



Interim Financial Report

H1 2020

This interim financial report is prepared in accordance with article 13 of the Royal Decree on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Bone Therapeutics publishes its interim financial report in English. A French translation of the report will also be made available. In the event of differences between the English and the French versions of the report, the original English version will prevail.

Bone Therapeutics' Interim Financial Report Half-Year 2020

1. REPORT OF THE BOARD OF DIRECTORS

Bone Therapeutics is continuing to make significant progress with the development of our clinical assets closer to patients. The pivotal JTA-004 phase III clinical trial in knee osteoarthritis is now recruiting in all countries and the phase IIb study with ALLOB in tibial fractures has received regulatory clearance in nearly all countries applied. The successful fundraises in previous months further strengthen our cash position allowing us to execute our business strategy to progress both lead candidates through their late-stage clinical development. Furthermore, the recent funding from the Walloon Region supporting the expansion of our pipeline into inflammatory conditions further underscores the potential of our MSC platform to drive much needed innovation in a wide range of therapeutic areas. This recent progress and the appointment of Stefanos Theoharis as Chief Business Officer will further accelerate strategic discussions regarding the commercialization of both our clinical assets with potential business partners. With the anticipated completion of patient recruitment of JTA-004 phase III trial, the start of the ALLOB phase IIb study and the 24 months readout of the phase IIa trial with ALLOB in spinal fusion, Bone Therapeutics is progressing towards an exciting second half of the year.

For the first six months of 2020, total operating income slightly decreased to € 1.04 million compared to € 1.68 million in the first six months of 2019. The operating loss for the period amounted to € 9.10 million compared to € 5.44 million in H1 2019. The Group ended the first six months of 2020 with € 10.04 million in cash and cash equivalents.

Operational and Corporate Highlights

- During the first wave of the global COVID-19 pandemic, Bone Therapeutics decided to reduce the recruitment activities of its studies to a minimum to support healthcare systems in the respective trial countries enabling them to concentrate on treating COVID-19 patients whilst necessary.
- Following the lifting of the COVID-19 lockdown measures, Bone Therapeutics initiated the recruitment of its pivotal phase III study with the next generation of viscosupplement, JTA-004, targeting osteoarthritic knee pain in mid-May 2020. The clinical trial has now been approved in all seven territories in which Clinical Trial Applications (CTA) of the study had been submitted, these being Belgium, Czech Republic, Denmark, Hong Kong, Moldavia, Poland and United Kingdom. Approximately 20% of the targeted assessable patients have been treated since the initiation of the trial.
- The phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures has received approval from regulatory authorities in the main six of the seven European countries in which the Company has applied for the study. Patient recruitment is expected to start in the second half of the year.
- In March, the company appointed Stefanos Theoharis, PhD as Chief Business Officer (CBO), further strengthening its management team. With more than 15 years of business development experience in the pharma and biotech industry, specifically in the cell and gene therapy space, Stefanos will be responsible for the company's corporate development activities and the execution of its business strategy.
- Post period, in August, Bone Therapeutics was granted EUR 1.0 million in non-dilutive funding under the form of recoverable cash advances from the Walloon Region, Belgium. This funding will provide additional financial support to advance its current phase III clinical study with JTA-004.
- Also in August, the Company received two additional grants with a total value of EUR 0.6 million from the Walloon Region for research and initial preparatory steps towards clinical development of BT-20, its new

allogeneic and off-the-shelf cell therapy product, leveraging its expertise in Mesenchymal Stromal Cell (MSC) biology to expand its portfolio from orthopedics and bone diseases to inflammatory conditions. Both grants, as well as the recoverable cash advances, are subject to conditions precedent.

Financial Highlights for the period ended 30 June 2020

- In April, Bone Therapeutics announced that it secured EUR 11.00 million financing. The financing operation consisted of EUR 4.75 million bridge loans, EUR 1.26 million in equity private placement (through immediate conversion of convertible bonds (CBs)) by existing shareholders and, on an as-needed basis, a EUR 4.99 million in private placement of CBs.
- Subsequently, in May, Bone Therapeutics received an additional EUR 4.00 million of financing from existing investors in the form of subordinated bonds with the option to convert. The total amount of committed gross proceeds for both funding operations amount to EUR 15.00 million.
- The structure of the financing (mainly non-dilutive) combined with an operating loss for the period led to a negative shareholders' equity of EUR 4.6 million at the end of June 2020.
- During the first six months of 2020, total operating income amounted to EUR 1.04 million, a slight decrease compared to the same period in 2019 (EUR 1.68 million).
- Operating loss for the period amounted to EUR 9.10 million, compared to EUR 5.44 million in H1 2019.
- The Company ended the first six months of 2020 with EUR 10.04 million in cash and cash equivalents. Cash used for the period amounted to EUR 8.86 million, excluding net proceeds obtained from financing activities, compared to EUR 5.12 million over the same period of 2019.

Income statement

During the first six months of 2020, total operating income amounted to € 1.04 million, a decrease of € 0.64 million compared to the first half of 2019 (€ 1.68 million). Income resulted from the recognition of recoverable cash advances (€ 0.32 million), partial exemption of withholding tax payable on R&D salaries (€ 0.23 million), tax credit on investments (for € 0.46 million) and patent and other subsidies.

Research and development expenses increased by 56% to € 8.53 million (€ 5.47 million in H1 2019). This increase is mainly related to the increase in R&D operating expenses from clinical operations.

General and administrative expenses for the first six months show a decrease of 2.3% and amount to € 1.61 million versus € 1.64 million over the same period last year. The decrease of the other expenses is mainly explained by a better cost management.

As a result, the operating loss amounted to € 9.10 million in the first half of 2020, compared to € 5.44 million in the same period in 2019.

The net financial loss amounted to € 0.72 million compared with € 0.14 million in 2019. The net financial expenses were mainly impacted in 2020 by the recognition of the discount given on the committed capital from the placement of the Convertible Bonds of April 2020 (impact of € 0.40 million) and by the interests on the non-diluted subordinated loans for € 0.28 million.

