Contents

ANNUAL FINANCIAL REPORT 2014

This Annual Financial Report contains all required information as per the Belgian Company Code.

LANGUAGE OF THE ANNUAL FINANCIAL REPORT 2014

Cardio3 BioSciences publishes its Annual Report in French, according to Belgian law. The Company also provides an English Translation. In case of differences in interpretation, the French version will prevail.

AVAILABILITY OF THE ANNUAL FINANCIAL REPORT 2014

This document is available free of charge for the public and upon request to:

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http://www.c3bs.com/en/financial-reports

FORWARD LOOKING STATEMENTS

This Annual Report may contain statements, including, without limitation statements containing the words 'believe', 'anticipate', 'expect', 'intend', 'plan', 'strive', 'estimate', 'could', 'will' and 'continue' and similar expressions. Such forward-looking statements are based on various assumptions and assessments of known and unknown risks, uncertainties and other factors which were deemed to be reasonable when they were made, but which may or may not prove to be correct. Actual events are difficult to predict and can depend on factors outside the Company's control. Consequently, it is possible that the financial condition, the state of the overall sector, will diverge substantially from any future performances or achievements expressed or implied by such statements. Given these uncertainties, absolutely no statement is made with regard to the correctness or reasonableness of such forward-looking statements. Moreover, they apply only on the date of this Annual Report. The Company expressly disclaims any obligation to update any of the forward-looking statements in this Annual Report to reflect any change in the expectations of the Company in that respect, or any change in the facts, conditions or circumstances on which such statements are based, unless required by law or regulation.

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

Dear Shareholders,

We are glad to present you our report relating to Cardio3 BioSciences consolidated financial statements as of 31 December 2014 prepared in accordance with International Financing Reporting Standards (IFRS) endorsed by the European Union. The companies included in the consolidated financial statements are Cardio3 BioSciences SA, Cardio3 Inc, C3BS Asia Ltd and CorQuest LLC.

1. Highlights of 2014

2014 was a year where we set the stage for even greater accomplishments in the near future by making significant strategic, operational and financial advancements. On a financing side, we manage, thanks to the strong support of our existing shareholders and the addition of new large investors, to provide the Group the means to finance its ambition. We have indeed successfully raised the funds needed to take the C-Cure® clinical program until the availability of the read-out of the primary endpoint, anticipated mid of 2016 and this conforts us in a very strong position (€30 million in cash and term deposits as of 31 December 2014). On an operational side, we have completed the enrolment of our CHART-1 phase III trial and initiated the CHART-2 phase III trial in the US. Furthermore, we have realized the first steps of the implementation of our business development strategy. In November 2014, we have strengthened our Medical Device division by acquiring CorQuest and its unique heart access platform.

Today, Cardio3 BioSciences stands resolutely among the leading biotechnology companies active in regenerative therapies.

Here are the operational and financial highlights identified by the Board;

Operational highlights

- Completed enrollment in CHART-1 Phase III clinical trial of lead product candidate, C-Cure®, for the treatment of ischemic heart failure
- Received product-specific pediatric waiver for C-Cure® from European Medicines Agency (EMA) – confirming focus on adult population
- Initiated sites for second Phase III trial evaluating C-Cure®, CHART-2, in the U.S. with new protocol for use of injection catheter C-Cathez® to deliver C-Cure,® currently under review by the FDA; pending FDA clearance to initiate the trial expected in the second half of 2015
- Expanded collaboration with Mayo Clinic, through non-exclusive preferred access agreement, allowing C3BS to regularly review Mayo Clinic's regenerative medicine portfolio to identify projects of mutual interest
- Confirmed plans to build a new U.S.-based manufacturing facility in Rochester, Minnesota, to support the Group's current and anticipated manufacturing needs in the United States for C-Cure® CHART-2, and CAR T-cell therapies' portfolio, and establish a Boston based U.S. headquarters
- Strengthened management team to support Group in its ambitions to become a global leader in specialty therapeutics and reinforce its position in both cardiology and oncology with the appointment of Dr. Georges Rawadi as Vice President, Business Development and Dr. Warren Sherman as Chief Medical Officer

Financial highlights

- Completed a share capital increase of €25 million in June 2014 at €44 per share, a 14% premium to the 30 days average price preceding the transaction
- Completed a secondary placement of 141,800 shares at €43.5 per share with six new Swiss institutional investors in July 2014. This transaction occurred off-market through an exchange of shares between certain historical shareholders of the Group and Swiss professional investors.

2. Significant events post balance sheet date

The following significant events occurred post 31 December 2014:

- First major step to broaden Group's focus beyond cardiology by entering into the immuno-oncology arena with acquisition of OnCyte CAR T-cell portfolio from Celdara Medical, LLC
- Initiation of U.S. Phase I trial evaluating lead oncology candidate, CAR-NKG2D, with interim results expected to be reported at various times during the trial and full data readout expected in the middle of 2016

- Completion of a €31.7 million private placement with U.S. and European investors at €44.50 per share in March 2015, representing no discount to previous day market price and a 4% premium to the last 30 days average price preceding the transaction;
- Deliverance from the EMA an official, product-specific pediatric waiver for C-Cure® across all subsets of the pediatric population for the treatment of ischemic heart disease.
- Futility data analysis in March 2015 with positive results allowing C3BS to continue the CHART-1 Phase III clinical trial without changes to the protocol
- Announcement of the Group's intention to conduct a registered public offering in the United States.

3. Operating review

Cardio3 BioSciences is developing its most advanced therapy, C-Cure®, for the treatment of heart failure, one of the world's greatest unmet medical needs.

CHART-1 (Congestive Heart failure Cardiopoietic Regenerative Therapy) Trial

CHART-1 is a Phase III clinical trial evaluating C-Cure®, the Group's lead cardiac product candidate. The Group successfully met its defined objective of enrolling the 240th patient in CHART-1 by the end of 2014 and completed patient enrolment in March 2015.

In May 2014, the European Medicines Agency (EMA) issued a certification of quality data for C-Cure®. The Advanced Therapy Medicinal Products (ATMP) certification recognizes the data generated for C-Cure® in its development program so far as meeting the standards imposed by the EMA. The ATMP's certification for quality data will facilitate the EMA's review of the Group's anticipated future application for marketing authorization for C-Cure®.

In September 2014, Cardio3 BioSciences announced it had received the unanimous recommendation of the Data Safety and Monitoring Board (DSMB) to continue the CHART-1 trial according to the original protocol. The recommendation was based on a planned analysis performed on all patient safety data available as per mid-August 2014. All the members of the DSMB approved the continuation of the trial having concluded that one month post treatment, C-Cure® and C-Cathez® showed no safety issues that compromise the continuation of the CHART-1 Phase III study.

The Group anticipates publication of the full data set for CHART-1 mid-2016.

CHART-2

In January 2014, the U.S. Food and Drug Administration (FDA) authorized the Group's Investigational New Drug (IND) application for clinical testing of C-Cure® as a treatment targeting heart failure using the MyoStar™ injection catheter. CHART-2, the Group's second Phase III clinical trial to be conducted in the United States, is intended to assess the efficacy of C-Cure®. The primary endpoint of the trial is the "Six Minute Walk Test" nine months post-procedure, a commonly used index of cardiovascular performance. Results of the Phase II trial demonstrated that C-Cure® showed a 25% relative improvement in cardiac function over baseline for treated patients versus 0.7% relative improvement for the control group.

In September 2014, Cardio3 BioSciences submitted an amendment to the protocol to the FDA for the CHART-2 study which included the use of the injection catheter C-Cathez® alongside C-Cure® in the Phase III trial. Final review and FDA decision are expected in the second half of2015.

In November 2014, Cardio3 BioSciences announced the nomination of its three Co-principal investigators for its CHART-2 Phase III clinical trial of C-Cure®: Dr Bernard J. Gersh, Professor of Medicine at Mayo Clinic College of Medicine, Rochester, Minnesota; Dr Thomas Povsic, Associate Professor of Medicine at Duke University, Durham, North Carolina; and Dr Gerasimos Filippatos, Head of the Heart Failure Unit at the Athens University Hospital Attikon, President of the Heart Failure Association of the European Society of Cardiology (ESC).

C-Cure® Pediatric Investigation Plan waiver

In March 2015 Cardio3 BioSciences received from the EMA an official, product-specific pediatric waiver for C-Cure® across all subsets of the pediatric population for the treatment of ischemic heart disease. As medical and surgical treatments exist for this extremely rare condition among pediatric patients, Cardio3 BioSciences has focused its regulatory approach for C-Cure® regenerative therapy on the adult patient population. Subsequently, the EMA delivered the waiver to Cardio3 BioSciences, hence making it official that the clinical studies of C-Cure® would be restricted to the adult population.

Publication in specialized press

During the first quarter of 2014, Cardio3 BioSciences' lineage-specified cardiac progenitor (Cardiopoietic) technology was referenced in the journal Nature Reviews Cardiology and European Heart Journal as a next generation advancement in the science of regeneration.

Strengthening of Group assets and development strategy

In October 2014, Cardio3 BioSciences announced the signing of a non-exclusive preferred access agreement with the Mayo Clinic. With this agreement, Cardio3 BioSciences agreed to give preferred consideration for Rochester, Minnesota to the U.S. to build a manufacturing facility for the production of C-Cure®, at a facility located adjacent to the campus of the Mayo Clinic, and the Mayo Clinic agreed to periodically review with Cardio3 BioSciences its portfolio of regenerative medicine technologies, including in the areas of cardiology and oncology, with a view towards future potential licensing. Building on its core competencies and unique expertise in cellular therapies and cardiovascular diseases developed with C-Cure®, Cardio3 Biosciences' potential access to Mayo Clinic Center for Regenerative Medicine technologies has the potential to further strengthen the Group's long-term plan to bring the best innovative therapeutic response to unmet medical needs.

Also in November, Cardio3 BioSciences successfully acquired CorQuest and its unique heart access platform that could receive CE marking by the end of 2016. The acquisition also included medical devices and implants targeted at mitral valve defects indications. This acquisition bolsters the Group's strategic position as a leading developer of innovative devices for cardiac surgery and the treatment of cardiovascular indications. Moreover, the CorQuest technology platform is fully complementary with Cardio3 BioSciences' C-Cathez® and C-Cure® programs.

Strengthening of operational capabilities with additions to the team

At the end of March 2014, the Group announced the appointment of Hanspeter Spek as an Independent director. Mr. Spek represents a major addition to the Board and is expected to contribute significantly to the conclusion of industry partnerships in preparation for the commercialization of the Group's products. Hanspeter was President Global Operations of Sanofi, prior to his retirement from the Group in mid-2013.

At the beginning of June, the Group appointed Dr. Georges Rawadi as Vice President, Business Development. Leveraging more than 20 years of experience in the healthcare industry, Dr. Rawadi will be responsible for leading Cardio3 BioSciences' worldwide business development efforts, by identifying avenues for growth, international expansion and managing the Group's business partner relationships.

At the beginning of November 2014, Dr. Warren Sherman joined the Group as Chief Medical Officer to support the continued development of the product pipeline, both in cell therapies and cardiovascular diseases.

4. Financial review of the year ending 31 December 2014

4.1. Analysis of the consolidated statement of the comprehensive loss

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

(€'000)	For the 12 months period ended 31 December	
	2014	2013 (restated)
Revenue	146	-
Cost of Sales	(115)	-
Gross profit	**31**	**-**
Research and Development expenses	(15,865)	(9,046)
General administrative expenses	(5,016)	(3,972)
Other operating income	4,413	64
Operating Loss	**(16,437)**	**(12,954)**
Financial income	277	60
Financial expenses	(41)	(1,595)
Share of Loss of investment accounted for using the equity method	(252)	-
Loss before taxes	**(16,453)**	**(14,489)**
Income taxes	-	-
Loss for the year [1]	**(16,453)**	**(14,489)**
Losses per share (in €) [2]	**(2.44)**	**(3.53)**
Basic and diluted	(2.44)	(3.53)
Other comprehensive Income		
Items that will not be reclassified to profit and loss	**(154)**	**-**
Remeasurements of post employment benefit obligations, net of	(154)	-
Items that may be subsequently reclassified to profit or loss	**(10)**	**-**
Currency translation differences	(10)	-
Other comprehensive loss for the year, net of tax	**(164)**	**-**
Total comprehensive loss for the year	**(16,617)**	**(14,489)**
Total Comprehensive loss for the year attributable to Equity	**(16,617)**	**(14,489)**

[1] The restatement of our previously issued consolidated financial statements as of and for the year ended December 31, 2013 relates to changes in our accounting for convertible debentures and the accounting for certain share based payments.

[2] Basic and diluted net loss per share are the same in these periods because outstanding warrants would be anti-dilutive due to our net loss in these periods.

In 2014, the total revenue generated with C-Cathez amounted to € 0.1 million. There were no revenues generated from sales of C-Cathez in 2013.

The total cost of sales associated with sales of C-Cathez amounted to €0.1 million in 2014. There were no costs of sales in 2013 as there were no sales of C-Cathez.

The Research and Development expenses are a summary of manufacturing expenses, clinical, quality and regulatory expenses and other research and development expenses, which are aggregated and presented as a single line in our consolidated financial statements.

The manufacturing expenses increased by €2.7 million in 2014 (€5.1 million) as compared to 2013 (€2.4 million). In 2014, most of the manufacturing expenses were related to the production of the clinical lots of C-Cure CHART-I trial, initiated in 2013. The first clinical lots were produced in mid 2013 with a slow ramp-up over the second part of 2013, whereas in 2014, all our production resources were used at full capacity, therefore explaining the significant increase in the manufacturing expenses in that period.

All Clinical, Quality and Regulatory expenses (€7.8 million in 2014 compared to €4.5 million in 2013) are related to the CHART-1 clinical trial. The significant increase of these expenses in 2014 (€3.3 million) resulted from the fact that the C-Cure CHART-1 trial was initiated mid 2013, with only 6 months of clinical operation in 2013. Study costs are mostly comprised of costs related to clinical vendors and investigators associated to the clinical trial. Study costs increased due to the higher number of patients enrolled in the C-Cure CHART-1 trial in 2014.

Clinical, quality and regulatory expenses are expected to growth in the near future with the initiation of CHART-2 and NKG2D clinical trials.

In 2014, preclinical research and development expenses (€3.0 million) increased by €0.8 million as compared to 2013 (€2.2 million) and related primarily to funding of Mayo direct research (€0.7 million). Under our Licensing Agreement with Mayo, we participate in a 3 year direct research program. Payments are triggered by initiation of research programs agreed upon by us and Mayo. There were no research programs agreed upon with Mayo in 2013. Research programs have been reactivated in 2014.

With the acquisition of Oncyte and the development of the CAR-T cell technology platform, preclinical research and development expenses are expected to increase significantly in the future periods.

General and administrative expenses increased by €1.0 million in 2014 as compared in 2013 which related primarily to our recruitment of 5 additional employees to strengthen our Executive Management Team and other support functions such as finance, accounting and investor relations. In addition, there was an increase of the share-based payments are associated with our 2014 warrant plan issued in May 2014 for warrants granted to new employees, members of the executive management team and directors.

The significant increase in the other operating income compared to 2013 is explained by the receipt of funding under RCA contract and subsidies. We received funding and notification of funding from the Walloon Region RCAs agreements amounting to €2.8 million in 2014 (out of which the main part is associated to RCA contracts 7027 that deals with the use of C-Cath as investigational device in the US and RCA contract 7246 that deals with additional preclinical studies on C-Cure) compared to €1.0 million in 2013. We also received subsidies and grants for a total of €0.6 million in 2014 compared to €0.1 million in 2013. Amounts received from the Walloon Region are dedicated to support our research and development projects. During the year ended 31 December 2014, we abandoned one RCA program previously recognized as debt, resulting in a liability de-recognition of an amount of €0.5 million. We did not in 2014 notified the Region of any exploitation decision on RCA contract as opposed to 2013 during which we decided to exploit RCA contract 6633 triggering the recognition of a €1.0 million liability. In 2014, we recorded another liability for €0.2 million reflecting amounts to reimburse to the Walloon Region under the Grant contract 6305, corresponding to the amount received but not expenses by us at the term of the said contract.

