMENT

The 2015 statutory results of the Company show a loss of € 8.36 million, and the statutory statement of financial position includes a loss carried forward of € 25.12 million. 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 2016 amounting to € 33.6 million (mainly resulting from 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 these elements, the Board is of the opinion that the Group's financial future is guaranteed in the near future.

16.2.13 SUBSEQUENT EVENTS

The annual consolidated financial statements on 31 December 2015 were authorised for issue by the Board of Directors of the Company on 24 March 2016. Accordingly, events after the reporting period are those events that occurred between 1 January 2016 and 24 March 2016. No such events occurred.

16.2.14 DISCHARGE OF THE BOARD OF DIRECTORS AND THE STATUTORY AUDITOR

We ask you to approve the annual accounts as drawn up by the Board of Directors and audited by the statutory auditor. We ask you to grant the Directors and the statutory auditor who were in office during the fiscal year ended on 31 December 2015 the discharge of liability for the exercise of their respective mandates during the said fiscal year.

16.2.15 SUMMARY OF VALUATION RULES

16.2.15.1 Principles

The valuation rules have been prepared by the Board of Directors in accordance with the requirements of the Royal Decree of 30 January 2001.

16.2.15.2 Specific rules

Company Formation Expenses

Formation expenses are recorded as intangible fixed assets at their nominal value and depreciated over a period of 5 years. The debt issuance costs are directly recognized into the profit and loss.

Intangible assets

R&D costs excluding administrative and financial costs are recognized as assets in an intangible asset account and amortized pro rata basis over 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.

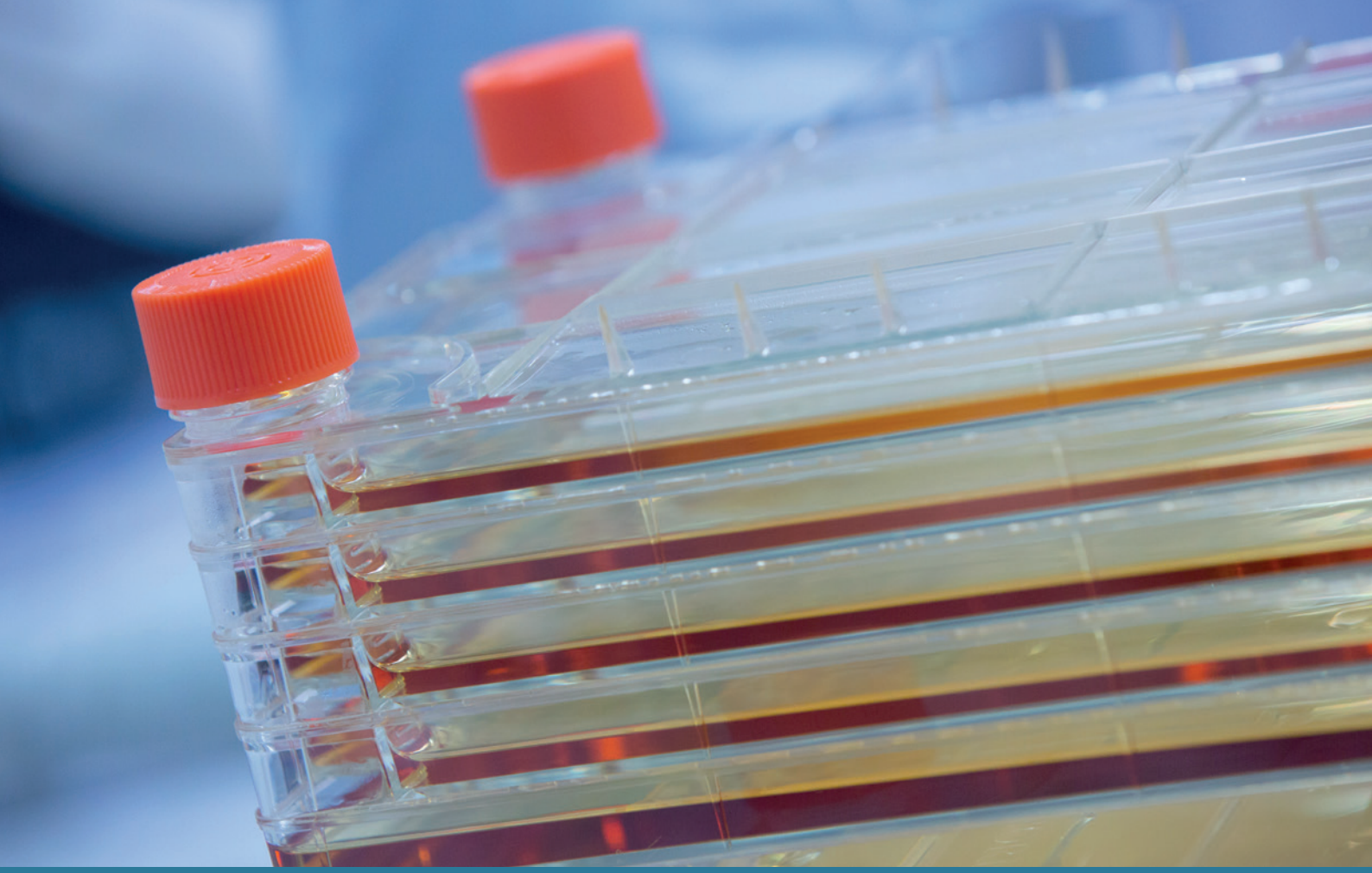
In case the project is abandoned, the remaining part of the capitalized R&D will be depreciated in an accelerated way and the revenues that are related will also be recognized in an accelerated way.

16.2.16 FEES PAID TO AUDITORS FOR AUDIT AND OTHER ACTIVITIES

Here is the detail of the audit and non-audit fees for the year 2015:

Detail in €	**Amount**
Statutory and IFRS audit fees Bone Therapeutics	27,560
Statutory audit fees SCTS	4,080
Statutory fees GIE BOCEGO	1,500
Additional fees in the context of issuance of IFRS consolidated F/S for the year 2011, 2012 and 2013[59]	78,000
Total audit fees Deloitte for FY15	**111,140**
Assistance in the IFRS conversion (IFRS experts)[60]	72,000
Total non-audit fees Deloitte and related parties	**72,000**
Total	**183,140**

[59] *On the total amount, € 32,500 was recognized in 2015*
[60] *On the total amount, € 24,000 was recognized in 2015*



17
ARTICLES OF ASSOCIATION

ARTICLES OF ASSOCIATION

This chapter contains the memorandum of the Articles of Association. The complete set of the Articles of Association can be found in Section 20 – Appendix B.

17.1 THE COMPANY'S OBJECTS AND PURPOSES

In accordance with article 3 of the Company's articles of association, its corporate purpose is as follows:

The Company has as its purpose, both in Belgium as well as abroad, in its own name or on behalf of third parties, for its own account or for the account of others or in collaboration with third parties:

- research and development of products and processes in the pharmaceutical, bio-technological, cellular or derived domains, that are able to have an economical value for human or animal health, diagnostic and therapeutic, in neutraceuticals or cosmetics, based, amongst others, on genetics, cell biology and in vitro or in vivo pharmacology;
- commercialisation of products or processes in the abovementioned fields of application;
- acquisition, disposal, exploitation, valorisation, commercialisation and management of any intellectual property rights whatsoever, property rights, usage rights, trademarks, patents, blueprints, licenses, etc;
- file and exploit patents, drawings and models, trademarks and other intellectual and patrimonial rights in relation to the abovementioned items;
- preparation, information, publications and editing in all media in relation to the abovementioned items;

The Company may carry out, in Belgium as well as abroad, all industrial, commercial, financial, movable and immovable transactions, of a nature directly or indirectly enlarge or promote its business. It can acquire all any movable or immovable assets, even if those assets do not have a direct or indirect connection with the Company's purpose.

The Company may consent with any form of surety guaranteeing obligations of related or associated companies, companies in which it has participation or all third parties in general.

The Company may, by any means whatsoever, take up interests in, cooperate or merge with other associations, businesses, firms or companies that have an identical, similar or related corporate purpose, or that are likely to promote their business or to facilitate the sale of its products or services.

17.2 MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES

The articles 14 and 26 of the Company's articles of association determine its members of the administrative, management and supervisory bodies.

This section is also detailed in Section 11.3 and 11.4.

17.3 RIGHTS, PREFERENCES AND RESTRICTIONS ATTACHING TO EACH CLASS OF THE EXISTING SHARES

17.3.1 PRE-EMPTIVE RIGHTS

In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or warrants exercisable in cash, the shareholders have a preferential right to subscribe for the new shares, convertible bonds or warrants, pro rata to the part of the share capital represented by the shares that they already hold. The shareholders' meeting may decide to limit or cancel such preferential subscription right, subject to specific substantive and reporting requirements. Such decision must satisfy the same quorum and majority requirements as the decision to increase the Company's share capital.

The shareholders can also decide to authorise the Board of Directors to limit or cancel the preferential subscription right within the framework of the Authorised Capital, subject to the terms and conditions set forth in the Belgian Company Code. In principle, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential right of the existing shareholders is suspended as of the notification to the Company by the FSMA of a public takeover bid on the shares of the Company. The shareholders' meeting can, however, authorise the Board of Directors to increase the share capital by issuing further shares, not representing more than 10% of the shares of the Company at the time of such a public takeover bid.