The net loss for the period amounted to € 9.84 million during the first six months ending 30 June 2020 compared to € 5.59 million in 2019.

Balance sheet

The Group's total assets amounted to € 22.64 million on 30 June 2020 compared with € 22.39 million at the end of December 2019 mainly explained by the increase of the current assets. Current assets increased by 4.3% to € 12.23 million at the end of June 2020 (€ 11.73 million in 2019). The increase is mainly explained by the increase of the cash and cash equivalents from € 8.63 million at the end of the December 2019 to € 10.04 million on 30 June 2020. In April and May, the Company announced that it secured a new financing. The Company received € 4.75 million bridge loans, € 1.26 million in equity private placement (immediate conversion of CBs) by existing shareholders and received an additional € 4.00 million of financing from existing investors in the form of subordinated bonds with the option to convert.

In counterparts, the trade and other receivables decreased by € 1.01 million mainly explained by the receipt of € 1.04 million from the Walloon Region for the ongoing recoverable cash advances contracts.

The non-current assets decreased by 2.3% to € 10.41 million (€ 10.66 million in 2019). This decrease only related to the depreciation of PPE.

The Group's equity decreased from € 2.05 million at the end of December 2019 to a negative amount of € 4.58 million on 30 June 2020, as a result of the incorporation of the loss for the period (amounting to € 9.84 million). It is offset by the increase in share capital and share premium's increase (amounting to € 2.78 million), by the recognition of a specific reserve linked to the convertible bonds and warrants for € 0.22 million and by the recognition of the equity component linked to the Placement of subordinated bonds with the option to convert in May 2020 for € 0.20 million.

Liabilities amounted to € 27.22 million in 2020 compared with € 20.34 million at the end of December 2019 representing an increase of € 6.88 million.

Non-current liabilities increased by 35.7% to € 14.94 million compared with € 11.01 million on 31 December 2019. The non-current liabilities are impacted by the recognition of the subordinated bonds for an amount of € 3.60 million (deducted of € 0.20 million of transaction costs) and by the new loan obtained from Sofipôle for an amount of € 0.80 million. It is offset by a reclassification of € 0.47 million in current liabilities for debt reaching maturity within the next 12 months.

Current liabilities increased and amounted to € 12.28 million on 30 June 2020 (compared to € 9.34 million at the end of 2019). The Group observed an increase of the current financial liabilities of € 4.28 million which is mainly explained by the recognition of the straight loans obtained from the banks and Sambrinvest for an amount of € 4.75 million and by the reclassification of € 0.47 million from the non-current liabilities. The increase is offset by the decrease of the convertible bond liability (for an amount of € 0.88 million) and by the decrease of the other current liabilities, mainly explained by the buy-back of 33.5% of the shares of SCTS SA (for an amount of € 1.23 million). The trade and other payables remain stables compared to last year.

Cash flow statement

The table in section 2.4 (see below) sets forth the Group's consolidated cash flow statement for the six-month periods ending 30 June 2020 and 30 June 2019.

Cash used for operating activities amounts to € 8.37 million for the first six months of 2020 compared to € 4.87 million for the first six months of 2019.

Total operating loss for the period amounts to € 9.10 million compared to a loss of € 5.44 million over the same period in 2019. The net negative impact of adjustments for non-cash items amounted to in total € 0.47 million compared to € 0.92 million during the previous year relating to depreciation, share based payments and recognition of grant income from RCA's, patent subsidies and tax credits. Actual cash received in 2020 for

the grants and milestone payment amounted to € 1.24 million compared to € 2.51 million in 2019 (grants - part of which reimbursements is turnover-dependent).

There was no impact on the working capital in 2020. For the first six months of 2019 there was a reduction of working capital for an amount of € 1.02 million.

Cash flow from investing activities shows a net use of cash of € 0.09 million for the first six months of 2020 compared with € 0.27 million for the first six months of 2019.

Cash flow generated from financing activities amounts to € 9.78 million for the first six months of 2020 compared with € 10.12 million for the first six months of 2019.

Financial cash inflows during H1 2020 are as follows:

- Cash in from the private placement (convertible bonds and related warrants) (total amount received of € 5.80 million);
- Cash in from the bridge loans (€ 4.00 million);
- Cash in from the related parties (a bridge loan from Sambrinvest for € 0.75 million and a loan of € 0.80 million from Sofipôle);
- recoverable cash advances provided to the Group by the Walloon Region (R&D project financing) for an amount of € 0.31 million in 2020 (€ 0.55 million in 2019) (part for which reimbursements is turnover-independent).

Financial cash outflows during H1 2020 are as follows:

- Acquisition of 33.5% of the shares of Skeletal Cell Therapy Support SA for € 1.23 million. Bone Therapeutics SA now holds 83.4% of SCTS SA.
- Transaction costs for the equity transaction and the non-dilutive subordinated loan placement (€ 0.20 million);
- other reimbursements (lease contracts and bank loans) and interest paid for an amount of € 0.36 million in 2020 (€ 0.53 million in 2019).

Outlook for the remainder of 2020

- At the current recruitment rate, patient enrolment for the JTA-004 phase III study is on track to be completed before year-end. Bone Therapeutics anticipates reporting topline results on the 3-month primary endpoint and 6-month follow-up period in the second half of 2021.
- The Company expects to initiate clinical trial activities and patient recruitments for the ALLOB phase IIb study in patients with difficult tibial fractures in European clinical centers in the second half of 2020.
- As the evolution of the pandemic is uncertain and cannot be predicted at present, both studies may encounter a delay compared to the anticipated schedule. The situation in Europe and Hong Kong is actively and closely monitored on an ongoing basis.
- In November, Bone Therapeutics plans to initiate the first discussions with the US FDA (Food and Drug Administration) in preparation for the next steps in the clinical development of JTA-004 in the US, a large, important market.
- In the second half of 2020, the Company also 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.