The 2014 financial expenses represent interest paid and bank charges. Most of the financial expenses of 2013 related to shareholder convertible loans. An expense of €1.2 million was posted on such loans to reflect fair value at the time of their conversion, in May 2013. Interest income on short term deposits increased significantly from 2013 to 2014, reflecting the increase of our average cash position over the periods, primarily resulting from our initial public offering on the Euronext Brussels and Paris.

At year end 2014, the loss from operations before financial results and taxes (EBIT) was €16.4 million versus €13.0 million in 2013. The net loss for the period was €16.5 million versus a net loss of €14.5 million for same period in 2013.

4.2. Analysis of the consolidated statement of financial position

The table below sets forth the balance sheet as of 31 December 2014 and 31 December 2013.

(€'000)	As of 31 December	
	2014	2013 (restated)
NON-CURRENT ASSETS	**11,041**	**9,783**
Intangible assets	10,266	9,400

(€'000)	As of 31 December	
	2014	2013 (restated)
Property, Plant and Equipment	598	243
Investment accounted for using the equity method	68	-
Other non-current assets	109	140
CURRENT ASSETS	**32,935**	**22,603**
Trade and Other Receivables	830	422
Grand receivables	1,009	-
Other current assets	792	123
Short term investment	2,671	3,000
Cash and cash equivalents	27,633	19,058
TOTAL ASSETS	**43,976**	**32,386**
EQUITY	**26,684**	**16,898**
Share Capital	24,615	22,138
Share premium	53,302	30,474
Other reserves	19,982	18,894
Retained loss	(71,215)	(54,608)
NON-CURRENT LIABILITIES	**11,239**	**12,099**
Finance leases	279	27
Advances repayable	10,778	12,072
Other non-current liabilities	182	-
CURRENT LIABILITIES	**6,053**	**3,389**
Finance leases	134	79
Advances repayable	777	429
Trade payables	4,042	2,169
Other current liabilities	1,100	712
TOTAL EQUITY AND LIABILITIES	**43,976**	**32,386**

Over the course of 2014, the capital of the Group was increased in June 2014 by way of a capital increase of €25.0 million, represented by 568,180 new shares, fully subscribed by a new investor Medisun International Limited, a Hong Kong-based investment Group. The capital of the Group was also increased by way of exercise of warrants. Over four different exercise periods, 139,415 warrants were exercised resulting in the issuance of 139,415 new shares. The capital and the share premium of the Group were therefore increased respectively by €0.5 million each. Also, the Group financed part of its capital expenditures with a bank lease of €0.4 million.

In early July 2014, the Group completed a secondary placement with six Swiss institutional investors. This transaction occurred off-market through an exchange of shares between certain historical shareholders of the Group and Swiss professional investors. The transaction involved the sale of 141,800 shares at €43.5 each. The proportion of shares sold by the existing shareholders did not exceed 25% of their stake in the Group. The share capital and the number of shares of the Group remained unchanged after this secondary transaction.

We have not incurred any bank debt and finances part of our capital expenditures with 3-years maturity finance leases.

We do not capitalize our research and development expenses until marketing authorization. As of end of 2014, all clinical, research and development expenses related to the development of C-Cure are accounted for as operating expenses

Our total purchases related to capital expenditures were €0.6 million and €0.1 million for the years ended December 31, 2014 and 2013, respectively. There are no material capital projects planned in 2015.

In addition we completed the acquisition of CorQuest in November 2014, resulting in the recognition of patent intangible assets of €1.5 million.

As of 31 December 2014 Cardio3 had €30.3 million in cash and cash equivalent and short term investments compared to €22.1 million at 31 December 2013.

5. Personnel

At the end of 2014, the Group had 76 employees (FTE) and six senior managers under management services agreement.

6. Environment

All entities of the Group continue to hold the required permits by their activities and are in compliance with all applicable environmental rules.

7. Risks and uncertainties

Reference is made to the section "7.Description of the principal risks associated to the activities of the Group".

8. Going concern

The Group is pursuing a strategy to develop certain products and obtain approval from the authorities to commercialise those products. Since June 2013, the Group is conducting international Phase III clinical trials in heart failure with C-Cure, its most advanced therapy, and will initiate in the beginning of 2015 a Phase I clinical trial with CM-CS1, its lead product in oncology. Management has prepared detailed budgets and cash flow forecasts for the following two years. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of selected research programs and products candidates.

Based on its current scope of activities, the Group estimates its cash position as of 31 December 2014 (including short term investments) is sufficient to cover its cash requirements until the readout of the C-Cure CHART-1 trial, expected mid 2016. After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the continuity over the next 12 months of the Group's business and hence it is appropriate to prepare the financial statements on a going concern basis.

9. Event occurred after the end of the financial year

In January 2015, Cardio3 BioSciences entered the immuno-oncology space through the acquisition of 100% of the membership interests of Oncyte LLC from Celdara Medical LLC in exchange for a total upfront payment of USD 10 million, comprised of cash consideration of $6 million and new shares of Cardio3 BioSciences for a total value of $4 million. For the successful development of the most advanced product CAR-NKG2D, Celdara could receive up to $50 million in development and regulatory milestones until market approval. Celdara will be eligible to additional payments on the other products upon achievement of development and regulatory milestones totalling up to $21 million per product. In addition, Celdara will receive up to $80 million in sales milestones when net sales will exceed $1 billion and royalties ranging from 5 to 8%.The OnCyte's CAR T-Cell portfolio of clinical-stage immuno-oncology assets includes three autologous CAR T-Cell cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications. CAR T-Cell immuno-oncology represents one of the most promising cancer treatment areas today. We expect to initiate a U.S. Phase I trial evaluating our lead immune-oncology portfolio candidate, CAR-NKG2D, in the first quarter of 2015, with interim results expected at various times during the trial and final results expected by mid-2016. The Group intends to rapidly advance the development all of the OnCyte assets, with a focus on CAR NKG2D, which should move into at least five later stage trials in 2016, in various solid and liquid tumors in both Europe and the USA.

In March 2015, we had successfully raised €32 million through a private placement of ordinary shares to qualified institutional investors in the United States and Europe at a price of €44.50 per share. The proceeds from the private placement will be used by Cardio3 BioSciences to further develop its newly acquired CAR-T cell technology platform; strengthen the leadership of C-Cure® for the treatment of congestive heart failure as well as for general corporate purposes.

In March 2015 Cardio3 BioSciences received from the EMA an official, product-specific pediatric waiver for C-Cure® across all subsets of the pediatric population for the treatment of ischemic heart disease. As medical and surgical treatments exist for this extremely rare condition among pediatric patients, Cardio3 BioSciences has focused its regulatory approach for C-Cure® regenerative therapy on the adult patient population. Subsequently, the EMA delivered the waiver to Cardio3 BioSciences, hence making it official that the clinical studies of C-Cure® would be restricted to the adult population.

The Group has published the futility data analysis from the CHART-1 trial in March 2015. These data have been independently assessed by the trial's Data and Safety Management Board (DSMB), which assessed whether efficacy indicators had been met. The Data Safety and Monitoring Board (DSMB), an independent committee comprised of international experts, reviewed unblinded safety and efficacy data from CHART-1 and determined that such data did not support discontinuation of the trial on the basis of safety or futility and recommended that it continue without changes to the protocol.

In April 2015, the Group has announced its intention to conduct a registered public offering in the United States. The timing, number of shares and price of the proposed offering have not yet been determined. A draft registration statement relating to these securities has been confidentially submitted to the U.S. Securities and Exchange Commission but has not yet become effective. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement has been publicly filed and has become effective.

10. Events and circumstances that could have a significant impact on the future

We have not identified significant events and circumstances that could have a significant impact on the future in addition to the potential impact of risks described in section "7. Description of the principal risks associated to the activities of the Group".

11. Other

Issuance of personnel warrants

At the Extraordinary Shareholders Meeting of 5 May 2014, a plan of 100,000 warrants was approved. Warrants were offered to Group's new comers (employees, non-employees and directors) in several tranches. Out of the warrants offered, 49,000 warrants were accepted by the beneficiaries and 100,000 warrants are outstanding on the date hereof.

The 100,000 warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2018.

Restatement of 2013 Financial Statements

The Group's financial statements for the year ended December 31, 2013 were restated to reflect errors in the IFRS recognition and measurement of shareholders convertible loans and share-based payments.

The restatement of the shareholders convertible loans is a result of classifying such loans as financial debt, instead of equity, previously called 'quasi equity', as originally posted in our 2013 financial statements. We decided that the shareholders convertible loans should have been accounted for as a financial debt, because the loans were convertible into a variable number of shares.

The restatement of the share-based payment is a result of recognizing the fair value of the warrants issued under our May 2013 warrants plan based on the initial public offering price of our ordinary shares in the Euronext IPO.

For further details on these adjustments, see Note 4.36 of our consolidated financial statements.

2. CORPORATE GOVERNANCE

1. General

This section summarises the rules and principles on the basis of which the corporate governance of the Company has been organised pursuant to Belgian Company law, the Company's articles of association and the Company's corporate governance charter approved by the Board of Directors of 17 June 2013.

The Company's corporate governance charter has been adopted in accordance with the Belgian Corporate Governance Code ('CGC'). The charter is available on the Company's website (www.c3bs.com) under Investors/Corporate Governance tab. We will present in this section an abstract of the charter.

The Board of Directors intends to comply with the provisions of the CGC, but believes that the size of the Company justifies certain deviations. These deviations are further detailed here after.

The Company's CGC includes the following specific chapters:

- Structure and organization
- Shareholder structure
- The Board, terms of reference
- Board committees
- Executive Management Team
- Rules preventing market abuse – Dealing Code

2. Board of Directors

2.1. Composition of the Board of Directors

As provided by Article 521 of the Belgian Company Code, the Company is managed by a Board of Directors acting as a collegiate body. The Board of Directors' role is to pursue the long-term success of the Company by providing entrepreneurial leadership and enabling risks to be assessed and managed. The Board of Directors should decide on the Company's values and strategy, its risk preference and key policies. The Board of Directors should ensure that the necessary leadership, financial and human resources are in place for the Company to meet its objectives.

The Company has opted for a one-tier governance structure. As provided by Article 522 of the Belgian Company Code, the Board of Directors is the ultimate decision-making body in the Company, except with respect to those areas that are reserved by law or by the Company's articles of association to the Shareholders Meeting.

The Company's articles of association state that the number of directors of the Company, who may be natural persons or legal entities and who need not be shareholders, must be at least 5. At least half of the members of the Board of Directors must be non-executive directors and at least three of them must be independent directors.

A meeting of the Board of Directors is validly constituted if at least half of its members are present in person or represented at the meeting. If this quorum is not met, a new board meeting may be convened by any director to deliberate and decide on the matters on the agenda of the board meeting for which a quorum was not met, provided that at least two members are present. Meetings of the Board of Directors are convened by the Chairman of the Board or by at least two directors, whenever the interest of the Company so requires. In principle, the Board of Directors will meet at least four times per year.

The Chairman of the Board of Directors shall have a casting vote on matters submitted to the Board of Directors in the event of a tied vote, save if the Board of Directors is composed of two members.

At the date of this Report, the Board of Directors consists of 11 members, one of which is an executive director (as a member of the Executive Management Team) and 10 of which are non-executive directors, including four independent directors. In accordance with Art 96, §2 6° of the Belgian Company Code (hereafter "BCC"), it is the willingness of the Company to aim for, in a reasonable timeframe, that a third of the Board member are of different sex.

Name	Position	Term [1]	Business Address	Board Committee Membership
Michel Lussier	Chairman	2016	3661 Valley Centre Dr. San Diego CA 92130, USA	Member of the Nomination and Remuneration Committee
LSS Consulting SPRL represented by its permanent representative Christian Homsy	Executive director	2016	Avenue des Sitelles 99, 1150 Woluwé-Saint-Pierre, Belgium	
William Wijns	Non-executive director	2016	Moorselbaan 219, 9300 Aalst, Belgium	
Serge Goblet	Non-executive	2016	Chaussée de Waterloo 1589D,	

	director		1180 Brussels, Belgium	
Pienter-Jan BVBA, represented by its permanent representative Chris Buyse	Independent director	2016	Baillet Latourlei 119A, 2930 Brasschaat, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
R.A.D. Life Sciences BVBA represented by its permanent representative Rudy Dekeyser	Independent director	2016	Klein Nazareth 12, 98401 De Pinte, Belgium	Member of the Nomination and Remuneration Committee Member of the Audit Committee
Jean-Marc Heynderickx	Independent director	2019	Chemin de la Chapelle Robert 21, 1380 Lasne, Belgium	
Chris De Jonghe	Non-executive director	2017	Jan Davidlaan 50, 2630 Aartselaar, Belgium	Member of the Audit Committee
Hanspeter Spek	Independent director	2018	Square Latour Maubourg, 75007 Paris, France	Member of the Nomination and Remuneration Committee
Danny wong	Non-executive director	2018	25/F Octa Tower, 8 Lam Chak Street, Kowloon Bay, Hong KKong	
TOLEFI SA represented by its permanent representative Serge Goblet	Non-executive director	2018	27 Drève de Carloo 1180 Bruxelles, Belgium	

[1] The term of the mandate of the director will expire immediately after the Annual Shareholders Meeting held in the year set forth next to the director's name.

The following paragraphs contain brief biographies of each of the directors, or in case of legal entities being director, their permanent representatives, with an indication of other relevant mandates as member of administrative, management or supervisory bodies in other companies during the previous five years.

Michel Lussier has served as Chairman of the board of directors of the Company since 2007 and is also a co-founder of the Company. Mr. Lussier was also the Chairman of the board of directors and co-founder of the Company's predecessor entity, Cardio3 SA, until 2008. Mr. Lussier recently founded Medpole Ltd, the North American satellite of MedPole SA, a European incubator for medical technology start-up companies located in Belgium, and serves as the Chief Executive Officer for the group. In this capacity, he is a managing director of Fjord Ventures, a Laguna Hills, California based medical technology accelerator / incubator. Since May 2014, Mr. Lussier has served as the Chief Executive Officer of Metronom Health Inc, an early stage medical device company created by Fjord Ventures, developing a continuous glucose monitoring system. Prior to that, from 2002 to 2013, he worked for Volcano Corporation, where he served in a number of positions, most recently as President, Clinical and Scientific Affairs from 2012 to 2013, and prior to that from 2007 to 2012, Group President, Advanced Imaging Systems, Global Clinical & Scientific Affairs and General Management of Europe, Africa and the Middle East. Mr. Lussier obtained a Bachelor of Sciences degree in Electrical Engineering and Master's degree in Biomedical Engineering at the University of Montreal. He also holds an MBA from INSEAD (European Institute of Business Administration), France. In addition to serving on our board of directors, he also serves on the boards of directors of several early stage medical devices companies.

Christian Homsy (permanent representative of LSS consulting SPRL), has served as a member of the board of directors of the Company since 2007 and has been Chief Executive Officer (CEO) of Cardio3 BioSciences since its foundation. Christian Homsy obtained his Medical Doctorate at the University of Louvain and holds an MBA from the IMD in Lausanne (Switzerland). Christian gained his business experience in senior research and development, marketing, business development and sales positions at Guidant Corporation, a leading medical device company active in the treatment of cardiovascular disease. He was also founder of Guidant Institute for Therapy Development, a landmark facility for physician and health care professionals' education that gained international recognition and praise. Before joining Cardio3 BioSciences, Christian Homsy was General Manager of Medpole, a European incubator dedicated to initiating the European operations for start-up companies in the medical device or biotechnology fields. He also holds a director mandate in Medpole SA.

William Wijns has served as a member of the board of directors of the Company since 2007 and is also a co-founder of the Company. Since 1994, Dr. Wijns has been the co-Director of the Cardiovascular Center Aalst and active as an interventional cardiologist. More recently, he has been involved with the clinical applications of non-invasive coronary angiography with the

use of multislice computed tomography as well as innovative therapies for cardiovascular diseases, including heart failure. He has authored 500 publications in peer-reviewed journals and holds several positions in national and international professional and scientific organizations. He is currently Deputy Editor of the European Heart Journal (impact factor 14,723). Dr. Wijns previously worked at the Thorax Center in Rotterdam, where he was actively involved with the first applications of nuclear cardiology, thrombolysis and coronary dilatation, and the University of Louvain in Brussels, where he directed the cardiac PET program and became Clinical Professor of Cardiology. His research there focused on the regulation of coronary blood flow and cardiac metabolism in ischemic heart disease. Dr. Wijns graduated in 1976 from the University of Louvain in Belgium where he trained as a cardiologist until 1981. In the past five years, he has held board memberships in the European Society of Cardiology and the World Heart Federation. He is currently Chairman of PCR, co-Director of Africa PCR and EuroPCR, the official congress of the European Association of Percutaneous Cardiovascular Interventions.

