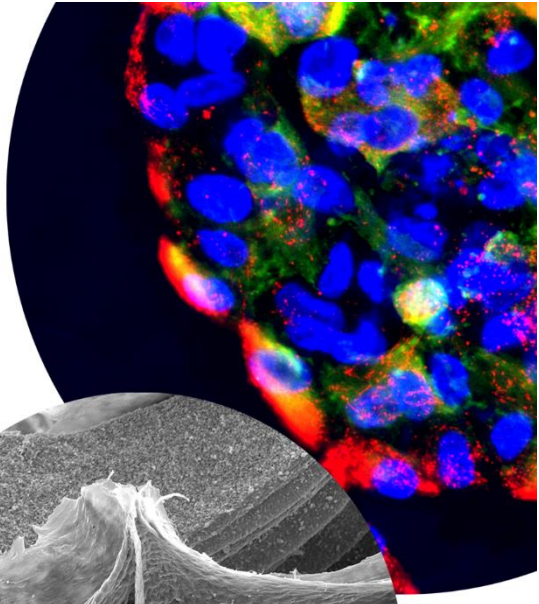
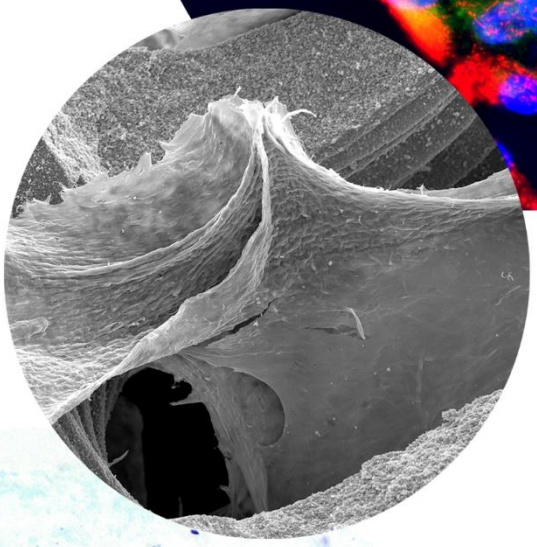
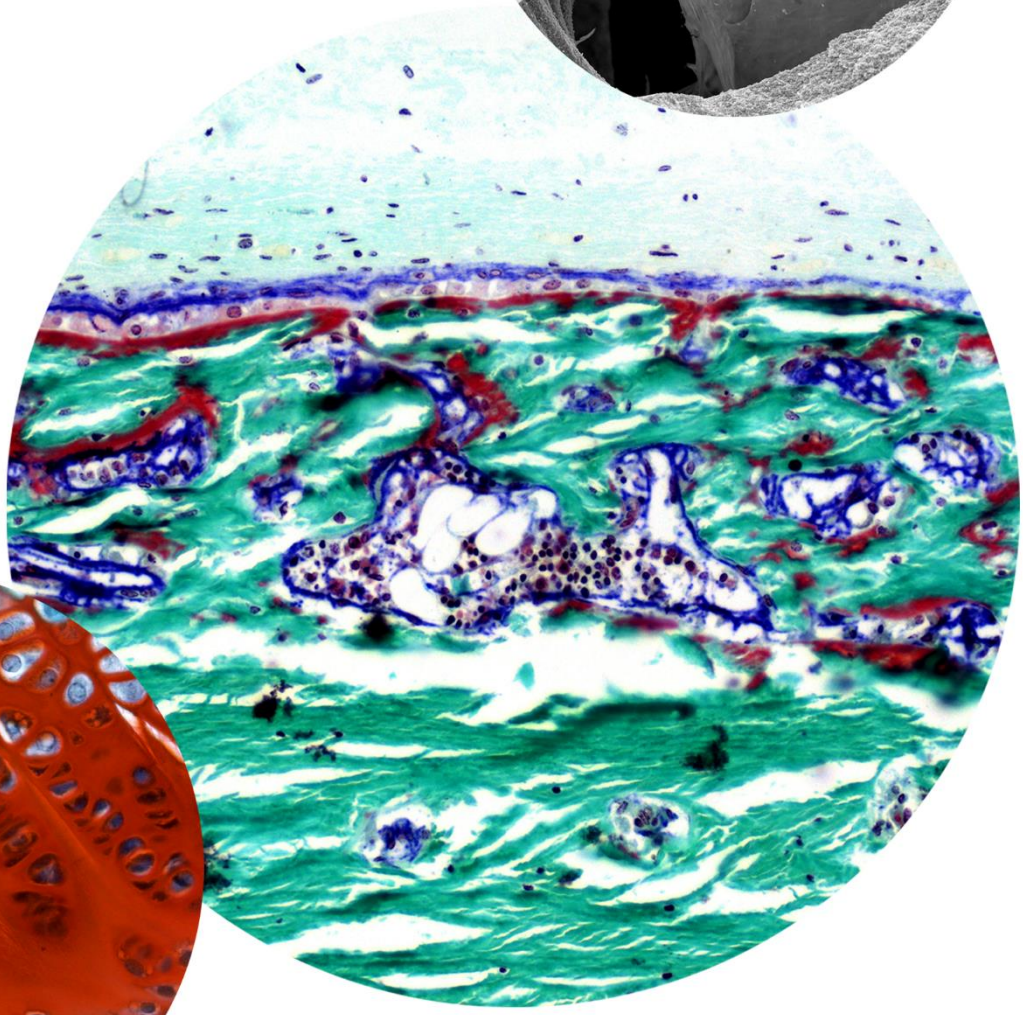
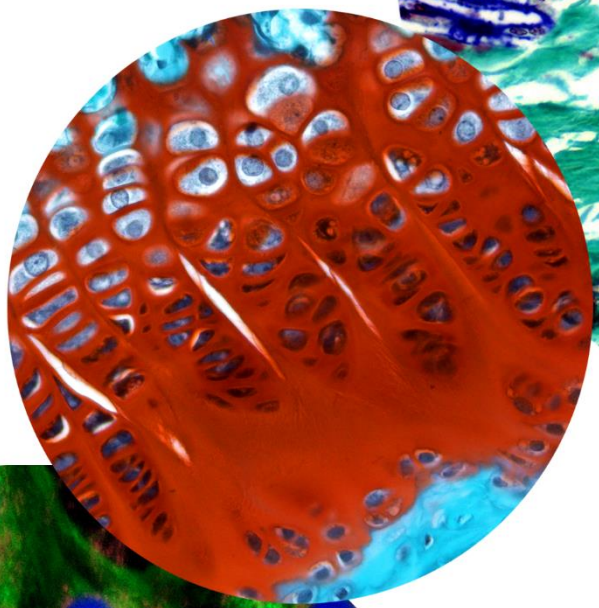
Bone Therapeutics

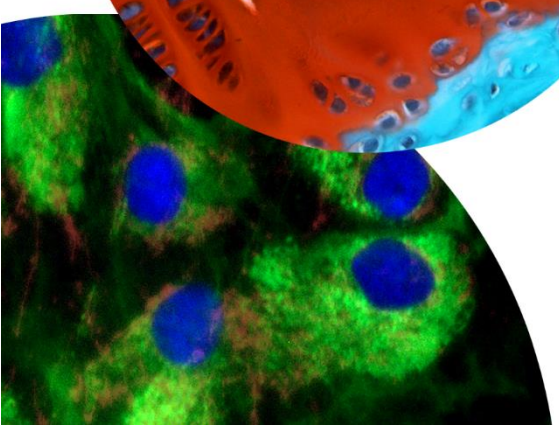
Financial Report











2019

Figure legend front cover (from top to bottom) :

- Immunofluoroscopy on bone marrow MSC (RUNX2-mitochondria-DAPI)
- Mineralisation by osteogenic cells on a 3D matrix (electron microscopy)
- Bone formation on mouse calvaria (ALP-Goldner's Masson Trichrome)
- Cartilage formation (Safranin O)
- Immunofluoroscopy on bone marrow MSC (ColI-F Actin - DAPI)

FINANCIAL REPORT 2019

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1. GENERAL INFORMATION

1.1 Language of this Annual Report

The Company published its Annual Report English. The Company has also prepared a French translation of this Annual Report and is responsible for the consistency between the French and English version of this Annual Report.

1.2 Statutory Auditor

Deloitte Réviseurs d'Entreprises SCRL, a civil company having the form of a co-operative company with limited liability organized and existing under the laws of Belgium, with registered office at Gateway building, Luchthaven Nationaal 1, boite J, 1930 Zaventem, Belgium, represented by Mrs. Julie Delforge (member of the Belgian Institut des Réviseurs d'Entreprises/Instituut voor Bedrijfsrevisoren) is appointed statutory auditor of the Company, for a term of three years ending immediately following the adjournment of the annual general shareholders' meeting of the Company to be held in 2022, resolving upon the financial statements for the fiscal year ended on 31 December 2021.

1.3 Forward-looking Statements

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

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

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

1.4 Market and Industry Information

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

1.5 Other Available Information

The Company has filed its deed of incorporation and must file its restated articles of association and all other deeds and resolutions that are to be published in the Belgian Official Gazette (*Moniteur Belge*) with the clerk's office of the commercial court of Charleroi (Belgium), where such documents are available to the public. The

Company is registered with the register of legal entities of Charleroi under company number 0882.015.654. A copy of the most recent restated articles of association, the reports of the Board of Directors and the minutes of the shareholders' meeting are also available on the Company's website (www.bonetherapeutics.com) or can be provided upon request to Bone Therapeutics SA, Investor Relations, 37, rue Auguste Piccard, B-6041 Gosselies, Belgium (e-mail: investorrelations@bonetherapeutics.com and tel: +32 71 12 10 00, fax: +32 71 12 10 01).

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

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

1.6 Availability of the Annual Report

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

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

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

2. ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE CONSOLIDATED FINANCIAL STATEMENTS OF BONE THERAPEUTICS SA FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2019

2.1. Letter to shareholders

Dear shareholders,

In 2019, Bone Therapeutics continued its transformation into an advanced clinical-stage company as we progressed our key assets into the next phase of clinical development.

We have made major strides forward in the development of our enriched protein solution, JTA-004, in patients with knee osteoarthritis, a prevalent condition affecting millions of people worldwide. In a completed phase 2b study, JTA-004 demonstrated superior pain relief compared to the leading viscosupplement on the market. We now aim to confirm these strong results with a large registrational phase 3 involving more than 600 patients in 6 European countries and Hong Kong, bringing us closer to commercialization. We are ready to initiate this important trial now we have received approvals in most territories following the submission of the clinical trial application at the end of 2019.

In parallel, we have advanced our allogeneic cell therapy platform, ALLOB, into a phase 2b clinical study in which it will be evaluated in patients with difficult tibial fractures. This will be an important step in the development of ALLOB as the study will provide crucial controlled clinical data. The study plans to enroll close to 200 patients and will be conducted in 5 European countries. We have already received a first approval to start the study in one country.

This ALLOB phase 2b trial will also be the first study in which we will apply the improved and optimized production process which allows us to produce 100,000 doses from one donor and cryopreserved cells ready to use for any hospital. The initiation of the production process has already proven to be a good decision since it was successfully implemented for the preparation of the phase 2b study. Due to its high yield, we have been able to produce hundreds of doses with ease at a consistent high quality. The doses can now be stored in a cryopreserved form ready to be used by physicians shortly after the reduction surgery. This will dramatically improve the way the clinical trial will be conducted.

We also delivered another set of positive clinical data for ALLOB, further underscoring its strong bone-forming capacity and safety profile. In the phase 2a study with patients undergoing a spinal fusion procedure, treatment with ALLOB resulted in a clinically meaningful improvement supported by radiological evidence of bone formation while it was generally well tolerated by patients.

With its cell therapy platform, Bone Therapeutics is at the new frontier of medicine and innovation is at the very core of who we are and what we do. Therefore, we will continue to innovate and to explore novel applications to strengthen our product portfolio by leveraging our considerable know-how in mesenchymal stem cell biology and production that we have built over a number of years. In addition, we will also strive to advance the manufacturing process by increasing yield and decreasing costs. These advances will play important parts in making ALLOB as affordable and accessible as possible to patients.

2020 will be remembered as the year that the world was confronted by one the largest health crises in our recent history, which has unfortunately so far resulted in a large number of casualties. Our thoughts are with the healthcare workers and those who have been deeply hit by the COVID-19 pandemic. Despite the challenging environments, we believe 2020 is still poised to be a pivotal year for our company. With

preparations of the two advanced stage clinical trials in place, we are fully focused on the timely execution of these clinical programs once conditions allow, while being committed to continuing to deliver our business and partnering strategy. Additionally, we plan to engage with the US Food and Drug Administration in preparation of the next studies with ALLOB and JTA-004 in these large, important markets.

On behalf of the Board and the leadership team, we would like to thank all our coworkers. It is their hard work, dedication and perseverance that make this exciting journey possible. We would also like to thank our stakeholders and shareholders. Your continuing support and trust enable us to create these innovating treatment solutions which harbor great potential to transform the lives of patients.

Sincerely,

Jean Stéphenne, Chairman

Miguel Forte, CEO

2.2. Financial and Strategic Highlights of 2019

Dear Shareholders,

We are pleased to present you our annual report including the consolidated financial statements for the accounting year that ended 31 December 2019 prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union.

Detailed Clinical and Operational Review 2019

In June 2019, Bone Therapeutics announced the successful completion of the Phase IIa study of its allogeneic cell therapy product, ALLOB, in patients undergoing a lumbar spinal fusion procedure. The results at 12-month post-treatment demonstrated that treatment with ALLOB resulted in significant clinical and radiological improvements and that ALLOB was generally well tolerated, consistent with previous reported results.

In October 2019, the Belgian Federal Agency for Medicines and Health Products (FAMHP) renewed the GMP (Good Manufacturing Practices) certification of the company's manufacturing site in Gosselies (Belgium) following a two-day site audit. This decision further validates the high production and quality standards of our allogeneic cell therapy platform.

In December 2019, the company started the CTA submission to the competent authorities to initiate the pivotal Phase III study with the enhanced protein solution, JTA-004, in patients with knee osteoarthritis. The JTA-004 Phase III study is a placebo and active-controlled, randomized, double-blind study to evaluate the potential of a single, intra-articular injection of JTA-004 to reduce osteoarthritic pain in the knee compared to placebo or Hylan G-F 20, the leading osteoarthritis treatment on the market. The study is expected to enroll 676 patients with mild to moderate symptomatic knee osteoarthritis in 6 European countries and Hong Kong SAR. The first results of the study are anticipated in the second quarter of 2021 after a follow-up period of 3 months.

In December 2019, following the previously announced discontinuation of the autologous cell therapy program, PREOB, at the end of 2018, Asahi Kasei and Bone Therapeutics agreed to formally end the PREOB licensing agreement. As a result, Bone Therapeutics and the Walloon Region agreed to terminate the related reimbursable grant agreements under the form of Recoverable Cash Advances, thereby reducing cash reimbursements and associated interest payments that were due by the company by € 1.6M over the next 5 years.

Corporate Developments 2019

In March 2019, Olivier Godeaux, MD was appointed as Chief Medical Officer. Benoit Moreaux, DVM was appointed as Chief Scientific and Technology Officer. Dr. Olivier Godeaux is a seasoned biopharmaceutical industry executive with a proven track record in advancing drug candidates through to regulatory approval and commercial launch. With 20 years of experience, Dr. Benoit Moreaux brings extensive industry expertise in strategic operations planning and execution, as well as global quality assurance.

In June 2019, the significantly strengthened its Board of Directors with the appointment of Gloria Matthews, DVM, PhD, DACVS, as Independent Director. Gloria has more than 20 years of research and clinical experience in orthopedics, osteoarthritis, rheumatology and cartilage repair with extensive expertise in medical devices, biologicals, and regenerative medicine. She has built an impressive business and medical network over the years and her knowledge will be invaluable as the company is entering a next stage in its corporate development.

In December 2019, Miguel Forte, MD, PhD was appointed as Chief Executive Officer to lead the company into the next phase of development. Miguel has over 20 years of experience in regenerative medicine and cell therapy, latterly as Chief Executive Officer of Zelluna Immunotherapy, a biopharma company focusing on developing transformative T cell receptors (TCR) based cellular immunotherapies for the treatment of cancers. He is currently also serving as Chief Commercialization Officer and Chair of the Commercialization Committee of the International Society of Cellular Therapy (ISCT).

2.3. Financial Review of the Year Ending 31 December 2019

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 2019 and 31 December 2018.

(in thousands of euros)	**2019**	**2018**
Revenue	0	1,000
Other operating income	3,321	4,079
Total operating income	**3,321**	**5,079**
Research and development expenses	(11,185)	(12,884)
General and administrative expenses	(3,310)	(3,660)
Operating profit/(loss)	**(11,174)**	**(11,466)**
Interest income	1,624	66
Financial expenses	(738)	(2,609)
Exchange gains/(losses)	*(15)*	*(18)*
Share of profit/(loss) of associates	*6*	*16*
Result Profit/(loss) before taxes	**(10,298)**	**(14,011)**
Income taxes	(38)	(131)
PROFIT/(LOSS) FOR THE PERIOD	**(10,336)**	**(14,142)**
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(10,336)**	**(14,142)**
Basic and diluted loss per share (in euros)	**(1.08)**	**(1.86)**
Profit/(loss) for the period attributable to the owners of the Company	(10,461)	(14,218)
Profit/(loss) for the period attributable to the non-controlling interests	125	77
Total comprehensive income for the period attributable to the owners of the Company	(10,461)	(14,218)
Total comprehensive income for the period attributable to the non-controlling interests	125	77

The total revenues and operating income for 2019 amounted to €3.32 million compared to €5.08 million in 2018. Other operating income is mainly as a result of grants from the Walloon Region ("Recoverable Cash Advances—RCAs") which in total amounted to €1.91 million in 2019 (compared to €2.52 million in 2018). In addition, the company benefited from the special regime employing scientific staff through the recovery of company withholding tax for an amount of €0.59 million, an investment tax credit for an amount of €0.58 million and €0.24 million in patent, reinvoicing and other subsidies. In 2018, the company recognized a success fee payment from licensee Asahi Kasei, after reaching a regulatory milestone following a successful consultation with the Japanese Regulatory Authority for PREOB for an amount of €1.00 million.

R&D expenses in 2019 were at €11.19 million compared to €12.88 million in 2018. The decrease is mainly related to the decrease in R&D operating expenses from clinical operation and to the decrease in the number of R&D employees.

General and administrative expenses for the full year 2019 amounted to €3.31 million compared to €3.66 million over the same period last year. The decrease is mainly the result of a good-cost management.

The operating loss in 2019 was at €11.17 million. Last year, the company reported an operating loss of €11.47 million.

In 2019, the Company presented a net financial profit of €0.88 million compared with a net financial loss of €2.55 million in 2018. On one hand, the Company has recognized an impact of €1.60 million for the stop of PREOB (which corresponds to the part for which reimbursement is turnover-independent) and on the other hand, the financial expenses were mainly impacted by the interests paid for €0.37 million and by the adaptation of the valuation of the PUT option for €0.28 million. Last year, the net financial loss was mainly impacted by the recognition of the discount given on the committed capital from the private placement of the convertible bonds and related bond warrants (impact of €1.69 million) and by the recognition of transaction costs of €0.58 million related to the corresponding private placement.

The reported net loss in 2019 amounted to €10.34 million or €1.08 loss per share (on an undiluted basis). In 2018, the company had a net loss of €14.14 million, equivalent to a loss per share of €1.86 (on an undiluted basis).

2.3.2. Analysis of the Consolidated Statement of Financial Position

The table below shows the audited consolidated balance sheet on 31 December 2019 and 2018.

ASSETS *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Non-current assets	**10,660**	**10,754**
Intangible assets	28	22
Property, plant and equipment	6,100	6,203
Investments in associates	332	326
Financial assets	140	323
Deferred tax assets	4,059	3,881
Current assets	**11,733**	**15,000**
Trade and other receivables	3,025	6,724
Other current assets	75	102
Cash and cash equivalents	8,633	8,174
TOTAL ASSETS	**22,393**	**25,753**

Total assets at the end of December 2019 amounted to €22.39 million compared to €25.75 million at the end of December 2018, mainly impacted by the current assets.

The current assets decreased from €15.00 million to €11.73 million at the end of December 2019. The decrease is mainly related to the variation of trade and other receivables which showed a decrease of €3.70 million compared to last year as a result of:

- The milestone payment from Asahi Kasei received in 2019 for an amount of €0.90 million net of taxes (decrease);
- Amounts received during the course of 2019 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for a total of €2.74 million (decrease);
- The remaining increase of €0.06 million in trade and other receivables is on account of the VAT receivable, patent grants receivable and tax credit to be received within one year.

The non-current assets decreased from €10.75 million to €10.66 million at the end of December 2019. The decrease is mostly related to the property, plant and equipment and by the financial assets, partly offset by the deferred tax assets. Deferred tax assets totaling €4.06 million represent a tax credit on investment in R&D reimbursable in the foreseeable future (spread over the next seven years). The company invested an amount of €0.64 million for the laboratory and production equipment related to the production facility and for the cars and IT equipment (in relation with the new IFRS16 rule). The company recorded an amount of €0.74 million as net depreciation.

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Equity attributable to owners of the parent	**2,048**	**4,491**
Share capital	5,454	12,532
Share premium	58,026	53,478
Retained earnings	(61,586)	(62,136)
Other reserves	154	618
Non-controlling interests	**0**	**0**
Total equity	**2,048**	**4,491**
Non-current liabilities	**11,006**	**11,925**
Financial liabilities	11,006	10,247
Other non-current liabilities	0	1,678
Current liabilities	**9,339**	**9,337**
Financial liabilities	2,709	2,606
Trade and other payables	3,841	3,996
Current tax liabilities	0	11
Other current liabilities	2,788	2,725
Total liabilities	**20,344**	**21,262**
TOTAL EQUITY AND LIABILITIES	**22,393**	**25,753**

Equity decreased from €4.49 million at the end of December 2018 to €2.05 million at the end of December 2019, as a result of the share capital and share premium's increase (amounting €8.52 million) and recognition of the transaction costs the equity transaction for an amount of €0.46 million, by the loss of 2019 for an amount of €10.34 million, for the reduction in the share-based payment reserve for €0.47 million and by the recognition of a specific reserve linked to the convertible bonds and warrants and other reserves for for €0.30 million.