- Bone Therapeutics continues to hold discussions with potential partners to explore business opportunities. It also intends to prepare a fundraise in the second half of 2020. Existing shareholders have already taken a pre-commitment to participate.
- Good cost and cash management will remain a key priority, as already reflected in our operating expenses. Cash used for the full year 2020 is anticipated to amount to EUR 15.00-16.00 million, largely driven by external costs associated with increased clinical trial activities and costs associated with the JTA phase III and ALLOB phase IIb clinical studies. Taking into account the total committed gross proceeds of EUR 15 million raised through the Private Placements and in bridge loans in April and May of this year, the convertible bonds and the recoverable cash advances granted by the Walloon Region, the Company anticipates having sufficient cash to carry out its business objectives into Spring 2021. This assumes normal operation, as there may be further effects of the ongoing COVID-19 epidemic. Potential delay in patient recruitment in both studies could lower the expected cash burn and extend the anticipated cash runway further into 2021.

Risks and uncertainties

For a detailed description of the risks associated to the activities of the Group, we refer to the Annual Report 2019 available on the Company's website.

2. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020

2.1. Interim Condensed Consolidated Statement of Financial Position

Consolidated Assets IFRS per: (in thousands of euros)	Note	30/06/2020	31/12/2019
Non-current assets		10,411	10,660
Intangible assets		21	28
Property, plant and equipment	1	5,839	6,100
Investments in associates		338	332
Financial assets		161	140
Deferred tax assets		4,052	4,059
Current assets		12,231	11,733
Trade and other receivables	2	2,014	3,025
Other current assets		180	75
Cash and cash equivalents	3	10,040	8,633
TOTAL ASSETS		22,644	22,393

Consolidated Equity & Liabilities IFRS per: (in thousands of euros)	Note	30/06/2020	31/12/2019
Equity attributable to owners of the parent		(4,578)	2,048
<i>Share capital</i>		5,959	5,454
<i>Share premium</i>		60,296	58,026
<i>Accumulated losses</i>		(70,998)	(61,586)
<i>Other reserves</i>		165	154
Non-controlling interests		0	0
Total Equity	4	(4,578)	2,048
Non-current liabilities		14,940	11,006
Financial liabilities	5	14,940	11,006
Other non-current liabilities		0	0
Current liabilities		12,283	9,339
Financial liabilities	5	6,992	2,709
Trade and other payables		4,005	3,841
Other current liabilities	6	1,286	2,788
Total liabilities		27,222	20,344
TOTAL EQUITY AND LIABILITIES		22,644	22,393

2.2. Interim Condensed Consolidated Statements of Comprehensive Income

<i>(in thousands of euros)</i>	Note	For the six-months period ended	
		30/06/2020	30/06/2019
Revenues		0	0
Other operating income		1,039	1,679
Total revenues and operating income	7	1,039	1,679
Research and development expenses	8	(8,528)	(5,472)
General and administrative expenses	9	(1,606)	(1,643)
Operating profit/(loss)		(9,096)	(5,436)
Interest income		20	31
Financial expenses	10	(739)	(162)
Exchange gains/(losses)		(5)	(3)
Share of profit/(loss) of associates		6	(3)
Result Profit/(loss) before taxes		(9,814)	(5,572)
Income taxes		(26)	(20)
TOTAL COMPREHENSIVE INCOME/(LOSS) OF THE PERIOD		(9,840)	(5,592)
Basic and diluted loss per share (in euros)	11	(0.88)	(0.65)
Profit/(loss) for the period attributable to the owners of the Company		(9,830)	(5,536)
Profit/(loss) for the period attributable to the non-controlling interests		(10)	(55)
Total comprehensive income/(loss) for the period attributable to the owners of the Company		(9,830)	(5,536)
Total comprehensive income/(loss) for the period attributable to the non-controlling interests		(10)	(55)

2.3. Interim Condensed Consolidated Statements of Change in Shareholder's Equity

Attributable to owners of the parent						
<i>(in thousands of euros)</i>	Share capital	Share premium	Accumulated Losses & other reserves	Total equity attributable to owners of the parent	Non-controlling interests	TOTAL EQUITY
BALANCE AT 1 JANUARY 2019	12,532	53,478	(61,518)	4,492	0	4,492
Total comprehensive income of the period	0	0	(5,536)	(5,536)	(55)	(5,592)
Issue of share capital	3,009	4,273	0	7,282	0	7,282
Transaction costs for equity issue	0	(445)	0	(445)	0	(445)
Specific reserve for convertible bonds	0	0	198	198	0	198
Allocation to the legal reserve	0	0	6	6	0	6
Share-based payment	0	0	21	21	0	21
Movement non-controlling interests	0	0	(55)	(55)	55	0
Other	0	0	(6)	(6)	0	(6)
BALANCE AT 30 JUNE 2019	15,541	57,306	(66,888)	5,958	0	5,958
BALANCE AT 1 JANUARY 2020	5,454	58,026	(61,432)	2,048	0	2,048
Total comprehensive income of the period	0	0	(9,830)	(9,830)	(10)	(9,840)
Issue of share capital	506	2,269	0	2,775	0	2,775
Equity component for Convertible Bonds	0	0	199	199	0	199
Specific reserve for convertible bonds	0	0	219	219	0	219
Allocation to the legal reserve	0	0	3	3	0	3
Share-based payment	0	0	8	8	0	8
Movement non-controlling interests	0	0	(10)	(10)	10	0
Other	0	0	10	10	0	10
BALANCE AT 30 JUNE 2020	5,959	60,296	(70,833)	(4,578)	0	(4,578)