On 16 January 2015, the shareholders' meeting of the Company decided to authorise the Board of Directors to increase the Company's share capital, including with limitation or cancellation of the shareholders' preferential subscription rights, in one or more times and including the authorisation to make use of such Authorised Capital in the framework of a public takeover bid.

The requirements are set forth above to attend shareholders' meetings.

17.3.2 VOTING RIGHTS

Each shareholder is entitled to one vote per Share.

Voting rights may be suspended in relation to Shares, in the following events, without limitation and without this list being exhaustive:

- which are not fully paid up, notwithstanding the request thereto by the Board of Directors;
- to which more than one person is entitled, except in the event that a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 5%, 10%, 15% or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant shareholders' meeting, except in case the relevant shareholder has notified the Company and the FSMA at least 20 days prior to the date of the shareholders' meeting of its shareholding reaching or exceeding the thresholds above ; and
- of which the voting right was suspended by a competent court or the FSMA.

Generally, the shareholders' meeting has sole authority with respect to:

- the approval of the audited statutory financial statements under Belgian GAAP;
- the appointment and dismissal of directors and of the auditor;
- the granting of discharge of liability to the directors and to the auditor;
- the determination of the remuneration of the directors and of the auditor for the exercise of their mandate;
- the determination of the remuneration of the directors and of the auditor for the exercise of their mandate, including inter alia, as relevant, (i) in relation to the remuneration of executive and non-executive directors, the approval of an exemption from the rule that, in accordance with article 520ter, subsection 1, of the Belgian Company Code, Share based awards can only vest during a period of at least three years as of the grant of the awards, (ii) in relation to the remuneration of executive directors, the approval of an exemption from the rule that, in accordance with article 520ter, subsection 2, of the Belgian Company Code, (unless the variable remuneration is less than a quarter of the annual remuneration) at least one quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least two years and that at least another quarter of the variable remuneration must be based on performance criteria that have been determined in advance and that can be measured objectively over a period of at least three years and (iii) in relation to the remuneration of non-executive directors, the approval of any variable part of the remuneration, in accordance with Article 554, subsection 7 of the Belgian Company Code;
- the approval of provisions of service agreements to be entered into with executive directors, members of the Management Committee and other executives providing for severance payments exceeding 12 months' remuneration (or, subject to a motivated opinion by the Nomination & Remuneration Committee, 18 months' remuneration);
- the approval of the remuneration report included in the annual report of the Board of Directors;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, mergers, de-mergers and certain other reorganisations of the Company; and
- the approval of amendments to the articles of association.

17.3.3 NOMINATION RIGHTS

No shareholder of the Company is entitled to nominate persons for appointment as member of the Board of Directors.

17.3.4 DISSOLUTION AND LIQUIDATION

The Company can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes at an extraordinary shareholders' meeting where at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian GAAP) to share capital is less than 50%, the Board of Directors must convene a shareholders' meeting within two months from the date the Board of Directors discovered or should have discovered this undercapitalisation. At such shareholders' meeting, the Board of Directors must propose either the dissolution of the Company, or the continuation of the Company's activities, in which case the Board of Directors must propose measures to redress the Company's financial situation. Shareholders rep-

resenting at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the shareholders' meeting.

If, as a result of losses incurred, the ratio of the Company's net assets to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in such event shareholders representing 25% of the votes validly cast at the shareholders' meeting can decide to dissolve the Company.

If the amount of the Company's net assets fall below € 61,500 (the minimum amount of share capital of a Belgian public limited liability company (société anonyme)), each interested party is entitled to request the competent court to dissolve the Company. The court may order the dissolution of the Company or grant a grace period within which the Company is allowed to remedy the situation.

In case of dissolution of the Company for whatever reason, the shareholders' meeting shall appoint and dismiss the liquidator(s), determine their powers and the manner of liquidation. The shareholders' meeting shall fix the remuneration of the liquidator(s), if any.

The liquidators can only take up their function after confirmation of their appointment by the shareholders' meeting by the competent Commercial Court pursuant to Article 184 of the Belgian Company Code.

After settlement of all debts, charges and expenses relating to the liquidation, the net assets shall be equally distributed amongst all shares, after deduction of that portion of such shares that are not fully paid-up, if any.

17.4 NECESSARY ACTIONS TO CHANGE THE RIGHTS OF HOLDERS OF THE SHARES

In accordance with article 10 of the Company's articles of association, its corporate purpose is as follows:

The Company may, by decision of the Board of Directors, issue bonds, guarantees or not, including a mortgage, according to the rules set out in the Companies Code.

The Company may also, by decision of the General Meeting or, if applicable, of the Board of Directors within the authorized capital, issue convertible bonds or subscription rights in accordance with the rules set out in the Companies Code.

Certificates relating to shares, participation certificates, convertible bonds or subscription rights may be issued, in collaboration with the Company or not, a corporation that maintains or acquires ownership of the securities to which the certificates - relate and undertakes to reserve any product or income of such securities certificate holder, all in accordance with the rules set out in the companies Code.

The Company strictly follow the rules established by the Article 560 of the Companies Code.

17.5 SHAREHOLDERS' MEETING

In accordance with Title IV of the Company's articles of association, its corporate purpose is as follows:

17.5.1 RIGHT TO PARTICIPATE IN SHAREHOLDERS' MEETING AND VOTING RIGHTS

17.5.1.1 Ordinary shareholders' meetings

The ordinary shareholders' meeting is held each year on the fourth Thursday of May at 4:00 p.m. (Brussels time), or if not a business day, on the next business day.

At the ordinary shareholders' meeting, the Board of Directors submits the audited statutory financial statements under Belgian GAAP, the audited consolidated financial statements under IFRS, as adopted by the European Union, and the reports of the Board of Directors and of the auditor with respect thereto to the shareholders.

The ordinary shareholders' meeting typically decides on:

- the approval of the audited statutory financial statements under Belgian GAAP;
- the proposed allocation of the Company's profit or loss;
- the discharge of liability to the directors and the auditor;
- the approval of the remuneration report included in the annual report of the Board of Directors;
- the (re-) appointment or dismissal of all or certain directors (as the case may be); and
- the (re-) appointment or dismissal of the auditor (as the case may be).

In addition, as relevant, the shareholders' meeting must also decide on the approval of the remuneration of the directors and the auditor for the exercise of their mandate, and on the approval of provisions of service agreements to be entered into with executive directors, members of the Management Team and other executives providing (as the case may be) for severance payments exceeding 12 months' remuneration (or, subject to a motivated opinion by the Nomination and Remuneration Committee, 18 months' remuneration).

17.5.1.2 Other shareholders' meetings

The Board of Directors or the auditor (or the liquidator(s), as the case may be) may, whenever the interest of the Company so requires, convene a shareholders' meeting.

The Board of Directors must convene a shareholders' meeting if one or more shareholders representing 20% of the Company's issued share capital so request. Said request shall specify the agenda items to be included in the convocation notice.

17.5.1.3 Convening notices

The convocation notice for the shareholders' meeting must include:

- the place, date and hour of the meeting; and
- the agenda of the meeting indicating the items to be discussed as well as any draft resolutions.

The notice needs to contain a description of the formalities that shareholders must fulfil in order to be admitted to the shareholders' meeting and exercise their voting right, information on the manner in which shareholders can put additional items on the agenda of the shareholders' meeting and table draft resolutions, information on the manner in which shareholders can ask questions during the shareholders' meeting, information on the procedure to participate to the shareholders' meeting by means of a proxy or to vote by means of a remote vote, and the registration date for the shareholders' meeting.

The notice must also mention where shareholders can obtain a copy of the documentation that will be submitted to the shareholders' meeting, the agenda with the proposed draft resolutions or, if no resolutions are proposed, a commentary by the Board of Directors, updates of the agenda if shareholders have put additional items or draft resolutions on the agenda, the forms to vote by proxy or by means of a remote vote, and the address of the webpage on which the documentation and information relating to the shareholders' meeting will be made available. This documentation and information, together with the notice and the total number of outstanding voting rights, must also be made available on the Company's website at the same time as the publication of the convocation notice for the shareholders' meeting.

At least 30 days prior to the date of the shareholders' meeting, the convocation notice must be published:

- in the Belgian Official Gazette (Moniteur belge);
- in a nation-wide newspaper (except if the relevant meeting is an ordinary shareholders' meeting held at the municipality, place, date and hour mentioned in the articles of association and its agenda is limited to the review of the annual financial statements, the annual report of the Board of Directors, the report of the Auditor, the vote on the discharge of the directors and the Auditor and the matters described in article 554, paragraph 3 and 4 of the Belgian Company Code); and
- in media of which it reasonably can be expected that they will ensure an effective distribution of the information among the public in the EEA and which is accessible quickly and in a non-discriminatory manner.

Convocation notices must be sent 30 days prior to the shareholders' meeting to the holders of registered Shares, holders of registered bonds, holders of registered warrants, holders of registered certificates issued with the co-operation of the Company (if any), and, as the case may be, to the directors and auditor. This communication is made by letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication, in accordance with article 533 of the Belgian Company Code. The convocation notice and the other documents referred to above are also made available on the Company's website as of the date of the publication of the convening notice.