Serge Goblet (permanent representative of Tolefi SA) has served as a member of the board of directors of the Company since 2008. He holds a Master Degree in Business and Consular Sciences from ICHEC, Belgium and has many years of international experience as director in Belgian and foreign companies. He is the managing director of TOLEFI SA, a Belgian holding company and holds director mandates in subsidiaries of TOLEFI. Serge has two voting rights at our board of directors, one in his own name and one on behalf of TOLEFI, as a permanent representative

Chris Buyse (permanent representative of Pienter-Jan BVBA) has served as a member of the board of directors of the Company since 2008. He brings more than 25 years of international financial expertise and experience in introducing best financial management practices. He is currently Managing Director of Life Sciences Research Partners VZW, a non-profit organization supporting and investing in innovative companies active in life sciences. He is also setting up Fund+NV/SA, a fund that will be investing in Belgian biotech companies. Between August 2006 and June 2014, Mr. Buyse served as the Chief Financial Officer and board member of ThromboGenics NV, a leading biotech company that is listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was the Chief Financial Officer of the Belgian biotech company CropDesign, where he coordinated the acquisition by BASF in July 2006. Prior to joining CropDesign he was financial manager of WorldCom/MCI Belux, a European subsidiary of one of the world's largest telecommunication companies and he was also the Chief Financial Officer and interim Chief Executive Officer of Keyware Technologies. Mr. Buyse holds a master degree in applied economic sciences from the University of Antwerp and an MBA from Vlerick School of Management in Gent. He currently serves, in his own name or as permanent representative of a management company, as member of the board of directors of the following publicly and privately held companies: Bone Therapeutics SA, Orgenesis Inc. Iteos SA, Bioxodes SA, Bio Incubator NV, Immo David NV, Pinnacle Investments SA, CreaBuild NV, Sofia BVBA, Pienter-Jan BVBA, Life Sciences Research Partners VZW (a shareholder of the Company) and Keyware Technologies NV.

Rudy Dekeyser (permanent representative of R.A.D. Life Sciences BVBA) has served as a member of the board of directors of the Company since 2007. Since 2012 Rudy is managing partner of the LSP Health Economics Fund, a private equity fund investing in late stage European and North American health care companies. Prior to joining LSP, Rudy has been managing director of VIB (Flanders Institute for Biotechnology), where he was also responsible for the intellectual property portfolio, business development and new venture activities. He obtained a Ph.D. in molecular biology at the University Ghent. He holds non-executive director positions in Curetis AG, Sequana Medical AG and Remynd NV, and held non-executive director positions in Devgen NV, CropDesign NV, Ablynx NV, Actogenix NV, Pronota NV, Flandersbio VZW, Bioincubator Leuven NV and Multiplicom NV. He is a co-founder of ASTP (the European associations of technology transfer managers) and Chairman of EMBLEM (EMBL's business arm). Rudy has been advisor to several seed and venture capital funds and to multiple regional and international committees on innovation.

Jean-Marc Heynderickx has served as a member of the board of directors of the Company since 2013. Jean-Marc spent his career in the Louis Delhaize Group and was CEO from 1995 to 2010. As such, he was also chairman of sub holding companies in France, Luxemburg and in The Netherlands. From 2000 to 2005, he was board member of Comeos (Fedis) national retail organisation and Charleroi Chamber of Commerce. In 2005, Jean-Marc completed the Solvay executive program in Real Estate. Jean-Marc is now CEO of Nextgen group, a private venture capital holding managing 18 companies active in Belgium, France, Hungary and Romania. He holds a degree in Marketing from Charleroi University (Belgium) and completed the Solvay executive program in Real Estate. He holds non-executive director positions FRI (First Retail International), Stanley&Stella, Medi-Market, Claris Clinic and CBO Territoria.

Chris De Jonghe has served as a member of the board of directors of the Company since 2013. She is group manager venture capital at PMV (ParticipatieMaatschappij Vlaanderen). She was first Licensing manager then Business development manager of VIB (Flanders Institute for Biotechnology), before joining PMV in 2013 initially as Senior Investment Manager in January 2013. Since August 2013 she joined the Group Management Committee, responsible for daily management at PMV, as Group Manager Venture Capital. She obtained a PhD in Science (Biochemistry) and a Bachelor degree in Laws at the

University of Antwerp. She is member of the board of directors of AgroSavfe NV, eSaturnus NV, Vesalius Biocapital I Sicar and Vesalius Biocapital II Sicar. She is member of Flanders'Bio and IFB Network.

Hanspeter Spek has served as a member of the board of directors of the Company since 2014. He started his career at Pfizer where, over more than 10 years and after a thorough comprehensive training in commercial general management, he held positions of increasing responsibility. Hanspeter then joined Sanofi as Marketing Director and rose through the organization to become the Executive Vice President International in 2000. When Sanofi and Aventis merged in 2004, he took on the responsibility of Executive Vice President Operations. In 2009, he was nominated President Global Operations. Hanspeter retired from Sanofi in mid-2013. He has since joined Advent as a Senior Advisor for Healthcare. He continues to serve on the Board of Sanofi, Germany, as Chairman.

Danny Wong has served as a member of the board of directors of the Company since 2014. Since May 2007, Mr. Wong has served as an executive director of the National Investments Fund Limited, and was appointed chairman in June 2007. As the executive director and chairman of National Investments Fund Limited, he is responsible for the strategic development of National Investments Fund Limited. Prior to that from 2001 to 2005, he was the executive director of Sun Hung Kai International Limited, where he was in charge of investment banking and responsible for the public listing of companies, as well as fundraising for private and public companies. Recently, Mr. Wong established Medisun Holdings Limited, a group of companies which commits to the stem cell regenerative bio-medical industry. He holds a Bachelor degree in Economics and Accounting from China Central University of Finance and Economics.

2.2. Committees within the Board of Directors

2.2.1. General

Without prejudice to the role, responsibilities and functioning of the Executive Management Team as set out below under section "Executive Management Team", the Board of Directors may set up specialised committees to analyse specific issues and advise the Board of Directors on those issues. Such committees are advisory bodies only and the decision-making remains the collegiate responsibility of the Board of Directors. The Board of Directors determines the terms of reference of each committee with respect to the organisation, procedures, policies and activities of the committee.

2.2.2. Audit Committee

"Large" listed companies (as defined in Article 526bis, § 3 of the Belgian Company Code) are legally obliged to establish an audit committee within their board of directors. Although the Company does not currently qualify as a "large" company, the board of directors has on 6 March 2015, established an audit committee. The audit committee consists of 3 members: Pienter-Jan BVBA, represented by its permanent representative, Chris Buyse, R.A.D. Life Sciences BVBA, represented by its permanent representative, Rudy Dekeyser and Chris De Jonghe.

The role of the audit committee is to ensure the effectiveness of the internal control and risk management systems, the internal audit (if any) and its effectiveness and the statutory audit of the annual and consolidated accounts, and to review and monitor the independence of the external auditor, in particular regarding the provision of additional services to the company. The committee reports regularly to the board of directors on the exercise of its functions. It informs the board of directors about all areas in which action or improvement is necessary in its opinion and produces recommendations concerning the necessary steps that need to be taken. The audit review and the reporting on that review cover the company and its subsidiaries as a whole. The members of the audit committee are entitled to receive all information which they need for the performance of their function, from the board of directors, executive committee and employees. Every member of the audit committee shall exercises this right in consultation with the chairman of the audit committee.

The audit committee's duties and responsibilities to carry out its purposes include, among others: the financial reporting, internal controls and risk management, and the internal and external audit process. These tasks are further described in the audit committee charter as set out in the corporate governance charter and in Article 526bis of the Belgian Company Code.

Until its establishment, in accordance with Article 562bis of the Belgian Company Code, the audit function was therefore carried out by the entire Board of Directors.

For purposes of these tasks, Chris Buyse (permanent representative of Pienter-Jan BVBA) had been identified as the director having the necessary expertise in accounting and audit matters.

2.2.3. Nomination and Remuneration Committee

"Large" listed companies (as defined in Article 526quater, § 4 of the Belgian Company Code) are legally obliged to establish a remuneration committee within their board of directors. Although the Company does not currently qualify as a "large" company, the Board of Directors has voluntarily set up a remuneration committee. As the remuneration committee also performs the task of a nomination committee, it is called the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee will consist of not less than three directors, or such greater number as determined by the Board of Directors at any time. All members must be non-executive directors and at least a majority of its members must be independent in accordance with Article 526ter of the Belgian Company Code.

The Nomination and Remuneration Committee must have the necessary expertise as regards the remuneration policy, and this condition is fulfilled if at least one member has had a higher education and has had at least three years of experience in personnel management or in the field of remunerating directors and managers.

The CEO has the right to attend the meetings of the Nomination and Remuneration Committee in an advisory and non-voting capacity on matters other than those concerning himself. The Nomination and Remuneration Committee will elect a chairman from amongst its members.

The role of the Nomination and Remuneration Committee is to assist the Board of Directors in all matters:

- relating to the selection and recommendation of qualified candidates for membership of the Board of Directors;
- relating to the nomination of the CEO;
- relating to the nomination of the members of the Executive Management Team, other than the CEO, upon proposal by the CEO;
- relating to the remuneration of independent directors;
- relating to the remuneration of the CEO;
- relating to the remuneration of the members of the Executive Management Team, other than the CEO, upon proposal by the CEO; and
- on which the Board of Directors or the Chairman of the Board of Directors requests the Nomination and Remuneration Committee's advice.

Additionally, with regard to matters relating to remuneration, except for those areas that are reserved by law to the Board of Directors, the Nomination and Remuneration Committee will at least have the following tasks:

- preparing the remuneration report (which is to be included in the Board of Director's corporate governance statement); and
- explaining its remuneration report at the Annual General Shareholders Meeting.

It will report to the Board of Directors on the performance of these tasks on a regular basis. These tasks are further described in the terms of reference of the Nomination and Remuneration Committee as set out in the Company's corporate governance charter. The Nomination and Remuneration Committee will meet at least twice per year, and whenever it deems it necessary to carry out its duties.

The following directors are currently member of the Nomination and Remuneration Committee: Michel Lussier (Chairman), Pienter-Jan BVBA (represented by its permanent representative, Chris Buyse) R.A.D. Life Sciences BVBA (represented by its permanent representative, Rudy Dekeyser) and Hanspeter Spek (appointed as an additional member to the Nomination and Remuneration Committee on 5 August 2014).

2.3. Meetings of the Board and the committees

In 2014, the Board held 4 regular meetings and 5 meetings by telephone conference to discuss and decide on specific matters.

Board and committee – Dates and Attendance

Board of Directors	23 Jan	14 Mar	16. Apr	12 May	11 Jun	20 Aug	21 Oct	5 Dec	19 Dec
M. Lussier	Present	Present	Present	Present	Present	Present	Excused	Present	Present
CH. Homsy[1]	Present	Present	Present	N/A	N/A	N/A	N/A	N/A	N/A
LLS Consulting	N/A	N/A	N/A	Present	Present	Present	Present	Present	Present
S. Goblet	Present	Excused	Present	Present	Present	Present	Present	Present	Excused
W. Wijns	Present	Excused	Excused	Excused	Excused	Excused	Excused	Present	Present
J-M Heynderickx	Excused	Present	Excused	Present	Present	Represented	Present	Present	Present
Pienter-Jan BVBA	Present	Present	Excused	Present	Present	Present	Present	Present	Present
R. Dekeyser[2]	Present	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
R.A.D. Sciences BVBA	N/A	Present	Present	Present	Present	Present	Excused	Present	Present

Ch. De Jonghe	Present	Present	Present	Present	Present	Present	Present	Present	Present
Sparaxis SA[3]	Present	Present	Excused	Excused	N/A	N/A	N/A	N/A	N/A
Hanspeter Spek[4]	N/A	N/A	N/A	Present	Present	Represented	Present	Present	Present
Danny Wong[5]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Present	Excused
TOLEFI SA[6]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Excused

Nomination and Remuneration Committee	**20 Jan**	**04 Mar**	**5 Aug**	**27/28 Nov**
M. Lussier	Present	Present	Present	Present
Pienter-Jan BVBA	Present	Excused	Present	Present
R.A.D. Sciences BVBA	Present	Present	Present	Present
Hanspeter Spek	N/A	N/A	Observer	Present
Ch Homsy	Invited	Invited	N/A	N/A
LLS Consulting	N/A	N/A	Invited	Invited

No audit committee in 2014.

3. Executive Management Team

The Executive Management Team consists of the "Chief Executive Officer" (CEO, who is the chairman of the Executive Management team), the "Chief Financial Officer" (CFO), the "Vice President Research and Development", the "Vice President Business Development", the Chief Medical Officer" (CMO) and the "Vice President Immuno-oncolgy".

The Executive Management Team discusses and consults with the Board of Directors and advises the Board of Directors on the day-to-day management of the Company in accordance with the Company's values, strategy, general policy and budget, as determined by the Board of Directors.

Each member of the Executive Management Team has been made individually responsible for certain aspects of the day-to-day management of the Company and its business (in the case of the CEO, by way of delegation by the Board of Directors; in the case of the CFO, by way of delegation by the CEO). The further tasks for which the Executive Management Team is responsible are described in greater detail in the terms of reference of the Executive Management Team as set out in the Company's corporate governance charter.

The members of the Executive Management Team are appointed and may be dismissed by the Board of Directors at any time. The Board of Directors appoints them on the basis of the recommendations of the Nomination and Remuneration Committee, which shall also assist the Board of Directors on the remuneration policy of the members of the Executive Management Team, and their individual remunerations.

The remuneration, duration and conditions of dismissal of Executive Management Team members will be governed by the agreement entered into between the Company and each member of the Executive Management Team in respect of their function within the Company.

In accordance with provision 7.17 of the CGC, all agreements with members of the Executive Management Team entered into on or after 1 July 2009 must refer to the criteria to be taken into account when determining variable remuneration and will contain specific provisions relating to early termination. In principle, the Executive Management Team meets every month. Additional meetings may be convened at any time by the Chairman of the Executive Management Team or at the request of two of its members. The Executive Management Team will constitute a quorum when all members have been invited and the majority of the members are present or represented at the meeting. Absent members may grant a power of attorney to another member of the Executive Management Team. Members may attend the meeting physically or by telephone or video conference. The absent members must be notified of the discussions in their absence by the Chairman (or the Company Secretary, if the Executive Management Team has appointed a Company Secretary from among its members).

The members of the Executive Management Team will provide the Board of Directors with information in a timely manner, if possible in writing, on all facts and developments concerning the Company which the Board of Directors may need in order to function as required and to properly carry out its duties. The CEO (or, in the event that the CEO is not able to attend the Board of Directors' meeting, the CFO or, in the event that the CFO is not able to attend the Board of Directors' meeting,

another representative of the Executive Management Team) will report at every ordinary meeting of the Board of Directors on the material deliberations of the previous meeting(s) of the Executive Management Team.

The current members of the Executive Management Team are listed in the table below.

Name	Function	Year of birth
LSS Consulting SPRL, represented by Christian Homsy	Chief Executive Officer	1958
PaJe SPRL, represented by Patrick Jeanmart	Chief Financial Officer	1972
Advanced Therapies Consulting Ltd., represented by Peter de Waele	Vice President Research & Development	1957
Georges Rawadi	Vice President Business Development	1967
Warren Sherman	Chief Medical Officer	1951
ViaNova SPRL, represented by Vincent Brichart	Vice President Immuno-oncolgy	1965

The following paragraphs contain brief biographies of each of the members of the Executive Management Team or in case of legal entities being a member of the Executive Management Team or key manager, their permanent representatives.