2.4. Interim Condensed Consolidated Statement of Cash Flows

Consolidated Statements of Cash Flows (in thousands of euros)	For the six-month period ended 30 June	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit/(loss)	(9,096)	(5,436)
Adjustments for:		
Depreciation, Amortisation and Impairments	351	389
Share-based compensation	8	21
Grants income related to recoverable cash advances	(315)	(1,075)
Grants income related to patents	(3)	(8)
Grants income related to tax credit	(452)	(250)
Other	29	(1)
Movements in working capital:		
(Increase)/Decrease in Trade and other receivables (excluding government grants)	(40)	28
Increase/(Decrease) in Trade and other Payables	(1)	(1,049)
Increase/(Decrease) in Other current liabilities (excluding government grants)	0	2
Cash used by operations	(9,519)	(7,378)
Cash received from licensing agreement	0	900
Cash received from grants related to recoverable cash advances	725	1,273
Cash received from grants related to patents	27	14
Cash received from other grants	117	0
Cash received from grants related to tax credit	394	344
Income taxes paid	(26)	(20)
Net cash used in operating activities	(8,282)	(4,866)
CASH FLOW FROM INVESTING ACTIVITIES		
Interests received	1	1
Purchases of property, plant and equipment	(88)	(271)
Purchases of intangible assets	0	(2)
Net cash used in investing activities	(87)	(272)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from government loans	311	546
Proceeds received from related parties	1,550	0
Reimbursements of financial lease liabilities and loan from related parties	(114)	(255)
Reimbursements of other financial loans	(63)	(125)
Proceeds from bank institutions	4,000	0
Interests paid	(187)	(147)
Payments to acquire financial investments	(1,234)	0
Transaction costs	(200)	(620)
Proceeds from issue of equity instruments of the Company	1,450	7,282
Proceeds received from convertible loan	4,263	(57)
Proceeds received from subordinated bonds	0	3,500
Net cash generated from financing activities	9,776	10,124
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,407	4,985
CASH AND CASH EQUIVALENTS at beginning of the period	8,633	8,174
CASH AND CASH EQUIVALENTS at end of the period	10,040	13,159

2.5. Notes to Interim Condensed Consolidated Financial Statements

2.5.1. General information

Bone Therapeutics SA (the “**Company**”) is a limited liability company governed by Belgian law. The address of its registered office is Rue Auguste Piccard 37, 6041 Gosselies, Belgium. 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 orthopaedics. 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 orthopaedics and bone diseases.

The interim consolidated financial statements of Bone Therapeutics SA for the six months ended 30 June 2020 include Bone Therapeutics SA and its affiliates. These were authorized for issue by the Board of Directors on 25 August 2020.

2.5.2. Summary of significant accounting policies

The Group’s interim consolidated financial statements for the six-month period ended 30 June 2020 have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”) and with IAS 34 Interim Financial Reporting.

The same accounting policies and methods of computation are followed in these interim consolidated financial statements as were applied in the consolidated financial statements of the Group for the year ended 31 December 2019.

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.

2.5.3. Going concern statement

The operations of the Company are currently being financed from funds that have been raised from dilutive and non-dilutive instruments since beginning of 2020.

Indeed, in April 2020 in a COVID-19 context where the stock market was unstable, the Company secured € 15.00 million funding of which non-dilutive bridge loans of € 4,75 million re-payable upon next capital raise or in the next 12 months.

The structure of this funding combined with loss of the period leads to negative shareholders' equity end of June 2020 of € -4.60 million.

The cash burn of the Company (excluding bridge loans repayment and cash-in from convertible bonds program) is expected to be € 15,90 million for supporting the development of its therapies and technologies through clinical development for the next 12 months (July 2020 to June 2021).

The Company foresees to payback the bridge loans of € 4,75 million in Q2 2021 which will be partially offset by € 3.00 million of additional cash coming from the convertible bonds program.

Taking into account the cash position end of June 2020 of € 10,04 million and the items above, the company expects to be short in cash in Spring 2021.

In order to support its ongoing clinical development programs and ensure sufficient funds, the Company is actively seeking further business development and assessing fundraising transactions to secure further funding in the months to come.

In that context, the Board places considerable emphasis on communication with shareholders, potential investors and prospective partners in order to maximize the chances of success in exploiting these opportunities.

Today, as there is no commitment yet on the raise of sufficient funds through capital increase or strategic transaction and linked to the uncertainty of COVID-19 evolution and stock market conditions, the risk exists of not getting enough funding on a timely basis.

However, the company is confident that the fundamentals have been reinforced in the last 12 months, substantiated amongst other by the current assessment of likely outcome of the ongoing Phase III study, strategic discussions and long term support from our historical shareholders.

Based on the above, the Directors have reasonable expectations that the Company's current and future financial resources will be sufficient to support the business until end of June 2021. The Directors therefore consider it appropriate to continue to adopt the going concern basis in the preparation of these financial statements.

2.5.4. 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.

2.5.5. Disclosures to the interim condensed consolidated financial statements

Note 1 – Property, plant and equipment

Property, plant and equipment amounted to € 5.84 million on 30 June 2020 showing a decrease of € 0.26 million. The decrease is largely explained by the depreciation of the assets recorded over the first six months of 2020.

Note 2 – Trade and other receivables

The trade and other receivables are detailed as follows:

Trade and other receivables <i>(in thousands of euros)</i>	Total	
	30/06/2020	31/12/2019
Trade receivables		
Trade receivables	88	132
Write-downs on trade receivables	0	0
Total trade receivables	88	132
Other receivables		
Receivable related to taxes	315	308
Receivable related to tax credit	462	397
Receivable related to recoverable cash advances	929	1,964
Receivable related to patent grants	219	225

Total other receivables	1,925	2,893
Total trade and other receivables	2,014	3,025

Trade and other receivables amounted to € 2.01 million showing a decrease of € 1.01 million compared to the end of December 2019. The decrease results mainly from the reduction of the receivables related to the recoverable cash advances (€ 1.04 million of payments received during the period).

Note 3 - Cash and cash equivalents

The cash position at the end of June 2020 amounted to € 10.04 million compared to € 8.63 million on 31 December 2019. The strengthened cash position was the result of financing of € 15.00 million of which € 10.01 million was already obtained on 30 June 2020 (see note 5).

During the first six months of 2020, the Company has collected a proceed of € 11.66 million (before € 0.20 million of transaction costs). In the same period, the Company has used € 10.05 million in operation, investing, and financing activities.

Note 4 – Equity

The Group's equity decreased from € 2.05 million at the end of December 2019 to a negative amount of € 4.20 million on 30 June 2020.