The term of 30 days prior to the date of the shareholders' meeting for the publication and distribution of the convening notice can be reduced to 17 days for a second meeting if the applicable quorum for the meeting is not reached at the first meeting, the date of the second meeting was mentioned in the notice for the first meeting and no new item is put on the agenda of the second meeting.

17.5.1.4 Formalities to attend the shareholders' meeting

All holders of shares, warrants and bonds issued by the Company and all holders of certificates issued with the co-operation of the Company (if any) may attend the shareholders' meeting. Only shareholders, however, may vote at shareholders' meetings. If any holder of securities other than shares wishes to attend a shareholders' meeting, it must comply with the same formalities as those imposed on the shareholders.

The fourteenth day prior to the shareholders' meeting, at 24:00 (Brussels time), constitutes the registration date. A shareholder can only participate to a shareholders' meeting and exercise its voting right provided that its shares are registered in its name on the registration date (and irrespective of the number of Shares the shareholder holds at the date of the shareholders' meeting). For registered shares, this is the registration of the shares in the Company's shareholders' register, and for dematerialized shares, this is the registration of the shares in the accounts of a certified account holder or settlement insti-

tution in accordance with article 536 of the Belgian Company Code. The convocation notice to the shareholders' meeting must explicitly mention the registration date.

The shareholder must also notify the Company (or any person so appointed by the Company) whether it intends to participate to the shareholders' meeting, at the latest on the sixth day before the date of such meeting.

Prior to participating to the shareholders' meeting, the holders of securities or their proxy holders must sign the attendance list, thereby mentioning: (i) the identity of the holder of securities, (ii) if applicable, the identity of the proxy holder and (iii) the number of securities they represent. The representatives of shareholders-legal entities must present the documents evidencing their quality as legal body or special proxy holder of such legal entity. In addition, the proxy holders must present the original of their proxy evidencing their powers, unless the convocation notice required the prior deposit of such proxies. The physical persons taking part in the shareholders' meeting must be able to prove their identity.

17.5.1.5 Voting by proxy and remote voting

Each shareholder has, subject to compliance with the requirements set forth above to attend shareholders' meetings, the right to attend a shareholders' meeting and to vote at such meeting in person or through a proxy holder. The Board of Directors can request the participants to the meeting to use a model of proxy (with voting instructions), which must be deposited at the Company's registered office or at a place specified in the notice convening the shareholders' meeting at the latest six days prior to the meeting. The appointment of a proxy holder must be made in accordance with the applicable rules of Belgian law, including in relation to conflicts of interest and the keeping of a register.

The articles of association also allow shareholders to vote by mail by means of a form that is made available by the Company.

17.5.1.6 Quorums and majorities

In general, there is no attendance quorum requirement for a shareholders' meeting and decisions are generally passed with a simple majority of the votes of the Shares present or represented at the meeting.

However, decisions regarding:

- amendments of the articles of association;
- an increase or decrease of the Company's share capital (other than a capital increase decided by the Board of Directors pursuant to the authorised share capital;
- the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company;
- the issue of convertible bonds or bonds with warrants or the issue of warrants; and
- certain other matters referred to in the Belgian Company Code,

require a presence quorum of 50% of the share capital of the Company and a majority of at least 75% of the votes cast, with the exception of an amendment of the Company's corporate purpose and, subject certain exceptions, the acquisition of own Shares, which require the approval of at least 80% of the votes cast at a shareholders' meeting, which can only validly pass such resolution if at least 50% of the Company's share capital and at least 50% of the profit certificates, if any, are present or represented.

In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting may validly deliberate and decide regardless of the number of Shares present or represented.

17.5.1.7 Right to add items to the agenda and file draft resolutions

In accordance with article 533ter of the Belgian Company Code, one or more shareholders holding at least 3% of the Company's share capital have the right to add new items on the agenda of a shareholders' meeting and to file draft resolutions concerning items that were or will be included on the agenda of a shareholders' meeting. This right does not apply to shareholders' meetings that are being convened on the grounds that the presence quorum was not met at the first duly convened meeting.

Shareholders who exercise this right must comply with the following two conditions for the proposal(s) to be eligible for consideration at the shareholders' meeting: (i) they must prove that they hold the abovementioned percentage of shares on the date of their request (either by producing a certificate of registration of those Shares in the Company's shareholders' register, or by producing a certificate from a certified account holder or settlement institution evidencing that the relevant number of dematerialised Shares are registered in their name in the accounts of such certified account holder or settlement institution) and (ii) they must demonstrate that they still hold the abovementioned percentage of shares on the registration date.

The Company must receive requests to add new items on the agenda of shareholders' meetings and to file draft resolutions at

the latest 22 days prior to the date of the shareholders' meeting. The revised agenda must be published by the Company at the latest 15 days prior to the date of the shareholders' meeting.

17.5.1.8 Right to ask questions

In accordance with article 540 of the Belgian Company Code, shareholders have a right to ask questions to the directors in connection with the report of the Board of Directors or the items on the agenda of such shareholders' meeting. Shareholders can also ask questions to the auditor in connection with its report. Such questions can be submitted in writing prior to the meeting or can be raised at the meeting. Written questions must be received by the Company no later than the sixth day prior to the meeting.

Written and oral questions will be answered during the meeting in accordance with applicable law. In addition, in order for written questions to be considered, the shareholders who submitted the written questions concerned must comply with the requirements set forth above to attend shareholders' meetings.

17.6 DESCRIPTION OF ANY PROVISION OF THE COMPANY'S ARTICLES OF ASSOCIATION THAT WOULD HAVE AN EFFECT OF DELAYING, DEFERRING OR PREVENTING A CHANGE IN CONTROL OF THE COMPANY

Under a decision of the Extraordinary General Meeting of shareholders held 16 January 2015, the Board of Directors may also use the permissions listed above upon receipt by the Company of a communication from the Financial Services and Markets Authority that it has received a notice of a takeover bid for the Company, by contributions in cash by limiting or eliminating the preferential right of the shareholders (including the benefit a person or persons that are not employed in the Company or its subsidiaries) or by contributions in kind, with the issue of shares, subscription rights or convertible bonds, in accordance with the applicable legal provisions. The Board may not exercise these powers if the above communication of the Financial Services and Markets Authority has been received by the Company before 16 January 2018.

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 Company 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).

17.7 OWNERSHIP THRESHOLD (TRANSPARENCY DECLARATION)

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, inter alia, the Belgian law of 2 May 2007 on the disclosure of major shareholdings in issuers whose securities are admitted to trading on a regulated market (Loi du 2 mai 2007 relative à la publicité des participations importantes dans des émetteurs dont les actions sont admises à la négociation sur un marché réglementé et portant des dispositions diverses) (the "Transparency Law") and the Royal Decree of 14 February 2008 on the disclosure of major shareholdings (Arrêté royal du 14 février 2008 relatif à la publicité des participations importantes) (the "Transparency Royal Decree").

Belgian law imposes disclosure requirements on any natural person or legal entity acquiring or disposing of, directly or indirectly, securities granting voting rights or securities which give a right to acquire existing securities granting voting rights, when, as a result of such acquisition or disposal, the total number of voting rights directly or indirectly held by such natural person or legal entity, alone or in concert with others, increases above or falls below a (legal) threshold of 5%, or any multiple of 5%, of the total number of voting rights attached to the Company's securities. Any future amendment to the disclosure thresholds must be made public and simultaneously notified to the FSMA.

Pursuant to article 6 of the Transparency Law, the above disclosure obligations will be triggered any time the above thresholds are crossed (downwards or upwards) as a result of, inter alia: (i) the acquisition or the disposal of securities granting voting rights, regardless of the way in which this acquisition or disposal takes place, e.g. through purchase, sale, exchange, contribution, merger, de-merger, or succession, (ii) the passive crossing of these thresholds (as a result of events that have changed the breakdown of voting rights even if no acquisition or disposal took place); or (iii) the execution, amendment or termination of an agreement of concerted action.

Pursuant to article 6 of the Transparency Law, the disclosure obligations apply to each natural person or legal entity that "directly" or "indirectly" acquires, disposes of or holds (at the time of passive crossing the threshold or at the time of execution, amendment or termination of an agreement of concerted action) voting securities or voting rights. In this respect, a natural person or legal entity is deemed to "indirectly" acquire, dispose of or hold voting securities of the Company: (i) when voting securities are acquired, disposed of or held by a third party that, regardless in whose name it is acting, acts on behalf of such natural person or legal entity, (ii) when voting securities are acquired, disposed of or held by an undertaking controlled (within the meaning of articles 5 and 7 of the Belgian Company Code) by such natural person or legal entity (the notion "control" implies that possibly several persons will be deemed to be a controlling person (e.g., the parent company, the parent company of such parent company, as well as the natural person controlling the latter) and therefore subject to the notification duty); or (iii) when such natural person or legal entity acquires or transfers the control over an entity holding voting rights in the Company in which case there is no acquisition or disposal of a shareholding in the Company itself, but an acquisition or transfer of control over an entity holding voting rights of the Company.

If a transparency notification is legally required, such notification must be made to the FSMA and the Company as soon as possible and at the latest within a period of four trading days as from the trading day following the day on which the event triggering the disclosure obligation took place.