Liabilities amounted to €20.34 million in 2019 compared to €21.26 million at the end of December 2018, representing a decrease of €0.92 million.
Current liabilities remained stable compared to last year. The Put Option has been reclassified in the other current liabilities for an amount of €1.96 million, mostly offset by the recognition of the deferred income related to the recoverable cash advances and patent subsidies into the comprehensive income statement (for an amount of €1.88 million).

The non-current liabilities decreased compared to last year and amounted to €11.01 million the end of December 2019. The non-current liabilities are impacted by the recognition of the non-dilutive subordinated loan for an amount of €3.33 million and offset by a reclassification of the Put Option in the other current liabilities (for €1.68 million in 2018) and by the decrease of the debts related the recoverable cash advances explained by the repayments and by the stop of PREOB (for a total decrease of €2.13 million).

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 2019 and 2018. 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 2019.

CONSOLIDATED STATEMENTS OF CASH FLOWS *(in thousands of euros)*	**For the twelve-month period ended 31 December**	
	2019	**2018**
Operating profit/(loss)	(9,577)	(11,466)
Adjustments non-cash	(3,885)	(2,731)
Movements in working capital	(188)	(405)
Cash received from grants/licenses	3,249	1,702
Income tax paid	(38)	(131)
Net cash used in operating activities	**(10,400)**	**(12,901)**
Net cash used in investing activities	**(302)**	**(295)**
Proceeds from government loans	815	677
Repayment of loans and interests paid	(1,646)	(1,414)
Net Proceeds from equity instruments/convertible bonds/subordinated loans	11,993	13,695
Net cash generated from financing activities	**11,162**	**12,958**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**459**	**(237)**
CASH AND CASH EQUIVALENTS at beginning of year	**8,174**	**8,411**
CASH AND CASH EQUIVALENTS at end of year	**8,633**	**8,174**

Cash used for operating activities amounted to €10.40 million for the full year 2019 compared to €12.90 million for the full year 2018.

Total operating loss for the period amounted to a loss of €9.58 million compared to a loss of €11.47 million over the same period in 2018. The decrease of the net loss in 2019 is mainly explained by an increase of the operating loss and a decrease of a net financial loss.

Adjustments for non-cash items amounted to €3.89 million compared to €2.73 million during the previous year relating to depreciation, share-based payments and recognition of grant income from RCA's, patent subsidies and tax credit. Working capital was negatively impacted for the full year 2019 for an amount of €0.19 million mainly explained by a decrease of trade and payables.

Actual cash received in 2019 for the grants and regulatory milestones amounted to €3.25 million compared to €1.70 million in 2018.

Cash flow from investing activities showed a net use of €0.30 million for the full year 2019 compared to €0.30 million in 2018. This mainly represents investments made in the laboratory equipment.

Cash flow from financing activities amounted to €11.16 million for 2019 compared with €12.96 million in 2018.

Financial cash inflows during 2019 are as follows:

- Net cash in from private placement (convertible bonds and related warrants) and from non-dilutive subordinated loan for a total amount of €11.99 million;
- Recoverable cash advances provided to the Company by the Walloon Region (R&D project financing) for an amount of €0.82 million in 2019 which corresponds to the part for which reimbursement is turnover-independent.

Financial cash outflows during 2019 are as follows:

- Reimbursements of recoverable cash advances for an amount of €0.74 million in 2019 (€0.57 million in 2018);
- Other reimbursements (lease contracts and bank loans and interest) paid for an amount of €0.91 million.

2.4. Headcount Evolution

On 31 December 2019, the Company employs 58 employees in total. The table below shows the evolution of employment since 2017 and does not take into account the temporary workers, consultants and the management members.

As of 31 December	2017		2018		2019	
	Bone Therapeutics	Skeletal Cell Therapy Support	Bone Therapeutics	Skeletal Cell Therapy Support	Bone Therapeutics	Skeletal Cell Therapy Support
R&D	53	31	51	30	32	21
Administration	6	4	5	4	5	0
Total	59	35	56	34	37	21
Total of Bone Therapeutics and SCTS	**94**		**90**		**58**	

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

2.5. Risks

We would like to refer to Section 4.7.2 "Risks Analysis".

2.6. Going Concern

As the Company has made significant progress in its clinical programs and manufacturing optimization process during the previous year, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern, considering at group level:

- an annual projected cash burn around €15.00 million (excluding fundraise linked to the bridge loans and convertible bond program),
- the total financing of €11.00 million consisting of
    - €4.75 million bridge loans,
    - €1,26 million in equity private placement and,
    - €4.99 million in private placement of convertible bonds (CBs).

The Company anticipates total proceeds of approximatively €8.00 million in 2020 (see section 2.7 "Events Occurred after the End of the Financial Year" for more information).

With the completion of the current financing operation subject to obtain regulatory approval in May 2020 for the bridge loans, the Company expects to have a runway into Q1 2021.

2.7. Events Occurred after the End of the Financial Year

The annual consolidated financial statements on 31 December 2019 were authorized for issue by the Board of Directors of the Company on 28 April 2020. Accordingly, events after the reporting period are those events that occurred between 1 January 2020 and 28 April 2020.

Convertible Bonds Placement of March 2018

From January 2020 till the date of this Annual Report, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €221,604 with issuance of 434,517 shares and amounts to €5,675,317. The aggregate share premium for this transaction amounts to €1,165,814.

PUT option

Early 2020 the Company bought the shares of Sofipôle for €0.8 million in Skeletal Cell Therapy Support S.A. and obtained a financing (loan) for the same amount from Sofipôle. The Company also reimbursed €0.33 million to private investors. For the remaining amount, the Company is discussing to also obtain a loan in exchange to the buy-back of the shares. At the date of the Annual Report, Bone Therapeutics held 81.02% of Skeletal Cell Therapy Support S.A.

Approval Clinical Trial Applications

In March 2020, the Company received regulatory approvals for its Clinical Trial Applications for the next studies of both of its lead candidates. These two studies are the pivotal JTA-004 Phase III clinical study targeting osteoarthritic knee pain and the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. The JTA-004 trial has now been approved by regulatory authorities in Belgium, Denmark and Hong Kong, and the ALLOB study by Belgian regulatory authorities.

Appointment Chief Business Officer

In March 2020, the Company appointed Stefanos Theoharis, PhD as Chief Business Officer (CBO), further strengthening its management team. Stefanos will be responsible for the company's corporate development activities and executing its business strategy. His immediate priorities will be concentrating on partnering Bone Therapeutics products and in-licensing innovations. He will also further develop the commercial strategies for the product portfolio and cell therapy platform.

Financing

In April, the Company secured €11.0 million financing. The financing will be used to advance both of its key assets, ALLOB and JTA-004, through late stage clinical development. The secured €11.0 million financing combines:

- €4.75 million bridge loans provided by commercial banks and Sambrinvest, conditional upon obtaining a credit assurance which is pending regulatory approvals expected in May;
- €1.26 million equity by existing shareholders (immediate conversion of CBs) and;
- flexible[1] €4.99 million of convertible bonds to be used if and when necessary.

[1] The Company may at any time stop the program without penalty.

The bridge loans are still subject to obtaining a credit assurance, which is pending regulatory approvals expected in May 2020. The specific terms of the CBs can be found in the Investor section of Bone Therapeutics' website. Subject to the completion of the current financing operation, supporting the company's further development and strengthen its balance sheet, the Company expects to have a runway into Q1 2021.

Covid-19

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

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- unwillingness of patients to enroll in our trials or inability to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- reduced or interrupted activities at local regulators and other important agencies, contractors and third-party organizations that the Company relies upon to carry out its clinical trials and;
- interruption in operations at its third-party suppliers or global shipping, which could result in delays or disruptions in the supply of clinical trial materials, such as investigational drug product used in our trials.

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

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

2.8. Outlook for the Remainder of 2020

Bone Therapeutics has received regulatory approvals for its Clinical Trial Applications for the next studies, the pivotal JTA-004 Phase III clinical study targeting osteoarthritic knee pain and the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. As the company has completed preparations for these trials, it is ready to initiate recruitment in both of these studies as soon as the current situation regarding COVID-19 allows. Bone Therapeutics has taken this decision to support healthcare systems in the respective trial countries, enabling them to concentrate on treating COVID-19 patients whilst necessary.

In the second half of 2020, the company expects to report results from the 2-year follow-up period of the Phase IIa study with ALLOB in patients undergoing a spinal fusion procedure.

Good cost and cash management will remain a key priority. The net cash burn for the full year 2020 is expected to be approximately €15.00 million assuming normal operation as the effect of the ongoing COVID-

19 epidemy cannot be excluded. The situation will be actively and closely monitored. The company anticipates having sufficient cash to carry out its business objectives into Q1 2021.

In this context, strengthening the cash position is a key priority. The company continues to evaluate and work on different financing options and plans to raise new funds from the capital markets and/or through alternative funding strategies.

3. ORGANIZATIONAL STRUCTURE

3.1. Organigram

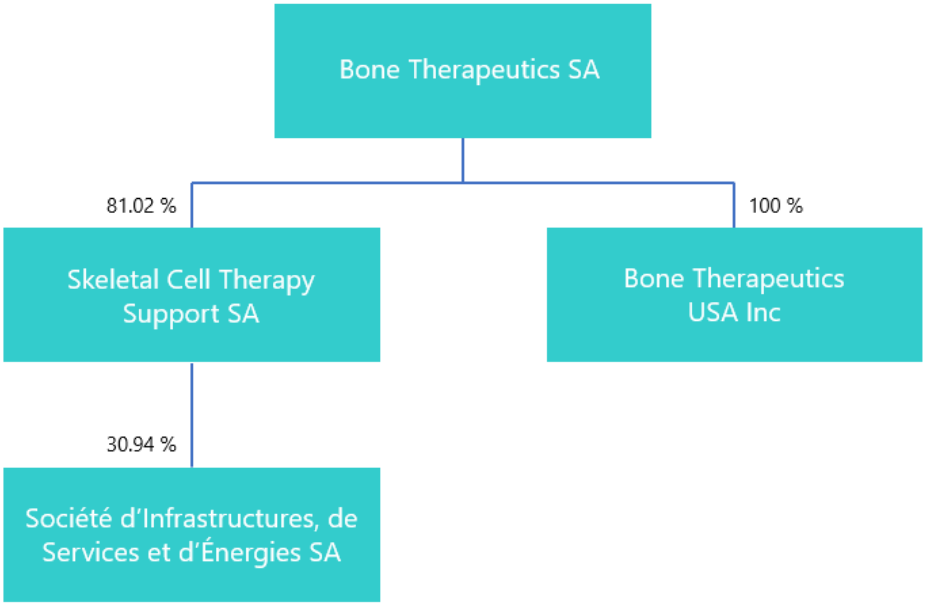
At the date of this Annual Report, the Company has the following affiliates:

Belgium

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

United States of America

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



3.2. Information on Holdings

The Company holds 78.7% 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).

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

Until 31 December 2019, the Company had 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, Bone Therapeutics and the other shareholders have discussed a share buyback and agreed on a return of 70% since the creation of Skeletal Cell Therapy Support S.A.

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'Énergies, 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 is held by HCTS, Sofipôle S.A. 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").

4. CORPORATE GOVERNANCE

4.1. General

This section summarizes the rules and principles by which the corporate governance of the Company is organized. Those rules and principles are based on the Corporate Governance Charter of the Company which has been approved by the Board of Directors on 6 February 2015 and which is based on the Corporate Governance Code 2009 (CBGE 2009). 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).

For the 2019 fiscal year, the Company has complied with this legislation and the Code 2009. As from the financial year 2020, the revised and renewed corporate governance statement will apply taking into account the requirements of the new Code of Companies and Associations (CCA) and the new Corporate Governance Code 2020 (CBGE 2020) made mandatory by the Royal Decree of 12 May 2019 designating the corporate governance code to be respected by listed companies. This code is available on the website of the Corporate Governance Commission (www.corporategovernancecommittee.be). The Corporate Governance Charter will be updated by the Board of Directors in the near future.

4.2. Compliance with the Corporate Governance Code

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

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

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

- Provision 2.9 of the Code: At the date of the Annual Report, no Company Secretary has been assigned by the Board. Since ealy 2019, the Company has assigned this mission to Ostoborne Clarke. Given the limited size of the Company the Board is of the opinion there is no need to appoint a full-time Company Secretary.
- Provision 5.5 of the Code: At the date of this Document, the Nomination and Remuneration Committee is only composed of 2 members. The Board is of the opinion that the actual members have the appropriate knowledge and power to conduct the committee and to have a professional judgment on the decision to take to propose it to the Board of Directors.

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

4.3. Board of Directors

4.3.1. Composition of the Board of Directors

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

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

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

At least half of the members of the Board of Directors are Non-Executive Directors, and at least three members of the Board of Directors are Independent Directors, within the meaning of *inter alia* Article 7:87 §1 of the Belgian Code of Companies and Associations.

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

In principle the Board of Directors meets at least four times a year, and 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.

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

The table below provides an overview of the mandates held in 2019 and the current mandates at the date of the Annual Report:

Name	Position	Start or renewal of mandate	End of mandate	Nature of mandate	Professional address
Innoste S.A., with as permanent representative Jean Stéphenne	Chairman	2018	2021	Independent	Avenue Alexandre 8, 1330 Rixensart, Belgium
mC4Tx SPRL, with as permanent representative Miguel Forte	Managing Director	2020	2022	Executive	Rue du Moulin 12, 1330 Rixensart, Belgium
Roland Baron until 12 June 2019	Director	2015	2019	Independent	Milford Street 33, Boston, MA 02118, the United States of America
Claudia D'Augusta	Director	2018	2020	Independent	Calle Estrelas 5, 28224 Pozuelo De Alarcon — Madrid — Spain

Name	Position	Start or renewal of mandate	End of mandate	Nature of mandate	Professional address
Marc Alexander Initiative & Advisory GmbH with as permanent representative Dirk Dembski until 12 June 2019	Director	2017	2019	Independent	Schirnerstraβe 14 41515 Grevenbroich, Germany
Wagram Invest SA, with as permanent representative Michel Helbig de Balzac until 12 June 2019	Director	2016	2019	Independent	Avenue du Parc 61, 1310 La Hulpe, Belgium
Thomas Lienard SPRL, with as permanent representative Thomas Lienard until 18 December 2019	Managing Director	2016	2019	Executive	Avenue Coghen 262 bte 7, 1180 Uccle, Belgium
Castanea Management Limited with as permanent representative Damian Marron	Director	2017	2021	Independent	Tabernacle Streer 69–85, London EC2A 4RR, England
Gloria Matthews	Director	2019	2022	Independent	Ansley way 185, Roswell, GA, United States
Jean-Paul Prieels	Director	2017	2020	Independent	Avenue Louise 32-46, 1050 Brussels, Belgium
Finsys Management SPRL with as permanent representative Jean-Luc Vandebroek	Managing Director	2018	2022	Executive	Rue Charles Plisnier 25, 1420 Braine-l'Alleud, Belgium

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

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

- **Mrs. Claudia D'Augusta** is a seasoned financial professional with more than 20 years' experience in corporate finance, capital markets and M&A. She is currently Chief Financial Officer at VectivBio AG, a global biotechnology company created in July 2019 as a spin out of Therachon recently acquired by Pfizer for up to $810 million and is part of the Executive Committee at VectivBio AG. Prior she was Chief Executive Officer at TiGenix which was acquired in 2018 by Takeda for EUR 520 million. Claudia D'Augusta held various other senior financial positions across a number of international public and private companies. Claudia D'Augusta holds a degree in Economics and a PhD in Business Administration from the University of Bocconi, Milan, Italy.

- **Damian Marron (permanent representative of Castanea Management Limited)** is an experienced life sciences executive with a successful track record of value creation through public

and venture capital financing, portfolio planning and turnaround, M&A, licensing agreements and research and marketing collaborations. He has particular competencies in cell therapy, immuno-oncology and orphan diseases. Damian served most recently as Chief Executive Officer of Agalimmune and has also served as Chief Executive Officer of TxCell, a France-based specialist in personalized T-cell immunotherapies, where he led the Company's IPO on Euronext Paris. As Chief Executive Officer of Trophos, France, he helped raise EUR 34 million in financing and positioned the company for a subsequent acquisition by Roche for EUR 700 million. Damian Marron also served as Executive Vice President, Corporate Development, for NiCox, where he supported the CEO in financing rounds raising over EUR 175 million.

- **Dr. Gloria Matthews** has more than 20 years of research and clinical experience in orthopedics, osteoarthritis, rheumatology and cartilage repair with extensive expertise in medical devices, biologicals, and regenerative medicine. She has a strong track record of supporting life sciences companies to grow and evolve from start-up stage to fully integrated biopharma companies and has built an impressive business and medical network over the years. She was Senior Vice President of MiMedx, a biopharma company focused on the development and commercialization of regenerative and therapeutic biologicals in wound care, and spine and sports medicine. Prior to that, she was Chief Medical Officer of the restorative cell therapy company Histogenics and Senior Director of Orthopaedics at Genzyme, a Sanofi company.

- **Dr. Jean-Paul Prieels, PhD** holds a PhD in Biochemistry from Université libre de Bruxelles in Belgium. He started his industrial career at Petrofina in 1983 as Biotechnology Manager and joined GlaxoSmithKline Biologicals in 1987. His responsibilities gradually expanded to lead the vaccine preclinical R&D development activities as Senior Vice President of Research & Development at GlaxoSmithKline Biologicals in Rixensart, Belgium, in 2011. His career spans from basic research to applied research and product development. He was instrumental in the development of several commercially available vaccines, such as Rotarix, Cervarix and Synflorix. Today he is Director and member of scientific advisory board at a number of biotechnology companies.

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

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

4.3.2. Activity Report

In 2019, until the date of the Annual Report, the Board of Directors met 10 times discuss and decide on specific matters. Below is the detail of the attendance:

BOARD OF DIRECTORS	Number of attendances[2]
Innoste SA, represented by M. Jean Stéphenne	10/10
Prof. Roland Baron	3/4
Claudia D'Augusta	9/10
Marc Alexander Initiative & Advisory GmbH represented by M. Dirk Dembski	4/4
Wagram Invest SA, represented by M. Michel Helbig de Balzac, Chairman	4/4
Thomas Lienard SPRL, represented by M. Thomas Lienard	10/10
Castanea Management Limited, represented by M. Damian Marron	10/10
Gloria Matthews	6/6
M. Jean-Paul Prieels	10/10
Finsys Management SPRL, represented by Jean-Luc Vandebroek	10/10

4.3.3. Performance Evaluation of the Board

Out of the activity report included above, it is clear that the Board as a Company organ has been very active with a strong participation and contribution of all its members during the course of 2019.

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 3:6 § 2, 6° of the Belgian Companies Code (and with the law of 28 July 2011) to assure that by 01/01/2021 (for newly listed companies, the legal quota is applicable as from their sixth year on the stock market) the appropriate quorum will be reached. This quota applies to the board as a whole, comprising both executive and non-executive directors. The Company's board currently counts 7 board members of which 2 women. As one third of the board must be female and the minimum is rounded to the closest unit, Bone Therapeutics is currently compliant with the gender diversity requirement.

The Board is responsible for a periodic assessment of its own effectiveness with a view to ensuring continuous improvement in the governance of the Company. The contribution of each director is evaluated periodically in order to, taking into account changing circumstances, be able to adapt the composition of the Board. In order to facilitate such evaluation, the directors give their full assistance to the Nomination and Remuneration Committee and any other persons, whether internal or external to the Company, entrusted with the evaluation of the Directors.

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

In addition, the Non-Executive Directors should regularly (preferably once a year) assess their interaction with the Executive Directors and the Executive Committee. At different occasions the board together with the

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

executive directors took the opportunity to reflect on how to streamline the interactions between both the non-executive directors and the executive directors including the implementation of a reporting on key performance indicators.

4.3.4. Committees within the Board of Directors

4.3.4.1. General

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

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

4.3.4.2. Audit Committee

4.3.4.2.1. Role

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

4.3.4.2.2. Duties

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

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

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

4.3.4.2.3. Composition

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

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

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

The composition of the Audit Committee is as follows:

Name	Position	Professional address
Claudia D'Augusta	President—Independent Director	Calle Estrelas 5, 28224 Pozuelo De Alarcon - Madrid – Spain
Jean-Paul Prieels	Member—Independent Director	Avenue Louise 32–46, 1050 Brussels, Belgium

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

4.3.4.2.4. Operation

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

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

During 2019, the Audit Committee met four times.

4.3.4.3. Nomination and Remuneration Committee

4.3.4.3.1. Role

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

4.3.4.3.2. Duties

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

- draft (re)appointment procedures for members of the Board of Directors and the members of the Executive Committee;
- nominate candidates for any vacant directorships, for approval by the Board of Directors;

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

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

4.3.4.3.3. Composition

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

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

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

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

Name	Position	Professional address
Innoste SA, with as permanent representative Jean Stéphenne	Chairman—Independent Director	Avenue Alexandre 8, 1330 Rixensart, Belgium
Castanea Management Limited with as permanent representative Damian Marron	Member—Independent Director	Tabernacle Streer 69–85, London EC2A 4RR, England

4.3.4.3.4. Operation

The Nomination and Remuneration Committee meets at least twice a year, and whenever a meeting is deemed necessary and advisable for its proper functioning. Decisions are taken by a majority vote. The 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 2019, the Nomination and Remuneration Committee met three times with particular emphasis on the:

- performance evaluation 2018 of the Executive Directors including bonus determination
- definition of the objectives 2019 of the Executive Directors
- discussion about a new stock option plan for Board members and employees
- discussion about nomination of Olivier Godeaux and Benoit Moreaux.