Christian Homsy (representative of LSS Consulting SPRL), CEO – reference is made to section "2.1. Composition of the Board of Directors".

Patrick Jeanmart (representative of PaJe SPRL), has served as the Chief Financial Officer of the Company since September 2007. Prior to joining the Company, Mr. Jeanmart worked for IBA Group (Ion Beam Applications, Belgium) for six years where he held a number of senior financial management positions within the corporate organization and several IBA subsidiaries located in Belgium, Italy, UK and the U.S. Between January 2004 and 2007, he acted as Vice President of Finance of IBA Molecular. He also holds the position of Chief Financial Officer at Medpole SA and at Biological Manufacturing Services SA. Mr. Jeanmart obtained a Master in Economics from the University of Namur, Belgium.

Peter de Waele (representative of Advanced Therapies Consulting Ltd), has been the Vice President Research and Development of the Company since November 2010. He is the author and co-author of several peer reviewed scientific publications, and the inventor of several patents and patent applications. He has been a consultant to the pharmaceutical and biotech industry since 2006, with a particular focus on adult stem cell product development for different therapeutic indications. Until 2006, Dr. De Waele worked as Chief Operating Officer at XCELLentis NV, a biotech company developing stem cell based therapies and medical devices for wound healing. Before founding XCELLentis in 2001, he held several senior management positions at Innogenetics NV. As Chief Therapeutics Officer of Innogenetics and as Chief Operating Officer of XCELLentis he was responsible for several multicenter international clinical trials with recombinant vaccines and cell derived advanced medical products. Moreover, Dr. De Waele serves as the Managing Director at Advanced Therapies Consulting Limited. He is also consultant for regulatory affairs, quality assurance and quality control and research & development for Esperite N.V. (formerly Cryo-Save Group N.V.) as well as acting as Responsible Person for the Dutch tissue bank Stichting Cryo-Save. He obtained his Master of Science in Biochemistry and Physiology at Ghent University, Belgium and holds a doctoral degree in Molecular Biology at the department of Molecular Biology headed by Professor Walter Fiers at the same university, where he was assistant professor until 1986.

Georges Rawadi, has served as Vice President Business Development since June 2014. Prior to joining the Company, Dr. Rawadi served as Vice President Business Development with Cellectis. He previously held business development management positions at Galapagos, ProStrakan France and Sanofi-Aventis France, and conducted consultancy assignments in Business Development and Alliance Management. His work included all aspects and stages of business development, driving several projects from target identification and negotiation to closing deals. He holds a Ph.D. in Microbiology from the Pierre et Marie Curie University (France), and a Masters in Management and Strategy in the Health Industry from the ESSEC Business School.

Warren Sherman, has served as the Chief Medical Officer since October 2014. He is an American interventional cardiologist with more than 30 years' experience in the field of cardiology, with a focus in cell-based therapies for treating patients post myocardial infarction and with heart failure. Before joining the Company, Dr. Sherman was at the Columbia University Medical Center in New York, where he served in a number of capacities, including Interventional Cardiologist at Columbia University Medical Center/NewYork-Presbyterian Hospital, Director of Stem Cell Research and Regenerative Medicine at the Center for Interventional Vascular Therapy, and Associate Professor of Medicine at Columbia University College of Physicians and Surgeons. Dr. Sherman is also the founder of the Cardiovascular Research Foundation's International Conference on Cell Therapy for Cardiovascular Disease (IC3D), which is the foremost meeting for healthcare experts dedicated to the evolving field of cell-based therapies for the repair and regeneration of cardiac and vascular disease. He received his Bachelor degree from the Massachusetts Institute of Technology, medical degree from the State University of

New York Upstate Medical School in Syracuse, and his fellowship training at Oregon Health Sciences University, in Portland, Oregon. He is certified by the American Board of Internal Medicine in Cardiology and Interventional Cardiology, and serves as an advisor to a multitude of government organizations, societies and industries.

Vincent Brichard (representative of ViaNova SPRL), is a physician by training, specialized in oncology. He started his academic career at the Ludwig Institute for Cancer Research, Brussels Branch, followed by positions at the Institut Curie Cancer Center, Paris, and at the University of Louvain, Brussels. In 2002, he joined GlaxoSmithKline Biologicals, where he led the Cancer Vaccines Business Unit. Until recently, Dr. Brichard was the Senior Vice President of the Immunotherapeutics Business Unit, and member of the Vaccines Executive team at GSK Biologicals. He will continue to hold other non-executive positions with other companies. Dr. Brichard holds a Ph.D. in tumor immunology.

4. Conflict of Interest of directors and members of the executive team and transactions with affiliated companies

4.1. General

Each director and member of the Executive Management Team is encouraged to arrange his or her personal and business affairs so as to avoid direct and indirect conflicts of interest with the Company. The Company's corporate governance charter contains specific procedures to deal with potential conflicts.

4.2. Conflicts of interest of directors

Article 523 of the Belgian Company Code provides for a special procedure within the Board of Directors in the event of a possible personal financial conflict of interest of one or more directors with one or more decisions or transactions to be adopted by the Board of Directors. In the event of a conflict of interest, the director concerned must inform his or her fellow directors of his or her conflict of interest before the Board of Directors deliberates and takes a decision in the matter concerned. Furthermore, the conflicted director may not participate in the deliberation and voting by the Board of Directors on the matter that gives rise to the potential conflict of interest. The minutes of the meeting of the Board of Directors must contain the relevant statements made by the conflicted director, as well as a description by the Board of Directors of the conflicting interests and the nature of the relevant decision or transaction to be adopted. The minutes must also contain a justification by the Board of Directors for the decision or transaction adopted, and a description of the financial consequences thereof for the company. The relevant minutes must be included in the (statutory) annual report of the Board of Directors.

The conflicted director must notify the Statutory Auditor of the conflict. The Statutory Auditor must describe in its statutory annual audit report the financial consequences of the decision or transaction that gave rise to the potential conflict.

This procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions.

4.3. Existing conflicts of interest of members of the Board of Directors and of the Executive Management Team

Currently, as far as the Company is aware, none of the directors nor the members of the Executive Management Team have a conflict of interest within the meaning of Article 523 of the Belgian Company 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.

4.4. Related Party Transactions

Mayo clinic

Based on the terms of the second amendment of the licence agreement dated October 18, 2010, the Company is committed to the following payments:

Undirected research grants

The Company will fund research in the Field at Mayo Clinic of $1,000,000 per year for four years beginning in or after 2015, as soon as the Company has had both a first commercial sale of a Licensed Product and a positive cash flow from operations in the previous financial year. The Company will have an exclusive right of first negotiation to acquire an exclusive license to inventions that are the direct result of work carried out under these grants. In case the Company exercises its option to negotiate, but no agreement is reached within a certain period, then Mayo Clinic during the following nine-month period cannot enter into a licence with a third party. No such payment are expected to occur in 2015.

Royalties

The Company will pay a 2% royalty (on net commercial sales by itself or its sub-licensees) to Mayo Clinic, for all of the products that absent the Mayo Licence would infringe a valid claim of a Licensed Patent (each, a "Licensed Product"), during a royalty period (on a Licensed Product-by-Licensed Product basis) beginning on the date of first commercial sale of such Licensed Product and ending on the earlier of: (i) 15 years from first commercial sale; (ii) the date on which such Licensed Product is no longer covered by a valid claim of a Licensed Patent in the territories in which it is sold; (iii) or termination of the Mayo Licence.

Currently no liability has been accounted for by the Group for these variable payments to Mayo Foundation.

Service Agreement with Biological Manufacturing Services SA

In April 2011, the Company entered into an agreement for the provision of services for production of cardiac cells with Biological Manufacturing Services SA, or BMS, a service provider in the biotechnology sector that operates clean rooms on its site located at Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium. Under this agreement, BMS provides the Company with support, services and provision of assets for the production our products, including making clean rooms available to the Company for its exclusive use. TOLEFI SA, of which Serge Goblet is the managing director, owns 50% of BMS. Patrick Jeanmart, the company's Chief Financial Officer, also holds the position of CFO at BMS. Since December 31, 2012, this agreement automatically renews for successive three year period unless terminated earlier. The total annual services fees paid by us to BMS was €299,000 in 2014 and €249,000 in 2013.

4.5. Transactions with affiliates

Article 524 of the Belgian Company Code provides for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure will apply to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It will also apply to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company.

Prior to any such decision or transaction, the Board of Directors of the Company must appoint a special committee consisting of three independent directors, assisted by one or more independent experts. This committee must assess the business advantages and disadvantages of the decision or transaction for the Company. It must quantify the financial consequences thereof and must determine whether or not the decision or transaction causes a disadvantage to the Company that is manifestly illegitimate in view of the Company's policy. If the committee determines that the decision or transaction is not manifestly illegitimate, but is of the opinion that it will prejudice the Company, it must clarify which advantages are taken into account in the decision or transaction to compensate the disadvantages. All these elements must be set out in the committee's advice. The Board of Directors must then take a decision, taking into account the opinion of the committee. Any deviation from the committee's advice must be explained. Directors who have a conflict of interest are not entitled to participate in the deliberation and vote. The committee's advice and the decision of the Board of Directors must be communicated to the Company's Statutory Auditor, who must render a separate opinion. The conclusion of the committee, an excerpt from the minutes of the Board of Directors and the opinion by the Statutory Auditor must be included in the (statutory) annual report of the Board of Directors.

The procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions, and transactions or decisions with a value of less than 1% of the consolidated net assets of the Company.

4.6. Market abuse regulations

On 17 June 2013, the Board of the Company defined specific rules to prevent the illegal use of inside information by board members, shareholders, managers 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. To ensure that the law is respected and to uphold the reputation of the Company, it is therefore necessary to take a number of preventive measures in the form of a code of conduct.

The Rules apply to all Insiders. An Insider can be given access to inside information within the scope of the normal performance of his or her 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.

In accordance with art 25bis §1 of the law of 2 August 2002, the Company has established a list of persons in the Company who, based on an employment or service agreement, have contracted with the Company and have during the course of their duties access to inside information directly or indirectly. This list is updated regularly and remains at the disposal of the FSMA for a period of 5 years.

5. Corporate Governance Charter

The Company's Board of Directors intends to comply with the CGC, but believes that the following deviations from its provisions is justified in view of the Company's particular situation:

- Provision 7.7 CGC: the non-executive directors receive fixed remuneration in consideration of their membership of the Board of Directors and their attendance at committee meetings of which they are members. In principle, they will not receive any performance related remuneration, nor will any options or warrants be granted to them in their capacity as a director. However, on the advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders' Meeting that it deviate from this restriction if, in the Board of Directors' reasonable opinion, the granting of options or warrants is necessary to attract or retain non-executive directors with the most relevant skills, knowledge and expertise.
- Provision 4.6 CGC: Jean-Marc Heynderickx was appointed as a director on 31 January 2013 for a duration of 6 years, which is in excess of the maximum duration of 4 years for a director's mandate provided by the CGC. This appointment was done at a time when the CGC was not applicable to the Company. In the future, the Company will ensure that no director's mandate will exceed the maximum duration of 4 years as provided by the CGC

In accordance with the CGC, the Board of Directors of the Company will review its corporate governance charter from time to time and make such changes as it deems necessary and appropriate. The charter, together with the Company's articles of association, is available on the Company's website (www.c3bs.com) and could be obtained free of charge at the registered office of the Company.

6. Remuneration report

6.1. Remuneration policy

The remuneration of the members of the Executive Management Team is determined by the Board of Directors based on recommendations made by the Nomination and Remuneration Committee, further to a recommendation made by the CEO to the Nomination and Remuneration Committee (except where his own remuneration is concerned).

The remuneration of the members of the Executive Management Team is designed to hire, retain and motivate high quality executive managers. The remuneration of the members of the Executive Management Team currently consists of the following elements:

- each member of the Executive Management Team is entitled to a basic fixed compensation designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions;
- the Company pays each member of the Executive Management Team a variable compensation, dependent on specified individual, team and/or Company objectives which, in accordance with Article 520bis of the Belgian Company Code, are pre-determined in an explicit decision by the Board of Directors. Such variable compensation is based on the Company's performance and the individual performance of the Manager. The performance criteria are set and approved by the Board at the beginning of each calendar year.
- each member of the Executive Management Team currently participates in, and/or in the future may be offered the possibility to participate in, a stock based incentive scheme, in accordance with the recommendations set by the Nomination and Remuneration Committee, after the recommendation by the CEO to such committee (except in respect of his own remuneration) and after (in respect of future stock based incentive schemes) prior shareholder approval of the scheme itself by way of a resolution at the annual shareholders' meeting;
- each member of the Executive Management Team is entitled to a number of fringe benefits (to the exception, however, of those managers engaged on the basis of service agreements), which may include participating in a defined contribution pension or retirement scheme, disability insurance and life insurance, a company car, and/or a lump-sum expense allowance according to general Company policy.

In accordance with provision 7.18 of the CGC, any contractual arrangement entered into on or after 1 July 2009 regarding the remuneration of the CEO, any other member of the Executive Management Team, should specify that the amount of severance pay awarded in the event of early termination does not exceed 12 months' base and variable remuneration. Any such agreement (entered into on or after 1 July 2009) should also specify that the severance package does not take into account the variable remuneration and be limited to 12 months' base remuneration in the event that the departing CEO or any other member of the Executive Management Team did not meet the performance criteria referred to in the agreement.

The remuneration of the members of the Board of Directors. None of the other directors receive any remuneration in consideration for their membership of the Board of Directors.

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.

On the advice of the Nomination and Remuneration Committee, the Board of Directors may propose to the Shareholders Meeting to grant 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 options or warrants comprises variable remuneration under Article 554 of the Belgian Company Code, this remuneration shall be submitted for approval to the next annual general shareholders meeting.

Without prejudice to the powers granted by law to the Shareholders Meeting, the Board of Directors sets and, from time to time, revises the rules and the level of compensation for directors carrying out a special mandate or sitting on one of the

committees and the rules for the reimbursement of directors' business-related out-of-pocket expenses. The remuneration of directors will be disclosed to the Company's shareholders in accordance with applicable laws and regulations.

The directors' mandate may be terminated "ad nutum" (at any time) without any form of compensation.

Additionally, any agreement, entered into or extended as from 3 May 2010, between the Company and a non-executive director, which would provide for a variable remuneration, is subject to the same approval requirements as the ones applicable to the granting to Leading Persons of a severance package exceeding 12 or, as the case may be, 18 months.

The Company does not envisage to amend the principles driving its remuneration policy in the near future.

6.2. Director's remuneration

The non-executive directors receive fixed remuneration in consideration for their membership of the Board of Directors and their attendance at the committee meetings of which they are members.

The remuneration package for the independent directors and non-executive directors approved by the Extraordinary Shareholders Meeting of 11 June 2013 is made up of a fixed annual fee of €8,000. The fee is supplemented with a fixed annual fee of €3,000 for membership of each committee of the Board of Directors, to be increased by €2,000 in case the relevant director chairs the Nomination and Remuneration Committee. Changes to these fees will be submitted to the Shareholders Meeting for approval.

Apart from the above remuneration for non-executive directors, all directors will be entitled to a reimbursement of out-of-pocket expenses actually incurred as a result of participation in meetings of the Board of Directors.

As of 31 December 2014, there are no loans outstanding from the Company to any member of the Board of Directors.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and members of the Board of Directors who are not a member of the Executive Management Team.

On an individual basis, the following amounts have been paid over the course of 2014:

Name	Fees earned (€)
Pienter-Jan BVBA, represented by its permanent representative Chris Buyse	18,000
R.A.D. Life Sciences BVBA represented by its permanent representative Rudy Dekeyser	11,000
Hanspeter Spek	25,000
Total	54,000

6.3. Remuneration of the CEO

In accordance with Article 96, §3 of the Belgian Company Code, this remuneration report includes the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis. In the financial year 2014, Cardio3 BioSciences paid 480k€ of remuneration in respect of the CEO, Mr Christian Homsy. This includes:

- A fixed remuneration of 369k€
- A variable component of 111k€.