The notification can be electronically transmitted to the Company and the FSMA. The forms required to make such notifications, as well as further instructions may be found on the website of the FSMA (www.fsma.be).

Violation of the disclosure requirements may result in the suspension of voting rights, a court order to sell the securities to a third party and/or criminal liability. The FSMA may also impose administrative sanctions.

The Company must publish all information contained in such notifications no later than three trading days after receipt of such notification. Furthermore, the Company must mention in the notes to its annual accounts, its shareholders structure (as it appears from the notifications received). Moreover, the Company must publish the total share capital, the total number of voting securities and voting rights (for each class of securities (if any)), at the end of each calendar month during which one of these numbers has changed, as well as on the day on which the shares of the Company will for the first time be admitted to trading on Euronext Brussels and Euronext Paris. Finally, the Company must disclose, as the case may be, the total number of bonds convertible in voting securities (if any), whether or not incorporated in securities, to subscribe to voting securities not yet issued (if any), the total number of voting rights that can be obtained upon the exercise of these conversion or subscription rights and the total number of shares without voting rights (if any).

The articles of association do not provide stricter rules than those described in the law (in the Companies Code).

17.8 CONDITIONS IN THE ARTICLES OF ASSOCIATION STATUTES MORE STRINGENT THAN IS REQUIRED BY LAW

The shares of the Company can take the form of registered shares or dematerialised shares. The Offered Shares were delivered in dematerialised (book-entry) form and will be dematerialised shares.

Belgian company law and the Company's articles of association entitle shareholders to request, in writing and at their expense, the conversion of their dematerialised shares into registered shares and vice versa. Any costs incurred as a result of the conversion of shares into another form will be borne by the shareholder.

All of the Company's shares, including the Offered Shares upon delivery, are fully paid up and freely transferable, subject, however, to the lock-up arrangements and the transfer restrictions set out in article 11 of the Royal Decree of 17 May 2007 on Primary Markets.

17.8.1 INCREASE AND REDUCTION OF SHARE CAPITAL

This section is detailed in Section 14.3.

17.8.2 QUORUMS AND MAJORITIES

In general, there is no attendance quorum requirement for a shareholders' meeting and decisions are generally passed with a simple majority of the votes of the Shares present or represented at the meeting.

However, decisions regarding:

- amendments of the articles of association;
- an increase or decrease of the Company's share capital (other than a capital increase decided by the Board of Directors pursuant to the authorised share capital;
- the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company;
- the issue of convertible bonds or bonds with warrants or the issue of warrants; and

- certain other matters referred to in the Belgian Company Code,

require a presence quorum of 50% of the share capital of the Company and a majority of at least 75% of the votes cast, with the exception of an amendment of the Company's corporate purpose and, subject certain exceptions, the acquisition of own Shares, which require the approval of at least 80% of the votes cast at a shareholders' meeting, which can only validly pass such resolution if at least 50% of the Company's share capital and at least 50% of the profit certificates, if any, are present or represented.

In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second shareholders' meeting may validly deliberate and decide regardless of the number of Shares present or represented.

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APPENDIX A – ABBREVIATIONS AND DEFINITIONS

APPENDIX A – ABBREVIATIONS AND DEFINITIONS

ABBREVIATIONS

ATMP	Advanced Therapy Medicinal Product
β-TCP	β-tricalcium phosphate
CAGR	Compound Annual Growth Rate
CBMP	Cell-Based Medicinal Product
CCRO	Chief Clinical and Regulatory Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CHU	Centre Hospitalier Universitaire
CMO	Chief Medical Officer
DU	Delayed Union (fracture)
EFDR/FEDER	European Regional Development Fund (Fonds Européen de Développement Régional)
EEA	European Economic Area
EMA	European Medicines Agency
ERP (platform)	Enterprise Resource Planning (platform)
EU	European Union
FDA	Food and Drug Administration (in the US)
FSMA	Financial Services and Markets Authority in Belgium (Autorité des services et marchés financiers)
FTT	Financial Transaction Tax
GAAP	(Belgian) Generally Accepted Accounting Principles
GMP	Good Manufacturing Practice
GIE	Groupement d'Intérêt Economique (Economic Interest Grouping)
HCTS	Hepatic Cell Therapy Support SA
IBGE	Institut Bruxellois pour la Gestion de l'Environnement
IFRS	International Financial Reporting Standards
IND	Investigational New Drug application (in the US)
IRD	Inflammatory Rheumatic Disease
MSC	Mesenchymal Stem Cells
NU	Non-Union (fracture)
ODD	Orphan Drug Designation
ON	Osteonecrosis
PPP	Public-Private Partnership
PWTC	Plateforme Wallonne de la Thérapie Cellulaire (Walloon Platform for cell therapy)
raRCA(s)	Recoverable Cash Advance(s)
RA	Rheumatoid Arthritis
SCTS	Skeletal Cell Therapy Support SA
SISE	Société d'Infrastructures, de Services et d'Energies SA
SME	Small and Medium Enterprise
SF	Spinal Fusion
THA	Total Hip Arthroplasty
ULB	Université libre de Bruxelles
ULg	Université de Liège

DEFINITIONS

Additional Shares
The existing shares in the Company covered by the Over-allotment Option.

Advanced therapy medicinal product
Medicine for human use that are based on gene therapy, somatic cell therapy or tissue engineering (EMA classification 1394/2007).

Allogeneic
Said for tissues or cells when the donor is different from the recipient (*i.e.*, the patient)

Audit Committee
The audit committee installed by the Board of Directors.

Autologous
Said for tissues or cells when the donor is the same as the recipient (*i.e.*, the patient).

Belgian Company Code
The Belgian Act of 7 May 1999 containing the companies code (Code des sociétés)

Biovigilance (MCH)
The process of monitoring, reporting and preventing all risks associated with the therapeutic use of products derived from human biological materials, in accordance with the Belgium law (as issued on 12 December 2003 and as amended on 17 July 2017).

Board of Directors
The board of directors of the Company.

Business Day
Any day, other than a Saturday or Sunday, on which banks are generally open for general business in Brussels.

Callus
Unorganized bony and cartilaginous tissue that forms around the ends of a broken bone during healing. It is absorbed as repair is completed and ultimately replaced by true bone.

CHU
Centre Hospitalier Universitaire de Liège

Cost of goods sold
Direct costs attributable to the production of the goods sold by a company. This amount includes the cost of the materials, the direct labor costs and infrastructure costs used to produce the good. It excludes indirect expenses such as distribution costs and sales force costs.

Competent Authority (Regulatory Agency)
National organization that regulates medicinal products for human use in accordance with the European directives and national law. Clinical trials of medicinal products in human subjects require authorisation by the competent authority.

Core Decompression
Surgical procedure for the treatment of osteonecrosis of the femoral head, that consists in drilling a small hole into the femoral neck and through the necrotic bone area. This is intended to reduce internal bone pressure and increased blood flow.

Belgian Corporate Governance Code
The Belgian code as issued on 9 December 2004 by the Belgian Corporate Governance Committee and as amended on 12 March 2009.

Company
Bone Therapeutics SA.

Corporate Governance Charter
The corporate governance charter of the Company.

Delayed-union fracture
A medical condition defined as a fracture that has not united within a period of time that would be considered adequate for bone healing.

Ethics Committee
Established committee that ensures that research conducted within a hospital complies with moral and ethical principles. Clinical trials of medicinal products in human subjects require positive opinion by the ethic committee.

Euronext Brussels
The regulated market operated by Euronext Brussels SA/NV.

Euronext Paris
The regulated market operated by Euronext Paris SA.

Ex vivo
Taking place outside the organism.

Executive Directors
Directors entrusted with the day-to-day management of the Company.

GMP (Good manufacturing practise)
Tart of quality assurance which ensures that products are consistently produced and controlled to the quality standards appropriate to their intended use.

Group
The Company and SCTS.

GIE BOCEGO
Groupement d'Intérêt Economique BOCEGO, consisting of the Company and SCTS.

HCTS (Hepatic Cell Therapy Support SA)
A limited liability company incorporated under the laws of Belgium with registered office at rue Auguste Piccard 37, 6041 Gosselies and registered with the register of legal entities under number 0841.727.891.

Homeostasis
Self-regulating process by which biological systems tend to maintain internal stability.

Hospital Exemption
Allows hospitals and medical practitioners to provide ATMP-classified products to patients, e.g., in case of high unmet medical need because there is no authorized ATMP alternative available. Said products are custom-made for an individual patient, prepared on a non-routine basis, and used within the same Member State in a hospital under the exclusive professional responsibility of a medical practitioner.

Inflammatory Rheumatic Diseases
Autoimmune diseases characterized by inflammation and loss of function of muscles, joints, bones and other tissues producing symptoms such as pain, swelling and stiffness (e.g., osteoarthritis, rheumatoid arthritis, ankylosing spondylitis…)

Institutional Investor
Qualified and/or institutional investors under applicable laws of the relevant jurisdiction.

Joint Bookrunners
Bryan, Garnier & Co Ltd., Kepler Capital Markets and Banque Degroof.

JTA
An enhanced viscosupplement for osteoarthritis

Management Team
The team consisting of the CEO, CFO, CCRO and CMO.

M-ERA.net
A EU funded network which has been established to support and increase the coordination of European research programmes

and related funding in materials science and engineering.