4.4. Executive Committee

4.4.1. General

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

4.4.2. Executive Committee

4.4.2.1. Role

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

4.4.2.2. Duties

The Executive Committee has the following tasks:

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

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

4.4.2.3. Composition

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

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

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

Name	Title
mC4Tx SPRL, represented by Miguel Forte	Chief Executive Officer and Executive Director from 1 January 2020
Finsys Management SPRL, represented by Jean-Luc Vandebroek	Chief Financial Officer and Executive Director
Zam Consulting SPRL, represented by Olivier Godeaux	Chief Medical Officer from 18 February 2019
Benoit Moreaux SPRL, represented by Benoit Moreaux	Chief Scientific and Technology Officer from 1 February 2019
Venture Advances Therapies Limited, represented by Stefanos Theoharis	Chief Business Officer from 6 March 2020
Lebon Regulatory Science Strategy SPRL, represented by Linda Lebon	Chief Regulatory Officer

- **mC4Tx SPRL, represented by Mr. Miguel Forte**, (60) (CEO). Dr. Forte has significant experience in regenerative medicine and in the cell therapy industry, most recently as Chief Executive Officer of Zelluna Immunotherapy, a biopharma company focusing on developing transformative T cell receptors (TCR) based cellular immunotherapies for the treatment of cancers. He is currently also serving as Chief Commercialization Officer and Chair of the Commercialization Committee of the International Society of Cellular Therapy (ISCT).

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

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

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

- **Finsys Management SPRL, represented by Mr. Jean-Luc Vandebroek**, (48) (CFO). Jean-Luc Vandebroek is a seasoned finance executive with extensive international finance experience at major public and privately-owned companies. Jean-Luc has built a successful career spanning 15 years at the Belgian-US retailer, Delhaize Group (now Ahold Delhaize). During this period, he held various senior financial positions with increasing responsibility, including roles as Corporate Director Finance Europe and US and Vice President Finance BeLux. He later became Group Chief Financial Officer at Fluxys, a listed, pan-European gas infrastructure group, where he was responsible for the financing of large infrastructure investments using diverse forms of funding on capital markets. Prior to joining

Bone Therapeutics, Jean-Luc served as Director and Chief Financial Officer of Moteo Two Wheels and Bihr Europe, the motorcycle division of Alcopa Group, a Belgian family holding with an annual revenue of around EUR 1.7 billion.

- **Zam Consulting SPRL, represented by Mr. Olivier Godeaux**, (57) (CMO). Dr. Olivier Godeaux is a seasoned biopharmaceutical industry executive with a proven track record in advancing drug candidates through all phases of development to regulatory approval and commercial launch. Dr. Godeaux held various senior positions in clinical development at fast-growing biotechnology companies, clinical research organizations and global pharmaceutical companies such as Johnson & Johnson, GSK and UCB, where he led several complex, large-scale Phase III clinical studies involving 1,000+ patients in Europe, US and Japan. Olivier Godeaux received both his Doctor of Medicine and his Master in Public Health degrees from the Université Catholique de Louvain (UCLouvain), Belgium. As Chief Medical Officer, Olivier Godeaux is responsible for the development and execution of the Company's clinical development strategy, advancing its late-stage products through clinical development towards commercialization, while playing a crucial role in the interactions with regulatory authorities, clinical experts and key opinion leaders.

- **Benoit Moreaux SPRL, represented by Mr. Benoit Moreaux**, (47) (CSTO). Benoit Moreaux brings 20 years of industry expertise in strategic operations planning and execution, as well as global quality assurance. Most recently, Benoit Moreaux was Chief Scientific Officer and Managing Director of Nikkiso Belgium, where he oversaw the Company's scientific and technical operations, and drove business growth through innovation and product launch. Prior to Nikkiso, he held senior positions at Baxter and Johnson & Johnson, where he was responsible for drug and medical device development towards global product launch. Benoit is a Doctor of Veterinary Medicine and holds a PhD in Veterinary Sciences from the University of Liège, Belgium. As Chief Scientific and Technology Officer, Benoit Moreaux leads the preclinical activities as well as the clinical and commercial manufacturing operations.

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

- **Lebon Regulatory Science Strategy SPRL, represented by Ms. Linda Lebon**, (53) (CRO). Linda Lebon is a strategic regulatory expert with more than 25 years of experience in regulatory affairs. During her career, she has provided regulatory support to companies in strategic global drug development for both clinical and non-clinical projects. Until recently, she was Vice President Regulatory Affairs at Argenx, a clinical-stage biotechnology company focused on developing antibodies for autoimmune disease and cancer. Linda has held positions in several large pharmaceutical companies as well as senior positions in regulatory CROs and advisory firms, including Quintiles and Voisin Life Sciences. As an independent consultant, she has also supported several notable fast-growing life sciences companies including Celyad, Mithra and iTeos Therapeutics, in their product developments in Europe, America and Japan. In these roles she has

been closely involved with the transitional process between R&D activities and the regulatory stage of development.

4.4.3. Operation

The Executive Committee meets regularly whenever it is required for its proper functioning.

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

4.5. Internal Control and Risk Management Systems

4.5.1. Internal Mechanism

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

reporting of the actual spending was also installed such that each department could follow their spending compared to their budgets creating an additional level of cost awareness.

- In 2018, the Company improved its ERP with the integration of the new ERP system for the formalization of the purchase orders and the approval of the orders and the invoices.

4.5.2. Risk Analysis

Key Risk Factors Related to the Company's Business

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

- **The Company is at an early stage of its development and has not yet commercialized any of its products.** Successful products require significant development and investment, including testing to demonstrate their safety, their efficacy and their cost effectiveness prior to commercialization. Furthermore, problems encountered in connection with the development and utilization of new technologies and the competitive environment in which the Company operates might limit the Company's ability to develop commercially successful products. In addition, The Company does not anticipate generating revenue from sales of commercially successful products for the foreseeable future.

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

  Research programs and product candidates of the Company must undergo rigorous pre-clinical tests and clinical trials, of which the start, timing of completion, number and results are uncertain and could substantially delay or prevent the products from reaching the market. Clinical trials may be delayed for a variety of reasons, including, but not limited to, delays in obtaining regulatory approval to commence a trial, in reaching agreement on acceptable terms with prospective clinical research organizations, contract manufacturing organizations and clinical trial sites, in obtaining approval of the Competent Authority, in recruiting suitable patients to participate in a trial, in having patients complete a trial, in obtaining sufficient supplies of clinical trial materials or clinical sites dropping out of a trial and in the availability to the Company of appropriate clinical trial insurances. In particular, the clinical trials related to orthopedics require longer follow-up periods of up to 24 months.

- **Uncertain outcome of clinical trials.** The Company's cell products are highly innovative and are based on the *ex vivo* differentiation of human bone marrow cells with a view to producing bone-forming cells. Although the Phase II clinical results for the use of these differentiated cells in the treatment of delayed-union fractures and in lumbar spinal procedures showed statistically and clinically relevant benefits and demonstrated satisfying safety and efficacy, success in subsequent studies cannot be guaranteed as demonstrated by the osteonecrosis Phase III study with PREOB

and may not lead to successful therapy products. A similar statement can be made for the viscosupplement in development, JTA-004, as the promising results of the Phase IIB study for knee osteoarthritis do not warrant a positive outcome for the follow-up Phase III study.

- If serious adverse side effects are identified for any product candidate, the Company may need to abandon or limit its development of that product candidate, which may delay, limit or prevent marketing approval, or, if approval is received for the product candidate, require it to be taken off the market, require it to include safety warnings or otherwise limit its sales. Important unpredicted side effects from any of the Company's product candidates could arise either during clinical development or, if approved by the Competent Authorities, after the approved product has been commercialized.

- **The changing competitive landscape is a main issue facing the healthcare industry.** The Company competes with other companies based on technology, product offering, therapeutic area, intellectual property, geographic area and time to market or other factors. The Company's success depends on, inter alia, the ability to establish a competitive position with respect to all of these factors. The Company believes that its main competitive advantages are its expertise and know-how in cell therapy in general and in cell therapy for bone diseases. However, the Company's competitors may have greater financial, human and other resources than the Company does. If the Company fails to comply with its obligations under the agreement pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, the Company could lose the rights to intellectual property that is important to its business. The Company's activities are dependent—at least in part—on the use of intellectual property rights which are for some projects not owned by it, but have been granted to it pursuant to license agreements and which are important to the business.

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

- **The Company has obtained significant grants and subsidies.** The terms of certain of these agreements may hamper the Company in its flexibility to choose a convenient location for its activities. The subsidies granted to the Company may prohibit the granting, by way of license, transfer or otherwise, any right to use the results, respectively patents without the prior consent of the Walloon Region. In addition, under the patent subsidies the Company may lose all or part of its right to any further funding in the event that the Company ceases to qualify as a "small- or medium-sized enterprise". Changes in regional financing and grant policies or a shift in regional investment priorities may reduce or jeopardize the Company's ability to obtain non-dilutive financing and grants. Also, the future growth of the Company, whether or not including geographical expansion, could limit the Company's eligibility to obtain similar non-dilutive financing or grants.

- **The Company is subject to competition for its skilled personnel and challenges in identifying and retaining key personnel could impair the Company's ability to conduct and grow its operations effectively.** The services of the Company's executive committee are critical to the successful implementation of its business, research, product development and regulatory strategies. Members of the Company's executive committee may terminate their employment or services with the Company at any time with relatively short notice. In general, conflicts between key managers may result in the Company losing the services of a manager or otherwise affect the cohesion within the management team.

- **The Company may not be able to protect and/or enforce its intellectual property rights in all key countries or territories.** Competitors may use the Company's technologies in jurisdictions where the Company or its licensors have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where the

Company has patent protection but where enforcement is not as well developed as in the European Union, the United States or Japan. These products may compete with the Company's products in jurisdictions where the Company or its licensors do not have any issued patents and the Company's patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing. Moreover, it cannot be excluded that the debate on the patentability of elements of the human body could lead to a situation whereby the technology developed by or licensed to the Company can no longer be protected by patents or that such patents cannot be enforced against third parties.

- **The Company has a history of operating losses and an accumulated deficit and may never become profitable.** The Company does not anticipate generating revenue from sales for the foreseeable future. It has incurred significant losses since its inception in 2006. There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. Even if the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods.

- **The Company may need substantial additional funding which may not be available on acceptable terms when needed if at all.** These future financing needs will depend on many factors, including the progress, costs and timing of its clinical trials, the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of maintaining or obtaining manufacturing approval for its products and product candidates, the costs and timing of establishing sales and marketing capabilities. If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research programs and product candidates, to grant licenses on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favorable to the Company than those it might have obtained in a different context.

Other Risk Factors

Preclinical Programs

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

Authorization and Certification

- Nearly all aspects of the Company's activities are subject to substantial regulation.
- The Company will be subject to market surveillance by the EMA, FDA and other Competent Authorities for compliance with regulations that prohibit the promotion of the Company's products for a purpose of indication other than those for which approval has been granted.
- If the Company obtains regulatory approval for a product candidate, the product will remain subject to ongoing regulatory obligations.
- Maintenance of high standards of manufacturing in accordance with Good Manufacturing Practices and other manufacturing regulations and scale-up of manufacturing.

Reimbursement, Commercialization and Market Risk Factors

- The price setting, the availability and level of adequate reimbursement by third parties, such as insurance companies, governmental and other healthcare payers is uncertain and may impede the Company's ability to generate sufficient operating margins to offset operating expenses.
- The Company has no experience in sales, marketing and distribution.
- The Company might not find suitable industrial partners to pursue the development, the commercialization or the distribution of its products candidates.

Operational Risk Factors

- The terms of certain grants and subsidies may hamper the Company in the organization of its activities and its efforts to partner part or all of its products.
- Manufacturing of the Company's products requires human or derived raw materials to be obtained from third parties.
- The Company may not have or be able to obtain adequate insurance cover in particular in connection with product liability risk.
- If any product liability claims are successfully brought against the Company or its collaborators, the Company may incur substantial liabilities and may be required to limit the commercialization of it product candidates.
- The Company's employees, principal investigators, consultants and collaborative partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards.
- The Company's manufacturing and research and development activities may involve the use and disposal of potentially harmful biological materials, hazardous materials and chemicals which create the risk of contamination or injury from these materials, chemicals or agents.
- The Company has a strong collaborative relationship with its affiliate SCTS through a Group of Economic Interest (Groupement d'Interêt Economique), a service provider for cell product manufacturing.
- The manufacturing of the Company's products may be more costly than expected.
- Recently the composition of the Company's board of directors has changed considerably.

Intellectual Property

- The Company's patents and other intellectual property rights portfolio is relatively young and may not adequately protect its research programs and other product candidates, which may impede the Company's ability to compete effectively.
- The Company may infringe on the patents or intellectual property rights of others and may face patent litigation, which may be costly and time consuming and could result in the Company having to pay substantial damages or limit the Company's ability to commercialize its product candidates.
- Obtaining and maintaining patent protection depends on compliance with various procedural, documentary, fee payment and other similar requirements imposed by governmental patent agencies, and the Company's or its licensor's patent protection could be reduced or eliminated for non-compliance with these requirements.
- If the Company is not able to prevent disclosure of its trade secrets, know-how, or other proprietary information, the value of its technology and product candidates could be significantly diminished.

Financial Risk Factors

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

Key Risk Factors Related to the Shares

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

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

4.5.3. Financial Risk Management

4.5.3.1. Liquidity Risk Management

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

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

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

4.5.3.2. Interest Rate Risk Management

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

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

4.5.3.3. Credit Risk

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

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

4.5.3.4. Foreign Exchange Risk

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

However, should the Company enter into long-term collaboration agreements with third parties for which revenues would be expressed in a foreign currency, the Company might in such case consider 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.

4.5.4. Controls, Supervision and Correctives Actions

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

- The management presents strategic plans for the different aspects of the business;
- The Board of Directors reviews these plans and selects between strategic options when necessary;

- The Board reviews on a regular basis the validity of the strategic options chosen and redirect where necessary.

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

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

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

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

4.6. Market Abuse Regulations

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

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

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

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

4.7. Remuneration Report

4.7.1. Procedure

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

4.7.1.1. Directors

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

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

4.7.1.2. Executive Directors and the Executive Committee

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

4.7.2. Remuneration Policy

4.7.2.1. Director's Remuneration

The remuneration of the Directors is determined by the shareholders' meeting upon proposal of the Board of Directors on the basis of the recommendations made by the Nomination and Remuneration Committee. The following remuneration policy is in place for the Non-Executive Directors' remuneration.

The Non-Executive Directors received a fixed remuneration in consideration for their membership of the Board of Directors and their membership of the Committees.

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 remuneration will be submitted for approval to the annual general shareholders meeting.

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

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

The total remuneration for the Independent Directors for 2019 amounts to €172,500. The table below provides an overview of the remuneration per Independent Directors.

Non-Executive Directors	Remuneration (EUR)
Innoste S.A., with as permanent representative Jean Stéphenne	50,000
Claudia D'Augusta	27,500
Castanea Management Limited with as permanent representative Damian Marron	25,000
Jean-Paul Prieels	22,500
Wagram Invest SA with permanent representative Michel Helbig de Balzac	15,000
Marc Alexander Initiative & Advisory GmbH with permanent representative Dirk Dembski	12,500
Gloria Matthews	10,000
Roland Baron	10,000

On an individual basis, a remuneration of €12,000 was paid to Mr. Roland Baron for his role of Chief Scientific Officer consultant for the Company.

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

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

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

The table below provides an overview of significant positions of shares held directly or indirectly at 31 December 2019 by the Non-Executive Members of the Board of Directors. The overview must be read together with the notes referred to below.

Non-Executive Directors	Shares	
	Number	%*
Innoste S.A., with as permanent representative Jean Stéphenne	47,038	0.43%
** calculated as the percentage of all outstanding shares and warrants (11,019,678 which is 10,950,347 shares and 69,331 warrants) at the date of the Document*		

The table below provides an overview of significant positions of warrants held directly or indirectly at the date of the Document by the Non-Executive Members of the Board of Directors:

Non-Executive Directors	Warrants	
	Number	%*
Innoste S.A., with as permanent representative Jean Stéphenne	6,666	0.06%
Castanea Management Limited with as permanent representative Damian Marron	666	0.01%
** calculated as the percentage of all outstanding shares and warrants (11,019,678 which is 10,950,347 shares and 69,331 warrants) at the date of the Document*		

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

4.7.2.2.1. Remuneration Policy

The remuneration package applicable in 2019 for the Executive Directors and the members of the Executive Committee is in line with the remuneration levels in comparable companies for these functions. The Company did not substantially change the policy in 2020.

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

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

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

- For this purpose, key performance indicators (company and or individual) are agreed upon in advance. These indicators can be operational or financial in nature (progress in clinical and preclinical programs, financial management of key financial parameters, realization of collaborations or concluding new grants, investor relation activities, compliance matters and regulatory approvals and successful completion of audits). The valuation period is aligned with the fiscal year.

- The variable remuneration will be partly in cash and partly in shares, warrants or other instruments allowing acquiring shares through schemes to be approved by the annual shareholder meeting.

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

- The Company's articles of association explicitly allow to deviate from what has been defined under Article 7:91 of the Belgian Companies Code and Associations (by decision of the General meeting date: 5 February 2015). Article 7:91 stipulates that: "Unless otherwise provided for in the articles of association or expressly approved by the general meeting, at least one quarter of the variable remuneration of an executive director in a listed company must be based on predetermined and objectively measurable performance criteria over a period of at least two years, and another quarter must be based on predetermined and objectively measurable criteria over a period of at least three years.

- In accordance with Article 7:149 of the Belgian Companies Code and Associations, which applies to agreements with leaders entered into or extended after 3 May 2010, any such agreement which includes a provision providing for a severance package exceeding 12 months' remuneration, or, on motivated advice of the Nomination and Remuneration Committee, exceeding 18 months, must be submitted for prior approval to the next annual shareholders' meeting. Any proposal to grant a higher severance package must be communicated to the works council (or to other designated bodies or persons representing the employees, if this council does not exist; i.e., the employee representatives in the committee for the prevention and protection in the workplace or, in the absence of this committee, to the trade union delegation) at least thirty days prior to the publication of the convening notice of the next annual general shareholders meeting, which may then give its advice to the annual general shareholders meeting, at the latest on the day of publication of the convening notice of the annual general shareholders' meeting. This advice is published on the website of the Company.

- In accordance with Article 7:90 of the Belgian Companies Code and Associations, the criteria for granting variable remuneration to leaders must, as of 1 January 2011, be included in the contractual or other provisions governing the relevant legal relationship. The variable remuneration can only be paid out if the milestones for the reference period have been met. If the aforementioned obligations are not complied with, the variable remuneration may not be taken into account for calculating the severance pay.

- The Company currently does not foresee in a specific pension plan neither for the CEO nor for the other members of the Executive Committee.

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

In the financial year 2019, Bone Therapeutics paid a total remuneration of €328,000 to Thomas Lienard SPRL in his capacity of CEO. This includes:

- A fixed remuneration of €277,000;
- A variable component of €35,000 in relation to the realization of objectives for 2019
- Other of €16,000 (car and group insurance)

The Executive Committee (excluding the CEO) in place during 2019 was as follows:

- Finsys Management SPRL, represented by Jean-Luc Vandebroek, CFO;
- Benoit Moreaux SPRL, represented by Benoit Moreaux from 1 February 2019;
- Zam Consulting SPRL, represented by Olivier Godeaux from 18 February 2019;
- B. Champluvier Management and Consulting Services (BCMCS) SPRL, represented by Benoit Champluvier, CTMO, until 5 February 2019;
- Guy Heynen, CCRO, until 31 January 2019;
- Yves Geysels, Director of Clinical Operations, until 31 January 2019;
- Lebon Regulatory Science Strategy, represented by Linda Lebon, CRO.

The total fees paid to the members of the Executive Committee (excl. the CEO) amounted to € 1,056,000 in 2019 (full company costs but excluding VAT and stock-based compensation).

This includes:

- A fixed remuneration of €857,000
- A variable component of €157,000 in relation to the realization of objectives for 2019
- Other of €42,000 (car and group insurance)

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

The table below provides an overview of the shares and warrants held by the past members and members of the Executive Committee at the date of the Document.

Managers	Shares		Warrants	
	Number	%	Number	%*
Thomas Lienard SPRL	-	-	28,000	0.25%
Finsys Management SPRL	2,880	0.03%	24,000	0.22%
** calculated as the percentage of all outstanding shares and warrants (11,019,678 which is 10,950,347 shares and 69,331 warrants) at the date of the Document*				

All the warrants mentioned above have been accepted.

4.7.2.3. Severance Provisions and Payments

- Miguel Forte

The management agreement between mC4Tx SPRL and the Company is tacitly renewed on a yearly basis for a maximum of five years. Both the Company and mC4Tx SPRL may terminate the management agreement by means of a six months' notice. Moreover, the Company may terminate the management agreement with immediate effect and without payment of any indemnity in the event mC4Tx SPRL commits a serious breach of its obligations under the management agreement. mC4Tx SPRL may terminate the management agreement with immediate effect in the event the Company commits a serious breach of its obligations under the management agreement, in which case he will receive an indemnity corresponding to six months' fees.

The management agreement also provides for a non-compete clause preventing mC4Tx SPRL and Miguel Forte in person from engaging in any activities in the European Union or in the United States that are similar to those being pursued by the Company or SCTS during the term of the management agreement or for a period of three years after termination of the management agreement.

- Jean-Luc Vandebroek

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

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

- Benoit Moreaux

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

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

- Olivier Godeaux

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

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

- Linda Lebon

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

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

4.7.2.4. 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 Executive Committee.

5. RELATED PARTY TRANSACTIONS

5.1. General

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

5.2. Conflicts of Interest of Directors

There is a conflict of interest when the administrator has a direct or indirect financial interest adverse to that of the Company. In accordance with Article 7:96 of the Belgian Code on Companies and Associations , a director of a limited company which "*has, directly or indirectly, an interest of an economic nature in a decision or an operation under the Board of Directors*" is held to follow a particular procedure. If members of the Board, or of the Executive Committee or their permanent representatives are confronted with possible conflicting interests arising from a decision or transaction of the Company, they must inform the Chairman of the Board thereof as soon as possible. Conflicting interests include conflicting proprietary interests, functional or political interests or interests involving family members (up to the second degree).

If Article 7:96 of the Belgian Code on Companies and Associations is applicable, the Board member involved must abstain from participating in the deliberations and in the voting regarding the agenda items affected by such conflict of interest. Below is an overview of the meetings of the Board of Directors in which the conflict of interest procedure has been applied.