The CEO participates in different warrant plans set in place by the Company and approved by its shareholders:

- Under Warrant plan of May 2010: 200 warrants at an exercise price of 22.44€ per share vested over a period of 3 years
- Under Warrant plan of January 2013: 80,000 warrants at an exercise price of 4.52€ per share vested over a period of 1 years
- Under Warrant plan of May 2013: 112,000 warrants at an exercise price of 2.64€ per share vested over a period of 3 years

The CEO was not granted warrants in 2014. In 2014, the CEO did exercise 80,000 warrants to acquire 80,000 of the Company ordinary shares.

As of 31 December 2014, the CEO holds 134,974 shares.

6.4. Remuneration of the Executive Management Team

In addition to the CEO, the composition of the Executive Management Team as of 31 December 2014 is:

- PaJe SPRL, represented by Patrick Jeanmart, CFO
- Mont-Faron SPRL, represented by Gaetane Metz, COO
- Advanced Therapies Consulting Ltd, represented by Peter de Waele, VP R&D
- Georges Rawadi, VP Business Development
- Warren Sherman, CMO

The CFO, COO, VP R&D and VP Immuno-oncology are engaged on the basis of a service agreement, all of which can be terminated at any time, subject to certain pre-agreed notice periods, which may, at the discretion of the Company, be

replaced by a corresponding compensatory payment. The VP business Development and the CMO are engaged on the basis of employment agreements.

The total fees paid to the members of the Executive Management Team (excl the CEO) was €1 million in 2014 (full company costs but excluding VAT and stock based compensation) as further detailed in sections of the notes to the financial statements.

This includes:

- A fixed remuneration of 862k€
- A variable component of 173k€

As of 31 December 2014, the EMT holds 31,186 shares and 80,025 warrants. The exercise prices vary from 2.64€ to 39.22€. Vesting schemes are over 1 and 3 years.

7. Description of the principal risks associated to the activities of the Group

7.1. Risk Management

Risk management is embedded in our strategy and is of crucial importance for achieving the objectives set by the Board of Directors. The Board is responsible for the assessing the risks associated with the activities of the company and for the evaluation of the internal audit systems. The Board relies partially on the Executive Management Team (EMT) to perform this assessment.

The internal audit systems play a central role in managing the risks and the activities of the Company. To safeguard the proper implementation and execution of the strategies defined by the Board, the Company set-up internal risk management and control systems. The internal audit system is based on the following pillars:

- The Company's organization and values and the legal environment surrounding the activities of the Company;
- Risk analysis;
- Audit activities performed by Quality Assurance and Finance departments;
- Controls, supervision and corrective actions and measures.

The purpose of these systems is to manage in an effective and efficient manner the significant risks to which the Company is exposed. There are designed to ensure:

- The careful monitoring of the effectiveness of our short term and long term strategy
- The Company's sustainability by a constant evaluation of the Company performance (operations and cash)

7.2. Organization and values

The Company's organization and values as well as the legal environment surrounding the activities of the Company constitute the basis of all the internal audit components. It is determined by a composition of formal and informal rules on which the functioning of the Company relies.

The organization encompasses the following elements:

- Company's value: "We Care, We Cure" is our creed, not only for our patients, but also for our employees. Passion, pro-activity, open-minded, commitment, trust and integrity are the essential traits of character of our all employees.
- Employees and consultants:. All our employees and consultants are required to manage the Company means with due diligence, integrity and to act with the necessary common sense.
- Board of Directors, including the Remuneration and Nomination Committee and the Audit Committee. See section 5 for further information on the functioning of the Board and its Committees
- Independent non-executive directors: Cardio3 BioSciences is supported by several independent directors. Their expertise and experience contribute to the Company's effective management.
- Chief Executive Officer, in charge of the day-to-day management, supported by the other member of the Executive Management Team.
- The team: so far, the Company has been able to attract and retain motivated and dedicated qualified employees.
- Internal set of procedures: the Company set up a SOP manual which regulate all regulated activities within the Company.
- External environment: the Company operates in a highly regulated environment (GMP, GCP, etc). Compliance with all these external rules and guidelines is of critical importance to the Company.

The evaluation of the Company's organization, values and compliance with legal environment is made regularly for the supervising bodies.

7.3. Risks analysis

The Board of Directors decides on the Company's strategy, risk appetite and its main policy lines. It is the task of the Board of Directors to strive for long-term success by procuring proper risk assessment and management. The Executive Management Team is responsible for the development of systems that identify, evaluate and monitor risks.

Cardio3 BioSciences divides its objectives into four categories:

- strategic;
- operational;
- financing;
- compliance with the rules and legislations and internal instructions.

Once the objectives are set by the Board, these are transferred to all departments, services and staff member within the Company. Regular assessments within the different services and department are made along the year to ensure that these objectives are followed. At year end, the EMT perform an overall performance appraisal and initiate a performance review amongst the different departments and services of the Company.

Risk identification consists of examining the factors that could influence the objectives put forward in each category. Internal or external factors may influence the realization of these objectives.

- Internal factors: they are closely related to the internal organization and could have several causes (change in the group structure, staff, ERP system).
- External factors: they can be the result of changes in the economic climate, regulations or competition.

Besides the common risks associated to all industrial companies, the EMT has identified the following specific risk factors which are described here after.

Cardio3 BioSciences has incurred net losses in each period since our inception and anticipate that we will continue to incur net losses in the future.

The Company is not profitable and has incurred losses in each period since its inception. For the years ended 31 December 2014 and 2013, the Company incurred a loss for the year of €16.5 million and €14.5 million, respectively. As of December 31, 2014, the Company had a retained loss of €71.2 million. The Company expects these losses to increase as it continues to incur significant research and development and other expenses related to its ongoing operations, continues to advance its drug product candidates through pre-clinical studies and clinical trials, seek regulatory approvals for its drug product candidates, scale-up manufacturing capabilities and hire additional personnel to support the development of its drug product candidates and to enhance our operational, financial and information management systems.

Even if the Company succeeds in commercializing one or more of its drug product candidates, it will continue to incur losses for the foreseeable future relating to its substantial research and development expenditures to develop its technologies. The Company anticipates that its expenses will increase substantially if and as the Company:

- continues its research, pre-clinical and clinical development of its drug product candidates;
- expands the scope of therapeutic indications of its current clinical studies for its drug product candidates;
- initiates additional pre-clinical studies or additional clinical trials of existing drug product candidates or new drug product candidates;
- further develops the manufacturing process for its drug product candidates;
- changes or adds additional manufacturers or suppliers;
- seeks regulatory and marketing approvals for its drug product candidates that successfully complete clinical studies;
- establishes a sales, marketing and distribution infrastructure to commercialize any products for which the Company may obtain marketing approval, in the European Union and the United States;
- makes milestone or other payments under any in-license agreements; and
- maintains, protects and expands its intellectual property portfolio.

The Company may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of its future net losses will depend, in part, on the rate of future growth of its expenses and its ability to generate revenue.

Its prior losses and expected future losses have had and will continue to have an adverse effect on its stockholders' equity and working capital. Further, the net losses the Company incurs may fluctuate significantly from quarter to quarter and year to year, such that a period to period comparison of its results of operations may not be a good indication of its future performance.

Nearly all aspects of the Company's activities are subject to substantial regulation. No assurance can be given that any of the Company's product candidates will fulfil regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals, fines and withdrawal of approvals.

The international pharmaceutical and medical technology industry is highly regulated by government bodies (hereinafter the "Competent Authorities") that impose substantial requirements covering nearly all aspects of the Company's activities notably on research and development, manufacturing, pre-clinical tests, clinical trials, labelling, marketing, sales, storage, record keeping, promotion and pricing of its research programmes and product candidates. Compliance with standards laid down by local Competent Authorities is required in each country where the Company, or any of its partners or licensees, conducts said activities in whole or in part. The Competent Authorities notably include the European Medicine Agency ("EMA") in the European Union and the Food and Drug Administration ("FDA") in the United States.

There can be no assurance that product candidates of the Company will fulfil the criteria required to obtain necessary regulatory clearance to access the market. Also, at this time, the Company cannot guarantee or know the exact nature,

precise timing and detailed costs of the efforts that will be necessary to complete the remainder of the development of its research programmes and products candidates.

The specific regulations and laws, as well as the time required to obtain Competent Authorities approvals, may vary from country to country, but the general regulatory procedures are similar in the European Union and the United States of America. Each Competent Authority may impose its own requirements, may discontinue an approval, may refuse to grant approval, or may require additional data before granting approval, notwithstanding that approval may have been granted by one or more other Competent Authorities. Competent Authority approval may be delayed, limited or denied for a number of reasons, most of which are beyond the Company's control. Such reasons include the production process or site not meeting the applicable requirements for the manufacture of regulated products, or the products not meeting applicable requirements for safety or efficacy during the clinical development stage or after marketing. No assurance can be given that clinical trials will be approved by Competent Authorities or that products will be approved for marketing by Competent Authorities in any pre-determined indication or intended use. Competent Authorities may disagree with the Company's interpretation of data submitted for their review. Even after obtaining approval for clinical trials or marketing, products will be subject to ongoing regulation and evaluation of their benefit/safety or risk/performance ratio; a negative evaluation of the benefit/safety or risk/performance ratio could result in a potential use restriction and/or withdrawal of approval for one or more products. At any time Competent Authorities may require discontinuation or holding of clinical trials or require additional data prior to completing their review or may issue restricted authorisation or authorise products for clinical trials or marketing for narrower indications than requested or require further data or studies be conducted and submitted for their review. There can be no guarantee that such additional data or studies, if required, will corroborate earlier data.

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

Pre-clinical tests and clinical trials are expensive and time-consuming and their results are uncertain. The Company, its collaborative partners or other third parties may not successfully complete the pre-clinical tests and clinical trials of the research programmes and product candidates. Failure to do so may delay or prevent the commercialisation of products. The Company cannot guarantee that its research programmes and product candidates will demonstrate sufficient safety or efficacy or performance in its pre-clinical tests and clinical trials to obtain marketing authorisation in any given territory or at all, and the results from earlier pre-clinical tests and clinical trials may not accurately predict the results of later-stage pre-clinical tests and clinical trials. At any stage of development, based on a review of available pre-clinical and clinical data, the estimated costs of continued development, market assessments and other factors, the development of any of the Company's research programmes and product candidates may be suspended or discontinued.

Clinical trials can 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 contract research organisations (CROs) and contract manufacturing organisations (CMOs) and clinical trial sites, in obtaining ethics committee approval, in recruiting suitable patients to participate in a trial, in having patients complete a trial or return for follow-up, in adding new sites or 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. Such delays could result in increased costs and delay or jeopardise the Company's ability to obtain regulatory approval and commence product sales as currently contemplated. Many factors affect patient enrolment, including, but not limited to, the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical trial, competing clinical trials, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is investigating and whether the clinical trial design involves comparison to placebo or standard of care. If the Company experiences lower than expected enrolment in the trials, the trials may not be completed as envisaged or may become more expensive to complete. The Company and its collaborative partners are, or may become subject to, numerous ongoing regulatory obligations, such as data protection, environmental, health and safety laws and restrictions on the experimental use of animals and/or human beings. The costs of compliance with applicable regulations, requirements or guidelines could be substantial, and failure to comply could result in sanctions, including fines, injunctions, civil penalties, denial of applications for marketing authorisation of its products, delays, suspension or withdrawal of approvals, licence revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's or its collaborative partners' costs or delay the development and commercialisation of its product candidates.

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

The Company's operations have required substantial amounts of cash since inception. The Company expects to continue to spend substantial amounts to continue the clinical development of its drug product candidates, including its ongoing and planned clinical trials for C-Cure, CAR-NKG2D and any future drug product candidates. If approved, the Company will require significant additional amounts in order to launch and commercialize our drug product candidates.

As of December 31, 2014, the Company had €27.6 million in cash and €2.7 million in short term investments. In March 2015, the Company has raised an additional €31.7 million though a private placement. The Company believes that such proceeds, will be sufficient to fund its operations for at least the next 24 months. However, changing circumstances may cause it to increase its spending significantly faster than it currently anticipates, and the Company may need to spend more money than

currently expected because of circumstances beyond its control. The Company may require additional capital for the further development and commercialization of its drug product candidates and may need to raise additional funds sooner if the Company chooses to expand more rapidly than it presently anticipates.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. If the necessary funds are not available, the Company may need to seek funds through collaborations and licensing arrangements, which may require it to reduce or relinquish significant rights to its research programmes and product candidates, to grant licences on its technologies to partners or third parties or enter into new collaboration agreements, the terms could be less favourable to the Company than those it might have obtained in a different context. If adequate funds are not available on commercially acceptable terms when needed, the Company may be forced to delay, reduce or terminate the development or commercialisation of all or part of its research programmes or product candidates or it may be unable to take advantage of future business opportunities.

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

The market for pharmaceutical products is highly competitive. The Company's competitors include many established pharmaceutical, biotechnology, universities and other research or commercial institutions, many of which have substantially greater financial, research and development resources than the Company. The fields in which the Company operates are characterised by rapid technological change and innovation. There can be no assurance that competitors of the Company are not currently developing, or will not in the future develop technologies and products that are equally or more effective and/or are more economical as any current or future technology or product of the Company. Competing products may gain faster or greater market acceptance than the Company's products and medical advances or rapid technological development by competitors may result in the Company's product candidates becoming non-competitive or obsolete before the Company is able to recover its research and development and commercialisation expenses. If the Company or its product candidates do not compete effectively, it may have a material adverse effect on the Company's business.

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

The Company's success will depend in part on the ability of the Company to obtain, maintain and enforce its patents and other intellectual property rights. The Company's research programmes and product candidates are covered by several patent application families, which are either licensed to the Company or owned by the Company. Out of the numerous patent applications filed by the Company, only two national patents have been granted in Belgium and three national patents have been granted in the US, while the other patient applications are still pending. The Company cannot guarantee that it will be in a position in the future to develop new patentable inventions or that the Company or its licensors will be able to obtain or maintain these patent rights against patent offices and other third-party challenges to their validity, scope and/or enforceability. The Company cannot guarantee that it is or has been the first to conceive an invention and to file a patent or a patent application, notably given the fact that patent applications are not published in most countries before an 18-months period from the date of the filing. Moreover, the Company may have no or limited control over the effectiveness of its licensors in preventing the misappropriation of their patents and intellectual property. Because patent law in the biopharmaceutical industry is highly uncertain, there can be no assurance that the technologies used in the Company's research programmes and product candidates are patentable, that patents will be granted to the Company or its licensors under pending or future applications, or that patents will be of sufficient breadth to provide adequate and commercially meaningful protection against competitors with similar technologies or products, or that patents granted to the Company or its licensors will not be successfully challenged, circumvented, invalidated or rendered unenforceable by third parties, hence enabling competitors to circumvent or use them and depriving the Company from the protection it may expect against competitors. If the Company or its licensors do not obtain patents in respect of their technologies or if the patents of the Company or its licensors are invalidated (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company. A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology.

The Company cannot guarantee that third parties, contract parties or employees will not claim ownership rights over the patents or other intellectual property rights owned or held by the Company.

The Company also relies on proprietary know-how to protect its research programmes and product candidates and Cardiopoiesis platform. Know-how is difficult to maintain and protect. The Company uses reasonable efforts to maintain its know-how, but it cannot assure that its partners, employees, consultants, advisors or other third parties will not wilfully or unintentionally disclose proprietary information to competitors. Furthermore, the Company's competitors may independently develop equivalent knowledge and know-how, which could diminish or eliminate the Company's competitive advantage.

The enforcement of patents, know-how and other intellectual property is costly, time consuming and highly uncertain. The Company cannot guarantee that it will be successful in preventing the misappropriation of its patented inventions, know-how and other intellectual property rights and those of its licensors, and failure to do so could significantly impair the ability of the Company to effectively compete.

As far as the Company is aware, its intellectual property has not been challenged otherwise than by patent offices in the normal course of examination of its patent applications or misappropriated (to the exception, however, of the C-Cure trademark for which the Company has received a "cease and desist" request letter from SMB SA limited to the Benelux market in the event it would be authorized by EMA to use this trademark for an approved pharmaceutical product. In view of the therapeutic connotations of the word "C-Cure", the Company is however not likely to be authorized by EMA to use this mark to identify its products or services).