Mesenchymal stem cells
Multipotent stem cells that can convert into cell types such as bone cells, cartilage cells, fat cells, etc.

MXB
A combined cell-matrix product of Bone Therapeutics for large bone defects and maxillofacial applications.

New Contracts
RCAs governed by the currently applicable Walloon regulations.

New Shares
The new shares initially offered in the Offering, including the new shares offered as a result of the possible exercise of the Increase Option.

Nomination and Remuneration Committee
The nomination and remuneration committee of the Company installed by the Board of Directors.

Non-union fracture
A medical condition characterised by a failure to achieve bone union within 6-9 months as, all reparative processes have ceased, hence requiring additional surgical intervention.

Orphan Drug Designation
A special status to a drug developed for the treatment of a rare disease or medical condition. This enables the product to gain exclusivity when reaching market and creates additional value (e.g., easier marketing approval, extended exclusivity periods, fee reduction etc.) This status was received for PREOB® and ALLOB® in osteonecrosis of the femoral head by the EMA and the FDA.

Offer Price
The single price in euro at which the Offered Shares shall be purchased.

Offer Price Range
The price range of the shares as disclosed in this Prospectus.

Offered share
The New Shares and the shares of the Company covered by the Over-allotment Option.

Offering
A public offering in Belgium and France to Retail Investor and a private placement to certain Institutional Investors in certain jurisdictions outside the United States in accordance with Regulation S under the Securities Act.

Old Contracts
RCAs governed by the previously applicable Walloon regulations.

Osteoarthritis
A degenerative joint disease.

Osteoblast
Bone-forming cell.

Osteoclast
Bone-resorbing cell.

Osteocyte
A terminal bone forming cell embedded in mineralized bone matrix.

Osteogenesis
The capacity to produce new bone

Osteonecrosis (of the hip)
A medical condition characterized by the death of bone cells and loss of the associated marrow elements. It is a painful condition in which the joint degenerates progressively, ultimately leading to collapse of the femoral head.

Osteoporosis
A medical condition characterized by an excessive loss of bone mass leading to bone fragility and increased risk of fracture.

Osteosynthesis
A surgical procedure perfomed to stabilize a fracture by mechanical devices such as metal plates, pins, rods, wires or screws.

Over-allotment Option
The option granted to Bryan, Garnier & Co Ltd., acting both for itself and Kepler Capital Markets and Banque Degroof.

Orthobiologics
Substances (e.g., growth factors) naturally found in human body, which are used as a drug (in higher concentrations) to improve bone healing.

Phase I/IIA
A first-in-man proof-of-concept pilot study in which the product will be administered to humans for the first time and in which efficacy parameters will be assessed. This is the case for ALLOB® in delayed-union.

Phase IIA
A proof-of-concept pilot study in which the product has already been administered to human – in general in another indication - and in which efficacy parameters will be assessed. This is the case for PREOB® in osteoporosis and for ALLOB® in spine fusion.

Phase III
A pivotal study in which the product has already been shown to be safe and efficacious in the indication, and in which the safety and efficacy will be further confirmed in a larger groups of patients. This is the case for PREOB® in osteonecrosis and non-union.

Phase IV
Studies done after the product has been marketed to gather information on the drug's effect in various populations and any side effects associated with long-term use.

Pharmacovigilance
The process of collecting, monitoring and evaluating adverse events in clinical trials for safety purpose.

Primary Market Practises
The Belgian Royal Decree as issued on 17 May 2007.

Prospectus
This document, as well as any supplement thereto.

Prospectus Directive
Directive 2003/71/EC together with any relevant implementing measure in each Relevant Member Share (as amended from time to time).

Prospectus Regulation
Regulation 809/2004/EG of the European Commission, implementing the Prospectus Directive.

Regulation S
Regulation S under the Securities Act.

Rheumatoid arthritis
A chronic systemic inflammatory disease affecting the joints.

Scoliosis
A medical condition that causes abnormal curvature of the spine.

Skeletal Cell Therapy Support SA
A limited liability company incorporated under the laws of Belgium with registered office at avenue Georges Lemaitre 62, 6041 Gosselies and registered with the register of legal entities under number 0841.570.812.

Securities Act
The United States Securities Act of 1933, as amended.

Significant shareholder
A shareholder holding at least 5% of the share capital.

SME Agreement
The agreement dated 24 April 2014 between the Walloon Region and Groupement d'Intérêt Economique BOCEGO (consisting of the Company and SCTS) (BOCEGO).

Société d'Infrastructures, de Services et d'Energies SA
A limited liability company incorporated under the laws of Belgium with registered office rue Auguste Piccard 37, 6041 Gosselies and registered with the register of legal entities under number 0841.727.101.

Spinal fusion
A surgical procedure that consists of bridging two or more vertebrae to obtain fusion of an unstable portion of the spine or to immobilize a painful vertebral motion segment.

Spondylolisthesis
A condition in which one or more vertebrae slips out of place onto the vertebra above and below it/them

Stenosis
A narrowing of a channel or a vessel… In this document, spinal stenosis is the narrowing of spaces in the spine (backbone) which causes pressure on the spinal cord and nerves.

Third party payer
An institution or company that provides reimbursement to health care providers for services rendered to a third party (*i.e.*, the patient).

Tissue Bank
An entity that is licensed, accredited or regulated under federal or state law to engage in the recovery, screening, testing, processing, storage or distribution of human biological materials. The Company has obtained a license as a tissue bank for handling autologous human biological materials and a license as a tissue bank for handling in collaboration with hospital tissue banks allogeneic human biological materials.

Viscosupplementation
A treatment using intra-articular injection of hyaluronan-based preparations which absorb shocks and provide lubrication in order to decrease pain and improve mobility.

Warrants
Warrants issued by the Company.

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APPENDIX B – ARTICLES OF ASSOCIATION (OFFICIAL DOCUMENT)

APPENDIX B – ARTICLES OF ASSOCIATION (OFFICIAL DOCUMENT)

BONE THERAPEUTICS

Limited liability company making or having made a public appeal on savings

Charleroi (6041-Gosselies) - rue Adrienne Bolland 8

VAT BE 0882.015.654

RLE [Register of Legal Entities] Mons – Charleroi, Division Charleroi

COORDINATION OF THE ARTICLES OF ASSOCIATION FOLLOWING THE EXTRAORDINARY

GENERAL MEETING OF 11 FEBRUARY 2015

The company was incorporated under the form of a private limited liability company (société privée à responsabilité limitée/besloten vennootschap met beperkte aansprakelijkheid), pursuant to a notarial deed enacted by Notary Sophie Maquet, in Brussels, on 16 June 2006, published in the Annexes to the Belgian Official Gazette on the subsequent 3 July under number 06106424.

Whose articles of association were amended as follows:

- following minutes drawn up by notary Pierre-Edouard Noteris, in Uccle, on 5 September 2006, published in said Annexes to the Belgian Official Gazette of 25 September 2006 under number 06147016;
- following minutes, pursuant to which it was turned into an limited liability company (société anonyme/naamloze vennootschap), drawn up by Notary Pierre-Edouard Noteris, in Uccle, on 7 March 2007, published in said Annexes of 26 March 2007 under number 07045321;
- following minutes drawn up by Sophie Maquet, associated notary in Brussels, on 12 November 2008, published in said Annexes of 11 December 2008 under number 08191674;
- following minutes drawn up by associated notary Sophie Maquet on 3 March 2009, published in said Annexes of the 26 March 2009 under number 09044455;
- following minutes drawn up by associated notary Sophie Maquet on 15 December 2009, published in said Annexes of 8 January 2010 under number 10004252;
- following minutes drawn up by Hubert Michel, associated notary in Charleroi, on 13 January 2011, published in said Annexes of 1 February 2011 under number 11017060;
- following minutes drawn up by Jean-Philippe Matagne, associated notary in Charleroi, on 24 November 2011, published in said Annexes of 16 December 2011 under number 11188855;
- following minutes drawn up by Jean-Philippe Matagne, associated notary in Charleroi, on 27 November 2012, published in the Annexes to the Belgian Official Gazette of 17 December 2012 under number 12202375;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 10 June 2013, published in the Annexes to the Belgian Official Gazette of the subsequent 21 July under number 13094315;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 24 February 2014, published in said Annexes of 14 March 2014 under number 14061817;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 10 July 2014, published in said Annexes of 28 July 2014 under number 14144450;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 18 December 2014, published in said Annexes of 13 January 2015, under number 15005925;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 5 February 2015, published in said Annexes of the subsequent 3 March 2015 under number 15033693;
- following minutes drawn up by Jean-Philippe Matagne, notary in Charleroi, on 11 February 2015, published in said Annexes of the subsequent 5 March 2015 under number 15034905.

TITLE I — NAME - REGISTERED OFFICE - OBJECT - DURATION

ARTICLE 1 - FORM AND NAME

The company is incorporated under the form of a limited liability company making or having made a public appeal on savings, and under the name of Bone Therapeutics.

This name shall invariably be preceded or followed by the words “société anonyme” or the acronym “SA” or, in Dutch by the words “naamloze vennootschap” or the acronym “NV”.

ARTICLE 2 – REGISTERED OFFICE

The registered office is located in Charleroi (6041-Gosselies), rue Adrienne Bolland 8.