5.2.1. Board of Directors of 28 February 2019

Before the start of the deliberation, Thomas Lienard SPRL (with as permanent representative Thomas Lienard) and Finsys Management SPRL (with as permanent representative Jean-Luc Vandebroek) declare having a potential conflict of interest, as defined in Article 7:96 of the Belgian Code on Companies and Associations .

This conflict of interest arises from the fact that Thomas Lienard SPRL and Finsys Management SPRL are the CEO and the CFO of the Company and the beneficiary of a bonus for which the Board must determine the objectives to be achieved.

Justification of the Decision to be Taken:

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

Financial Consequences for the Corporation:

The Board does not decide on the maximum amount of the annual bonus, which was agreed before with the beneficiaries, but only on the objectives to be achieved in order to obtain the 2018 bonus. The decision has therefore no additional financial impact for the Company but will only determine the conditions for granting the annual bonus.

Social Interest:

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

The executive director does not participate in the deliberations or the vote on these items on the agenda. In compliance with the Article 7:96 of the Belgian Code of Companies and Associations, the Company's statutory auditor will be informed of these conflicts of interest.

Deliberations and Decisions:

Assessment of 2018 objectives and 2019 objectives

The Chairman of the Nomination and Remuneration Committee reminded the other non-executive directors of the 2018 objectives of the CEO and the CFO and presented the Nomination and Remuneration Committee's recommendations concerning (i) the achievement of the objectives for 2018 and (ii) the common and personal objectives for 2019, as sent to the non-executive directors before the meeting. The Board approved the recommendations of the Nomination and Compensation Committee.

5.3. Existing Conflicts of Interest of Members of the Board of Directors and of the Executive Committee and Related Party Transactions

Currently, as far as the Company is aware, none of the other members of the Board of Directors have a conflict of interest within the meaning of Article 7:96 of the Belgian Companies and Associations Code that has not been disclosed to the Board of Directors. Other than potential conflicts arising in respect of compensation-related matters, the Company does not foresee any other potential conflicts of interest in the near future.

5.4. Related Party Transactions

5.4.1. Transactions with SCTS

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

As 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 the account of Bone Therapeutics, agreements have been put in place to govern this relation and a VAT grouping was established between the two companies (effective as of 1 January 2016).

5.4.2. Transactions with Bone Therapeutics USA Inc.

In course of 2019, expenses related to all activities executed through Bone Therapeutics USA Inc. have been re-invoiced to the Company at 31 December 2019.

5.4.3. Transactions with SISE

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

5.4.4. 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 S.A., Fond de Capital à Risque SA, Novallia S.A. and Sofipôle SA. Also, since its incorporation and until 31 December 2019, the Company has been awarded non-dilutive financial support from the Walloon Region, amounting to in aggregate €33.15 million, in the form of both recoverable cash advances and subsidies.

5.4.5. Transactions with the Executive Committee

There were no transactions with the Executive Committee in 2019.

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

5.5. Transactions with Affiliates

Article 7:97 of the Belgian Code on Companies and Associations provides for a special procedure which must be followed for transactions with Bone Therapeutics' affiliated companies or subsidiaries. Such a procedure does not apply to decisions or transactions that are entered into the ordinary course of business at usual market conditions or for decisions and transactions whose value does not exceed one percent of the Companies' consolidated net assets.

6. SHARES AND SHAREHOLDERS

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

6.1.1. Securities Issued by the Company

At the date of 31 December 2019, the Company's capital amounts to €5,453,713.27, represented by 10,671,894 ordinary shares without nominal value.

The Company has issued 524,760 warrants which give right to subscribe to an equal number of shares. On the date of this Annual Report, 69,331 warrants were were attributed.

On 7 March 2018, the Company has issued 389 CBs and 7,391 associated Bond Warrants in a private placement. On 31 December 2019, 547 CBs and 420 associated Bond Warrants were outstanding.

6.1.2. History of Capital since IPO

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

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

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

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

On 7 March 2018, a total amount of €19.45 million in committed capital has been subscribed.

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

From April 2018 to June 2018, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €464,215 with issuance of 216,923 shares. The aggregate share premium for this transaction amounts to €1,413,251.

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

From July 2018 to December 2018, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €1,024,076 with issuance of 678,196 shares. The aggregate share premium for this transaction amounts to €4,608,258.

From January 2019 to June 2019, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €968,552 with issuance of 641,425 shares. The aggregate share premium for this transaction amounts to € 1,313,907.

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

From July 2019 till 12 December 2019, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €479,218 with issuance of 317,363 shares and amounts to €16,019,823.16 and is represented by 10,620,686 shares. The aggregate share premium for this transaction amounts to €595,732.

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

On 18 December 2019, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €26,116.08 with issuance of 51,208 shares. The aggregate share premium for this transaction amounts to €136,378.31.

On 29 January 2020, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €80,699.85 with issuance of 158,235 shares. The aggregate share premium for this transaction amounts to €451,774.60.

On 26 February 2020, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €61,311.18 with issuance of 120,218 shares. The aggregate share premium for this transaction amounts to €393,671.85.

On 25 March 2020, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €79,592.64 with issuance of 156,064 shares. The aggregate share premium for this transaction amounts to €320,397.19.

Date	Transaction	Number and class of shares issued	Issue price per share (€) including issuance premium	Capital increase/decrease (€)	Share capital after transaction (€)	Aggregate number of shares after capital increase
05/02/2015	Capital increase	2,012,500	16	6,077,750	16,544,052.63	5,470,740
05/02/2015	Capital increase	1,077,039	9.51	3,252,658	19,796,710.41	6,547,779
10/02/2015	Capital increase	301,875	16	911,663	20,708,372.90	6,849,654
30/10/2017	Incorporation of losses	None	Not applicable	-6,045,571	14,662,801.49	6,849,654
09/03/2018	Capital increase/conversion convertible bonds	565,773	10.61	1,210,754	15,873,555.71	7,415,427
04/2018 – 06/2018	Capital increase/conversion convertible bonds	216,923	8.66 (average issue price)	464,215	16,337,770.93	7,632,350
09/07/2018	Incorporation of losses	None	Not applicable	-4,830,335	11,507,435.80	7,632,350
07/2018— 12/2018	Capital increase/conversion convertible bonds	678,196	8.30 (average issue price)	1,024,076	12,531,511.76	8,310,546

01/2019 – 06/2019	Capital increase/conversion convertible bonds	641,425	3.56 (average issue price)	968,552	13,500,063.51	8,951,971
01/07/2019	Capital increase	1,351,352	3.70	2,040,542	15,540,605.03	10,303,323
10/07/2019	Capital increase/conversion convertible bonds	49,522	3.79 (average issue price)	74,778	15,615,383.25	10,352,845
21/08/2019	Capital increase/conversion convertible bonds	93,952	3.51 (average issue price)	141,868	15,757,250.77	10,446,797
11/09/2019	Capital increase/conversion convertible bonds	33,200	3.54 (average issue price)	50,132	15,807,382.77	10,479,997
14/11/2019	Capital increase/conversion convertible bonds	140,689	3.13 (average issue price)	212,440	16,019,823.16	10,620,686
12/12/2019	Incorporation of losses	None	Not applicable	-10,592,226	5,427,597.19	10,620,686
18/12/2019	Capital increase/conversion convertible bonds	51,208	3.17 (average issue price)	26,116	5,453,713,27	10,671,894
29/01/2020	Capital increase/conversion convertible bonds	158,235	3.37 (average issue price)	80,700	5,534,413.12	10,830,129
26/02/2020	Capital increase/conversion convertible bonds	120,218	3.78 (average issue price)	61,311	5,595,724.30	10,950,347
25/03/2020	Capital increase/conversion convertible bonds	156,064	2.79 (average issue price)	79,593	5,675,316.94	11,106,411

6.2. Authorized 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.

On 9 July 2018, the general meeting decided, in accordance with articles 604 juncto 607, para. 2, 2° of the Belgian Company Code to renew, for a period of five years, the authorization of the board of directors to increase the capital of the Company with a global maximum amount of €11,043,220.58 on the same terms as currently provided for in article 7 of the articles of association, including in case of reception by the Company of a communication by the Financial Services and Markets Authority (FSMA) stating that the FSMA has been informed of a public takeover bid regarding the Company. The general meeting decided to amend article 7 of the articles of association in order to reflect the renewal of said authorization.

Since the renewal of the authorized capital by the general meeting on 9 July 2018, the Board has used its powers to increase the share capital by an amount of €2,040,541.52 within the framework of the authorized capital on 1 July 2019 following the private placement of 1,351,352 new shares announced on 27 June 2019. Consequently, the Board is therefore authorised to increase the share capital of the Company within the framework of the authorised capital for a maximum amount of €9,002,679.06 (excluding any issue premiums).

6.3. Changes in Capital

6.3.1. Changes to the Share Capital by the Shareholders of the Company

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

6.3.2. Capital Increases by the Board of Directors of the Company

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

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

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

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

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

This authorization was granted for a term of five years commencing from the date of the publication of the resolution in the Annexes to the Belgian Official Gazette (*Moniteur belge ; 26 July 2018*), and can be renewed.

In principle, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorization of the Board of Directors to increase the Company's share capital in cash or in kind, while limiting or canceling the preferential subscription right, is suspended. However, the Company's extraordinary shareholders' meeting held on 9 July 2018 expressly granted the Board of Directors the authority to increase the Company's share capital, in one or several times, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company and subject to the limitations imposed by the Belgian Companies Code. This authorization is granted until 9 July 2021.

6.4. Warrant Plans

6.4.1. Warrant Plans Issued

The Company currently has 1 subscription rights plan outstanding:

On 24 February 2014, the extraordinary general shareholders' meeting of the Company created and approved a plan which consisted in the issue of 113,760 subscription rights for employees, consultants and Directors (plan A). At the date of the Document, 87,998 subscription rights have been granted and accepted, the remaining 25,762 subscription rights can still be offered;

On the date of this Document, the following subscription rights are outstanding in accordance with the above-mentioned plan:

Plan	Total
CEO	0
CFO	24,000
Consultant	4,000
Board members	7,998
Former CTMO	5,333
Former CEO	28,000
Total	**69,331**

6.4.2. Summary of the Outstanding Warrant Plans

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

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

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

- At 31 December 2019, the share capital of the Company amounts to €5,453,713.27 and is fully paid up. It is represented by 10,671,894 shares, each representing a fractional value of €0.51 or one 10,671,894th 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 a subordinated loan of 25 May 2012 between Novallia S.A. (the Lender) and Bone Therapeutics SA (the Borrower);

- Convention for a subordinated loan of 2 May 2016 between Novallia S.A. (the Lender) and Bone Therapeutics SA (the Borrower);
- Convention for a subordinated loan of 21 June 2013 between Novallia S.A. (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);
- Convention for a subordinated loan of 10 April 2013 between Sofipôle S.A. (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);
- Conventions for non-dilutive subordinated bonds of 25 June 2019 between Integrale S.A (the Lender) and Bone Therapeutics SA (the Borrower);
- Conventions for non-dilutive subordinated bonds of 25 June 2019 between Patronale S.A (the Lender) and Bone Therapeutics SA (the Borrower);
- Convention for a subordinated loan of 17 December 2019 between Sofipôle S.A. (the Lender) and Skeletal Cell Therapy Support SA (the Borrower);

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

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

6.6. Transparency

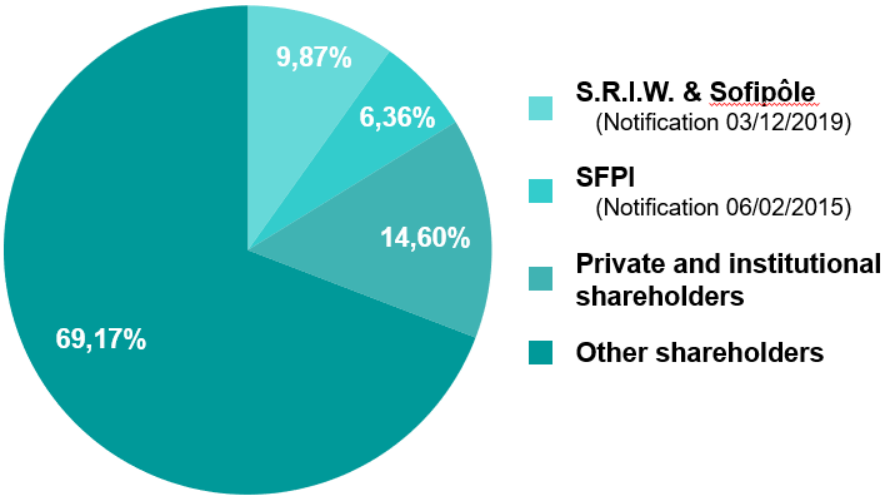
The articles of the association of the Company do not impose any additional notification obligations other than the notification obligations required in accordance with Belgian law. The voting rights of the major shareholders of the Company differ in no way from the rights of other shareholders of the Company.

6.7. Shareholders

At 31 December 2019, there are 10,671,894 shares representing a total share capital of the Company of €5,453,713.27. There are only ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company. The total number of attributed warrants is 69,331. The total number of Convertible Bonds and subscription rights (warrants remaining (issued or to be issued) is 967.

The graph[3] 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.

[3] Denominator for S.R.I.W. & Sofipole = 10,620,686 and denominator for SFPI = 6,549,779 shares.



6.8. Dividends and Dividend Policy

6.8.1. Entitlement to Dividends

Dividends can only be distributed if, following the declaration and payment of the dividends, the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory financial statements prepared in accordance with Belgian GAAP (*i.e.*, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortized activated costs of incorporation and extension and the non-amortized activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, pursuant to the Belgian Company Code and the articles of association, the Company must allocate at least 5% of its annual net profits under its statutory non-consolidated accounts to a legal reserve until the reserve equals 10% of the Company's share capital.

In accordance with Belgian law, the right to collect dividends declared on ordinary shares expires five years after the date the Board of Directors has declared the dividend payable, whereupon the Company is no longer under an obligation to pay such dividends.

6.8.2. Dividend Policy

The Company has never declared or paid any dividends on its shares.

The Company's dividend policy will be determined by, and may change from time to time by determination of, the Company's Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors. The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out in the Belgian Company Code.

Belgian law and the Company's articles of association do not require the Company to declare dividends. The Board of Directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders in the near future.

7. CONSOLIDATED FINANCIAL STATEMENTS

7.1. Responsibility Statement

The Board of Directors, represented by all its members, declares that, to the best of its knowledge, the consolidated financial statements for the twelve-month period ended 31 December 2019, which have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Company and the undertakings included in the consolidation as a whole, and that the management report includes a fair review of the important events that have occurred during the twelve months of the financial year and of the major transactions with the related parties, and their impact on the consolidated financial statements, together with a description of the principal risks and uncertainties that the Company can face.

On behalf of the Board of Directors,

mC4Tx SPRL,
represented by Miguel Forte

Finsys Management SPRL,
represented by Jean-Luc Vandebroek

7.2. Statutory Auditor's Report on the Consolidated Financial Statements for the Year ended 31 December 2019

Deloitte.

Bone Therapeutics SA

Statutory auditor's report to the shareholders' meeting for the year ended 31 December 2019 - Consolidated financial statements

The original text of this report is in French

Statutory auditor's report to the shareholders' meeting of Bone Therapeutics SA for the year ended 31 December 2019- Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 12 June 2019, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration) issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the financial statements for the year ending 31 December 2021. We have performed the statutory audit of the consolidated financial statements of Bone Therapeutics SA for the last 5 years.

Report on the consolidated financial statements

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flow for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 22 393 (000) EUR and the consolidated statement of comprehensive income shows a loss for the year then ended of 10 336 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the group's net equity and financial position as of 31 Décembre 2019and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for the unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), as applicable in Belgium. In addition, we have applied the International Standards on Auditing approved by the IAASB applicable to the current financial year, but not yet approved at national level. Our responsibilities under those standards are further described in the "Responsibilities of the statutory auditor for the audit of the consolidated financial statements" section of our report. We have complied with all ethical requirements relevant to the statutory audit of consolidated financial statements in Belgium, including those regarding independence.

We have obtained from the board of directors and the company's officials the explanations and information necessary for performing our audit.

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

Emphasis of matter

We draw attention to Note 9.2.10 to the financial statements which describes the uncertainty related to the outcome of the regulatory approval. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Going Concern • The consolidated statement of financial position shows a loss for the year then ended of 10 336 (000) EUR and losses carried forward of 61 586 (000) EUR. As part of the preparation of the consolidated financial statements, the Board of Directors is responsible for assessing the group's liquidity risk and related ability to continue as a going concern. • The assessment of the liquidity risk has been identified as a key audit matter as it requires significant judgment estimating the level of cash required for the coming twelve months that will lead to the ability of the group to continue its activity. **Reference to disclosures** We refer to the Consolidated Financial Statements, including notes to the Consolidated Financial Statements: note 9.2.10	• We have assessed the governance, processes and internal controls put in place at group level to conclude over the use of the going concern assumption. We tested the design and implementation of these internal controls. • We have spent audit effort to review and challenge the assumptions used by the management. We evaluated and tested the assumptions, methodologies and data used by the group in respect of projected future cash flows from operating, financing and investing activities. We assessed the reliability of the forecasted cash flows by comparing with the historical performance, analyzing the current cost structure, the commitments and the potential cash-in linked to grants. • We have assessed the historical accuracy of management's estimates. • We have specifically focused on the sensitivity of the projected future cash flow to assess the liquidity risk of the group for the next 12 months. • We have deeply inquired over any material uncertainty to disclose in the financial statement. • Finally, we have evaluated the disclosure about liquidity risk and the related going concern assumption.
Repayable Cash Advances received from Walloon Region • The group received some important repayable cash advances (RCA) from the Walloon Region to support specific R&D programs. • These RCA become refundable under certain conditions, including the fact that the group decides to exploit the R&D results of the project. In such case, the fixed part of the RCA (30%) becomes refundable based upon an agreed repayment schedule, whereas the variable part (from 70% up to 170%) becomes refundable to the extent revenue is generated within a timeframe of 25 years. The refunding of the variable part is fixed as	• We have assessed the group's management process and internal control with respect to the RCA for determining the valuation of the financial liability. We tested the design and implementation of these internal controls. • We have challenged the management assumptions taking into account the industry best practices and the current environment of the group. • We have assessed and evaluated the appropriateness of the different scenario and percentage of success linked to each scenario

a percentage of the revenue generated during the timeframe.

- Taking into account the recent guidance from the IFRS Interpretation Committee, a financial liability should be recognized in accordance with IAS39 to reflect the portion that will be reimbursed. The measurement of these financial liability occurs in two stages. The first, being at the initial recognition, where the financial liability has to be valued at fair value based on the present values of probability-weighed scenarios. Subsequently, at year-end, the financial liability will be remeasured to reflect the present value of the most probable scenario. The difference is recognized in income statement.
- As of 31 December 2019, the financial liability associated with these RCA amounts to 7 430 (000) EUR and corresponds to the present value of the not yet reimbursed fixed part.
- The appropriate valuation of the financial liability as of 31 December 2019 is significant to our audit. Indeed, beside the significance of the amounts under consideration, the valuation of the financial liability linked to these RCA involves a high judgment from management with an important assumption being the definition of the most probable scenarios.
- Also important is the valuation at fair value of the financial liability at the initial recognition. Considering that measurement involves, on top of the assumptions linked to the different scenarios and the corresponding probabilities, the estimate linked to the future revenue as basis for determining the present value linked to the reimbursement of the variable part.

Reference to disclosures

We refer to the Consolidated Financial Statements, including notes to the Consolidated Financial Statements: notes 8.2.14, 8.5.9, 8.6.2 and 8.7.1.

- based on discussion with management and our understanding of the R&D activity.
- We have assessed the level of revenue generated as basis to determine the reimbursement of the variable part.
- Finally, we have evaluated the notes linked to the sensitivity analysis of the fair value of these RCA in the consolidated financials statements.

Responsibilities of the board of directors for the preparation of the consolidated financial statements

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

In preparing the consolidated financial statements, the board of directors is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters to be considered for going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the group or to cease operations, or has no other realistic alternative but to do so.

Responsibilities of the statutory auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a statutory auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

During the performance of our audit, we comply with the legal, regulatory and normative framework as applicable to the audit of consolidated financial statements in Belgium. The scope of the audit does not comprise any assurance regarding the future viability of the company nor regarding the efficiency or effectiveness demonstrated by the board of directors in the way that the company's business has been conducted or will be conducted[1].

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- conclude on the appropriateness of the use of the going concern basis of accounting by the board of directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are

[1]It is a copy of the text available in article 3:75 of the Code of companies and associations. We are aware of the inconsistency between the French version (referring to "l'étendue du contrôle legal") and the Dutch version (referring to "de wettelijke controle"). It has been decided however to stick to the text as provided by law. For the English version, we have opted to align the translation based on the French version.

responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance the audit committee regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and we communicate with them about all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes any public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

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

Responsibilities of the statutory auditor

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

Aspects regarding the directors' report on the consolidated financial statements

In our opinion, after performing the specific procedures on the directors' report on the consolidated financial statements, this report is consistent with the consolidated financial statements for that same year and has been established in accordance with the requirements of article 3:32 of the Code of companies and associations.

In the context of our statutory audit of the consolidated financial statements we are also responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements is free of material misstatement, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such material misstatement.

In the context of our statutory audit of the consolidated financial statements we are responsible to consider, in particular based on information that we became aware of during the audit, if the directors' report on the consolidated financial statements and other information disclosed in the annual report on the consolidated financial statements, i.e.:

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

are free of material misstatements, either by information that is incorrectly stated or otherwise misleading. In the context of the procedures performed, we are not aware of such a material misstatement.

Bone Therapeutics SA
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Statements regarding independence

- Our audit firm and our network have not performed any prohibited services and our audit firm has remained independent from the group during the performance of our mandate.
- The fees for the additional non-audit services compatible with the statutory audit, as defined in article 3:65 of the Code of companies and associations, have been properly disclosed and disaggregated in the notes to the consolidated financial statements.

Other statements

- This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.

Liège, 28 April 2020

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Julie Delforge

Deloitte.