Share capital and share premium

From January 2020 to June 2020, as a result of the subsequent conversion of the convertible bonds placed via the private placement on 7 March 2018 and on 29 April 2020, the share capital was increased by € 0.51 million with issuance of 991,246 new shares. The aggregate share premium for this transaction amounts to € 2.27 million. Following the capital increase, the share capital of the Company amounted to € 5.96 million and was represented by 11,663,140 shares. The share premium accounts amount to € 60.30 million (including transaction costs).

Share-based Payments Scheme

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 Ordinary General Meeting of 10 June 2020 took note of the number of Plan A subscription rights still available for granting, i.e. 25,761 subscription rights and decided to cancel the said residual subscription rights.

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

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

The ordinary general meeting of shareholders of 10 June 2020 decided to limit the possibility reserved to the Board of Directors to issue subscription rights within the framework of annual plans issued within the framework of the authorised capital, up to a maximum of 0.93% of the number of shares existing at the time of the issue of the said subscription rights, and this until the ordinary general meeting of shareholders to be held in 2021 and deciding on the annual accounts relating to the financial year ending 31 December 2020. After this meeting, this authorization will be increased again to a maximum annual amount of 0.6% of the number of existing shares at the time of the issue of the said subscription rights.

The following plans were established:

Plan	Beneficiaries	Number of warrants issued	Number of warrants granted	Exercise price of warrants granted	Expiry
Warrant Plan A	Employees, consultants or Directors	113,760	87,998	€ 4.11, € 7.72 and € 8.77	February 2024
Warrant Plan 2020	CEO, CFO, CCRO	69,978	63,724*	€ 2.74	May 2027
TOTAL		183,738	151,722		

* those warrants were granted but not yet accepted on 30 June 2020

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

Options series	Number	Grant Date	Expiry date	Exercise price	Fair Value at grant date
(1) Warrant Plan A	24,000	19-12-16	23-02-24	7.72	3.10
(2) Warrant Plan A	5,333	31-08-17	01-02-21	8.77	3.18
(3) 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 - TL	Plan A - BC	Plan A - 2019
Number of warrants granted	24,000	5,333	47,998
Exercise price (in €)	7.72	8.77	4.11
Fair value of the share at grant date	7.72	8.77	4.11
Expected dividend yield	0	0	0
Expected volatility	35.80%	35.80%	56.40%

Risk-free interest rate	0.00%	0.00%	0.00%
Duration in years	6.15	5.15	4.11
Fair value (in €)	3.1	3.18	1.95

There was no warrant exercised in 2020.

Note 5 – Financial liabilities

Financial liabilities are detailed as follows:

<i>(in thousands of euros)</i>	Non-current		Current		Total	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Finance lease liabilities	148	170	173	177	321	348
Government loans	4,162	4,556	982	500	5,144	5,056
Loans from related parties	1,828	1,079	953	203	2,782	1,282
Bank debt	1,875	1,875	4,188	250	6,063	2,125
Convertible Bonds	3,601	0	696	1,578	4,297	1,578
Non-Convertible Bonds	3,325	3,325	0	0	3,325	3,325
Total financial liabilities	14,940	11,006	6,992	2,709	21,932	13,715

There are some outstanding covenants with respect to the financial liabilities, such as related to the Novallia loans in case the Company has difficulties regarding continuity. In case of a public take-over bid, we refer to Annual Report 2019 in section 6.5.

For the bridge loans obtained in April 2020, the Company will need to reimburse them either at the time of the next capital increase or one year after they are granted.

Overall financial liabilities have increased (+60%) and amount to 21.93 million.

Non-current financial liabilities amounted to € 14.94 million compared to € 11.01 million on 31 December 2019. The increase is mainly explained by the recognition of the subordinated bonds with the option to convert (€ 3.06 million) and by the loan obtained from Sofipôle (for an amount of € 0.80 million) for the financing of the buy-back of the shares from SCTS.

Current financial liabilities amounted to € 6.99 million representing an increase of € 4.28 million mainly explained by the recognition of the straight loans obtained from the banks and from Sambrinvest.

Convertible Bonds and related warrants – Operation of March 2018

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

For a description of all the operation and of the assumptions, we refer to the Annual Report 2019.

A total amount of € 19.45 million in committed capital has been subscribed during the Offering. In March 2018, part of the investors has decided to immediately exercise warrants resulting in immediate gross proceeds of about € 6.58 million and 565,773 new shares to be created, increasing the total outstanding shares from 6,849,654 to 7,415,427 ordinary shares. In the ensuing 26 months, 4,907 bond warrants have been exercised which resulted in additional proceeds of € 12.27 million. During the same period, 4,942 bonds have been converted into 2,497,729 shares. On 30 June 2020, there is a total of 11,264,508 ordinary shares outstanding, including 1,351,352 shares issued in the fund raise of June 2019 and 398,632 shares issued in the convertible bond program of April 2020. The remaining warrants when exercised will provide additional proceeds of EUR 0.60 million.

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 € 0.10 million at 30 June 2020.

Summary of the situation at the beginning of the transaction and on 30 June 2020:

Initial financing round (7 March 2018)		Transactions until 30 June 2020		Situation on 30 June 2020	
# CBs purchased	389	# CB converted	7,523	# CBs outstanding	17
# warrants attached	7,391	# warrants exercised	7,151	# warrants outstanding	240
Total # CBs (Issued or to be issued)	7,780			Total # CBs remaining (Issued or to be issued)	257
Total proceeds committed	19,450,000 €	Proceeds obtained	18,850,000 €	Proceeds remaining	600,000 €
# shares outstanding (before private placement)	6,849,654	# shares issued	3,063,502		
		# shares issued in June 2019 (ABB)	1,351,352		
		# shares issued in private placement in April 2020	398,632	# shares outstanding	11,663,140

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.

Convertible Bonds and related warrants – Operation of April 2020

On 29 April 2020, the Company has successfully placed senior, unsecured Convertible Bonds (the "CBs") without any warrants with a total commitment of EUR 6.25 million via a private placement.