The Board of directors can transfer the registered office to any other location in Belgium, provided that the relevant applicable legislation on language is respected. The Board of directors shall publish any transfer of the registered office in the Annexes to the Belgian Official Gazette.

Furthermore, the board of directors has the authority to set up administrative headquarters, places of business, branch offices and subsidiaries both in Belgium and abroad.

ARTICLE 3 – OBJECT

The object of the company is to, both in Belgium and abroad, in its own name or in the name of third parties, for its own account or for the account of others or in association with third parties:

- engage in the research and development of products and processes in the pharmaceutical, biotechnological, cellular or derivative fields that can have an economic value for human or animal health, for diagnostics and therapeutics, for nutraceuticals or cosmetics and are among other matters based on genetics, cell biology and in vitro or in vivo pharmacology;
- the marketing of products or processes in the aforementioned fields of application;
- the acquisition, alienation, exploitation, economic development, marketing and management of any and all intellectual property rights, user rights, trademarks, patents, working drawings, licences etcetera.
- the registration and exploitation of patents, drawings and models, trademarks and other intellectual and economic rights following on from the aforementioned objects;
- the creation, communication, publication and editing on any media in connection with the aforementioned objects.

The company may, both in Belgium and abroad, engage in any industrial, commercial, financial, asset and real estate operations that are likely to directly or indirectly expand or further its business. It may acquire any tangible or intangible assets, even if these are not directly or indirectly linked to its corporate object.

It can grant any form of security to guarantee the undertakings made by an associated, affiliated company with which it is linked by virtue of a participating interest or by any third party in general.

It is entitled to, by any means, take a stake in, cooperate or merge with any associations, businesses, enterprises or companies that have an identical, similar or related object, or which are likely to advance its business or to facilitate the sale of its products or services.

ARTICLE 4 – DURATION

The company is incorporated for an indefinite period of time.

TITRE II — CAPITAL AND SECURITIES

ARTICLE 5 – SHARE CAPITAL

The company's share capital is fixed at the sum of twenty million seven hundred and eight thousand three hundred and seventy-two euro and ninety cent (€ 20,708,372.90).

It is represented by 6,849,654 shares, without specification as to their nominal value.

ARTICLE 6 – CHANGE IN SHARE CAPITAL

The share capital may be increased or reduced by way of decision of the general meeting deliberating in accordance with the provisions governing amendments to the articles of association.

Each time the share capital is increased, the new shares to be subscribed to in cash shall be offered pre-emptively to the existing shareholders in proportion to the percentage of the share capital represented by their shares for a period of no less than fifteen days as of the first day of the subscription period. The general meeting shall determine the subscription price and the period during which this preferential right can be exercised. However, this preferential right can be restricted or suspended by the general meeting deciding in the interest of the company and with the same majority than for decisions relating to amendments to the articles of association.

Where a capital increase involves the creation of an issue premium, the amount of that premium shall be fully paid up at the time of subscription. The premium shall be posted to an unavailable account, called "Issue premiums", which can only be reduced or cancelled by way of decision of the general meeting deliberating in accordance with the provisions laid down by the Belgian Company Code regarding amendments to the articles of association. The issue premium, like the share capital, shall serve as the guarantee for third parties.

A capital decrease can only be decided if all shareholders in the same circumstances are treated equally, and in accordance with the terms and conditions laid down in the Company Code.

ARTICLE 7 – AUTHORISED CAPITAL

The board of directors has the authority to, in one or several stages, increase the share capital by nineteen million seven hundred and ninety-six thousand seven hundred and ten euro

and forty-one cent (€19,796,710.41), in accordance with the statutory provisions, and pursuant to the terms and conditions to be specified by the board of directors.

This authorisation shall remain valid for a period of five years as of the date at which the amendment to the articles of association decided on by the extraordinary general meeting of 16 January 2015 is published.

This authorisation can be renewed in accordance with the relevant statutory provisions. This authorisation can also be used for:

1° capital increases or the issue of convertible bonds or warrants where the pre-emptive right of shareholders is restricted or cancelled (article 605 par.1, 1° of the Belgian Company Code);

2° capital increases or the issue of convertible bonds where the pre-emptive right of shareholders is restricted or cancelled in favour of one or more specific persons other than members of staff of the company or its subsidiaries (article 605 par.1, 2° of the Company Code);

3° capital increases by way of the incorporation of reserves (article 605 par.1, 3° of the Belgian Company Code).

Capital increases decided on pursuant to this authorisation can be effected either by way of contribution in cash, or, within the limits defined by law, by way of contribution in kind, with or without the creation of new shares, preferential or not, with or without a right to vote, and with or without subscription right. These capital increases can be effected with or without issue premium.

Where the capital is increased on the basis of this authorisation, the board of directors, with the right of substitution, has the power to amend the articles of association with a view to changing the amount of the share capital and, where new securities are issued, the number of shares.

The issue premiums, if any, shall be booked to the "Issue premiums" account which, like the share capital, shall serve as the guarantee for third parties and which can be used only in accordance with the applicable statutory provisions relating to amendment to the articles of association, unless these premiums are incorporated into the capital account.

The board of directors may, in accordance with applicable law and in the interest of the company, restrict or cancel the pre-emptive right, even in favour of one or more specific persons, other than members of staff of the company or its subsidiaries.

Pursuant to a decision of the extraordinary general meeting of shareholders held on 16 January 2015, the board of directors may also use the aforementioned authorisations if it has been formally notified by the Financial Services and Markets Authority (FSMA) that it is the target of a public take-over bid, by way of contributions in cash restricting or cancelling the preferential right of shareholders (in favour of one or more specific persons, other than members of staff of the company or its subsidiaries, included) or by way of contributions in kind, with an issue of shares, warrants or convertible bonds, with due regard for the relevant statutory provisions. The board of directors may exercise these powers only if the company receives the aforesaid notification from the Financial Services and Markets Authority before 16 January 2018.

ARTICLE 8 – ACQUISITION, PLEDGE OR ALIENATION OF OWN SHARES

The company is free to acquire or accept its own shares as security under the terms set out by law. The board of directors has the power to sell the company's shares which have been bought back, on or outside of a stock exchange, on its own terms and without the prior approval of the general meeting being required, pursuant to applicable law.

The authorisations referred to above relate to acquisitions and disposals of the company's shares carried out by direct subsidiaries, as these subsidiaries are defined by the statutory provisions governing the acquisition of shares by subsidiaries in their parent company, and are extendible under the terms set out by law.

ARTICLE 9 – CALL FOR FUNDS

The board of directors shall, at its own discretion, set the date and the manner in which calls for funds on any shares that have not been fully paid up shall be effected.

The voting rights pertaining to any shares that have not been paid up as requested and within the period specified by the board of directors shall automatically be suspended until the relevant payments have been made. Furthermore, the shareholder concerned shall re be automatically liable to pay moratorial interests at the statutory interest rate plus two per cent.

Where a shareholder fails to act on the formal notice sent by registered mail by the end of the term set by the board of directors, the latter is entitled to have the relevant shares sold in the most appropriate manner, without prejudice to the company's right to request payment of the outstanding balance as well as any potential damages.

Shareholders are not entitled to early paying-up of their shares without prior approval of the board of directors.

ARTICLE 10 – CLASSES OF SECURITIES

The company is free to, by way of decision of the board of directors, issue bonds, which can be secured or not, notably by way of a mortgage, pursuant to the rules set out in the Belgian Company Code.

The company is also entitled to, by way of decision of the general meeting, or where appropriate, of the board of directors within the framework of the authorised capital, issue convertible bonds or warrants, pursuant to the rules set out in the Belgian Company Code.

Any legal person who retains or acquires ownership of securities is entitled to, in collaboration with the company or otherwise, issue certificates relating to shares, profit shares, convertible bonds or warrants provided that it undertakes to reserve any proceeds or income from these securities for the holder of the certificates, in accordance with the rules set out in the Belgian Company Code.

ARTICLE 11 – NATURE OF THE SHARES AND SHARE REGISTER

Any shares that have not been fully paid up are registered shares.

Shares that have been fully paid up and any other company securities are registered or dematerialised within the limits laid down by law.

At any moment in time and at their own expense, holders can request the conversion of their securities into registered securities or dematerialised securities.

Dematerialised securities are represented by way of registration in an account held under the name of their owner or holder with an approved account holder or settlement organisation.

A register for each category of registered securities shall be kept at the registered office. Any holder of securities is entitled to read the register relating to these securities. No transfer of registered shares can be enforced against the company if it was not first registered in the company's shareholders register, duly dated and signed in the manner prescribed by the Belgian Company Code.

All registrations in these registers, including transfers and conversions, can be validly made on the basis of documents or instructions which the transferor, the transferee or the owner of the securities can forward electronically or by any other means. The company may accept and record any transfer in the registers on the basis of correspondence or other documents recording the agreement between the transferor and the transferee.

ARTICLE 12 – EXERCISE OF RIGHTS PERTAINING TO THE SECURITIES

Vis-à-vis the company, the shares and any other securities referred to in article 10 of the articles of association are indivisible. If any of these securities belong to several persons or if the rights pertaining to one of these securities are shared between several persons, the board of directors is entitled to suspend the exercise of the rights pertaining thereto until such time as one person has, vis-à-vis the company, been designated as the owner of the relevant security.