The Company has obtained and will obtain significant funding from the Walloon and Flemish Regions. The terms of the agreements signed with the Regions may hamper the Company to partner part or all its products and restrict the Company's ability to determine the location of its premises.

The Company contracted over the past year numerous funding agreements with the Walloon Region to partially finance all of its research and development programs. Under the terms of the agreements, the Company would need to obtain the consent of the Walloon Region for any out-licensing agreement or sale to a third party of any or all of its products, prototypes or installations which may reduce the Company's ability to partner or sell part or all of its products.

Furthermore, when the research and development programs partially financed by the Company enter in "exploitation phase", the Company has to start reimbursing the funding received. The Company may not be able to reimburse such funding under the terms of the agreements or such reimbursement may jeopardize the funding of its clinical and scientific activities.

The Company has committed (i) to start, within three years as from the completion of its IPO, the establishment of a significant operational site located in the Flemish region of Belgium, which site must become the Company's major effective commercial production site within six years as from the completion of its IPO and (ii) to maintain its headquarters and registered office in the Walloon Region and all existing activities of the Company including but not limited to production for clinical use, clinical, R&D, sales, marketing and administration will continue to be performed and developed in the Walloon Region, which restricts the Company's ability to determine the most convenient or cost-effective location of its premises.

The above commitments are binding contractual undertakings of the Company. If the Company would not respect its contractual undertakings, the Company could be held liable for breach of contract.

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.

The Company's success will depend in part on its ability to operate without infringing on or misappropriating the intellectual property rights of others. The Company cannot guarantee that its activities, or those of its licensors, will not infringe on the patents or other intellectual property rights owned by others. The Company may expend significant time and effort and may incur substantial costs in litigation if it is required to defend against patent or other intellectual property right suits brought against the Company or its licensors regardless of whether the claims have any merit. Additionally, the Company cannot predict whether it or its licensors will be successful in any litigation. If the Company or its licensors are found to infringe on the patents or other intellectual property rights of others, it may be subject to substantial claims for damages, which could materially impact the Company's cash flow and financial position. The Company may also be required to cease development, use or sale of the relevant research programme, product candidate or process or it may be required to obtain a licence on the disputed rights, which may not be available on commercially reasonable terms, if at all. The Company may be unable to develop or commercialise a product, product candidate or research programme, or may cease some of its operations, which may have a material adverse affect on the Company's business.

In parallel with the development of the Company's own intellectual property, patent literature related to heart repair in general and, more specifically, patents of competing companies, are regularly evaluated, in order to avoid infringement and to explore the space of patentable subject matter. To date, no patent infringement claims have been made against Cardio3 BioSciences nor by Cardio3 BioSciences against third parties.

There can be no assurance that the Company's efforts to search for existing proprietary rights before embarking on a research and development programme with respect to a particular product candidate, method, process or technology will uncover all relevant third party rights relating to such product, method, process or technology.

The Company may spend significant time and effort and may incur substantial costs if required to defend against any infringement claims or to assert its intellectual property rights against third parties. The risk of such a procedure by a third party may increase in view of the Company making public announcement regarding one or more of its research programmes and product candidates. The Company may not be successful in defending its rights against such procedures or claims and may incur as a consequence thereof significant losses, costs or delays in its intended commercialisation plans as a result thereof.

The future commercial success of the Company's product candidates will depend on the degree of market acceptance of its products among physicians, patients, healthcare payers and the medical community.

The Company's product candidates are at varying stages of development and the Company may never have a product that is commercially successful. Cardio3 BioSciences has to date no product authorised for marketing yet. Its lead product candidate, C-Cure®, is in clinical-stage development. Whilst C-Cure® showed some positive clinical trial results, it will require further clinical investigation, regulatory review, significant marketing efforts and substantial investment before it can provide the Company with any significant revenues. Due to the inherent risk in the development of pharmaceutical and

medical device products, it is probable that not all of the product candidates in Cardio3 BioSciences' portfolio will successfully complete development and be marketed.

The Company does not expect to be able to market any of its products for a number of years. Furthermore, when available on the market physicians may not prescribe the Company's products, which would prevent the Company from generating significant revenues or becoming profitable. Market acceptance of the Company's future products by physicians, patients and healthcare payers will depend on a number of factors, many of which are beyond the Company's control, including, but not limited to:

- The wording of the product label;
- Acceptance by physicians, patients and healthcare payers of each product as safe, effective and cost-effective;
- Relative convenience, ease of use, ease of administration and other perceived advantages over alternative products;
- Prevalence and severity of adverse events;
- Limitations, precautions or warnings listed in the summary of product characteristics, patient information leaflet, package labeling or instructions for use;
- The cost of treatment with the Company's products in relation to alternative treatments;
- The extent to which products are approved for inclusion and reimbursed on formularies of hospitals and managed care organizations;
- Whether products are designated in the label and/or under physician treatment guidelines and/or under reimbursement guidelines as a first-line therapy, or as a second-line, or third-line or last-line therapy; and

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 on the Company's ability to generate sufficient operating margins to offset operating expenses.

The Company's commercial performance will depend in part on the conditions for setting the sales price of its products by the relevant public commissions and bodies and the conditions of their reimbursement by the health agencies or insurance companies in the countries where the Company intends to market its products. The current context of healthcare cost control and economic and financial crisis that most countries are currently facing, coupled with the increase in health care budgets caused by the aging population creates extra pressure on health care spending in most if not all countries. Consequently, pressure on sales prices and reimbursement levels is intensifying owing in particular to;

- Price controls imposed by many States;
- The increasing reimbursement limitations of some products under budgetary policies;
- The heightened difficulty in obtaining and maintaining a satisfactory reimbursement rate for medicines.

Obtaining adequate pricing decisions that would generate return on the investment incurred for the development of C-Cure and or other product candidates developed by the Company is therefore uncertain. The Company's ability to manage its expenses and cost structure to adapt to increased pricing pressure is untested and uncertain.

All of these factors will have a direct impact on the Company's ability to make profits on the products in question. The partial/no reimbursement policy of medicines could have a material adverse effect on the business, prospects, financial situation, earnings and growth of the Company.

The Company has limited experience in sales, marketing and distribution.

Given its stage in development, the Company has never marketed a product and has therefore limited experience in the fields of sales, marketing and distribution of therapies. The Company has currently no marketing nor sales capacity and intends to set up its own marketing and contract sales force when the C-Cure CHART-1 primary endpoint data will be available. As a consequence, the Company will have to acquire marketing skills and develop its own sales and marketing infrastructure and would need to incur additional expenses, mobilize management resources, implement new skills and take the time necessary to set up the appropriate organization and structure to market the relevant product(s), in accordance with applicable laws.

While several managers of the Company have commercialized and launched high technology medical products there can be no assurance that the existing limited experience would be sufficient to effectively commercialize any or all of the Company's product candidates. The Company may not be able to attract qualified sales and marketing personnel on acceptable terms in the future and therefore may experience constraints that will impede the achievement of its commercial objectives. Such events could have a material adverse effect on the Company's business, prospects, financial situation, earnings and growth.

The Company relies and will continue to rely on collaborative partners regarding the development of its research programmes and product candidates.

The Company is and expects to continue to be dependent on collaborations with partners relating to the development and commercialisation of its existing and future research programmes and product candidates. The Company currently has collaborative research relationships with the Mayo Foundation for Medical Research and Education ("Mayo Clinic") and Cardiovascular Centre Aalst. The Company had, has and will continue to have discussions on potential partnering opportunities with various pharmaceutical and medical device companies. If the Company fails to enter into or maintain collaborative agreements on reasonable terms or at all, the Company's ability to develop its existing or future research

programmes and product candidates could be delayed, the commercial potential of its products could change and its costs of development and commercialisation could increase.

The Company's dependence on collaborative partners subjects it to a number of risks, including, but not limited to, the following:

- The Company may not be able to control the amount or timing of resources that collaborative partners devote to the Company's research programs and product candidates;
- The Company may be required to relinquish significant rights, including intellectual property, marketing and distribution rights;
- The Company relies on the information and data received from third parties regarding its research programs and product candidates and will not have control of the process conducted by the third party in gathering and composing such data and information. The Company may not have formal or appropriate guarantees from its contract parties with respect to the quality and the completeness of such data;
- A collaborative partner may develop a competing product either by itself or in collaboration with others, including one or more of the Company's competitors;
- The Company's collaborative partners' willingness or ability to complete their obligations under the Company's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborative partner's business strategy; and/or
- The Company may experience delays in, or increases in the costs of, the development of the Company's research programs and product candidates due to the termination or expiration of collaborative research and development arrangements.

The Company depends on intellectual property licensed from third parties and termination of any of these licenses could result in the loss of significant rights, which would harm its business.

The Company is dependent on patents, know-how, and proprietary technology, both its own and licensed from others. Any termination of these licenses could result in the loss of significant rights and could harm its ability to commercialize its drug product candidates. Disputes may also arise between the Company and its licensors regarding intellectual property subject to a license agreement, including those relating to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which its technology and processes infringe on intellectual property of the licensor that is not subject to the license agreement;
- its right to sublicense patent and other rights to third parties under collaborative development relationships;
- the amount and timing of milestone and royalty payments;
- whether the Company is complying with its diligence obligations with respect to the use of the licensed technology in relation to its development and commercialization of its drug product candidates; and
- the allocation of ownership of inventions and know-how resulting from the joint creation or use of intellectual property by the Company and its partners and by its licensors.

If disputes over intellectual property that the Company has licensed prevent or impair its ability to maintain its current licensing arrangements on acceptable terms, the Company may be unable to successfully develop and commercialize the affected drug product candidates. The Company is generally also subject to all of the same risks with respect to protection of intellectual property that the Company licenses as it is for intellectual property that the Company owns, which are described below. If the Company or its licensors fail to adequately protect this intellectual property, the Company's ability to commercialize its products could suffer.

Changes in regulatory approval policies or enactment of additional regulatory approval requirements may delay or prevent the product candidates from being marketed.

The regulatory clearance process is expensive and time consuming and the timing of marketing is difficult to predict. Once marketed, products may be subject to post-authorisation safety studies or other pharmaco-vigilance or device vigilance activities or may be subject to limitations on their uses or may be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective, or when used in a larger population that may be different from the trial population studied prior to market introduction of the product.

The Company's product candidates may become subject to changes in the regulatory framework or market conditions. Regulatory guidelines may change during the course of product development and review process, making the chosen development strategy suboptimal. Market conditions may change resulting in the emergence of new competitors or new treatment guidelines which may require alterations in the development strategy. These factors may result in significant delays, increased trial costs, significant changes in commercial assumptions or failure of the products to obtain marketing authorisation.

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

While a product manufacturer may not promote a product for such "off label" use, doctors are allowed, in the exercise of their professional judgment in the practice of medicine, to use a product in ways not approved by Competent Authorities. Off-label marketing regulations are subject to varying evolving interpretations.

Post-approval manufacturing and marketing of Company's products may show different safety and efficacy profiles to those demonstrated in the data on which approval to test or market said products was based. Such circumstances could lead to the withdrawal or suspension of approval, which could have a material adverse effect on the Company's business, financial condition, operating results or cash flows. In addition, Competent Authorities may not approve the labelling claims or advertisements that are necessary or desirable for the successful commercialisation of the Company's products.

Competent Authorities have broad enforcement power, and a failure by the Company or its collaboration partners to comply with applicable regulatory requirements can, among other things, result in recalls or seizures of products, operating and production restrictions, withdrawals of previously approved marketing applications, total or partial suspension of regulatory approvals, refusal to approve pending applications, warning letters, injunctions, penalties, fines, civil proceedings, criminal prosecutions and imprisonment.

The Company relies on third parties to conduct, supervise and monitor its clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Company may not be able to obtain regulatory approval for or commercialize its drug product candidates and its business could be substantially harmed.

The Company relies on clinical research organizations, or CROs, and clinical trial sites to ensure its clinical trials are conducted properly and on time. While the Company will have agreements governing their activities, the Company will have limited influence over their actual performance. The Company will control only certain aspects of our CROs' activities. Nevertheless, the Company will be responsible for ensuring that each of its clinical trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and its reliance on the CROs does not relieve the Company of its regulatory responsibilities.

The Company and its CROs are required to comply with the FDA's GCPs for conducting, recording and reporting the results of clinical trials to assure that the data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. The FDA, the Competent Authorities of the Member States of the EEA, and comparable foreign regulatory authorities, enforce these GCPs through periodic inspections of trial sponsors, principal investigators and clinical trial sites. If the Company or its CROs fail to comply with applicable GCPs, the clinical data generated in its future clinical trials may be deemed unreliable and the FDA, the EMA, or other foreign regulatory authorities may require the Company to perform additional clinical trials before approving any marketing applications. Upon inspection, the FDA may determine that its clinical trials did not comply with GCPs. In addition, its future clinical trials will require a sufficient number of test subjects to evaluate the safety and effectiveness of its drug product candidates. Accordingly, if its CROs fail to comply with these regulations or fail to recruit a sufficient number of patients, the Company may be required to repeat such clinical trials, which would delay the regulatory approval process.

Its CROs are not the Company's employees, and the Company is therefore unable to directly monitor whether or not they devote sufficient time and resources to its clinical and pre-clinical programs. These CROs may also have relationships with other commercial entities, including its competitors, for whom they may also be conducting clinical trials or other product development activities that could harm the Company's competitive position. If its CROs do not successfully carry out their contractual duties or obligations, fail to meet expected deadlines, or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to the Company's clinical protocols or regulatory requirements, or for any other reasons, the Company's clinical trials may be extended, delayed or terminated, and the Company may not be able to obtain regulatory approval for, or successfully commercialize, its drug product candidates. If any such event were to occur, the Company's financial results and the commercial prospects for its drug product candidates would be harmed, its costs could increase, and its ability to generate revenues could be delayed.

If any of the Company's relationships with these third-party CROs terminate, the Company may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. Further, switching or adding additional CROs involves additional costs and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which could materially impact its ability to meet its desired clinical development timelines. Though the Company carefully manages our relationships with our CROs, there can be no assurance that the Company will not encounter challenges or delays in the future or that these delays or challenges will not have a material adverse impact on its business, financial condition and prospects.

Cell-based therapies rely on the availability of specialty raw materials, which may not be available to the Company on acceptable terms or at all.

Engineered-cell therapies require many specialty raw materials, some of which are manufactured by small companies with limited resources and experience to support a commercial product. The suppliers may be ill-equipped to support the Company's needs, especially in non-routine circumstances like an FDA inspection or medical crisis, such as widespread contamination. The Company also does not have contracts with many of these suppliers, and may not be able to contract

with them on acceptable terms or at all. Accordingly, the Company may experience delays in receiving key raw materials to support clinical or commercial manufacturing.

In addition, some raw materials are currently available from a single supplier, or a small number of suppliers. The Company cannot be sure that these suppliers will remain in business, or that they will not be purchased by one of its competitors or another Company that is not interested in continuing to produce these materials for our intended purpose.

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

Cardio3 BioSciences and key third-party suppliers on which it relies currently or in the future must continuously adhere to (current) Good Manufacturing Practices and corresponding manufacturing regulations of Competent Authorities. In complying with these regulations, the Company and its third-party suppliers must expend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against the Company, including the seizure of products and shutting down of production. Any of these third-party suppliers and the Company also may be subject to audits by the Competent Authorities. If any of the Company's third-party suppliers or the Company itself fails to comply with (current) Good Manufacturing Practices or other applicable manufacturing regulations, the Company's ability to develop and commercialise the products could suffer significant interruptions.

The Company relies on a single manufacturing facility.

The Company faces risks inherent in operating a single manufacturing facility, since any disruption, such as a fire, natural hazards or vandalism could significantly interrupt the Company's manufacturing capability. The Company currently does not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, the Company will have to establish alternative manufacturing sources. This would require substantial capital on the part of the Company, which it may not be able to obtain on commercially acceptable terms or at all. Additionally, the Company would likely experience months or years of manufacturing delays as it builds or locates replacement facilities and seek and obtain necessary regulatory approvals. If this occurs, the Company will be unable to satisfy manufacturing needs on a timely basis, if at all. Also, operating any new facilities may be more expensive than operating the Company's current facility. Further, business interruption insurance may not adequately compensate the Company for any losses that may occur and the Company would have to bear the additional cost of any disruption. For these reasons, a significant disruptive event of the manufacturing facility could have drastic consequences, including placing the financial stability of the Company at risk.