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises
Coöperatieve vennootschap met beperkte aansprakelijkheid/Société coopérative à responsabilité limitée
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Member of Deloitte Touche Tohmatsu Limited

7.3. Consolidated Financial Statements as of 31 December 2019 and 2018 under IFRS

7.3.1. Consolidated Statement of Financial Position

Consolidated Assets IFRS per: *(in thousands of euros)*	**Note**	**31/12/19**	**31/12/18**
Non-current assets		**10,660**	**10,754**
Intangible assets	8.5.1	28	22
Property, plant and equipment	8.5.2	6,100	6,203
Investments in associates	8.5.3	332	326
Financial assets	8.5.6	140	323
Deferred tax assets	8.5.4	4,059	3,881
Current assets		**11,733**	**15,000**
Trade and other receivables	8.5.5	3,025	6,724
Other current assets		75	102
Cash and cash equivalents	8.5.8	8,633	8,174
TOTAL ASSETS		**22,393**	**25,753**

Consolidated Liabilities IFRS per: *(in thousands of euros)*	**Note**	**31/12/19**	**31/12/18**
Equity attributable to owners of the parent		**2,048**	**4,491**
Share capital		5,454	12,532
Share premium		58,026	53,478
Retained earnings		(61,586)	(62,136)
Other reserves		154	618
Non-controlling interests		**0**	**0**
Total Equity	**8.5.8**	**2,048**	**4,491**
Non-current liabilities		**11,006**	**11,925**
Financial liabilities	8.5.9	11,006	10,247
Other non-current liabilities	8.5.10	0	1,678
Current liabilities		**9,339**	**9,337**
Financial liabilities	8.5.9	2,709	2,606
Trade and other payables	8.5.11	3,841	3,996
Current tax liabilities		0	11
Other current liabilities	8.5.11	2,788	2,725
Total liabilities		**20,344**	**21,262**
TOTAL EQUITY AND LIABILITIES		**22,393**	**25,753**

7.3.2. Consolidated Statement of Comprehensive Income

(in thousands of euros)	Note	For the year ended 31 December	
		2019	2018
Revenues	8.6.1	0	1,000
Other operating income	8.6.2	3,321	4,079
Total revenues and operating income		**3,321**	**5,079**
Research and development expenses	8.6.3	(11,185)	(12,884)
General and administrative expenses	8.6.4	(3,310)	(3,660)
Operating profit/(loss)		**(11,174)**	**(11,466)**
Interest income	8.6.6	1,624	66
Financial expenses	8.6.6	(738)	(2,609)
Exchange gains/(losses)	8.6.6	*(15)*	*(18)*
Share of profit/(loss) of associates	8.6.6	*6*	*16*
Result Profit/(loss) before taxes		**(10,298)**	**(14,011)**
Income taxes	8.6.8	(38)	(131)
TOTAL COMPREHENSIVE INCOME OF THE PERIOD		**(10,336)**	**(14,142)**
Basic and diluted loss per share (in euros)	**8.6.8**	**(1.08)**	**(1.86)**
Profit/(loss) for the period attributable to the owners of the Company		(10,461)	(14,218)
Profit/(loss) for the period attributable to the non-controlling interests		125	77
Total comprehensive income for the period attributable to the owners of the Company		(10,461)	(14,218)
Total comprehensive income for the period attributable to the non-controlling interests		125	77

7.3.3. Consolidated Statement of Cash Flow

Consolidated Statements of Cash Flows *(in thousands of euros)*	**For the twelve-month period ended 31 December**	
	2019	**2018**
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(9,577)	(11,466)
Adjustments for:		
Depreciation, Amortization and Impairments	753	580
Share-based compensation	(472)	52
Grants income related to recoverable cash advances	(3,505)	(2,523)
Grants income related to patents	(6)	(229)
Grants income related to tax credit	(578)	(612)
Other	(77)	1
Movements in working capital:		
Trade and other receivables (excluding government grants)	(5)	(810)
Trade and other Payables	(183)	405
Cash generated from operations	**(13,650)**	**(14,613)**
Cash received from licensing agreement	900	0
Cash received from grants related to recoverable cash advances	1,901	1,580
Cash received from grants related to patents	141	20
Cash received from grants related to tax credit	344	232
Income taxes paid	(38)	(131)
Net cash used in operating activities	**(10,400)**	**(12,901)**
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	8	1
Purchases of property, plant and equipment	(289)	(277)
Purchases of intangible assets	(21)	(19)
Net cash used in investing activities	**(302)**	**(295)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	815	677
Repayment of government loans	(736)	(573)
Reimbursements of financial lease liabilities	(432)	(366)
Reimbursements of other financial loans	(250)	(250)
Interests paid	(228)	(225)
Transaction costs	(632)	(580)
Proceeds from issue of equity instruments of the Company	8,520	13,512
Proceeds received from convertible loan	605	763
Proceeds received from subordinated loan	3,500	0
Net cash generated from financing activities	**11,162**	**12,958**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**459**	**(237)**
CASH AND CASH EQUIVALENTS at beginning of year	**8,174**	**8,411**
CASH AND CASH EQUIVALENTS at end of year	**8,633**	**8,174**

7.3.4. Consolidated Statement of Changes in Equity

(in thousands of euros)	Attributable to owners of the parent				Non-controlling interests	TOTAL EQUITY
	Share capital	Share premium	Retained earnings	Total equity attributable to owners of the parent		
Balance at 31 December 2017	**14,662**	**42,665**	**(54,944)**	**2,382**	**0**	**2,382**
Impact of restatement based on IFRS 15	0	0	1,501	1,501	0	1,501
Balance at 1 January 2018	**14,662**	**42,665**	**(53,443)**	**3,883**	**0**	**3,883**
Total comprehensive income of the period	0	0	(14,218)	**(14,218)**	77	(14,142)
Issue of share capital	2,699	10,813	0	**13,512**	0	13,512
Decrease of share capital	(4,829)	0	4,829	**0**	0	0
Specific reserve for convertible bonds	0	0	1,175	**1,175**	0	1,175
Allocation to the legal reserve	0	0	5	**5**	0	5
Share-based payment	0	0	52	**52**	0	52
Movement non-controlling interests	0	0	77	**77**	(77)	0
Other	0	0	6	**6**	0	6
Balance at 31 December 2018	**12,532**	**53,478**	**(61,517)**	**4,491**	**0**	**4,491**
Balance at 1 January 2019	**12,532**	**53,478**	**(61,517)**	**4,491**	**0**	**4,491**
Total comprehensive income of the period	0	0	(10,461)	**(10,461)**	125	(10,336)
Issue of share capital	3,514	5,006	0	**8,520**	0	8,520
Decrease of share capital	(10,592)	0	10,592	**0**	0	0
Transaction costs for equity issue	0	(457)	0	**(457)**	0	(457)
Specific reserve for convertible bonds	0	0	306	**306**	0	306
Allocation to the legal reserve	0	0	6	**6**	0	6
Share-based payment	0	0	(472)	**(472)**	0	(472)
Movement non-controlling interests	0	0	125	**125**	(125)	()
Other	0	0	(11)	**(11)**	0	(11)
Balance at 31 December 2019	**5,454**	**58,027**	**(61,432)**	**2,048**	**0**	**2,048**

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

8. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.1. General Information

Bone Therapeutics SA (the "**Company**") is a limited liability company governed by Belgian law. The address of its registered office is Rue Auguste Piccard 37, 6041 Gosselies, Belgium. The shares of the Company are publicly listed on NYSE Euronext Brussels and Paris since 6 February 2015.

The Company and its affiliates Skeletal Cell Therapy Support SA "**SCTS**" and Bone Therapeutics USA Inc "**BT US**" (together with the Company referred as the "**Group**") are active in regenerative therapy specializing for addressing unmet medical needs in the field of bone diseases and orthopedics. The Company combines in-depth knowledge of bone diseases and stem cell science, a strong expertise in both cell manufacturing for human use and cell therapy clinical trials and regulatory affairs, which have allowed to establish a leadership position in the field of cell therapy for orthopedics and bone diseases.

The consolidated financial statements of Bone Therapeutics SA for the twelve months ended 31 December 2019 include Bone Therapeutics SA and its affiliates. These were authorized for issue by the Board of Directors on 28 April 2020.

8.2. Summary of Significant Accounting Policies

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

8.2.1. Statement of Compliance

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

8.2.2. Applicable IFRS Standards and Interpretation

In the current year, the Group has applied for a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019.

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term interests in Associates and Joint Ventures
- Amendments to IFRS 9 Prepayment Features with Negative Compensation
- Annual improvements to IFRS Standards 2015–2017 Cycle

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 2019:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 1 and IAS 8 Definition of Material (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to IFRS 3 Business Combinations (applicable for annual periods beginning on or after 1 January 2020, but not yet endorsed in the EU)

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform (applicable for annual periods beginning on or after 1 January 2020)
- Amendments to references to the Conceptual Framework in IFRS standards (applicable for annual periods beginning on or after 1 January 2020)
- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2021, but not yet endorsed in the EU)

It is not expected that the initial application of the above-mentioned IFRS standards, interpretations and amendments will have a significant impact on the consolidated financial statements.

The nature and the effect of the changes related to IFRS16 were taken into consideration, and the above amendments affected the consolidated financial statements as follows:

Change in Accounting Policies—IFRS 16 Leases

As from 1 January 2019, the Group no longer applies IAS 17 "Leases". IFRS 16 is applicable for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition. Measurement, presentation, and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17.

The Group's leased assets relate mainly to transportation equipment and IT and laboratory equipment.

On January 1, 2019, the Group:

- adopted IFRS 16, using the modified retrospective approach and did not restate comparative information;
- measured the lease liability for leases previously classified as an operating lease at the present value of the remaining lease payments, discounted using the respective Group entity's incremental borrowing rate as of 1 January 2019. The lease liability amounted to €0.32 million. The weighted average incremental borrowing rate was 4.0%.

The Group has used the IFRS 16 option not to take into account short-term and low-value contracts.

Please find below the reconciliation between the operating lease commitments at 31 December 2018 and the right of use assets and lease liabilities at 1 January 2019:

	2019
Operating lease commitments disclosed as at 31 December 2018	849
Discounted using the lessee's incremental borrowing rate of at the date of initial application	800
Add: finance lease liabilities recognized as at 31 December 2018	257
(Less): short-term leases not recognized as a liability	(124)
(Less): low-value leases not recognized as a liability	(353)
Add/(less): contracts reassessed as lease contracts	0
Add/(less): adjustments as a result of a different treatment of extension and termination options	0
Add/(less): adjustments relating to changes in the index or rate affecting variable payments	0
Lease liability recognized as at 1 January 2019	**580**
Of which are:	
Current lease liabilities	264
Non-current lease liabilities	316
	580

8.2.3. Basis of Preparation

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

8.2.4. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities directly or indirectly controlled by the Company.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests.

All intragroup assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

8.2.5. Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate or joint venture. On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee

is recognized as goodwill, which is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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

8.2.6. Intangible Assets

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

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

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

Intangible assets	Estimated useful life
Software	3 years

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

Internally-generated intangible assets

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

8.2.7. Property, Plant and Equipment

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

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

Property, plant and equipment	Estimated useful life
Buildings	20 years
Office furniture	4 years
Lab equipment	3 to 5 years
IT equipment	3 years

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

8.2.8. Leases

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

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

Until 31 December 2018, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor). The following rules applied until 31 December 2018:

A. Finance Leases

Assets held under finance leases by the Group are recognized 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 derecognized and a receivable is recognized 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.

B. Operating Leases

Assets held by the Group under operating leases are not recognized in the statement of financial position. Operating lease payments are recognized 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 derecognized from the statement of financial position. Rental income from operating lease is recognized 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.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

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

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

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

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

Payments associated with short-term leases and leases of low-value assets (determained by the Management) are directly recognized as an expense in the comprehensive income statement. Short-term leases are leases with a lease term of 12 months or less and low-value assets primarily comprise IT equipment.

8.2.9. Impairment of Tangible and Intangible Assets

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

Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using

a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

8.2.10. Financial Instruments

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

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

8.2.11. Financial Assets

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

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

Financial Assets – Debt Instruments

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

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

Debt instruments include:

- Receivables that are measured at amortised cost, including government grants
- Trade receivables measured at amortised cost
- Cash & cash equivalents. Cash and cash equivalents include cash on hand and in banks, as well as short-term deposits with a maturity of three months or less.

Receivables related to government grants, including recoverable cash advances ("avances récupérables"), are recognised when there is reasonable assurance that the Group will comply with the conditions attaching

to them and the grant will be received, which generally corresponds to the date at which the Group obtains a confirmation letter from the authorities (see "government grants" below).

Impairment of Financial Assets

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

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

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

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

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

8.2.12. Amortized Cost and Effective Interest Method

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

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

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

8.2.13. Financial Liabilities and Equity

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

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

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

Compound Instruments
Convertible bonds which include warrants are considered as a single financial instrument measured at fair value through profit and loss (see note 8.3.3).

8.2.14. Financial Liabilities

Except for the put options held by non-controlling interests in a subsidiary (see note 8.3.2) and convertible bonds including warrants (see note 8.3.3), which are measured at fair value through profit and loss, all financial liabilities of the Group are subsequently measured at amortized cost using the effective interest method.

Financial liabilities at amortized cost include:

- Trade payables at amortized cost
- Borrowings
- Government loans: the portion of recoverable cash advances ("*avances récupérables*") that is expected to be reimbursed. They are initially measured at their fair value less transaction costs, which corresponds to the present value of amounts expected to be reimbursed for recoverable cash advances recognized as financial liabilities to the extent no interest is charged on these loans. See below.

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

Government Grants

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

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

With respect to Recoverable Cash Advances or RCA's ("Avances Récupérables") whereby in case of successful project completion and a positive decision by the Company to exploit the results of the project, 30% of the amount will be reimbursed through a fixed reimbursement schedule and up to 170% under the form of royalties, the amount recognized as a grant is the difference between the fair value of the expected reimbursement and the actual amount received by the Company as a RCA. The Group recognizes the portion of the RCA that is expected to be reimbursed as a liability. This liability is initially measured at fair value and subsequently at amortized cost, where the carrying amount of a liability is determined by using the effective interest rate. Furthermore, the discount rate is not adjusted every year.

On 10 May 2016, the IFRS Interpretation Committee ("IFRS IC") published the final agenda decision IAS 20—Accounting for repayable cash receipts. In this context, the IFRS IC clarified that an RCA gives rise to a financial liability in the scope of IFRS 9. This financial liability is initially measured at fair value and any difference with the cash to be received from the Walloon Region is treated as a government grant in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. Subsequent to the initial recognition, the financial liability is measured at amortized cost using the effective interest method on the

basis of the estimated contractual cash flows with changes in value due to a change in estimated cash flows recognized in profit or loss.

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

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

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

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

8.2.15. Derivative Financial Instruments

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

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

The options granted and held on the the 50.1% non-controlling interests in the subsidiary SCTS (see 8.3.2), and the warrants included in the convertible bonds issued in 2018 (see 8.3.3) are the only derivatives outstanding. The warrants are not valued separately, as the whole convertible bond together with the warrants is measures at fair value through profit or loss.

8.2.16. Income Tax

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

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

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

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

8.2.17. Revenue Recognition

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

Licensing Revenues

License agreements usually include non-refundable upfront fees, milestones payments (the receipt of which is dependent upon the achievement of certain development or commercial milestones), and tiered royalties based on annual net sales. The revenue recognition can be summarized as follows:

- Upfront Payment

Non-refundable upfront payments received in connection with research and development collaboration agreements and for which there are subsequent deliverables are initially reported as deferred income and are recognized as revenue when earned over the period of the development collaboration.

- Milestone Payments

Research milestone payments are recognized as revenues when achieved. In addition, the payments have to be acquired irrevocably and the milestone payment amount needs to be substantive and commensurate with the magnitude of the related achievement. Milestones payments that are not substantive, not commensurate or that are not irrevocable are recorded as deferred income revenue. Revenue from these activities can vary significantly from period due to the timing of milestones.

Royalty Revenue

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

8.2.18. Share-based Payments

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

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

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

8.2.19. Employee Benefits

The Company offers post-employment, death, disability and healthcare benefit schemes to certain categories of employees.

Disability, death and healthcare benefits granted to employees of the Company are covered by an external insurance company, where premiums are paid annually and expensed as they were incurred.

As a consequence of the law of 18 December 2015, the minimum guaranteed rates of return were modified as follows:

- for the contributions paid as from 1 January 2016, a new variable minimum return based on OLO rates, with a minimum of 1.75% and a maximum of 3.75% (1.75% for 2016);

- for the contributions paid until end December 2015, the previously applicable minimum rate of return (i.e 3.25%) continues to apply until the date of leaving of the participants (in case of insured plans).

In view of the minimum returns guarantees, those plans qualify as Defined Benefit plans.

Due to the fact that the Belgian law prescribes that the employer would guarantee a minimum rate of return on the contributions, such plans are classified as defined benefit plans under IFRS.

The cost of providing benefits is determined using the projected unit credit (PUC) method, with actuarial valuations being carried out at the end of each annual reporting period.

8.2.20. Events after the Reporting Period

Events after the reporting period which provide additional information about the Group's position at the closing date (adjusting events) are reflected in the financial statements. Events after the reporting period which are not adjusting events are disclosed in the notes if material.

8.3. Critical Accounting Estimates and Judgments

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

8.3.1. Investment in SCTS

Despite a holding of of 49.9% in SCTS at 31 December 2019, 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.

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

(in thousands of euros)	**31/12/19**	**31/12/18**
Current assets	2,160	3,569
Non-current assets	6,629	7,195
TOTAL ASSETS	**8,789**	**10,765**
Current liabilities	2,279	3,496
Non-current liabilities	3,862	4,871
Equity	2,647	2,398
TOTAL EQUITY & LIABILITIES	**8,789**	**10,765**

(in thousands of euros)	**2019**	**2018**
Revenue	4,490	4,542
Expenses	(4,239)	(4,389)
Profit (loss) of the year	**250**	**152**

8.3.2. Put and Call on Non-Controlling Interests in SCTS

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

Discussions with the non-controlling interests in SCTS have been done early January 2020. 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. In the statement of financial position on 31 December 2019, the fair value of the gross liability for the put option on non-controlling interests in SCTS amounts to € 1,956,000 (€ 1,678,000 in 2018).

8.3.3. Convertible Bonds and Related Warrants

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

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

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

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

A total amount of €19.45 million in committed capital has been subscribed during the Offering. In March 2018, part of the investors has decided to immediately exercise warrants resulting in immediate gross proceeds of about €6.58 million and 565,773 new shares to be created, increasing the total outstanding shares from 6,849,654 to 7,415,427 ordinary shares. In the ensuing 20 months, 4,727 bond warrants have been exercised which resulted in additional proceeds of €11.82 million. During the same period, 4,412 bonds have been converted into 1,905,115 shares. At 31 December 2019, there is a total of 10,671,894 ordinary shares outstanding, including 1,351,352 shares issued in the fund raise of June 2019. The remaining warrants when exercised will provide additional proceeds of EUR 1.05 million.

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

Based on several assumptions described here below, management has estimated the fair value of the financial liabilities using the issue price of the convertible bonds of €2,500 and the implied discount of 8% on the share price at the time of conversion of the bonds to obtain the total amount of €1.58 million at 31 December 2019.

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

- The Bond and its warrants cannot be transferred separately from each other. As a consequence, the bonds and related warrants have been considered as a single financial instrument.
- The company considers that the warrants and the conversion options in the Convertible Bonds are immediately exercisable. Therefore, no discounting applies. It has also been considered that the liquidity of the Company stock on the market allows absorbing the shares that would be issued as a result of bonds and warrants that have not been converted or exercised yet in a short period. Therefore, no timing/discount effect has been taken into account in the valuation. If this assumption would be incorrect, the fair value of the financial liability would be somewhat lower, due to the effect of discounting the same expected contractual cash flows over a relatively short period of time.
- The bond holders have no financial interest not to exercise their warrants immediately or not to convert their bond directly, as the bonds do not bear interest and the conversion options in the bonds are currently far "in the money"

- Given the business model and the liquidity requirements, the Company does not intend to repay the bond in cash. If this possibility would have been retained, the impact on the fair value would have been lower compared to the retained fair value as the [redemption] premium due in that case would be lower than the value of the discount offered to the investor.
- The Company has no reason to believe, based on available information, that over the remaining life of the instrument (maximum 6 months as from January 2020 onwards), the stock price would decrease below EUR 2,14 (par value). In such a scenario, the financial liability would then be significantly lower than the current valuation considered due to the effect of the floor on the conversion rate at the par value of the shares (EUR 2.14).

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

Summary of the situation at the beginning of the transaction and at 31 December 2019:

Initial financing round (7 March 2018)		Transactions until 31 December 2019		Situation on 31 December 2019	
# CBs purchased:	389	# CB converted:	6,813	# CBs outstanding:	547
# warrants attached:	7,391	# warrants exercised:	6,971	# warrants outstanding:	420
Total # CBs (Issued or to be issued):	7,780			Total # CBs remaining (Issued or to be issued):	967
Total proceeds committed:	€19,450,000	Proceeds obtained:	18,400,000 €	Proceeds remaining:	€1,050,000
# shares outstanding (before private placement):	6,849,654	# shares issued:	1,905,115	# shares outstanding[4]:	10,671,894

At each capital increase registered by the notary linked to an exercised conversion of a bond, the carrying amount (fair value) of the corresponding liability is transferred to equity for the par amount and the issue premium of the new shares created, the remainder corresponding to the discount is recorded under a specific reserve under equity.

8.3.4. Going Concern

The 2019 consolidated results of the Company show a loss of €10.34 million, and the consolidated statement of financial position includes a loss carried forward of €61.59 million. As the Company has made significant progress in its clinical programs and manufacturing optimization process during previous year, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern considering at group level:

- an annual projected cash burn around €15.00 million (excluding fundraise linked to the bridge loans and convertible bond program),
- the total financing of €11.00 million consisting of
    - €4.75 million bridge loans,
    - €1,26 million in equity private placement and, on an as-needed basis,
    - €4.99 million in private placement of convertible bonds (CBs).

[4] including 1,351,352 shares issued in financing operation of June 2019.