ARTICLE 13 – SUCCESSORS IN TITLE

The rights and obligations pertaining to securities shall pass to their acquirer.

TITRE III — MANAGEMENT AND CONTROL

ARTICLE 14 – COMPOSITION OF THE BOARD OF DIRECTORS

The company is managed by a board of directors, composed of no less than three (3) members, shareholders or otherwise, natural or legal persons.

Where a legal person is appointed as director of the company, it shall, in accordance with the rules set out by the Belgian Company Code, appoint a permanent representative, authorised to represent it in all its dealings with the company. Said director is not entitled to remove its permanent representative from office unless it simultaneously appoints a successor.

The duration of their mandate shall not exceed six years. Any director whose mandate has come to an end shall remain in office as long as the general meeting, for whatever reason, has not replaced him.

Outgoing directors are eligible for re-election.

Directors can be dismissed by the general meeting at any moment.

ARTICLE 15 – PREMATURE VACANCIES

In the event a seat on the board of directors becomes vacant prematurely, the remaining directors are entitled to provisionally fill this vacancy on the proposal of a director elected on the proposal of the same shareholders. Any director appointed accordingly shall complete the mandate of the director he replaces.

The definitive election of the replacing director shall be added to the agenda of the next general meeting.

ARTICLE 16 – CHAIRMANSHIP

The board of directors shall elect a chairman from amongst its members who shall remain in office for the duration of its director's mandate.

ARTICLE 17 – MEETINGS OF THE BOARD OF DIRECTORS

The board of directors shall be convened by its Chairman, a managing director or two directors as often as required in the interest of the company. However, it shall in any case meet no less than four (4) times a year.

The convening notices shall mention the place, date, time and agenda of the meeting. They shall be sent out by letter, fax, e-mail or any other written means no less than two business days prior to the meeting. In cases of emergency duly justified, this two-working-day notice period can be shortened.

If no Chairman has been elected or if the latter is unavailable, the meeting shall be chaired by a director appointed to that effect by its colleagues.

The regularity of the notices of meeting cannot be contested if all the directors are present or validly represented.

ARTICLE 18 – DELIBERATIONS

The board of directors cannot validly deliberate or take decisions unless at least two members are present or represented.

The board of directors cannot validly deliberate on items that have not been included in the agenda unless all the directors are present in person and unanimously decide to deliberate on the items in question.

Any director is entitled to give a power of attorney to another director by letter, fax, e-mail or any other written means to represent him at a meeting of the board of directors.

The decisions of the board of directors shall be adopted by simple majority of the votes cast.

Where a director, directly or indirectly, has a conflicting interest of a patrimonial nature with a decision or transaction to be decided upon by the board of directors, the rules and formalities prescribed by the Belgian Company Code followed. If one or more directors, present or represented, abstain from voting as a consequence of any such conflict of interest at a meeting of the board of directors where the relevant quorum is present, the decision(s) in question shall be validly adopted by the majority of the other directors present or represented.

In exceptional circumstances, duly justified in view of the urgency and the corporate interest of the company, the decisions of the board of directors may be taken unanimously in writing. However, this method may not be used for the approval of the annual accounts and the use of the authorised capital. Unless otherwise provided, any decisions unanimously taken in writing shall be deemed to have been taken at the registered office and shall come into effect on the date at which the last director has signed.

The directors may participate to a meeting of the board of directors by telephone or videoconference or by any other means of communication that allow all the directors to communicate with each other. In that case, they shall be deemed to have attended the meeting. Unless otherwise provided, the decisions shall be deemed to have been taken at the registered office and shall come into effect on the date of the meeting.

ARTICLE 19 – MINUTES

The deliberations of the board of directors shall be recorded in minutes and signed by the directors present or by their proxy holders. The powers of attorney shall be annexed to the minutes.

The copies or extracts to be produced in court or elsewhere shall be signed by two directors or by one managing director. This power may be delegated to an authorised representative.

ARTICLE 20 – POWERS OF THE BOARD OF DIRECTORS

The board of directors is entrusted with the widest powers to perform any acts that are necessary or useful for carrying out the corporate object, with the exceptions of the powers reserved by law to the general meeting of shareholders and, where applicable, those that have been delegated to the executive committee, as the case may be.

The board of directors notably defines the general policy of the company; in that framework, it notably defines the company's guidelines and options and decides on any important structural reforms.

The board of directors is free to, within its midst and under its responsibility, set up one or several advisory committees (audit committee, nomination and remuneration committee, strategic committee, scientific committee, etc.). The terms of appointment of the members of these committees, their dismissal, their remuneration, the duration of their mandate and the way in which these committees operate are specified by the board of directors with due regard for the rules laid down in the Belgian Company Code.

The board of directors is free to appoint one or more special proxy holders for specific and well-defined matters.

The board of directors shall set the remuneration of any persons it has delegated competences to. This remuneration may be fixed or variable.

ARTICLE 21 – EXECUTIVE COMMITTEE

Pursuant to article 524bis of the Belgian Company Code, the board of directors may delegate its managerial powers to an executive committee, provided that this delegation of powers does not relate to the general corporate policy or to any of the acts that are, by virtue of any other statutory provisions, reserved for the board of directors.

The executive committee shall be composed of several persons, directors or not. The terms of appointment of the members of the executive committee, their dismissal, their remuneration, the duration of their mandate and the way in which the executive committee operates shall be specified by the board of directors.

Where a legal person is appointed as member of the executive committee, the latter is obliged to appoint a permanent representative from amongst its partners, business managers, directors or employees, tasked with fulfilling this mandate in the name and on behalf of the legal person. The legal person cannot remove its representative unless it simultaneously appoints a successor.

The board of directors shall supervise the executive committee.

Where a member of the executive committee has, directly or indirectly, an interest referred to in article 524ter, §1 of the Belgian Company Code in a decision or transaction that falls within the competence of the executive committee, the rules and formalities provided for under this provision shall be followed.

ARTICLE 22 – REMUNERATION

The mandate of director is not remunerated, unless the general meeting decides otherwise.

The representational costs incurred by the directors shall be reimbursed provided that they are substantiated and were approved by the company beforehand.

The company may deviate from the provisions of article 520ter, paragraphs 1 and 2 of the Belgian Company Code in respect of any person who falls within the scope of these provisions.

ARTICLE 23 – REPRESENTATION

The company shall be validly represented in all its acts, in or out of courts, by two directors acting jointly or by one managing director, who, vis-à-vis third parties, are not obliged to justify a prior decision of the board of directors.

Without prejudice to the foregoing paragraph, and within the limits of the competences that can be transferred by law to the executive committee, the company shall also be validly represented by two members of the executive committee acting jointly.

For matters belonging to day-to-day management, the company shall also be validly represented by the daily manager(s) acting alone or jointly in performance of the delegation decision of the board of directors.

Furthermore, the company shall be validly represented by one proxy holder, within the scope of its mandate.

ARTICLE 24 – DAY-TO-DAY MANAGEMENT

The board of directors may delegate the day-to-day management of the company to one or more natural or legal persons. If the person responsible for the day-to-day management is also a director, he shall bear the title of managing director. In the opposite case, he shall bear the title of chief executive officer.

Only the board of directors has the power to set the conditions and limits of this delegation of powers and to terminate them.

Where several persons are responsible for the day-to-day management, the company shall be validly represented in all its acts relating to its day-to-day management, in or out of court, by one person responsible for the day-to-day management who is not obliged to justify any prior decision to third parties.

Any person entrusted with the day-to-day management can, under its own responsibility, delegate part of its powers for specific and well-determined matters to a third party of its own choice.

ARTICLE 25 – CONTROL

Insofar as required by law, the auditing of the financial situation, the annual accounts and compliance with regard to the Belgian Company Code and to the articles of association of the transactions to be recorded in the annual accounts shall be entrusted to one or more auditors to be appointed by the general meeting of shareholders from amongst the members of the Belgian Institute of Company's Auditors (Institut des réviseurs d'entreprise/Instituut van de Bedrijfsrevisoren) who shall bear the title of auditor.

The general meeting of shareholders shall determine the number of auditors and fix their fees.

The auditors are appointed for a renewable period of three

years. Under liability for damages, they cannot be dismissed during the course of their mandate by the general meeting of shareholders other than for valid grounds and with due regard to the procedure laid down in the Belgian Company Code.

In the absence of an auditor required by law, or if none of the auditors is in a position to perform its duties, the board of directors shall immediately convene the general meeting of shareholders so as to proceed to their appointment or replacement.

ARTICLE 26 – TASKS OF THE AUDITORS

The auditors, collectively or individually, have an unlimited right to oversee and inspect all the business of the company. They may, in situ, inspect the books, correspondence, reports and, in general, all the company's documents.

Every six months, the board of directors shall deliver them a statement summarising the assets and liabilities of the company.

The auditors may, at their own expense, be assisted by employees or persons under their responsibility.

TITLE IV — GENERAL MEETING

ARTICLE 27 – COMPOSITION AND POWERS

A duly convened general meeting shall be deemed to represent all the shareholders. The decisions taken by the general meeting shall be binding on all the shareholders, even absent or dissenting.

ARTICLE 28 – MEETINGS

The ordinary general meeting shall be held on the fourth Thursday of the month of May at 16:00 h. If this day is a public holiday, the general meeting shall take place on the next business day.