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 94% of the Volume-Weighted-Averaged-Price of the Company's shares as provided by Bloomberg LP of the day immediately preceding CB holder's request of conversion or maturity date. Upon conversion of the CBs, the new shares issued shall immediately bear the same right of all other existing shares and could be traded on the Euronext stock exchanges in Brussels and in Paris. The Company has also the right to redeem the CB at a price of EUR 2,500.00 instead of issuing new shares.

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

The bonds 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 6% on the share price at the time of conversion of the bonds to obtain the total amount of € 0.60 million at 30 June 2020.

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

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

On 29 April 2020, the cost associated with the offered discount on the share price at the time of conversion of the bonds has been recognised under financial expenses for an amount of € 0.40 million. This cost corresponds to the difference between the fair value of the CBs (issue price divided by 94%) and the issue price (2,500 €) for each bond and this for the total number of convertible bonds (2,500).

Summary of the situation at the beginning of the transaction and on 30 June 2020:

Initial financing round (29 April 2020)		Transactions until 30 June 2020		Situation on 30 June 2020	
# CBs issued or to be issued	2,500	# CB converted	400	# CBs outstanding	2,100
Total proceeds committed	6,250,000 €	Proceeds obtained	1,262,500 €	Proceeds remaining	4,987,500 €
		# shares issued	398,632		

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.

Subordinated bonds with the option to convert – Operation of May 2020

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

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

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

Convertible Bonds entitle bondholders to convert their bonds into a fixed number of shares of the issuing company usually at the time of their maturity. Convertible bonds are a type of compound financial instrument with characteristics of both liability and equity. IFRS propose that the issuing company must separately identify the liability and equity components of convertible bonds and treat them accordingly in the financial statements. For this reason, Management made estimation of the fair value of the liability component which is calculated by discounting the future cash flows of the bonds (interest and principle) at the rate of a similar debt instrument without the conversion option. The total valuation of the liability on 30 June 2020 amounts to € 3.80 million. The Management considered using a market-based interest of 10% and a maturity date of 38 months after the issue date for the calculation of the fair value. The difference has been recognized into the equity.

Note 6 – Other current liabilities

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

<i>(in thousands of euros)</i>	30/06/2020	31/12/2019
Deferred income on grants related to recoverable cash advances	396	801
Deferred income on grants related to patents	51	32
Put Option	723	1,956
Deferred income on other grants	116	0
Total	1,286	2,788

The Group observe a decrease in other current liabilities, mainly explained by the decrease of the Put Option debt (on Non-Controlling Interests in Skeletal Cell Therapy Support SA). The Company repurchased shares from certain minority shareholders. The Company's percentage ownership increased from 49.9% to 83.4% in Skeletal Cell Therapy Support SA (€ 0.72 million corresponds to the amount to be paid to obtain the remaining 16.6%).

The Company also obtain a subsidy from INAMI for the period 1 July 2020 to June 2021 for an amount of € 0.12million.

Note 7 – Other operating income

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

<i>(in thousands of euros)</i>	30/06/2020	30/06/2019
Grants income related to recoverable cash advances	315	1,075
Grants income related to exemption on withholding taxes	229	346
Grants income related to tax credit	455	247
Grants income related to patents	3	8
Other grants income	36	3
Total	1,039	1,679

Note 8 – Research and development expenses

The research and development expenses are described as follow:

<i>(in thousands of euros)</i>	30/06/2020	30/06/2019
Lab fees and other operating expenses	5,919	2,134
Employee benefits expenses	2,131	2,882
Depreciations, amortizations and impairment losses	326	356
Patents costs	152	100
Total	8,528	5,472

The research and development expenses for the first six months amount to € 8,53 million compared to € 5,47 million over the same period last year. The increase in expenses is mainly related to the increase of the R&D operating expenses in the clinical department.

Following the lifting of the COVID-19 lockdown measures, Bone Therapeutics initiated the recruitment of its pivotal phase III study with the next generation of viscosupplement, JTA-004, targeting osteoarthritic knee pain in mid-May 2020. The clinical trial has now been approved in all seven territories in which Clinical Trial Applications (CTA) of the study had been submitted. Approximately 20% of the targeted assessable patients have been treated since the initiation of the trial.

The phase IIb study of its allogeneic cell therapy product, ALLOB, in patients with difficult tibial fractures has received approval from regulatory authorities in the main six of the seven European countries in which the Company has applied for the study. Patient recruitment is expected to start in course H2 2020.

Note 9 – General and administrative expenses

The general and administrative expenses are described as follow:

<i>(in thousands of euros)</i>	30/06/2020	30/06/2019
Employee benefits expenses	753	893
Depreciation and amortization expense	25	33
Other expenses	829	717
Total	1,607	1,643

General and administrative expenses for the first six months amount to € 1.61 million compared to € 1.64 million over the same period last year.

Note 10 – Finance result

The net financial loss amounted to € 0.72 million compared with € 0.14 million in 2019. The net financial expenses were mainly impacted in 2020 by the recognition of the share price discount included in the placement of the Convertible Bonds (impact of € 0.40 million) and by the interests on the non-diluted subordinated loans for € 0.28 million.

Note 11 – Earnings per share

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

	30/06/2020	30/06/2019
Profit/loss for the period attributable to the owners of the Company	(9,843)	(5,592)
Weighted average number of ordinary shares for basic loss per share (in number of shares)	11,149,862	8,622,012
Basic/diluted loss per share (in euros)	(0.88)	(0.65)

Due to the loss of the period, no dilutive instruments are considered for the diluted earnings per share 2020 and 2019 as the inclusion of these instruments would have an adverse effect, *i.e.* reducing the loss per share. The impact of the dilutive instruments on the weighted average on ordinary shares would be as follows:

<i>(in thousands of euros)</i>	30/06/2020	30/06/2019
Impact on weighted average number of ordinary shares outstanding		
Share-based payment plan - warrants	69,331	210,498
Convertible bonds and the attributed warrants	2,662,852	902,714

2.5.6. Financial instrument

The following table provides the category in which financial assets and financial liabilities are classified in accordance with IFRS 9 – *Financial Instruments: Recognition and Measurement*. There were no changes in the classification of financial instruments.