The Company anticipates total proceeds of approximatively €8.00 million in 2020 (see section 2.7 "Events Occurred after the End of the Financial Year" for more information).

With the completion of the current financing operation subject to get regulatory approval in May 2020 for the bridge loans, the Company expects to have a runway into Q1 2021.

8.4. Operating Segment Information

The Group does not make the distinction between different operating segments, neither on a business or geographical basis in accordance with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the Board of Directors of the Company.

All non-current assets are located in Belgium.

8.5. Notes Relating to the Statement of Financial Position

8.5.1. Intangible Assets

The intangible assets consist only of purchased software.

(in thousands of euros)	31/12/2019	31/12/2018
Acquisition cost	248	227
Accumulated amortization and impairment	(220)	(205)
Intangible assets	**28**	**22**

Cost *(in thousands of euros)*	Software	Clinical developments	Total
Balance at 1 January 2018	**208**	**0**	**208**
Additions	19		19
Balance at 31 December 2018	**227**	**0**	**227**
Additions	21		21
Balance at 31 December 2019	**248**	**0**	**248**

Accumulated amortization and impairment *(in thousands of euros)*	Software	Clinical developments	Total
Balance at 1 January 2018	**(178)**	**0**	**(178)**
Amortization expense	(28)		(28)
Balance at 31 December 2018	**(205)**	**0**	**(205)**
Amortization expense	(15)		(15)
Balance at 31 December 2019	**(220)**	**0**	**(220)**

8.5.2. Property, Plant and Equipment

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

(in thousands of euros)	31/12/2019	31/12/2018
Acquisition cost	10,384	9,747
Accumulated depreciation and impairment	(4,283)	(3,544)
Property, plant and equipment	**6,100**	**6,203**

Property, plant and equipment (PPE) at the end of December 2019 amount to €6.10 million with a decrease of €0.10 million compared to the end of 2018.

Cost *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 1 January 2018	**2,560**	**167**	**102**	**233**	**6,222**	**0**	**10**	**9,295**
Additions	258	10	2	0	136	0	47	**452**
Balance at 31 December 2018	**2,818**	**176**	**104**	**233**	**6,359**	**0**	**56**	**9,747**
Additions	247	181	5	0	0	163	40	**637**
Balance at 31 December 2019	**3,065**	**357**	**110**	**233**	**6,359**	**163**	**97**	**10,384**

Total investment at acquisition cost at the end of 2019 amounts to €10.38 million. This amount contains €12.91 million of actual investments reduced with €2.53 million of investment grants. There is no committed expenditure on 31 December 2019 related to the building investments.

The Company invested an additional amount of €0.29 million for the laboratory and production equipment to be installed in the production facility. The impact of the IFRS16 rule amount to €0.34 million.

The balance of €6.36 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 2019.

Accumulated depreciation and impairment *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 1 January 2018	**(2,164)**	**(140)**	**(93)**	**(11)**	**(585)**	**0**	**0**	**(2,993)**
Depreciation expense	(208)	(19)	(7)	(2)	(441)	0	0	(677)
Government grant recognition	0	0	0	0	127	0	0	127
Balance at 31 December 2018	**(2,372)**	**(159)**	**(100)**	**(14)**	**(899)**	**0**	**0**	**(3,544)**
Depreciation expense	(261)	(77)	(4)	(2)	(434)	(88)	0	(866)
Government grant recognition	0	0	0	0	127	0	0	127
Balance at 31 December 2019	**(2,633)**	**(237)**	**(104)**	**(16)**	**(1,207)**	**(88)**	**0**	**(4,283)**

Carrying amount *(in thousands of euros)*	**Laboratory equipment**	**IT material**	**Office furniture**	**Land**	**Building**	**Cars**	**Properties under construction**	**Total**
Balance at 31 December 2018	446	17	4	220	5,460	0	56	**6,203**
Balance at 31 December 2019	**432**	**120**	**6**	**217**	**5,152**	**76**	**97**	**6,100**

Furthermore, SCTS obtained on 30 June 2013 -a long-term financing instrument through BNP Paribas Fortis SA/NV and ING Belgique SA/NV to finance part of the construction of the new facilities. Each one of the banks foresees an amount of €1,625,000 euro (see section 5.9 for more details).

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

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

- a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of €27,500 (€ 25,000 for ING Belgique SA/NV);
- a mandate to a first ranking mortgage granted by SCTS on the assets built with the funds provided for an amount of €1,760,000 (€ 1,600,000 for ING Belgique SA/NV).

8.5.3. Investments in associates

The investment in associates relates to the investment in "*Société d'Infrastructures, de Services et d'Énergies*" ('SISE') for an amount of € 0.32 million and in "*SA Invest Mons-Borinage-Centre*" for an amount of € 0.01 million. 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.

There are no restrictions to distribute cash or dividends from the associate of the Group.

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

(in thousands of euros)	31/12/2019	31/12/2018
Balance at 1 January	**313**	**297**
Acquisition of investment	0	0
Capital increase/decrease	0	0
Net income from associates	20	16
Dividend paid to other associates	(13)	0
Other	0	0
Balance at 31 December	**320**	**313**

Summarized financial information in respect of the Group's associate is set out below. The summarized 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)	31/12/2019	31/12/2018
Profit (loss) before interest and taxation	54	40
Finance costs and other finance expenses	11	12
Taxation	0	0
Profit (loss) for the year	**65**	**51**
Profit (loss) attributable to owners of the company	20	16

(in thousands of euros)	31/12/2019	31/12/2018
Non-current assets	2,476	2,391
Current Assets	391	339
Total Assets	**2,867**	**2,729**
Current liabilities	1,001	816
Non-current liabilities	836	906
Total Liabilities	**1,837**	**1,722**
Net assets	**1,030**	**1,007**
Group's share of net assets	320	312

The Group granted no loans to associates.

8.5.4. Deferred Tax

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

Deferred Taxes by Source of Temporary Differences

(in thousands of euros)	Assets		Liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Property, plant and equipment	0	0	108	64
Intangible assets	331	461	0	0
Trade and other receivables	23	0	0	361
Financial liabilities	475	1,119	0	0
Other non-current liabilities	0	558	0	0
Other current liabilities	509	242	0	0
Total temporary differences	**1,337**	**2,379**	**108**	**426**

Tax Credits and Tax Losses carried forward and Temporary Differences

(in thousands of euros)	31/12/2019	31/12/2018
Tax credits	4,457	4,224
Tax credits related to notional interest deduction	28	28
Tax losses	21,179	16,954
Total	**25,664**	**21,206**

Deferred Tax Assets and Liabilities Recognized

(in thousands of euros)	Assets		Liabilities	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Deferred tax assets/(liabilities)	**27,001**	**23,585**	**108**	**426**
Unrecognized deferred tax assets	(22,437)	(18,936)	0	0
Offsetting	(108)	(426)	(108)	(426)
Total recognized deferred taxes	**4,457**	**4,224**	**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)	31/12/2019	31/12/2018
Tax credits related to notional interest deduction	83	83
Tax losses	71,599	49,880
Temporary differences	4,156	5,748
Total	**90,905**	**55,711**

The unrecognized tax credits related to notional interest deduction expire in 2020. There is no expiry date on the other sources of deferred tax assets.

Furthermore, the deferred tax asset on the tax credit has been treated as a government grant and presented as other operating income in the consolidated statement of comprehensive income (see note 8.6.2).

At closing 2019, there are no unrecognized deferred tax liabilities related to temporary differences associated with investments in subsidiaries and associates.

8.5.5. Trade Receivables and Other Receivables

The trade and other receivables can be detailed as follows:

Trade and other receivables	Total	
(in thousands of euros)	**31/12/2019**	**31/12/2018**
Trade receivables		
Trade receivables	132	939
Write-downs on trade receivables	0	0
Total trade receivables	**132**	**939**
Other receivables		
Receivable related to taxes	308	359
Receivable related to tax credit	397	343
Receivable related to recoverable cash advances	1,964	4,704
Receivable related to patent grants	225	379
Total other receivables	**2,893**	**5,785**
Total trade and other receivables	**3,025**	**6,724**

Trade and other receivables amount to €3.03 million showing a decrease of €3.70 million compared to the end of December 2018.

The decrease of the receivables related to:

- The milestone payment from Asahi Kasei received in 2019 for an amount of €0.90 million net of taxes (decrease);
- Amounts received during the course of 2019 for RCAs in progress (upfront amounts and amounts received following expense declarations in function of the progress of the works) for a total of €2.74 million and further reconciled under note 8.6.2 (decrease);
- The remaining decrease of €0.06 million in trade and other receivables is on account of the VAT receivable, patent grants receivable and tax credit to be received within one year offset by reinvoicing expenses to third parties.

The expected credit losses at 31 December 2019 are immaterial.

8.5.6. Financial Assets

Non-current financial assets amounting to € 0.14 million relate to restricted amounts mainly representing warranty in respect of social security commitments.

8.5.7. Cash and Cash Equivalents

Cash and cash equivalents include following components:

(in thousands of euros)	**31/12/2017**	**31/12/2018**
Cash at bank and in hand	7,128	4,669
Short-term bank deposits	1,505	3,505
Total	**8,633**	**8,174**

The cash position at the end of December 2019 amounted to €8.63 million compared to €8.17 million at the end of December 2018. The cash and cash equivalents have been impacted by the fact that the Company has

collected a proceed of €12.63 million from convertible bonds, subordinated loans and equity instruments (before €0.63 million of transaction costs). In counterparts, the Company has used €11.54 million in operation, investing, and financing activities.

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

There is no expected credit loss at 31 December 2019.

8.5.8. Equity

The Company's equity decreased from €4.49 million at the end of December 2018 to €2.05 million (a decrease of €2.44 million) at 31 December 2019. The variation is mainly explained by the result of the Company (€10.34 million). This operation is offset by an increase of €8.06 million in share capital and share premium and an increase of €0.31 million of the reserve for the Convertible Bonds.

(in thousands of euros)	**31/12/2019**	**31/12/2018**
Share capital	5,454	12,532
Share premium	58,026	53,478
Retained earnings	(61,586)	(62,136)
Total outside reserves	**1,894**	**3,874**
Reserves	154	618
Total Equity	**2,048**	**4,492**

Via the Private Placement on 27 June 2019, the Company has raised EUR 5.00 million and placed 1,351,352 new shares with current and new institutional investors in Belgium and abroad at a price of EUR 3.70 per share, which represents a 15% discount to the day before closing price. The new shares represent 15.1% of the Company's shares currently admitted to trading on Euronext Brussels and Euronext Paris (pre-transaction). The share capital was increased by €2.04 million. The aggregate share premium for this transaction amounts to €2.96 million.

From January to December 2019, as a result of the subsequent conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increased by €1.47 million with issuance of 1,009,996 new shares. The aggregate share premium for this transaction amounts to €2.05 million.

Following the capital increases and the incorporation of the losses following the AGM decision of December 2019 which represents an impact of €10.59 million, the share capital of the Company amounted to €5.45 million and was represented by 10,671,894 shares. The share premium account amounts to €58.03 million.

8.5.8.1. Non-Controlling Interests

The gross liability relating to the put option on non-controlling interest in SCTS (see note 8.3.2) has been recognized 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 recognized as deduction of group equity (retained earnings) and the amount reported as non-controlling interest is nil.

8.5.8.2. Share-based Payments Scheme

The Company had put in place 3 different warrant plans in the course of 2014. Out of those 3 plans, only remains the Plan A. The Plan B are C expired in 2019.

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.

Please find the variation in the outstanding warrants during the year 2019:

Plan	31/12/2018	Offered	Cancelled	Loss	31/12/2019
Plan A	40,000	47,998	(18,667)	0	69,331
Plan B	4,800	0	0	(4,800)	0
Plan C	122,500	0	0	(122,500)	0
Total	**167,300**	**47,998**	**(18,667)**	**(127,300)**	**69,331**

The following plans were established during the year 2014:

Plan	Beneficiaries	Number of warrants issued	Number of warrants granted	Exercise price of warrants granted	Expiry
Warrant Plan A	Employees, consultants or Directors	113,760	87,998	€4.11, €7.72 and €8.77	February 2024
Warrant Plan B	CEO, CFO	46,000	4,800	€11	February 2019
Warrant Plan C	CEO, CFO, CCRO	145,000	122,500	€11	December 2019
TOTAL		**304,760**	**215,298**		

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

The main terms and the fair value at grant date of warrants granted out of Plan A, Plan B and C are as follows:

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan B	4,800	22-12-14	01-02-19	11	3.76
(2) Warrant Plan C	122,500	22-12-14	18-12-19	11	4.11
(3) Warrant Plan A	24,000	19-12-16	23-02-24	7.72	3.10
(4) Warrant Plan A	16,000	31-08-17	23-02-24	8.77	3.18
(5) Warrant Plan A	47,998	28-02-19	23-02-24	4.11	1.95

The fair value of the warrants has been determined at grant date based on the Black-Scholes formula. The variables, used in this model, are:

	Plan A - 2016	Plan A - 2017	Plan A - 2019	Plan B	Plan C
Number of warrants granted	24,000	16,000	47,998	14,800	145,000
Exercise price (in €)	7.72	8.77	4.11	11	11
Fair value of the share at grant date	7.72	8.77	4.11	11	11
Expected dividend yield	0	0	0	0	0
Expected volatility	35.80%	35.80%	56.40%	43.52%	43.52%
Risk-free interest rate	0.00%	0.00%	0.00%	0.05%	0.05%
Duration in years	6.15	5.15	4.98	4.11	4.99
Fair value (in €)	3.1	3.18	1.95	3.76	4.11

There was no warrant exercised in 2019. At closing 2019, all the warrants of Plan B and Plan C are expired. The expenses relating to these plans are disclosed in point 8.8.3.

8.5.9. Financial Liabilities

Financial liabilities are detailed as follows:

	Non-current		Current		Total	
(in thousands of euros)	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Finance lease liabilities	170	151	178	106	348	257
Government loans	4,556	6,688	500	742	5,056	7,430
Loans from related parties	1,079	1,283	203	228	1,282	1,511
Bank debt	1,875	2,125	250	250	2,125	2,375
Convertible Bonds	0	0	1,578	1,279	1,578	1,279
Non-Convertible Bonds	3,325	0	0	0	3,325	0
Total financial liabilities	**11,006**	**10,247**	**2,709**	**2,606**	**13,715**	**12,853**

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

Finance Lease Liabilities

The finance lease liabilities relate to the leases of laboratory equipment (lease term of 3 or 5 years), IT equipment and cars for an amount of €316,000 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 €32,000. The increase is mainly related to the new contracts signed for different equipments for the laboratory and for the production facility in Gosselies.

The Group has options to purchase the equipment for a fixed amount at the end of the lease term. The Group's obligations under finance leases are secured by the lessors' title to the leased assets. Interest rates underlying the obligations under finance leases related to laboratory and production equipment are fixed at respective contract dates ranging from 2.2% to 5% per annum.

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

Future minimum lease payments *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Not later than 1 year	182	115
Later than 1 year and not later than 5 years	150	74
Later than 5 years	267	332
Less: future finance charges	(253)	(265)
Present value of minimum lease payments	**346**	**257**

Present value of minimum lease payments *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Not later than 1 year	176	109
Later than 1 year and not later than 5 years	150	131
Later than 5 years	21	17
Present value of minimum lease payments	**346**	**257**

Government Loans

The government loans relate to the repayable part of recoverable cash advances (not linked to turnover) and are detailed in note 8.2.14. Interest is charged to this repayable part at a rate based on Euribor 1 year + 100 basis point or IBOR 1 year + 100 basis point if higher.

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 pleriods up to the end of the contracts.

Convertible Bonds

We refer to note 8.3.3 where the valuation of the corresponding financial liability has been described.

Non-Convertible Bonds

Via the Bond Issuance of June 2019, the Company has raised €3.5 million. The non-dilutive subordinated bonds were issued in registered form, redeemable at 100% of their principal amount with a maturity of 48 months and a coupon of 8% per annum. The coupon will be payable annually. The Company also recorded some transactions costs of €0.18 million

In relation with IAS 7, the Company has recognized a total financial liability of €13.72 million in 2019.

(in thousands of euros)	31/12/18	Cash flows	Non-cash changes		31/12/19
			New contracts	Change in estimated cash flows	
Finance lease liabilities	257	(204)	294	0	347
Government loans	7,430	(736)	0	(1,637)	5,057
Loans from related parties	1,511	(228)	0	0	1,283
Bank debt	2,375	(250)	0	0	2,125
Convertible Bonds	1,279	605	0	(306)	1,578
Non-Convertible Bonds	0	3,325	0	0	3,325
Total liabilities from financing activities	**12,852**	**2,512**	**294**	**(1,943)**	**13,715**

8.5.10. Other Non-Current Liabilities

According to the SCTS shareholders' agreement, the Company has granted to the 50.1% non-controlling interests in SCTS an option to sell (put option) their SCTS shares to the Company (see note 8.3.2 for more details). This Option has been reclassified in the short term liabilities.

8.5.11. Trade and Other Payables

Trade and other payables are detailed as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Trade payables	3,069	3,242
Other payables	772	754
Total trade and other payables	**3,841**	**3,996**

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

The decrease of €0.16 million is mainly related to other payables which include solely short-term employee benefits liabilities and is largely explained by the decrease of number of employees during the year.

8.5.12. Other Current Liabilities

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

(in thousands of euros)	31/12/2019	31/12/2018
Deferred income on grants related to recoverable cash advances	801	2,675
Deferred income on licensing agreement	0	0
Deferred income on grants related to patents	32	50
Put Option	1,956	0
Total	**2,788**	**2,725**

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

The Other current liabilities remained stable compared to last year. The Put Option has been reclassified in the other current liabilities for an amount of €1.96 million, mostly offset by the recognition of the deferred income related to the recoverable cash advances and patent subsidies into the comprehensive income statement (for an amount of €1.88 million).

8.6. Notes Relating to the Statement of Comprehensive Income

8.6.1. Revenues

In 2018, the Company recognized a success fee payment from licensee Asashi Kasei, after reaching a regulatory milestone following a successful consultation with the Japanese Regulatory Authority for PREOB for an amount of €1.00 million.

(in thousands of euros)	31/12/19	31/12/18
License	0	1,000
Other	0	0
Total	**0**	**0**

8.6.2. Other Operating Income

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

(in thousands of euros)	31/12/2019	31/12/2018
Grants income related to recoverable cash advances	1,908	2,523
Grants income related to exemption on withholding taxes	594	668
Grants income related to tax credit	575	610
Grants income related to patents	6	229
Other grants income	237	48
Total	**3,321**	**4,079**

Recoverable Cash Advances

The recoverable cash advances ("*Avances récupérables*") are granted to support specific research and development programs. After the approval of these loans by the government (*i.e.,* Walloon Region), a receivable is recognized for the loan to be received and presented as other receivables (see note 8.5.5). These loans become refundable under certain conditions, including the fact that the Group decides to exploit the R&D results of the project. In such case, part of the loan (30%) becomes refundable based upon an agreed repayment schedule, whereas the remaining part (70% and up to 170%) only becomes refundable to the extent revenue is generated within 10 or 25 years after the date at which exploitation has been decided. Accordingly, if no revenue is generated within that period of 10 or 25 years, any non-refunded part of the loan will ultimately not be repaid.

RCA's are partially recognized as a financial liability at the time of signing the agreement as explained in section 8.3.3 above and corresponding to the present value of the expected reimbursements discounted at a rate ranging between 1.08% and 17.1%. The difference between the actual amount received and the amount recognized as financial liability is considered as a government grant and is presented under the caption "deferred income". The deferred income is released as "other operating income" as the R&D costs

compensated by the grant are incurred. The part of the grant representing the discount effect on the minimum refundable amount is released as interest income over the period of the interest free loan.

The receivable related to the recoverable cash advances is reconciled as follows:

(in thousands of euros)	**31/12/19**	**31/12/18**
Opening balance	**4,705**	**5,001**
New grants	0	1,395
New loans	0	598
Canceled grants	(25)	(31)
Cash received	(2,716)	(2,258)
Closing balance	**1,964**	**4,705**

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

(in thousands of euros)	**31/12/19**	**31/12/18**
Opening balance	**7,430**	**7,210**
New loans	0	598
Repayment	(720)	(573)
Stop PREOB	(1,595)	0
Impact of interests	(84)	128
Unwind of discount	23	65
Closing balance	**5,056**	**7,430**

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

(in thousands of euros)	**31/12/19**	**31/12/18**
Opening balance	**2,675**	**4,029**
Released as operating income	(1,908)	(2,523)
Unwind of discount	(23)	(65)
Canceled grants	(25)	(31)
Impact of interests	84	(128)
Increase on new grants	0	1,395
Closing balance	**801**	**2,675**

Grants Related to Tax Credit

For more detail on this section, see note 8.3.5.

Grants Related to the Exemption of Withholding Taxes for Researchers

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

Grants Related to Patents

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

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

Other Grants

In 2019, the Group has received a subsidy from INAMI for the development of R&D activities.

8.6.3. Research and Development Expenses

(in thousands of euros)	31/12/2019	31/12/2018
Lab fees and other operating expenses	5,282	5,746
Employee benefits expenses	4,967	6,212
Depreciations, amortization and impairment losses	691	509
Patents costs	245	417
Total	**11,185**	**12,884**

Research and development expenses in 2019 were at €11.19 million compared to €12.88 million in 2018. The decrease is mainly related to the decrease in R&D operating expenses from clinical operation and to the decrease in the number of R&D employees.

8.6.4. General and Administration Expenses

(in thousands of euros)	31/12/2019	31/12/2018
Employee benefits expenses	1,699	1,868
Depreciation and amortization expense	61	71
Other expenses	1,549	1,721
Total	**3,310**	**3,660**

General and administrative expenses for the full year 2019 amounted to €3.31 million compared to €3.66 million over the same period last year. The decrease is mainly the result of a good-cost management.