The Company will need increased manufacturing capacity.

The Company may not be able to expand the manufacturing capacity within the anticipated time frame or budget or may not be able to obtain the requisite regulatory approvals for the increase in manufacturing capacity on a timely basis, or at all. If the Company cannot obtain necessary approvals for this contemplated expansion in a timely manner, its ability to meet demand for its products would be adversely affected. The current plans of the Company are to operate two manufacturing sites, one in Belgium and one in the US, for which the Company will need to obtain the consent of the Walloon Region. The Company may have difficulties in finding suitable locations or commercially acceptable terms for the leasing of such facilities. The Company may also have difficulties in finding a commercial partner for the construction of those facilities and/or partners for investing in the capital expenses related to the manufacturing plants. The Company will need to obtain GMP certification of those plants for commercial products. Obtaining those certificates may be delayed, or may not be granted.

The Company is highly dependent on its key personnel, and if the Company is not successful in attracting, motivating and retaining highly qualified personnel, the Company may not be able to successfully implement its business strategy.

Its ability to compete in the highly competitive biotechnology and pharmaceutical industries depends upon its ability to attract, motivate and retain highly qualified managerial, scientific and medical personnel. The Company is highly dependent on members of our executive committee, particularly its chief executive officer, Christian Homsy, and its scientific and medical personnel. The loss of the services of any members of its executive committee, other key employees, and other scientific and medical advisors, and its inability to find suitable replacements, could result in delays in product development and harm its business.

Competition for skilled personnel in the biotechnology and pharmaceutical industries is intense and the turnover rate can be high, which may limit the Company's ability to hire and retain highly qualified personnel on acceptable terms or at all.

To induce valuable employees to remain within the Company, in addition to salary and cash incentives, the Company has provided warrants that vest over time. The value to employees of these equity grants that vest over time may be significantly affected by movements in its share price that are beyond its control, and may at any time be insufficient to counteract more lucrative offers from other companies. The Company does not maintain "key man" insurance policies on the lives of all of these individuals or the lives of any of its other employees.

The Company will need to grow the size and capabilities of our organization, and the Company may experience difficulties in managing this growth.

As of December 31, 2014 the Company had 76 employees and six senior managers under management services agreements, most of whom are full-time. As the Company's drug product candidates move into later stage clinical development and towards commercialization, the Company must add a significant number of additional managerial, operational, sales, marketing, financial, and other personnel. Future growth will impose significant added responsibilities on members of management, including:

- identifying, recruiting, integrating, maintaining, and motivating additional employees;
- managing the Company's internal development efforts effectively, including the clinical and FDA review process for its drug product candidates, while complying with its contractual obligations to contractors and other third parties; and
- improving its operational, financial and management controls, reporting systems, and procedures.

The Company's future financial performance and its ability to commercialize its drug product candidates will depend, in part, on its ability to effectively manage any future growth, and its management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

If the Company is not able to effectively expand its organization by hiring new employees and expanding its groups of consultants and contractors, the Company may not be able to successfully implement the tasks necessary to further develop and commercialize our drug product candidates and, accordingly, may not achieve its research, development, and commercialization goals.

If the Company engages in future acquisitions or strategic partnerships, this may increase its capital requirements, dilute its shareholders, cause it to incur debt or assume contingent liabilities, and subject it to other risks.

The Company may evaluate various acquisitions and strategic partnerships, including licensing or acquiring complementary products, intellectual property rights, technologies, or businesses. Any potential acquisition or strategic partnership may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- the issuance of its equity securities;
- assimilation of operations, intellectual property and products of an acquired Company, including difficulties associated with integrating new personnel;
- the diversion of its management's attention from its existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in its ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or drug product candidates and regulatory approvals; and
- its inability to generate revenue from acquired technology and/or products sufficient to meet its objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if the Company undertakes acquisitions, the Company may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, the Company may not be able to locate suitable acquisition opportunities and this inability could impair its ability to grow or obtain access to technology or products that may be important to the development of our business.

The Company's international operations subject it to various risks, and its failure to manage these risks could adversely affect its results of operations.

The Company faces significant operational risks as a result of doing business internationally, such as:

- fluctuations in foreign currency exchange rates;
- potentially adverse and/or unexpected tax consequences, including penalties due to the failure of tax planning or due to the challenge by tax authorities on the basis of transfer pricing and liabilities imposed from inconsistent enforcement;
- potential changes to the accounting standards, which may influence our financial situation and results;
- becoming subject to the different, complex and changing laws, regulations and court systems of multiple jurisdictions and compliance with a wide variety of foreign laws, treaties and regulations;
- reduced protection of, or significant difficulties in enforcing, intellectual property rights in certain countries;
- difficulties in attracting and retaining qualified personnel;
- restrictions imposed by local labor practices and laws on the Company's business and operations, including unilateral cancellation or modification of contracts; and
- rapid changes in global government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events, and potential failure in confidence of the Company's suppliers or customers due to such changes or events; and tariffs, trade protection measures, import or export licensing requirements, trade embargoes and other trade barriers.

7.4. Audit activities

Internal audit activities are performed by the departments of Finance, for all matters related to accounting and financial information, and Quality Assurance for all matters related to the operational activities of the Company.

As of the date of this report, there is not yet a dedicated internal audit function.

In order to properly manage identified risks, Cardio3 BioSciences set the following audit measures:

- access and security systems at the premises and offices;
- establishment, under the supervision of the Quality Assurance department, of a set of procedures covering all activities of the Company;
- weekly modifications and updates of the existing procedures;
- development of electronic approval system in the existing ERP system;
- implementation of extra controls in the existing ERP system;
- development of a monthly financial reporting tool which allow a close monitoring of the financial information and KPI's.

7.5. Controls, supervision and correctives actions

Controls are performed by all persons in charge of departments and services. When deviations are identified, there are reported to, depending of there relative importance, the head of department or the Executive Management Team.

Until the establishment of the audit committee early 2015, the responsibilities of the Audit Committee were supported by the Board of Directors. All supervision activities were performed by the Board of Directors and the Executive Management Team. It was their responsibility to monitor the effectiveness of the internal audit and risk analysis. At its establishment, all these tasks have been transferred to the audit committee.

The executive team supervises the implementation of internal audit and risk management, taking into consideration the recommendations of the audit committee.

The EMT is also in charge of proposing the audit committee corrective actions when identified.

External audit

On May 5 2014, the Annual Shareholder's Meeting of Cardio3 BioSciences SA decided not to renew the external financial auditor mandate of Ernst & Young. At the time of shareholders decision, Ernst & Young had been our auditor for six years. The Company engaged PricewaterhouseCoopers Reviseurs d'Entreprises scrl, represented by Patrick Mortroux, or PwC as its new external financial auditor as from 5 May 2014. This mission includes the auditing of the statutory annual accounts, the consolidated annual accounts of Cardio3 BioSciences SA and its subsidiaries if any.

The Company is also subject to ad hoc audit performed by the competent authorities to ensure compliance with GMP, GCP or other regulations.

3. SHARES AND SHAREHOLDERS

1. Capital increase and issuance of shares

On 1st January 2014, the share capital of Cardio3 BioSciences was represented by 6,332,792 shares. In 2014, there was one capital increase resulting in the issuance of 568,180 new shares as well as the exercise of 139,415 warrants over four different exercise periods resulting in the issuance of 139,415 new shares. As of 31 December 2014, the share capital of Cardio3 BioSciences amounted to 24,615k€ and was represented by 7,040,387 shares. The evolution of the capital of the Company since its inception on 24 July 2007 is presented in the notes to the financial statements.

All shares are issued and fully paid up and are of the same class. Each share (i) entitles its holder to one vote at the Shareholders' Meetings; (ii) represents an identical fraction of the capital and has the same rights and obligations and participates equally in the profit of Cardio3 BioSciences SA; and (iii) gives its holder a preferential subscription right to subscribe to new shares, convertible bonds or warrants in proportion to the part of the share capital represented by the shares already held.

The preferential subscription right can be restricted or cancelled by a resolution approved by the Shareholders' Meeting, or by the Board of Directors subject to an authorization of the Shareholders' Meeting, in accordance with the provisions of the Belgian Company Code and the Company's articles of association.

2. Authorized capital

In accordance with the articles of association, the Extraordinary General Shareholders' Meeting of Cardio3 BioSciences SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association. This authorization was given on 11 June 2013 and is valid for a period of five years starting on 26 July 2013, i.e. until 26 July 2018. As of the date of this report, the outstanding amount of the authorized capital is to €16,251,455.93.

When increasing the share capital within the limits of the authorized capital, the Board of Directors may, in the Company's interest, restrict or cancel the shareholders' preferential subscription rights, even if such restriction or cancellation is made for the benefit of one or more specific persons other than the employees of the Company or its subsidiaries.

3. Changes in share capital

In accordance with the Belgian Company Code, Cardio3 BioSciences SA may increase or decrease its capital by decision of the Extraordinary General Shareholders' Meeting taken with a majority of 75% of the votes cast, at a meeting where at least 50% of the share capital of the Company is present or represented. If the attendance quorum of 50% is not met, a new Extraordinary General Shareholders' Meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting. There are in this respect no conditions imposed by the Company's articles of association that are more stringent than those required by law.

Within the framework of the powers granted to it under the authorized capital, the Board of Directors may also increase the Company's capital as specified in its articles of association.

4. Anti-takeover provisions under Belgian laws

Under Belgian law, public takeover bids for all the outstanding voting securities issued by the issuer are subject to the supervision of the FSMA. If the latter determines that a takeover violates Belgian law, it may lead to suspension of the exercise of the rights attached to any shares that were acquired in connection with the envisaged takeover. Pursuant to the Belgian law of 1 April 2007 on public takeovers, a mandatory takeover bid must be made when, as a result of its own acquisition or the acquisition by persons acting in concert with it, a person owns, directly or indirectly, more than 30% of the securities with voting rights in a company with registered office in Belgium whose securities are admitted to trading on a regulated or recognized market. The acquirer must offer to all other shareholders the opportunity to sell their shares at the highest of (i) the highest price offered by the acquirer for shares of the issuer during the 12 months preceding the announcement of the bid or (ii) the weighted average price of the shares on the most liquid market of the last 30 calendar days prior to the date on which the obligation of the acquirer to offer the takeover of the shares of other shareholders starts.

5. Change of the articles of association

Pursuant to the Belgian Company Code, any amendment to the articles of association such as an increase or decrease in the capital of the Company, and certain other matters such as the approval of the dissolution, merger or de-merger may only be authorized with the approval of at least 75% of the votes validly cast at an Extraordinary General Shareholders' Meeting where at least 50% of the Company's share capital is present or represented. If the attendance quorum of 50% is not met, a new Extraordinary General Shareholders' Meeting must be convened at which the shareholders may decide on the agenda items, irrespective of the percentage of share capital present or represented at such meeting.

6. Agreements with and between Shareholders

Medisun

On 16 June 2014, the Company entered into an investment agreement, or Medisun Agreement, with Medisun International Limited, or Medisun, pursuant to which Medisun purchased 568,180 of the Company's ordinary shares for an aggregate purchase price of €25.0 million. Furthermore, pursuant to the terms of the Medisun agreement, Medisun International Limited undertook to offer to acquire the Company's shares from existing shareholders (through one or more coordinated transactions) for a total purchase price of € 25 million by 28 February 2015. This agreement was never implemented.

In connection with entry into the Medisun Agreement, The Company and Medisun also entered into a subscription and joint venture agreement, or JV Agreement. Pursuant to the JV Agreement, the Company and Medisun agreed to form Cardio3 Biosciences Asia Holdings Limited, or Cardio3 Asia, to conduct clinical trials of C-Cure in the Peoples Republic of China, Hong Kong, Macau and Taiwan, and other territories mutually agreed upon by the Company and Medisun, with the goal of obtaining marketing authorization for C-Cure in the applicable territories. The Company obtained a 40.0% initial ownership interest in Cardio3 Asia in exchange for its entry into a license agreement with Cardio3 Asia, or License Agreement, pursuant to which the Company granted an exclusive, royalty-free and nontransferable license to Cardio3 Asia for C-Cure and certain know-how for conducting clinical trials in the applicable territories, and Medisun obtained an initial 60.0% ownership interest in Cardio3 Asia for an aggregate payment of €500,000. Pursuant to the JV Agreement, Medisun agreed to provide additional funding as necessary for clinical trials to be conducted by Cardio3 Asia by purchasing additional shares of Cardio3 Asia. In the event that Cardio3 Asia receives marketing authorization in any of the applicable territories, the Company has agreed to grant to Cardio3 Asia, at Cardio3 Asia's election, a commercialization license on the terms specified by the parties in the JV Agreement. Either party to the JV Agreement must also offer its shares to the other party before transferring or otherwise disposing of them. Under the JV Agreement, any minority shareholder of Cardio3 Asia must be offered the same pricing for its shares as is being received by a majority shareholder. The JV Agreement can be terminated by the mutual agreement of us and Medisun, by the Company if the first patient in clinical trials in the applicable territories has not been recruited by June 16, 2015, or the last patient for any of the clinical trials in the applicable territories has not been recruited within two years from the time that the first patient is recruited, and by Medisun if the Company cease to comply with certain warranties in the JV Agreement and License Agreement, or for reasons related to our failure to secure or maintain certain intellectual property protections.

The Company is not aware of the existence of any other shareholders' agreements between its shareholders.

7. Shareholders' structure

Based on the transparency notifications received by the Company, the shareholders owning 5% or more of the Company's shares on 31 December 2014 were TOLEFI SA (2,267,844 shares), PMV-TINA Comm. VA (570,571 shares), MEDISUN INTal Ltd (568,180 shares), and SRIW SA and its subsidiaries Sofipole SA (together 533,828 shares).

8. Financial service

The financial services for the shares are provided by BNP Paribas Security Services.

4. CONSOLIDATED FINANCIAL STATEMENTS

1. Responsibility statement

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

On behalf of the Board of Directors,

Michel Lussier

Chairman

LSS Consulting SPRL, represented by its permanent representative Christian Homsy

CEO

2. Statutory auditor's report on the consolidated accounts for the year ended 31 December 2014

In accordance with the legal requirements, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Report on the consolidated financial statements – Unqualified opinion

We have audited the consolidated financial statements of Cardio3 BioSciences SA ("the Company") and its subsidiaries (jointly "the group") for the year ended December 31, 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. The total of the consolidated statement of financial position amounts to 000' EUR 43.976 and the consolidated statement of comprehensive income shows a loss for the year of 000' EUR 16.617.

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

The board of directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards 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 determine, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Statutory auditor's responsibility

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

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

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

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

Unqualified Opinion

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

Emphasis of Matter Paragraph

As discussed in Note 4.36 to the consolidated financial statements, the group has restated its 2013 financial statements to correct two errors.

Report on other legal and regulatory requirements

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

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify in all material respects, compliance with certain legal and regulatory requirements. On this basis, we provide the following additional statement which does not impact our opinion on the consolidated financial statements:

The directors' report on the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and does not present any material inconsistencies with the information that we became aware of during the performance of our mandate.