<i>(in thousands of euros)</i>	IFRS9 Category	30/06/2020	31/12/2019
Other non-current financial assets			
Non-current receivables	financial assets at amortized cost	161	140
Trade and other receivables	financial assets at amortized cost	1,148	2,188
Cash and cash equivalents	financial assets at amortized cost	10,040	8,633
Total financial assets		11,349	10,961
Non-current financial liabilities			
<i>Finance lease liabilities</i>	At amortised cost	148	170
<i>Government loans (RCA)</i>	At amortised cost	4,162	4,556
<i>Loans from related parties</i>	At amortised cost	1,828	1,079
<i>Non-Convertible Bonds</i>	At amortised cost	3,325	3,325
<i>Convertible Bonds</i>	At fair value through profit and loss	3,601	0
<i>Bank debt</i>	At amortised cost	1,875	1,875
Current financial liabilities			
<i>Finance lease liabilities</i>	At amortised cost	173	176
<i>Government loans (RCA)</i>	At amortised cost	982	500
<i>Loans from related parties</i>	At amortised cost	953	203
<i>Convertible bonds</i>	At fair value through profit and loss	696	1,578
<i>Bank debt</i>	At amortised cost	4,188	250
Trade and other payables			
<i>Trade payables</i>	At amortised cost	3,415	3,069
Other current liabilities			
<i>Put on non-controlling interests</i>	At amortised cost	723	1,956
Total financial liabilities		26,069	18,739

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

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

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

- For short-term financial instruments, such as trade receivables and payables, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;

- For floating rate liabilities, the fair value is considered not to be significantly different from the carrying amount measured at amortized cost;
- For derivative financial instruments (foreign currency, interest rate or forecasted cash flows), the fair value is determined using valuation models discounting future cash flows based on future interest rate curves, foreign currency curves or other forward prices;
- 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 recognised in the interim consolidated financial statements at amortised cost approximate their fair values. The same situation is applicable for financial liabilities, except as detailed in the following tables:

<i>(in thousands of euros)</i>	30/06/2020		
	Carrying amount	Fair value	Fair value level
Other non-current financial assets			
Non-current receivables	161	161	Level 2
Trade and other receivables	1,148	1,148	Level 2
Cash and cash equivalents	10,040	10,040	Level 2
Total financial assets	11,349	11,349	
Non-current financial liabilities			
<i>Finance lease liabilities</i>	148	148	Level 2
<i>Government loans (RCA)</i>	4,162	6,477	Level 3
<i>Loans from related parties</i>	1,828	2,326	Level 2
<i>Non-Convertible Bonds</i>	3,325	4,391	Level 2
<i>Convertible Bonds</i>	3,601	3,601	Level 3
<i>Bank debt</i>	1,875	2,057	Level 2
Current financial liabilities			
<i>Finance lease liabilities</i>	173	173	Level 2
<i>Government loans (RCA)</i>	982	982	Level 2
<i>Loans from related parties</i>	953	953	Level 2
<i>Convertible bonds</i>	696	696	Level 3
<i>Bank debt</i>	4,188	4,188	Level 2
Trade and other payables			
<i>Trade payables</i>	3,415	3,415	Level 2
Other current liabilities			
<i>Put on non-controlling interests</i>	723	723	Level 2
Total financial liabilities	26,069	30,131	

<i>(in thousands of euros)</i>	31/12/2019		
	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			
<i>Finance lease liabilities</i>	170	170	Level 2
<i>Government loans (RCA)</i>	4,556	7,251	Level 3
<i>Loans from related parties</i>	1,079	1,297	Level 2
<i>Non Convertible Bonds</i>	3,325	4,655	Level 2
<i>Bank debt</i>	1,875	2,057	Level 2
Current financial liabilities			
<i>Finance lease liabilities</i>	176	176	Level 2
<i>Government loans (RCA)</i>	500	500	Level 2
<i>Loans from related parties</i>	203	203	Level 2
<i>Convertible bonds</i>	1,578	1,578	Level 3
<i>Bank debt</i>	250	250	Level 2
Trade and other payables			
<i>Trade payables</i>	3,069	3,069	Level 2
Other current liabilities			
<i>Put on non-controlling interests</i>	1,956	1,956	Level 3
Total financial liabilities	18,739	23,162	

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 amortised costs (fair value is disclosed above and is also a Level 3 measurement).

Convertible Bonds and Related Warrants:

We refer to note 5 where the valuation of the corresponding financial liability has been described.

Current portion:

Reconciliation <i>(in thousands of euros)</i>	30/06/2020	31/12/2019
Opening balance	1,578	1,279
Cash received	1,713	4,125
Change in fair value	0	(306)
Total gains or losses in profit or loss	398	0
Specific reserve	218	0
Transfer to equity	(2,775)	(3,520)
Closing balance	696	1,578

The liability linked to the convertible bonds and related warrants can only be lower if the assumptions linked to the judgments of management (described under note 5) would be different.

Non-current portion:

Reconciliation (in thousands of euros)	30/06/2020	31/12/2019
Opening balance	0	0
Cash received	4,000	0
Change in fair value	(199)	0
Transaction costs	(200)	0
Closing balance	3,601	0

Government loans related to the recoverable cash advances:

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

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

Based on those scenarios, the fair value, after discounting fixed commitments at rates between 1.08% and 2,91% and the turnover dependent reimbursements at a rate of 17.10% (average rate used by the analysts following the Company) amounts to € 7.46 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 €	Impact of PoS*				
	-40%	-20%	0	+20%	+40%
DCF with discount rate of 17,10% used for turnover dependent reimbursement	6,712	7,024	7,459	7,983	9,397
DCF with discount rate used for turnover dependent reimbursement reduced to 12,5%**	7,295	7,700	8,266	8,946	10,691

* 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

2.5.7. Related party transactions

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

2.5.7.1. Transactions with SISE

SISE, which is an associate of the Group, performed certain services for the Company, for which an amount of € 284,000 (€ 261,000 for the first half of 2019) was charged in 2020, being an appropriate allocation of costs incurred by the associate. Furthermore, a liability is recognised in the consolidated statement of financial position for an amount of € 173,000, consisting of trade payables (for an amount of € 141,000) and a finance lease liability for the long lease right on the land for an amount of € 32,000, of which € 29,000 is classified as a non-current liability.