8.6.5. Employee Benefit Expenses

Employee benefits expenses can be detailed as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Short term benefits	6,039	6,770
Social security cost	865	1,038
Post-employment benefits and other benefits	233	219
Share-based compensation	(472)	52
Total	**6,665**	**8,080**

8.6.5.1. Post-Employment Benefit Plan

The Group has a group insurance plan based on defined contributions for some employees, for which the insurance company guarantees an interest rate until retirement (type 'branche 21/tak21'). The contributions are a flat percentage of the salary depending on the category of personnel, entirely paid by the employer. By law, the employer has to guarantee a minimum rate of return on the contributions.

Based on an analysis of the plans and the limited difference between the legally guaranteed minimum returns and the interest guaranteed by the insurance company, the Group has concluded that the application of the PUC method would not have a material impact. The accumulated reserve (individualized reserves accumulated with the insurer) amounts to € 0.25 million and the accumulated contribution paid amounts to € 0.09 million.

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

Number of employees	31/12/2019	31/12/2018
Research and development	62	80
General and administrative	8	7
Total	**70**	**87**

8.6.6. Financial Result

Financial result	31/12/2019	31/12/2018
Interest income on bank deposits	(1)	(1)
Interest income on government loans	(25)	(65)
Recognition of the stop of PREOB	(1,597)	0
Total financial income	**(1,624)**	**(66)**
Interest on borrowings	339	211
Interest on government loans	26	65
Interest on obligations under finance leases	33	25
Transaction costs on convertible bonds	63	580
Recognition of the discount on CBs	0	1,691
Share in result of associate	(6)	(16)
Fair value gain or losses	278	37
Total financial expenses	**732**	**2,593**
Exchange gains/(losses)	**15**	**18**
Total financial result	**(876)**	**2,545**

Financial income amounts to €1.62 million and is composed of the recognition of the stop of PREOB for € 1.60 million, which corresponds to the part for which reimbursement is turnover-independent. It is also composed of interest income on bank deposits and income recognition on government loans in particular the minimum refundable amount of the recoverable cash advances referred to in note 8.2.6 which come at a below market rate interest.

Financial expenses amount to €0.72 million in 2019 compared to €2.59 million in 2018 and are mainly impacted by the Fair value on the Put Option (€0.28 million) and by the interest on borrowings (€0.34 million). Last year, the financial expenses were mainly impacted by the recognition of the discount given on the committed capital from the private placement of the convertible bonds and related warrants (for an amount of €1.69 million) and by the recognition of the transaction costs of €0.58 million related to the corresponding private placement (see note 8.3.4).

8.6.7. Income Taxes

The Company recorded an amount of €0.04 million for its affiliate SCTS. Last year, the Company recorded an amount in taxes of €0.10 million related to the withholding tax related to the milestone from Asahi Kasei.

Current tax	31/12/2019	31/12/2018
in respect of the current year	38	131
in respect of prior years	0	0
Total income taxes	**38**	**131**

The Group has recognized an income tax of €38,000 in 2019 related to the 2019 fiscal year.

(in thousands of euros)	Bone Therapeutics	SCTS
Profit (loss) before tax—BEGAAP	(11,785)	104
Losses carried forward	0	0
Other	0	0
Total profit (losses) carried forward	(11,785)	104
Belgian statutory income tax rate	29.58%	29.58%
Income taxes	**0**	**38**

8.6.8. Earnings per Share

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

(in thousands of euros)	31/12/2018	31/12/2018
Profit/loss for the period attributable to the owners of the Company	(10,336)	(14,142)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	9,538,538	7,610,755
Basic/diluted loss per share (in euros)	**(1.08)**	**(1.86)**

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2019 and 2018 as the inclusion of these instruments would have an adverse effect, *i.e.,* reducing the loss per share. The impact of the dilutive instruments on the weighted average on ordinary shares would be as follows:

(in thousands of euros)	31/12/2019	31/12/2018
Impact on weighted average number of ordinary shares outstanding		
Share-based payment plan—warrants	69,331	167,300
Convertible bonds and the attributed warrants	811,442	1,047,825

8.7. Financial Instruments and Financial Risk Management

8.7.1. Overview of Financial Instruments

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

(in thousands of euros)	**IFRS9 Category**	**31/12/19**	**31/12/18**
Other non-current financial assets			
Non-current receivables	financial assets at amortized cost	140	323
Trade and other receivables	financial assets at amortized cost	2,188	5,083
Cash and cash equivalents	financial assets at amortized cost	8,633	8,174
Total financial assets		**10,961**	**13,580**
Non-current financial liabilities			
Finance lease liabilities	At amortized cost	170	151
Government loans (RCA)	At amortized cost	4,556	6,688
Loans from related parties	At amortized cost	1,079	1,283
Non Convertible Bonds	At amortized cost	3,325	0
Bank debt	At amortized cost	1,875	2,125
Other non-current liabilities			
Put on non-controlling interests	At fair value through profit and loss	0	1,678
Current financial liabilities			
Finance lease liabilities	At amortized cost	176	106
Government loans (RCA)	At amortized cost	500	742
Loans from related parties	At amortized cost	203	228
Convertible bonds	At fair value through profit and loss	1,578	1,279
Bank debt	At amortized cost	250	250
Trade and other payables			
Trade payables	At amortized cost	3,069	3,043
Other current liabilities			
Put on non-controlling interests	At fair value through profit and loss	1,956	0
Total financial liabilities		**18,739**	**17,573**

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

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

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

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

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

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

(in thousands of euros)	31/12/18		
	Carrying amount	**Fair value**	**Fair value level**
Other non-current financial assets			
Non-current receivables	323	323	Level 2
Trade and other receivables	5,083	5,083	Level 2
Cash and cash equivalents	8,174	8,174	Level 2
Total financial assets	**13,580**	**13,580**	
Non-current financial liabilities			
Finance lease liabilities	151	151	Level 2
Government loans (RCA)	6,688	8,667	Level 3
Loans from related parties	1,283	1,535	Level 2
Bank debt	2,125	2,357	Level 2
Other non-current liabilities			
Put on non-controlling interests	1,678	1,678	Level 3
Current financial liabilities			
Finance lease liabilities	106	106	Level 2
Government loans (RCA)	742	742	Level 2
Loans from related parties	228	228	Level 2
Convertible bonds	1,279	1,279	Level 3
Bank debt	250	250	Level 2
Trade and other payables			
Trade payables	3,043	3,043	Level 2
Total financial liabilities	**17,573**	**20,036**	

The financial liabilities subsequently measured at fair value on Level 3 fair value measurement are the put option granted by the Group to non-controlling interests in SCTS, which has been fully consolidated, and the convertible bonds and related warrants.

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

Convertible Bonds and Related Warrants:

We refer to note 8.3.3 where the valuation of the corresponding financial liability has been described.

Reconciliation *(in thousands of euros)*	**31/12/2019**	**31/12/2018**
Opening balance	1,279	0
Cash received	4,125	0
Change in fair value	(306)	13,408
Total gains or losses in profit or loss	0	(1,691)
Transfer to equity	(3,520)	(12,996)
Closing balance	**1,578**	**1,279**

The liability linked to the convertible bonds and related warrants can only be lower if the assumptions linked to the judgments of management (described under note 8.3.3) would be different.

Government loans related to the recoverable cash advances:

The fair value has been calculated as the weighted average of a best case, base case and worst-case scenario for each project. The weight given to each scenario is as follows:

- Best case given the weight of the probability of success (PoS) determined by the Management based on the analysts' reports (ranging from 20% to 40%) to each project whereby the project is successfully commercialized and a maximum of the commitments vis-à-vis the Walloon Region are honored.
- Worst case: the Company stops all activity in 2023 and will only honor its fixed commitments up to that date. Probability for this scenario has been set at 10% for all projects
- Base case: the Company honors only the fixed commitments (non-turnover-related reimbursements) for each of the projects. The probability for this scenario has been set between 50% and 70%.

Based on those scenarios, the fair value, after discounting fixed commitments at rates between 1.08% and 2.91% and the turnover dependent reimbursements at a rate of 17.10% (average rate used by the analysts following the Company) amounts to €7.75 million.

When applying a sensitivity analysis on the above varying the ponderations between the best and base case scenario (decreasing/increasing the PoS of the projects) and varying the discount rate used for discounting the turnover dependent reimbursements (using a discount rate for a more mature biotech company) we obtain the following results:

(in thousands of euros)	**Impact of PoS***				
	-40%	**-20%**	**0**	**+20%**	**+40%**
DCF with discount rate of 17.10% used for turnover dependent reimbursement	6,899	7,254	7,751	8,347	10,477
DCF *with discount rate used for turnover dependent reimbursement* reduced to 12.5%**	7,486	7,934	8,563	9,316	11,794

** decrease/increase of best case versus increase/decrease of base case with the worst-case scenario remaining at the same level*

*** DCF used for turnover dependent reimbursements*

8.7.2. Credit Risk

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

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

8.7.3. Liquidity Risk

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

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

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

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

31/12/2019 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible Bonds**	**Subordinated Loans**	**Bank debt**	**Total**
Within one year	182	516	265	1,578	280	301	**3,122**
>1 and <5 years	150	1,756	656	0	4,165	1,141	**7,868**
>5 and <10 years	15	1,428	749	0	0	916	**3,108**
>10 and <15 years	15	883	5	0	0	0	**898**
>15 years	237	1,428	0	0	0	0	**1,665**
31/12/2018 *(in thousands of euros)*	**Financial lease liabilities**	**Government loans**	**Loans from related parties**	**Convertible Bonds**	**Subordinated Loans**	**Bank debt**	**Total**
Within one year	115	808	296	1,279	0	307	**2,806**
>1 and <5 years	74	3,143	849	0	0	1,166	**5,232**
>5 and <10 years	77	1,899	817	0	0	1,192	**3,985**
>10 and <15 years	15	1,059	5	0	0	0	**1,079**
>15 years	240	1,688	0	0	0	0	**1,928**

8.7.4. Interest Rate Risk

The Company has limited interest rate risk on long-term investments loans (related to bank debts) concluded through its subsidiary SCTS on 15 July 2014 which are currently financed at variable interest rates linked to EURIBOR 3M. For these long-term loans the Company is permanently monitoring the short-term interest rates versus options to swap these rates with a long-term interest rate (IRS) in function of the remaining term of the loan.

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

8.7.5. Foreign Exchange Risk

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

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

8.8. Related-Party Transactions

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

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

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

8.8.1. Transactions with SISE

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of €567,000 (2018: €463,000) was charged, being an appropriate allocation of costs incurred by the associate. Furthermore, a liability is recognized in the consolidated statement of financial position for an amount of €219,000 (2018: €208,000), consisting of trade payables (€187,000) and a finance lease liability for the long lease right on the land (€32,000, of which €29,000 as a non-current liability).

8.8.2. Transactions with the Walloon Region

As a result of the relationship of the government (*i.e.* Walloon Region) with some shareholders of the Company and the extent of financing received, the Company judges that the government is a related party. However, the principal amounts recognized in the financial statements relate to government grants for a total of €33.15 million (2018: €33.27 million). Next to the government grants, government agencies granted loans to the Group for a total amount of €2.42 million (same as last year).

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

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

(in thousands of euros)	Period ended 31 December	
	2019	**2018**
Number of management members	5	5
Short-term benefits	1,365	1,367
Share-based payments	(495)	52
Total	**870**	**1,419**
Cumulative number of warrants granted (in units)	57,333	60,000
Shares owned (in units)	2,880	2,880

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

(in thousands of euros)	Period ended 31 December	
	2019	**2018**
Share-based payments	23	0
Management fees	179	228
Total	**202**	**228**
Number of warrants granted (in units)	7,332	0
Shares owned (in units)	47,038	226,946

8.9. Commitments

The Company has no major commitments for 2020 and beyond.

8.10. Events after the Reporting Period

The annual consolidated financial statements on 31 December 2019 were authorized for issue by the Board of Directors of the Company on 28 April 2020. Accordingly, events after the reporting period are those events that occurred between 1 January 2020 and 28 April 2020.

Convertible Bonds Placement of March 2018

From January till the date of this Annual Report, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €221,604 with issuance of 434,517 shares and amounts to €5,675,317. The aggregate share premium for this transaction amounts to €1,165,814.

PUT option

Early 2020 the Company bought the shares of Sofipôle for €0.8 million in Skeletal Cell Therapy Support S.A. and obtained a financing (loan) for the same amount from Sofipôle. The Company also reimbursed €0.33 million to private investors. For the remaining amount, the Company is discussing to also obtain a loan in exchange to the buy-back of the shares. At the date of the Annual Report, Bone Therapeutics held 81.02% of Skeletal Cell Therapy Support S.A.

Approval Clinical Trial Applications

In March 2020, the Company received regulatory approvals for its Clinical Trial Applications for the next studies of both of its lead candidates. These two studies are the pivotal JTA-004 Phase III clinical study targeting osteoarthritic knee pain and the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. The JTA-004 trial has now been approved by regulatory authorities in Belgium, Denmark and Hong Kong, and the ALLOB study by Belgian regulatory authorities.

Appointment Chief Business Officer

In March 2020, the Company appointed Stefanos Theoharis, PhD as Chief Business Officer (CBO), further strengthening its management team. Stefanos will be responsible for the company's corporate development activities and executing its business strategy. His immediate priorities will be concentrating on partnering Bone Therapeutics products and in-licensing innovations. He will also further develop the commercial strategies for the product portfolio and cell therapy platform.

Financing

In April, the Company secured €11.0 million financing. The financing will be used to advance both of its key assets, ALLOB and JTA-004, through late stage clinical development. The secured €11.0 million financing combines:

- €4.75 million bridge loans provided by commercial banks and Sambrinvest, conditional upon obtaining a credit assurance which is pending regulatory approvals expected in May;
- €1.26 million equity by existing shareholders (immediate conversion of CBs) and;
- flexible[5] €4.99 million of convertible bonds to be used if and when necessary.

The bridge loans are still subject to obtaining a credit assurance, which is pending regulatory approvals expected in May 2020. The specific terms of the CBs can be found in the Investor section of Bone Therapeutics' website. Subject to the completion of the current financing operation, supporting the company's further development and strengthen its balance sheet, the Company expects to have a runway into Q1 2021.

Covid-19

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

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- unwillingness of patients to enroll in our trials or inability to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- reduced or interrupted activities at local regulators and other important agencies, contractors and third-party organizations that the Company relies upon to carry out its clinical trials and;

[5] The Company may at any time stop the program without penalty.

- interruption in operations at its third-party suppliers or global shipping, which could result in delays or disruptions in the supply of clinical trial materials, such as investigational drug product used in our trials.

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

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

9. STATUTORY ACCOUNTS

9.1. Condensed Statutory Annual Accounts

In accordance with Art. 3:17 of the Belgian Companies and Associations' 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 2019. These financial statements were as such prepared in accordance with the applicable accounting framework in Belgium and with the legal and regulatory requirements applicable to the financial statements in Belgium.

The management report, the statutory financial statements of Bone Therapeutics SA and the report of the statutory auditor will be filed with the appropriate authorities and are available at the Company's registered offices. The statutory auditor has issued an unqualified report on the statutory financial statements of Bone Therapeutics SA. The full set of the statutory financial statements is also available on the Company's website www.bonetherapeutics.com.

9.1.1. Balance Sheet

ASSETS *(in thousands of euros)*	**31/12/19**	**31/12/18**
Non-current assets	**2,777**	**3,015**
Formation expenses	1,075	1,202
Intangible assets	71	171
Property plant and equipment	217	113
Financial fixed assets	1,414	1,528
Current assets	**15,569**	**16,945**
Amounts receivable for more than one year	4,034	3,856
Trade and other receivables	3,327	5,236
Investments	1,449	3,449
Cash and cash equivalents	6,662	4,337
Deferred charges and accrued income	97	68
TOTAL ASSETS	**18,345**	**19,960**

EQUITY AND LIABILITIES *(in thousands of euros)*	**31/12/19**	**31/12/18**
Equity	**4,544**	**7,809**
Share capital	5,454	12,532
Share premium	364	6,022
Accumulated profits (losses)	(1,274)	(10,744)
Non-current liabilities	**6,904**	**4,240**
Current liabilities	**6,898**	**7,910**
Current portion of amounts payable after one year	1,945	1,643
Trade debts	3,703	3,507
Taxes remuneration and social security	552	753
Other amounts payable	277	1,730
Accrued charges and deferred income	420	278
Total liabilities	**13,801**	**12,151**
TOTAL EQUITY AND LIABILITIES	**18,345**	**19,960**

9.1.2. Statutory Income Statement

(in thousands of euros)	For the 12-months period ended	
	31/12/19	31/12/18
Operating income	**12,866**	**15,069**
Turnover	0	1,000
Own construction capitalized	9,485	10,112
Other operating income	3,380	3,957
Operating charges	**(25,530)**	**(29,143)**
Services and other goods	(10,766)	(11,312)
Remuneration, social security, pensions	(3,337)	(3,889)
Depreciation and amounts written off fixed assets	(10,557)	(12,944)
Other operating charge	(869)	(999)
Operating profit/(loss)	**(12,664)**	**(14,074)**
Financial income	1,126	4
Financial expenses	(247)	(103)
Result Profit/(loss) before taxes	**(11,785)**	**(14,173)**
Income taxes	0	(100)
TOTAL COMPREHENSIVE INCOME OF THE PERIOD	**(11,785)**	**(14,273)**

9.2. 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 2019.

9.2.1. Operational and Corporate Highlights of 2019

Detailed Clinical and Operational Review 2019

In June 2019, Bone Therapeutics announced the successful completion of the Phase IIa study of its allogeneic cell therapy product, ALLOB, in patients undergoing a lumbar spinal fusion procedure. The results at 12-month post-treatment demonstrated that treatment with ALLOB resulted in significant clinical and radiological improvements and that ALLOB was generally well tolerated, consistent with previous reported results.

In October 2019, the Belgian Federal Agency for Medicines and Health Products (FAMHP) renewed the GMP (Good Manufacturing Practices) certification of the company's manufacturing site in Gosselies (Belgium) following a two-day site audit. This decision further validates the high production and quality standards of our allogeneic cell therapy platform.

In December 2019, the company started the CTA submission to the competent authorities to initiate the pivotal Phase III study with the enhanced protein solution, JTA-004, in patients with knee osteoarthritis. The JTA-004 Phase III study is a placebo and active-controlled, randomized, double-blind study to evaluate the potential of a single, intra-articular injection of JTA-004 to reduce osteoarthritic pain in the knee compared to placebo or Hylan G-F 20, the leading osteoarthritis treatment on the market. The study is expected to enroll 676 patients with mild to moderate symptomatic knee osteoarthritis in 6 European countries and Hong Kong SAR. The first results of the study are anticipated in the second quarter of 2021 after a follow-up period of 3 months.

In December 2019, following the previously announced discontinuation of the autologous cell therapy program, PREOB, at the end of 2018, Asahi Kasei and Bone Therapeutics agreed to formally end the PREOB

licensing agreement. As a result, Bone Therapeutics and the Walloon Region agreed to terminate the related reimbursable grant agreements under the form of Recoverable Cash Advances, thereby reducing cash reimbursements and associated interest payments that were due by the company by € 1.6M over the next 5 years.

Corporate Developments 2019

In March 2019, Olivier Godeaux, MD was appointed as Chief Medical Officer. Benoit Moreaux, DVM was appointed as Chief Scientific and Technology Officer. Dr. Olivier Godeaux is a seasoned biopharmaceutical industry executive with a proven track record in advancing drug candidates through to regulatory approval and commercial launch. With 20 years of experience, Dr. Benoit Moreaux brings extensive industry expertise in strategic operations planning and execution, as well as global quality assurance.

In June 2019, the significantly strengthened its Board of Directors with the appointment of Gloria Matthews, DVM, PhD, DACVS, as Independent Director. Gloria has more than 20 years of research and clinical experience in orthopedics, osteoarthritis, rheumatology and cartilage repair with extensive expertise in medical devices, biologicals, and regenerative medicine. She has built an impressive business and medical network over the years and her knowledge will be invaluable as the company is entering a next stage in its corporate development.

In December 2019, Miguel Forte, MD, PhD was appointed as Chief Executive Officer to lead the company into the next phase of development. Miguel has over 20 years of experience in regenerative medicine and cell therapy, latterly as Chief Executive Officer of Zelluna Immunotherapy, a biopharma company focusing on developing transformative T cell receptors (TCR) based cellular immunotherapies for the treatment of cancers. He is currently also serving as Chief Commercialization Officer and Chair of the Commercialization Committee of the International Society of Cellular Therapy (ISCT).

9.2.2. Outlook 2020

Bone Therapeutics has received regulatory approvals for its Clinical Trial Applications for the next studies, the pivotal JTA-004 Phase III clinical study targeting osteoarthritic knee pain and the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. As the company has completed preparations for these trials, it is ready to initiate recruitment in both of these studies as soon as the current situation regarding COVID-19 allows. Bone Therapeutics has taken this decision to support healthcare systems in the respective trial countries, enabling them to concentrate on treating COVID-19 patients whilst necessary.

In the second half of 2020, the company expects to report results from the 2-year follow-up period of the Phase IIa study with ALLOB in patients undergoing a spinal fusion procedure.

Good cost and cash management will remain a key priority. The net cash burn for the full year 2020 is expected to be approximately €15.00 million assuming normal operation as the effect of the ongoing COVID-19 epidemy cannot be excluded. The situation will be actively and closely monitored. The company anticipates having sufficient cash to carry out its business objectives into Q1 2021.

In this context, strengthening the cash position is a key priority. The company continues to evaluate and work on different financing options and plans to raise new funds from the capital markets and/or through alternative funding strategies.

9.2.3. Financial review

The statutory accounts are drawn up in accordance with BEGAAP and have been approved by the Board of Directors on 28 April 2020.