An extraordinary general meeting can be convened as often as is required in the interest of the company and shall be convened each time shareholders representing one fifth of the share capital formulate a request to that effect.

The general meetings shall be held at the registered office or at any location set out in the notices of the meeting.

ARTICLE 29 – NOTICES OF MEETING

The general meeting shall meet when convened by the board of directors or the auditors.

These notices of meeting shall mention the place, the date, the time and the agenda of the general meeting, listing the subjects to be discussed and the resolution's proposals and shall be issued in the format and within the time limits prescribed by the Belgian Company Code.

ARTICLE 30 – ADMISSION

The right to participate to a general meeting and to exercise voting rights is subject to the shares being registered in the name of the shareholder fourteen days prior to the date of the general meeting at midnight (CET), by way of registration in the company's registered shares register, or by way of registration in the accounts of an approved account holder or settlement organisation, irrespective of the number of shares the shareholder holds on the day of the general meeting.

The day and time referred to in the previous paragraph shall be deemed to be the registration date.

The shareholder shall notify the company, or the person it has designated to that effect, with due regard for the formalities specified in the notice of the meeting, of its intention to participate to the general meeting no later than six days prior to the date of the general meeting. Furthermore, any shareholder who is the holder of dematerialised shares must deliver or make the necessary in order to deliver, no later than six days prior to the date of the general meeting and with due regard for the formalities specified in the notice of meeting, to the company, or to the person the company has designated to that effect, a certificate issued by the approved account holder or settlement organisation confirming the number of dematerialised shares that are registered in its accounts under the shareholder's name on the record date and on the basis of which the shareholder has expressed its intention to participate to the meeting.

The name or company name and the address or registered office and the number of shares held at the record date on the basis of which each shareholder who has expressed an intention to participate to the general meeting, including the description of the documents evidencing the shareholding on this record date, shall be recorded in a register designated set up by the board of directors.

ARTICLE 31 – REPRESENTATION

Any shareholder is entitled to give a proxy to a third party of its own choice by letter, fax, e-mail or any other written communication means, to represent him at a meeting of the general meeting of shareholders, in accordance with the law.

The board of directors is entitled to specify the format of these proxies in the notices of the meeting. The proxies shall be delivered to the company no later than six days prior to the date of the general meeting of shareholders.

ARTICLE 32 – BUREAU

Each general meeting shall be chaired by the Chairman of the board of directors or, if no chairman has been appointed or if the latter is unavailable, by a person appointed by the general meeting to that effect.

The Chairman of the meeting shall appoint a secretary who does not necessarily have to be a shareholder or director.

If the number of shareholders present or represented so allows, the general meeting shall appoint two scrutineers from amongst the shareholders. If necessary, the directors present shall fill in the bureau.

ARTICLE 33 – ADJOURNMENT

The board of directors is entitled to adjourn any general meeting, ordinary or otherwise, by five weeks.

This adjournment shall not cancel any of the other decisions that were taken, unless the general meeting decides otherwise.

Any formalities that were fulfilled to participate to the first meeting, including any proxy that may have been filed, shall remain valid for the second meeting.

Meetings can only be adjourned once. The second general meeting is entitled to definitively adopt the annual accounts.

ARTICLE 34 – NUMBER OF VOTES – EXERCISE OF THE RIGHT TO VOTE

Each share shall entitle to one vote.

ARTICLE 35 – DELIBERATIONS

An attendance list featuring the name of the shareholders and the number of shares they hold shall be signed by each shareholder or by their authorised representative before the meeting sits. The same shall apply to the holders of any other securities that were issued by the company or in collaboration with the latter.

The general meeting cannot validly deliberate on items that have not been included in the agenda unless all the shareholders present or represented at the general meeting unanimously decide to deliberate on these items.

Unless otherwise provided by law or under the articles of association, the general meeting shall take its decisions by simple majority of the votes cast, irrespective of the number of shareholders present or represented. Blank or irregular votes cannot be added to the votes cast.

Votes shall be cast by a show of hands or roll call, unless the general meeting decides otherwise by a simple majority of the votes cast.

Shareholders are entitled to take any decision that falls within the scope of the general meeting in writing, unanimously, save for those that must be enacted by way of a notarial deed. Unless otherwise provided for, any decisions taken in writing shall be deemed to have been taken at the registered office and shall come into effect on the date the last shareholder has signed.

ARTICLE 36 – MINUTES

The minutes of the general meeting shall be signed by the members of the bureau and by the shareholders who request it.

Unless otherwise provided by law, the copies or extracts to be produced in court or elsewhere shall be signed by two directors or by one managing director. This power may be delegated to a proxy holder.

TITLE V — ANNUAL ACCOUNTS – DISTRIBUTION OF PROFITS

ARTICLE 37 – ANNUAL ACCOUNTS

The financial year starts on 1 January and ends on 31 December each year.

At the end of each financial year, the board of directors shall compile an inventory and the annual accounts. Insofar as required by law, the board of directors shall also produce a report in which it accounts for its management. This report shall contain comments on the annual accounts so as to give a fair review of the development of the company's business and of its position, and any other elements required under the Belgian Company Code.

ARTICLE 38 – APPROVAL OF THE ANNUAL ACCOUNTS

The management report and the auditors' reports shall be read out to the ordinary general meeting, which shall resolve upon the approval of the annual accounts.

Once the annual accounts have been approved, the general meeting shall take a special vote on the discharge of the

directors and, where appropriate, of the auditors. This discharge shall be valid only if the annual accounts contain no omissions or false information concealing the true situation of the company and, as far as any acts performed in breach of the articles of association are concerned, if they have been specifically mentioned in the notice of the meeting.

Within thirty days after approval by the general meeting, the board of directors shall file the annual accounts and, where appropriate, the management report and any other documents specified in the Belgian Company Code, with the National Bank of Belgium (BNB).

ARTICLE 39 – DISTRIBUTION

Each year, an amount of five (5) per cent of the net profit mentioned in the annual accounts shall be deducted to build the statutory reserve until such time as the reserve amounts to one tenth of the share capital.

On the proposal of the board of directors, the balance shall annually be put at the disposal of the general meeting of shareholders who shall, at its own discretion, by simple majority of the votes cast, decide on its allocation, within the limits imposed by the Belgian Company Code.

ARTICLE 40 – PAYMENT OF DIVIDENDS – INTERIM DIVIDENDS

Dividends shall be paid at the time and place specified by the board of directors.

Each share shall entitle its holder to an equal share in the dividend which is distributed by the company.

Within the limits provided for under the Belgian Company Code, the board of directors may distribute one or several interim dividends to be distributed on the results of the current financial year.

TITLE VI — DISSOLUTION – LIQUIDATION

ARTICLE 41 – EARLY DISSOLUTION

If, as a result of losses, the net assets are reduced to less than half of the share capital, the board of directors must submit the issue of the company's dissolution to the general meeting and, as the case may be, suggest any other measures to the general meeting who shall deliberate in accordance with the rules prescribed by the Belgian Company Code.

The general meeting shall be held within a period not exceeding two months as of the date at which the losses were discovered or should, under the statutory obligations or those following on from the articles of association, have been discovered.

If, as a result of losses, the net assets are reduced to less than one quarter of the share capital, the dissolution can be pronounced by one quarter of the votes cast at the general meeting.

If the net assets fall below the minimum legal share capital, any interested party may ask the court to dissolve the company. If need be, the court can grant the company a period within which it may regularise its situation.

ARTICLE 42 – LIQUIDATION

In case of dissolution of the company, for whatever reason and at any time, the liquidation shall be performed by liquidators appointed by the general meeting or, failing any such appointment, by the board of directors acting in the capacity of body of liquidators. Unless decided otherwise, the liquidators shall act collectively. To this end, the liquidators shall be entrusted with the widest powers pursuant to the relevant provisions of the Belgian Company Code, unless restrictions are imposed by the general meeting.

The mandate of liquidator shall not be remunerated, unless the general meeting decides otherwise.

ARTICLE 43 – DISTRIBUTION

After all the debts, charges and costs of the liquidation have been settled, the net assets shall first be used to repay, in cash or in kind, the paid up and not yet repaid capital of each of the shareholders' shares.

Any balance shall be distributed equally amongst all the shares.

If the net proceeds are insufficient to reimburse all the shares, the liquidators shall first repay the shares that have been paid up in a higher proportion until they are on a par with the shares that have been paid up in a lower proportion or they shall issue a call for additional funds at the expense of the owners of the latter shares.

TITLE VII — MISCELLANEOUS

ARTICLE 44 – ELECTION OF DOMICILE

Any director, chief executive officer or liquidator domiciled or having its registered office abroad shall, for the duration of its mandate, elect domicile at the registered office where all services and notifications with regard to the company's business and its managerial responsibilities can be validly served on him, save for any notices of meeting issued pursuant to the present articles of association.

The holders of registered shares or of any other registered securities issued by the company or in collaboration with the company are obliged to notify the company of any change in domicile or registered office. Failing that, they shall be deemed to have elected domicile at their previous domicile or registered office.

Bone Therapeutics SA
To the attention of Investor Relations

Rue Auguste Piccard, 37
B-6041 Gosselies
Belgium

Tel: +32 2 529 59 90
Fax: +32 2 529 59 93

investorrelations@bonetherapeutics.com