2.5.7.2. Transactions with the Walloon Region

As a result of the relationship of the government (i.e. Walloon Region) with some shareholders of the Group and the extent of financing received, the Group judges that the government is a related party. In total till date, an amount of € 33.15 million was granted by the Walloon Region in recoverable cash advances (“avances récupérables”), patent subsidies and other operational subsidies. Next to the government grants, government agencies granted loans to the Group for a total amount of € 3.22 million (€ 2.42 million in 2019).

2.5.7.3. Transactions with the Key management personnel

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

<i>(in thousands of euros)</i>	Period ended 30 June	
	2020	2019
Number of management members	5	5
Short-term benefits	588	597
Share-based payments	8	(2)
Total	596	595
Cumulative number of warrants granted (in units)	24,000	60,000
Shares owned (in units)	2,880	2,880

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

<i>(in thousands of euros)</i>	Period ended 30 June	
	2020	2019
Share-based payments	0	23
Management fees	77	98
Total	77	122
Number of warrants granted (in units)	7,332	7,998
Shares owned (in units)	47,038	47,038

2.5.8. Events and updates after 30 June 2020

The interim financial report of 30 June 2020 was authorized for issue by the Board of Directors of the Company on 25 August 2020. Accordingly, events after the reporting period are those events that occurred between 1 July 2020 and 25 August 2020.

On 21 August 2020, as a result of the conversion of the convertible bonds placed via a private placement on 27 April 2020, the share capital was increased by € 100,332.81 with issuance of 196,731 shares. The aggregate share premium for this transaction amounts to € 312,154.16. After this operation, there are 11,859,871 shares representing a total share capital of the Company of € 6,059,581.84.

In August, Bone Therapeutics was granted EUR 1.0 million in non-dilutive funding from the Directorate-General for Economy, Employment and Research of the Walloon Region, Belgium. This funding will provide further financial support to Bone Therapeutics, in addition to recent financing, to advance its current pivotal phase III clinical study with the enriched protein solution, JTA-004. The non-dilutive funding is granted under the form of 'avances récupérables' to support specific research and development programs and is subject to suspensive conditions.

Also in August, the Company received EUR 0.6 million in grants from the Walloon Region (Belgium) for research and initial preparatory steps towards clinical development of BT-20, its new allogeneic and off-the-shelf cell therapy product. Bone Therapeutics is now leveraging its expertise in Mesenchymal Stromal Cell (MSC) biology to expand its portfolio from orthopedics and bone diseases to inflammatory conditions. The funding received will help to continue further the pre-clinical development and the preparation of the submission of the Clinical Trial Application (CTA) for a phase I clinical trial of BT-20, for which Bone Therapeutics had already received initial Scientific Advice from the Belgian Federal Agency for Medicines and Health Products (FAMHP) in April 2020. The non-dilutive funding was awarded by the Directorate of Research Projects of the Public Service of Wallonia for Economy, Employment and Research (SPW-EER) under the form of non-refundable grants within the framework of the "COVID 19" measure. The costs associated with the BT-20 program are not expected to change the current cash flow guidance as the funding now received will cover research and initial clinical preparation costs, with the next steps of the program, namely the conduct of the clinical study, being dependent on further funding.

3. RESPONSIBILITY STATEMENT

The Board of Directors, represented by all its members, declares that, to the best of its knowledge, the condensed consolidated financial statements for the six-month period ended 30 June 2020, which have been prepared in accordance with IAS 34 'Interim Financial reporting' 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 interim report includes a fair review of the important events that have occurred during the first six months of the financial year and of the major transactions with the related parties, and their impact on the condensed consolidated financial statements, together with a description of the principal risks and uncertainties for the remaining six months of the financial year.

On behalf of the Board of Directors,

**mC4Tx SRL,
represented by Miguel Forte**

**Finsys Management SRL,
represented by Jean-Luc Vandebroek**

4. AUDITOR'S REPORT

DocuSign Envelope ID: C628E535-1F8E-4CBC-8633-B9D55F69F76E

Bone Therapeutics SA | 30th June 2020

Report on the review of the consolidated interim financial information of Bone Therapeutics SA for the six-month period ended 30th June 2020

In the context of our appointment as the company's statutory auditor, we report to you on the consolidated interim financial information. This consolidated interim financial information comprises the consolidated condensed statement of financial position as at 30th June 2020, the consolidated condensed income statement, the consolidated condensed statement of comprehensive income, the consolidated condensed statement of changes in equity and the consolidated condensed statement of cash flows for the period of six months then ended, as well as selective notes 1 to 11.

Report on the consolidated interim financial information

We have reviewed the consolidated interim financial information of Bone Therapeutics SA ("the company") and its subsidiaries (jointly "the group"), prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

The consolidated condensed statement of financial position shows total assets of 22 644 (000) EUR and the consolidated condensed income statement shows a consolidated loss (group share) for the period then ended of 9 830 (000) EUR.

The board of directors of the company is responsible for the preparation and fair presentation of the consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of review

We conducted our review of the consolidated interim financial information in accordance with International Standard on Review Engagements (ISRE) 2410, "Review of interim financial information performed by the independent auditor of the entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit performed in accordance with the International Standards on Auditing (ISA) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the consolidated interim financial information.

Bone Therapeutics SA | 30TH June 2020

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim financial information of Bone Therapeutics SA has not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

We draw attention to Note 2.5.3. of the interim financial information which describes the plans to secure the future fundings. Our conclusion is not modified in respect of this matter.

Signed in Liège, on 26/8/2020 | 4:14 PM CEST

The statutory auditor

Digitally signed by
Julie Delforge
Signed By: Julie Delforge (Signature)
Signing Time: 8/26/2020 | 4:14:51 PM CEST
C: BE
Issuer: Citizen CA
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Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Julie Delforge

Deloitte.

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