9.2.3.1. Income Statement

(in thousands of euros)	Year ended 31 December	
	2019	**2018**
Operating income	**12,866**	**15,069**
Turnover	0	1,000
Own construction capitalized	9,485	10,112
Other operating income	3,380	3,957
Operating charges	**(25,530)**	**(29,143)**
Services and other goods	(10,766)	(11,312)
Remuneration, social security, pensions	(3,337)	(3,889)
Depreciation and amounts written off fixed assets	(10,557)	(12,944)
Other operating charge	(869)	(999)
Operating profit/(loss)	**(12,664)**	**(14,074)**
Financial income	1,126	4
Financial expenses	(247)	(103)
Result Profit/(loss) before taxes	**(11,785)**	**(14,173)**
Income taxes	0	(100)
PROFIT/(LOSS) FOR THE PERIOD	**(11,785)**	**(14,273)**

In 2019, the revenue and operating income decreased compared to last year. Last year, the Company recognized a success fee payment from licensee Asahi Kasei, after reaching a regulatory milestone following a successful consultation with the Japanese Regulatory Authority for PREOB for an amount of €1.00 million in 2018. Other operating income decreased by €0.58 million, mainly explained by the decrease in the recoverable cash advances subsidies. The other operating income are composed of revenue recognized on recoverable cash advances ("avances récupérables") for an amount of €1.97 million, and on tax credit (€0.38 million). Other operating income also represents revenue recognized on patent subsidies and other subsidies (€0.32 million), recovery of withholding taxes (€0.43 million) and other subsidies for payroll (€0.27 million).

Total operating charges excluding depreciation charges (services and other goods, remuneration, social security charges and pension charges and other operating charges) amounted to €14.97 million compared to €16.20 million for 2018. Services and other goods caption decreased compared to 2018 mainly related to the decrease in R&D operating expenses from clinical operation. For the payroll caption, the decrease is directly explained by the average of FTE (44.1 FTE during 2019 compared to 53.9 FTE during 2018). Other operating charges slightly decreased (—€0.13 million). The decrease is resulting from the recognition in 2018 of the fixed debt for projects supported by the Walloon Region for which the Company decided that the results of these projects would be further exploited. In 2019 this was the case for 3 importants projects (3 projects in 2018).

Depreciation amounted to €10.56 million compared €12.94 million over the same period last year with the decrease entirely due to the full impact of the change in valuation principles in 2016.

The operating loss amounts to €12.66 million in 2019 compared to €14.07 million in 2018. The financial result has been positively impacted by the stop of PREOB (impact of €1.01 million).

The reported net loss in 2019 is at €11.79 million compared to €14.27 million in 2018.

9.2.3.2. Balance Sheet

(in thousands of euros)	**31/12/19**	**31/12/18**
Non-current assets	2,777	3,015
Current Assets	15,569	16,945
of which cash:	*8,111*	*7,786*
Total Assets	**18,345**	**19,960**
Current liabilities	6,898	7,910
Non-current liabilities	6,904	4,240
Total Liabilities	**13,801**	**12,151**
Net assets	**4,544**	**7,809**

The total assets as per 31 December 2019 amount to €18.35 million, compared to €19.96 million at the end of December 2018.

Non-current assets were reduced €0.24 million. The non-current assets are composed as follows:

Non-current assets *(in thousands of euros)*	**31/12/19**	**31/12/18**	**Movement**
Formation expenses	1,075	1,202	(127)
Intangible assets	71	171	(100)
Property plant and equipment	217	113	104
Financial fixed assets	1,414	1,528	(114)
Total	**2,777**	**3,015**	**(238)**

The participations made by the Company in Bone Therapeutics USA INC and in Skeletal Cell Therapy Support SA reported under financial fixed assets is valued at acquisition cost and remain unchanged. As per 31 December 2019, the Board of Directors is confident that there are no factors indicating the need for an impairment on these participations.

Current assets have decreased by €1.61 million amounting to €15.57 million at the end of December 2019. Current assets are composed as follows:

Current assets *(in thousands of euros)*	**31/12/19**	**31/12/18**	**Movement**
Amounts receivable for more than one year	4,034	3,856	178
Trade and other receivables	3,327	5,236	(1,909)
Investments	1,449	3,449	(2,000)
Cash and cash equivalents	6,662	4,337	2,325
Deferred charges and accrued income	97	68	29
Total	**15,569**	**16,945**	**(1,614)**

Amounts receivable for more than one-year amount to €4.03 million and correspond to the long-term part of the tax credit to be received. Trade and other receivables amount to €3.33 million and decreased by €1.91 million mainly explained by €0.90 million related to the success fee payment from licensee Asahi Kasei, after reaching a regulatory milestone following a successful consultation with the Japanese Regulatory Authority for PREOB received in January 2019 and by the receivables received from the Walloon Region in relation with the recoverable cash advances for an amount of €1.00 million. Trade and other receivables ares composed of receivables SCTS for €0.94 million and €2.39 million related to other amounts receivable.

Other amounts receivables are composed as follows: €1.55 million relates to receivables related to recoverable cash advances ("avances récupérables") and patent subsidies and €0.40 million relates to the tax credit. The

remaining amount is mainly related to receivables of VAT and to the National Social Security Office. Investments and cash and cash equivalents amount to €8.11 million at 31 December 2019, compared to €7.79 million at the end of the previous year.

The equity is composed as follows:

Equity *(in thousands of euros)*	**31/12/19**	**31/12/18**	**Movement**
Share capital	5,454	12,532	(7,078)
Share premium	364	6,022	(5,658)
Accumulated profits (losses)	(1,274)	(10,744)	9,470
Total	**4,544**	**7,809**	**(3,265)**

Per 31 December 2019, the net equity amounts to €4.54 million compared to €7.81 million in the previous year. As a result of the conversion bonds placed via a private placement on 7 March 2018 and the Equity transaction of June 2019, the share capital was increased by €3.51 million with the issuance of 2,361,348 shares. The aggregate share premium for this transaction amounts to €5.01 million. The share capital and the share premium were also reduced by the incorporation of the accumulated losses on 12 June 2019 (for a total of €6.76 million) and on 12 December 2019 (for a total of €14.49 million). In counterparts, the equity is impacted by loss of the year 2019 which amounts to €11.79 million.

The liabilities are composed as follows:

Liabilities *(in thousands of euros)*	**31/12/19**	**31/12/18**	**Movement**
Non-current liabilities	**6,904**	**4,240**	**2,664**
Current liabilities	**6,898**	**7,910**	**(1,013)**
Current portion of amounts payable after one year	1,945	1,643	302
Trade debts	3,703	3,507	197
Taxes remuneration and social security	552	753	(201)
Other amounts payable	277	1,730	(1,453)
Accrued charges and deferred income	420	278	143
Total	**13,801**	**12,151**	**1,651**

Total liabilities amount to €13.80 million on 31 December 2019, compared to €12.15 million at the end of previous year.

Non-current liabilities were impacted by the recognition of the non-dilutive subordinated bonds for €3.50 million. This increase is offset by the cancellation of the debts related to PREOB (for €1.00 million). The non-current liabilities are composed of amount reimbursable by means of fixed installments (30%) for recoverable cash advances received from the Walloon Region (recognized as a debt at the time the Company is deciding on the exploitation of the results obtained out of the research project co-financed with this non-dilutive funding) for an amount of €3.21 million (€3.94 million in 2018) and of loans granted by Novallia for an amount of €0.19 million (€0.30 million in 2018).

Current liabilities amount to €6.90 million and show a decrease of €1.01 million compared to the end of 2018. The decrease is mainly related to the other amounts payable which correspond to the advance's payments received from the Walloon Region for the recoverable cash advances programs. It has been used by the Company throughout the year.

9.2.3.3. Appropriation of the Result

The Company ended the year with a loss of €11.79 million. Carried forward losses at the end of 2018 amounted to €10.74 million. The Board of Directors proposes to appropriate the loss for 2019 to losses carried forward. Losses carried forward after appropriation therefore amounts to €1.27 million.

(in thousands of euros)	**31/12/19**
Loss carried forward for the year at 31.12.2018	(10,744)
Loss for the period	(11,785)
Incorporation to share capital and share premium	21,255
Total loss carried forward	(1,274)

9.2.4. Capital Increases

Via the Private Placement on 27 June 2019, the Company has raised EUR 5.00 million and placed 1,351,352 new shares with current and new institutional investors in Belgium and abroad at a price of EUR 3.70 per share, which represents a 15% discount to the day before closing price. The new shares represent 15.1% of the Company's shares currently admitted to trading on Euronext Brussels and Euronext Paris (pre-transaction). The share capital was increased by €2.04 million. The aggregate share premium for this transaction amounts to €2.96 million.

From January to December 2019, as a result of the subsequent conversion of the convertible bonds placed via the private placement on 7 March 2018, the share capital was increased by €1.47 million with issuance of 1,009,996 new shares. The aggregate share premium for this transaction amounts to €2.05 million.

9.2.5. Corporate Governance Statement

9.2.5.1. 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).

9.2.5.2. Compliance with the Corporate Governance Code

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

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

These deviations include:

- Provision 2.9 of the Code: At the date of the Annual Report, no Company Secretary has been assigned by the Board. Since the IPO (6 February 2015) the Board had assigned A&O to provide

services in this respect amongst others minuting of board meetings. Since ealy 2019, the Company has assigned this mission to Ostoborne Clarke. Given the limited size of the Company the Board is of the opinion there is no need to appoint a full-time Company Secretary.

- Provision 5.5 of the Code: At the date of this Document, the Nomination and Remuneration Committee is only composed of 2 members. The Board is of the opinion that the actual members have the appropriate knowledge and power to conduct the committee and to have a professional judgment on the decision to take to propose it to the Board of Directors.

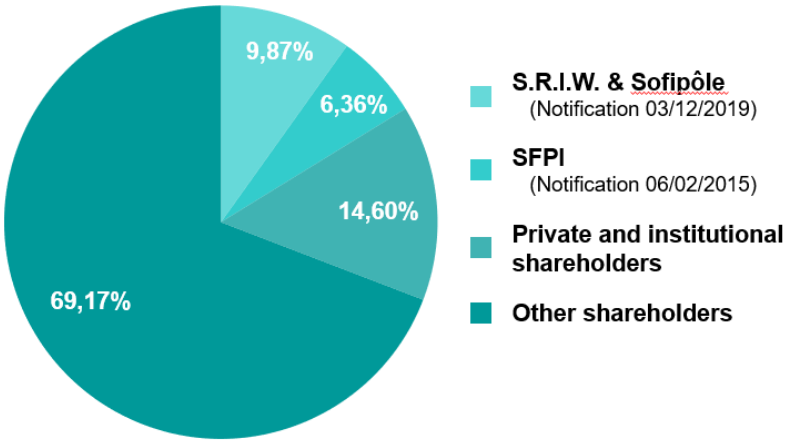
9.2.5.3. Control Environment

We would like to refer to Chapter 4 ("CORPORATE GOVERNANCE").

9.2.5.4. Shareholders' Structure at Balance Sheet Date

At 31 December 2019, there are 10,671,894 shares representing a total share capital of the Company of €5,453,713.27. There are only ordinary shares, and there are no special rights attached to any of the ordinary shares, nor special shareholder rights for any of the shareholders of the Company. The total number of attributed warrants is 69,331. The total number of Convertible Bonds remaining (issued or to be issued) is 967.

The graph[6] 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.



9.2.5.5. Composition of the Board of Directors and its Committees

We would like to refer to Chapter 4 ("CORPORATE GOVERNANCE").

9.2.5.6. Remuneration Report

We would like to refer to Chapter 4, section 4.7 ("Remuneration Report").

9.2.5.7. Risk

We would like to refer to Chapter 4, section 4.7.2 ("Risk Analysis").

[6] Denominator for S.R.I.W. & Sofipole = 10,620,686 shares and denominator for SFPI = 6,549,779 shares.

9.2.6. 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 6 ("Shares and Shareholders").

9.2.7. Research and Development

The Company entire efforts on date are going to R&D activities. Pre-clinical research is 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 2019 as in the years to come. In 2019 this represented an amount of €9.49 million compared to €10.11 million in 2018.

9.2.8. Use of Authorized 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.

On 9 July 2018, the general meeting decided, in accordance with articles 604 juncto 607, para. 2, 2° of the Belgian Company Code to renew, for a period of five years, the authorization of the board of directors to increase the capital of the Company with a global maximum amount of €11,043,220.58 on the same terms as currently provided for in article 7 of the articles of association, including in case of reception by the Company of a communication by the Financial Services and Markets Authority (FSMA) stating that the FSMA has been informed of a public takeover bid regarding the Company. The general meeting decided to amend article 7 of the articles of association in order to reflect the renewal of said authorization.

Since the renewal of the authorized capital by the general meeting on 9 July 2018, the Board has used its powers to increase the share capital by an amount of €2,040,541.52 within the framework of the authorized capital on 1 July 2019 following the private placement of 1,351,352 new shares announced on 27 June 2019. Consequently, the Board is therefore authorised to increase the share capital of the Company within the framework of the authorised capital for a maximum amount of €9,002,679.06 (excluding any issue premiums).

9.2.9. Conflict of Interest According to Article 7:96 of the Belgian Companies and Associations' Code Company Code

We refer to Chapter 5 ("Related Party Transactions").

9.2.10. Going Concern Assessment

The 2019 statutory results of the Company show a loss of €11,785,000, and the statutory statement of financial position includes a loss carried forward of €1,274,000 after incorporation of losses into the share capital and the share premium. Nevertheless, the Board is of the opinion that it is appropriate to prepare the financial statements of the Company under the assumption of going concern considering that a group level:

- an annual projected cash burn around €15.00 million (excluding fundraise linked to the bridge loans and convertible bond program),
- the total financing of €11.00 million consisting of
    - €4.75 million bridge loans,
    - €1,26 million in equity private placement and,
    - €4.99 million in private placement of convertible bonds (CBs).

The Company anticipates total proceeds of approximatively €8.00 million in 2020 (see section 9.2.11 "Subsequents Events" for more information).

With the completion of the current financing operation subject to get regulatory approval in May 2020 for the bridge loans, the Company expects to have a runway into Q1 2021.

9.2.11. Subsequent Events

The annual consolidated financial statements on 31 December 2019 were authorized for issue by the Board of Directors of the Company on 28 April 2020. Accordingly, events after the reporting period are those events that occurred between 1 January 2020 and 28 April 2020.

Convertible Bonds Placement of March 2018

From January till the date of this Annual Report, as a result of the conversion of the convertible bonds placed via a private placement on 7 March 2018, the share capital was increased by €221,604 with issuance of 434,517 shares and amounts to €5,675,317. The aggregate share premium for this transaction amounts to €1,165,814.

PUT option

Early 2020 the Company bought the shares of Sofipôle for €0.8 million in Skeletal Cell Therapy Support S.A. and obtained a financing (loan) for the same amount from Sofipôle. The Company also reimbursed €0.33 million to private investors. For the remaining amount, the Company is discussing to also obtain a loan in exchange to the buy-back of the shares. At the date of the Annual Report, Bone Therapeutics held 81.02% of Skeletal Cell Therapy Support S.A.

Approval Clinical Trial Applications

In March 2020, the Company received regulatory approvals for its Clinical Trial Applications for the next studies of both of its lead candidates. These two studies are the pivotal JTA-004 Phase III clinical study targeting osteoarthritic knee pain and the Phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures. The JTA-004 trial has now been approved by regulatory authorities in Belgium, Denmark and Hong Kong, and the ALLOB study by Belgian regulatory authorities.

Appointment Chief Business Officer

In March 2020, the Company appointed Stefanos Theoharis, PhD as Chief Business Officer (CBO), further strengthening its management team. Stefanos will be responsible for the company's corporate development activities and executing its business strategy. His immediate priorities will be concentrating on partnering Bone Therapeutics products and in-licensing innovations. He will also further develop the commercial strategies for the product portfolio and cell therapy platform.

Financing

In April, the Company secured €11.0 million financing. The financing will be used to advance both of its key assets, ALLOB and JTA-004, through late stage clinical development. The secured €11.0 million financing combines:

- €4.75 million bridge loans provided by commercial banks and Sambrinvest, conditional upon obtaining a credit assurance which is pending regulatory approvals expected in May;
- €1.26 million equity by existing shareholders (immediate conversion of CBs) and;
- flexible[7] €4.99 million of convertible bonds to be used if and when necessary.

[7] The Company may at any time stop the program without penalty.

The bridge loans are still subject to obtaining a credit assurance, which is pending regulatory approvals expected in May 2020. The specific terms of the CBs can be found in the Investor section of Bone Therapeutics' website. Subject to the completion of the current financing operation, supporting the company's further development and strengthen its balance sheet, the Company expects to have a runway into Q1 2021.

Covid-19

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

- the diversion of healthcare resources away from the conduct of clinical trial matters to focus on pandemic concerns, including the attention of physicians serving as Group's clinical trial investigators, hospitals serving as its clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- unwillingness of patients to enroll in our trials or inability to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services;
- limitations on travel that interrupt key trial activities, such as clinical trial site initiations and monitoring;
- reduced or interrupted activities at local regulators and other important agencies, contractors and third-party organizations that the Company relies upon to carry out its clinical trials and;
- interruption in operations at its third-party suppliers or global shipping, which could result in delays or disruptions in the supply of clinical trial materials, such as investigational drug product used in our trials.

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

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

9.2.12. 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 2019 the discharge of liability for the exercise of their respective mandates during the said fiscal year.

9.2.13. Summary of Valuation Rules

9.2.13.1. Principles

The valuation rules have been prepared by the Board of Directors in accordance with the requirements of the Royal Decree of 30 January 2001.

9.2.13.2. Specific Rules

Company Formation Expenses

Formation expenses are recorded as intangible fixed assets at their nominal value and depreciated over a period of 5 years. The debt issuance costs are directly recognized into the profit and loss.

Intangible Assets

R&D costs excluding administrative and financial costs are recognized as assets in an intangible asset account and amortized pro-rata basis over the year for the R&D costs capitalized as from 1 January 2016. For R&D costs capitalized before this change in accounting rules, amortization continues to be applied over a three-year period.

Receivables From Third Parties

Receivables are valued at their face value. Non-interest bearing long-term Receivables will be actualized using an appropriate discount rate.

Advance Cash Payment

Upon signing agreements with the Walloon Region, advance cash payment will be recorded (when received) and will be debited in line with the part of the expenses reported and claimed which, granting body considers as being paid through the advances.

Recoverable Cash Advances (RCA's or Avances récupérables)

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

When the decision is made to exploit the results of the work financed through the recoverable cash advances, the recoverable advances are recognized in debt in full during the year the decision was taken. At the same time, the recoverable cash advance is recognized at 100% in other operating charges. The amount of the debt corresponds to plan set out in an agreement with the Walloon Region.

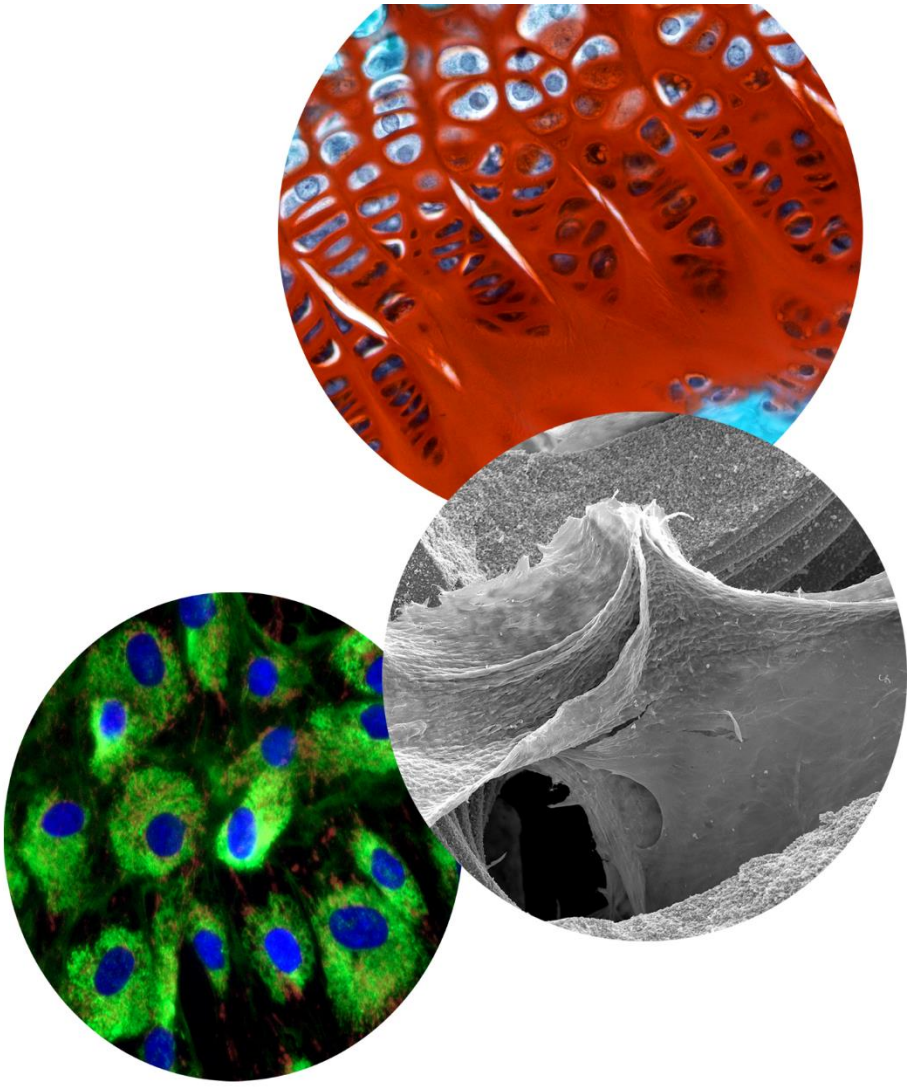
In case the project is abandoned, the remaining part of the capitalized R&D will be depreciated in an accelerated way and the revenues that are related will also be recognized in an accelerated way.

9.2.14. Fees Paid to Auditors for Audit and Other Activities

Detail of audit and non-audit fees paid during 2019 in €	Amount
Statutory and IFRS audit fees Bone Therapeutics	28,700
Statutory audit fees SCTS	9,700
Statutory audit fees GIE BOCEGO	1,500
Total audit fees Deloitte for FY19	**39,900**
Report for ABB and convertible bonds	5,000
Report for conversion of warrants and shares	7,500
Report for INAMI subsidies	5,000
Total non-audit fees Deloitte and related parties	**17,500**
TOTAL	**57,400**

Figure legend back cover (from top to bottom):

- Cartilage formation (Safranin O)
- Mineralisation by osteogenic cells on a 3D matrix (electron microscopy)
- Immunofluoroscopy on bone marrow MSC (ColI-F Actin - DAPI)



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