Liège, 15 April 2015

The Statutory Auditor

PwC Reviseurs d'Entreprises sccrl

Represented by

Patrick Mortroux

Certified Auditor

3. *Consolidated financial statements as of 31 december 2014 and 2013 under IFRS*

3.1. Consolidated statement of financial position

(€'000)		For the year ended 31 December		As per 1 January 2013 (restated) [1]
	Notes	2014	2013 (restated) [1]	(unaudited)
NON-CURRENT ASSETS		**11,041**	**9,783**	**10,148**
Intangible assets	4.60	10,266	9,400	9,615
Property, Plant and Equipment	4.70	598	243	383
Investment accounted for using the equity method	4.13	68	-	-
Other non-current assets	4.8	109	140	150
CURRENT ASSETS		**32,935**	**22,603**	**2,337**
Trade and Other Receivables	4.9	830	422	305
Grants receivables	4.9	1,009	-	-
Other current assets	4.9	792	123	387
Short term investments	4.10	2,671	3,000	-
Cash and cash equivalents	4.11	27,633	19,058	1,645
TOTAL ASSETS		**43,976**	**32,386**	**12,485**
EQUITY		**26,684**	**16,898**	**(29,138)**
Share Capital	4.15	24,615	22,138	9,975
Share premium	4.15	53,302	30,474	-
Other reserves	4.23	19,982	18,894	1,006
Retained loss		(71,215)	(54,608)	(40,119)
NON-CURRENT LIABILITIES		**11,239**	**12,099**	**11,266**
Finance leases		279	27	109
Advances repayable	4.18	10,778	12,072	11,157
Post employment benefits	4.17	182	-	-
CURRENT LIABILITIES		**6,053**	**3,389**	**30,357**
Finance leases		134	79	160
Convertible loan				26,878
Advances repayable	4.18	777	429	685
Trade payables	4.19	4,042	2,169	1,770
Other current liabilities	4.19	1,100	712	864
TOTAL EQUITY AND LIABILITIES		**43,976**	**32,386**	**12,485**

[1] Consolidated statement of financial position as per January 1, 2013 and as per December 31, 2013 has been restated (see note 4.36)

3.2. Consolidated statement of comprehensive loss

(€'000)	Notes	For the year ended 31 December 2014	2013 (restated) [1]
Revenue		146	-
Cost of sales		(115)	-
Gross profit		**31**	**-**
Research and Development expenses	4.26	(15,865)	(9,046)
General administrative expenses	4.27	(5,016)	(3,972)
Other operating income	4.28	4,413	64
Operating Loss		**(16,437)**	**(12,954)**
Financial income	4.30	277	60
Financial expenses	4.30	(41)	(1,595)
Share of Loss of investments accounted for using the equity method	4.13	(252)	-
Loss before taxes		**(16,453)**	**(14,489)**
Income taxes	4.22	-	-
Loss for the year [2]		**(16,453)**	**(14,489)**
Basic and diluted loss per share (in €)	4.31	(2.44)	(3.53)
Other comprehensive loss			
Items that will not be reclassified to profit and loss		**(154)**	**-**
Remeasurements of post employment benefit obligations, net of tax		(154)	-
Items that may be subsequently reclassified to profit or loss		**(10)**	**-**
Currency translation differences		(10)	-
Other comprehensive loss for the year, net of tax		**(164)**	**-**
Total comprehensive loss for the year		**(16,617)**	**(14,489)**
Total comprehensive loss for the year attributable to Equity Holders [2]		**(16,617)**	**(14,489)**

[1] Consolidated statement of comprehensive loss for 2013 has been restated (see note 4.36)

[2] For 2014 and 2013, the Group does not have any non-controlling interests and the losses for the year are fully attributable to owners of the parent.

3.3. Consolidated statement of changes in equity

(€'000)	Share capital (Note 4.15)	Share premium (Note 4.15)	Other reserves (Note 4.23)	Retained loss	Total Equity
Balance as of 1st January 2013 as previously reported	9,975	-	12,412	(24,647)	(2,260)
Effect of restatement			(11,406)	15,472)	(26,878)
Balance as of 1st January 2013 (restated)	**9,975**	**-**	**1,006**	**(40,119)**	**(29,138)**
Capital increase in cash	7,113	26,339			33,452
Exercise of warrants	24				24
Contribution in kind convertible loans	5,026	6,988	16,631		28,645
Share-based payments			274		274
Restatement on share-based payments			984		984
Transaction costs associated with capital increases		(2,853)			(2,853)
Total transactions with owners, recognized directly in equity (restated)	**12,163**	**30,474**	**17,889**	**-**	**(60,526)**
Loss for the year	-	-	-	(14,489)	(14,489)
Currency Translation differences	-	-	-	-	-
Remeasurements of defined benefit obligation	-	-	-	-	-
Total comprehensive loss for the year (restated)				**(14,489)**	**(14,489)**
Balance as of 31 December 2013 (restated)	**22,138**	**30,474**	**18,894**	**(54,608)**	**16,898**
Capital increase in cash	1,989	23,011		-	25,000
Exercise of warrants	488	500		-	988
Share-based payments	-	429	1,098	-	1,527
Transaction costs associated with capital increases	-	(1,112)		-	(1,112)
Total transactions with owners, recognized directly in equity	**2,477**	**22,828**	**1,098**	**-**	**26,403**
Loss for the year	-	-		(16,453)	(16,453)
Currency Translation differences			(10)		(10)
Remeasurements of defined benefit obligation				(154)	(154)
Total comprehensive loss for the year			**(10)**	**(16,607)**	**(16,617)**
Balance as of 31 December 2014	**24,615**	**53,302**	**19,982**	**(71,215)**	**26,684**

3.4. Consolidated statement of Cash flows

(€'000)	Notes	For the year ended 31 December 2014	2013 (restated) [1]
Cash Flow from operating activities			
Net Loss for the year		(16,453)	(14,489)
Non-cash adjustments			
Depreciation	4.7	193	213
Amortisation	4.6	677	674
Interests on convertible loans		-	357
Fair value on convertible loans		-	1,159
Post Employment Benefit	4.17	28	-
Share of loss in company consol. under equity method	4.13	252	-
Gain on contribution IP at incorp. C3BS Asia Ltd.	4.13	(312)	
Reversal provision for reimbursement RCAs	4.28	(507)	-
Proceeds of grants and advances	4.28	(2,418)	395
Share-based payments	4.16	1,098	1,258
Change in working capital			
Trade receivables, other receivables		(2,048)	(452)
Trade payables, other payable and accruals		2,076	247
Net cash (used in)/from operations		**(17,414)**	**(10,638)**
Cash Flow from investing activities			
Acquisitions of Property, Plant & Equipment	4.7	(590)	(73)
Acquisitions of Intangible assets	4.6	(50)	(459)
Acquisition of short term investment	4.10	372	(3,000)
Investment in subsidiary	4.14	(1,500)	-
Net cash used in investing activities		**(1,768)**	**(3,532)**
Cash flows from financing activities			
Proceeds from borrowings		444	-
Repayments of finance leases		(138)	(163)
Proceeds from issuance of shares and exercise of warrants	4.16	25,305	30,623
Proceeds from subsidies	4.28	636	129
Proceeds from RCAs & other grants	4.28	1,782	955
Proceeds from convertible loan		-	250
Repayment of advances		(272)	(211)
Net cash from financing activities		**27,757**	**31,583**
Net cash and cash equivalents at beginning of the period		**19,058**	**1,645**
Change in net cash and cash equivalents		8,575	17,413
Net cash and cash equivalents at the end of the period		**27,633**	**19,058**

[1] Consolidated statement of Cash flow for 2013 has been restated related to restatement of 2013 net loss (see note 4.36)

4. *Notes to the consolidated financial statements*

4.1. General information

Cardio3 BioSciences SA ("the Company") and its subsidiaries (together, "the Group") is a biotechnology group specialising in stem cell-based therapies for the treatment of cardiovascular diseases. It is acting in the field of cardiac regenerative medicine. It is currently developing several therapeutic therapies based on two distinct technology platforms, respectively in cardiology and oncology. The group has two fully owned subsidiaries in the US, Cardio3 Inc and Corquest Medical Inc, and has incorporated a joint venture in Hong-Kong in July 2014, Cardio3 BioSciences Asia Ltd, with its Hong-Kong based partner Medisun International Ltd. Corquest Medical Inc. was acquired in November 2014.

Cardio3 BioSciences was incorporated on 24 July 2007 under the name "Cardio3 BioSciences". Cardio3 BioSciences is a limited liability company ("Société Anonyme") governed by Belgian law with its registered office at Axis Parc, Rue Edouard Belin 12, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115). The Company is listed on NYSE Euronext Brussels and NYSE Euronext Paris regulated markets.

4.2. Summary of significant accounting policies

The significant accounting policies used for preparing the consolidated financial statements are explained here below.

4.2.1. Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements have been approved for issue by the Board of Directors of cardio3 BioSciences on 19 March 2015.

The consolidated financial statements are presented in euro and all values are presented in thousands (€000) except when otherwise indicated.

Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations applicable to companies reporting under IFRS.

The preparation of the consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, are areas where assumptions and estimates are significant to the financial statements. They are disclosed in Note 4.4.

Going concern

The Group is pursuing a strategy to develop certain products and obtain approval from the authorities to commercialise those products. Since June 2013, the Group is conducting international Phase III clinical trials in heart failure with C-Cure, its most advanced therapy, and will initiate in the beginning of 2015 a Phase I clinical trial with CM-CS1, its lead product in oncology. Management has prepared detailed budgets and cash flow forecasts for the following two years. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of selected research programs and products candidates.

Based on its current scope of activities, the Group estimates its current cash position (including short term investments) is sufficient to cover its cash requirements for 2015.

After due consideration of the above, the Board of Directors determined that management has an appropriate basis to conclude on the continuity over the next 12 months of the Group's business and hence it is appropriate to prepare the financial statements on a going concern basis.

Changes to accounting standards and interpretations

None of the amendments to standards or interpretations which are effective for the first time for the financial year beginning on 1 January 2014 had a material impact on the Group's consolidated financial statements for the year ended 31 December 2014.

A number of new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2014 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- FRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The Group is yet to assess IFRS 9's full impact.

4.2.2. Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date control ceases.

The Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by the Group at the date of the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

4.2.3. Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Group's presentation currency.

Transactions and balances

Foreign currency transactions (mainly USD) are translated into functional currency using the applicable exchange rate on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Foreign currency exchange gains and losses arising from settling foreign currency transactions and from the retranslation of monetary assets and liabilities denominated in foreign currencies at the reporting date are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Group companies

The results and financial position of all group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognized in other comprehensive income.

4.2.4. Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied in the ordinary course of the Group activities, stated net of discounts, returns and value added taxes. The Company recognizes revenue when the amount of revenue can be reliably measured and when it is probable that future economic benefits will flow to the entity. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved.

Revenue from the sale of goods is recognized when:

- The significant risks and rewards of the ownership of goods are transferred to the buyer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

For 2014, the only revenues generated by the Group are associated with C-Cathez, its proprietary catheter, and are marginal compared to its operating expenses.

4.2.5. Other operating income

4.2.5.1. Government grants

The Group's current operating income is primarily generated from (i) government grants received from the European Commission under the Seventh Framework Program ("FP7") and other authorities (see paragraph 0) and (ii) government grants received from the Regional government ("Walloon Region" or "Region") in the form of recoverable cash advances (RCAs) (see paragraph 0)

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Once a government grant is recognized, any related contingent liability (or contingent asset) is treated in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

4.2.5.1.1. Recoverable cash advances (RCAs)

As explained above, the Group receives grants from the Regional government in the form of recoverable cash advances (RCAs).

RCAs are dedicated to support specific development programs. All RCA contracts, in essence, consist of three phases, i.e., the "research phase", the "decision phase" and the "exploitation phase". During the research phase, the Group receives funds from the Region based on statements of expenses.

The RCAs are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

At the end of the research phase, the Group should within a period of six months decide whether or not to exploit the results of the research phase (decision phase). The exploitation phase may have a duration of up to 10 years. In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently refundable and the company applies the recognition criteria of IAS 37 related to liability recognition, with any amounts being recognized as a reduction of other operating income in the income statement.

When the Group does not exploit (or does not continue to exploit) the results under an RCA, it has to notify the Region of this decision. This decision is of the sole responsibility of the Group. The RCA associated to the decision does not become refundable (respectively is no longer refundable as of the calendar year after such decision), and the rights related to such results will be transferred to the Region. Also when the Group decides to renounce to its rights to patents which may result from the research, title to such patents will be transferred to the Region.

4.2.5.1.2. Other government grants

The Group has received and will continue to apply grants to European (FP7) and Regional authorities. These grants are dedicated to partially finance early stage projects such as fundamental research, applied research, prototype design, etc.

As per 31 December 2014, all grants received are not associated to any conditions. As per contract, grants are paid upon submission by the Group of statement of expenses. The Company incurs project expenses first and asks for partial refunding according to the terms of the contracts.

The government grants are recognized in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate.

4.2.6. Intangible assets

Intangible assets acquired from third parties are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs (when conditions are met), are not capitalised. Expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful life of intangible assets is assessed as finite. They are amortised over the expected useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement of in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

For the industry in which the Group operates, the life science industry, criteria a) and d) tend to be the most difficult to achieve. Experience shows that in the Biotechnology sector technical feasibility of completing the project is met when such project completes successfully Phase III of its development. For medical devices this is usually met at the moment of CE marking.

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation of the asset begins when development has been completed and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in Research & Development expenses. During the period of development, the asset is tested for impairment annually.

As per 31 December 2014, only the development costs of C-Cathez are capitalized and amortized over a period of 17 years which corresponds to the period over which the intellectual property is protected.

Patents, Licences and Trademarks

Payments related to the acquisition of technology rights are capitalised as intangible assets when the two following criteria are met:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Licences for the use of intellectual property are granted for a period corresponding to the intellectual property of the assets licensed. Amortisation is calculated on a straight-line basis over this useful life.

Patents and licences are assessed for impairment whenever there is an indication these assets may be impaired. Indication of impairment is related to the value of the patent demonstrated by the pre-clinical and clinical results of the technology.

Software

Software only concerns acquired computer software licences. Software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years on a straight-line basis.

4.2.7. Property, plant and equipment

Plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Repair and maintenance costs are recognised in the income statement of as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land and buildings: 15 to 20 years
- Plant and equipment: 5 to 15 years
- Laboratory equipment: 3 to 5 years
- Furniture: 3 to 10 years
- Leasehold improvements: 3 to 10 years (based on duration of office building lease)

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively, if applicable.

4.2.8. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date: 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.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

The Group has performed sale and leaseback transactions. If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term. If the transaction results in an operating lease and the transaction occurred at fair value, any profit or loss is recognised immediately.

4.2.9. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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. In determining fair value less costs to sell, an appropriate valuation model is used based on the discounted cash-flow model.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

The Group has three cash-generating units which consist of the development and commercialization activities on its the following products, C-Cathez, Heart-Xs and C-Cure. Indicators of impairment used by the Group are the pre-clinical and clinical results obtained with the technology.

4.2.10. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less.

4.2.11. Financial assets

4.2.11.1. Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "cash and cash equivalents", "short-term deposits", "trade and other receivables" and "Deposits". Those trade debtors are not impaired and are not material in relation to the current and total assets. Impairments are assessed on an individual basis and as such, there is not general rule that trade debtors overdue since a certain number of days are impaired.

4.2.11.2. Initial recognition and measurement

All financial assets are recognised initially at fair value plus directly attributable transaction costs.

4.2.11.3. Subsequent measurement

After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

4.2.11.4. Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The present value of the estimated future cash flows is discounted at the financial assets' original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the

previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

4.2.12. Financial liabilities

4.2.12.1. Classification

The Group's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings. The Group classifies its financial liabilities in the following category: financial liabilities measured at amortised cost using the effective interest method.

4.2.12.2. Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

4.2.12.3. Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Trade payables and other payables

After initial recognition, trade payables and other payables are measured at amortised cost using the effective interest method.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance expense in the income statement.

4.2.12.4. Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

4.2.13. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

We also refer to Note 4.2.5.1.1. on Recoverable cash advances (RCAs) where it is explained that recoverable cash advances received from the Regional government are accounted for in accordance with IAS 37 as from the moment these become contingently refundable.

4.2.14. Employee benefits

Defined contribution plan

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plans is classified as a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions per employee into a separate fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits they are entitled to under the existing schemes.

However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee

contributions and 3.25% on employer contributions. Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods).

Prior to 2014, the Group did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by the insurance company was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, in 2014 Cardio 3 Biosciences has decided to measure and account for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return because of the higher financial risk related to these plans than in the past. The prior year financial statements were not revised due to such effect not being material.

An external, independent actuary prepares the calculation of the provision for employee benefit pension plans. The calculation is based on the projected unit credit method.

The liability recognized in the balance sheet in respect of the pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognized in the income statement as part of the operating costs, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognized immediately in the income statement.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in the operating costs in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise.

Short term benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits such as wages, salaries, profit-sharing and bonuses and non-monetary benefits paid to current employees.

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognised in that period. The expected cost of short-term compensated absences is recognised as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts an entity expects to pay as a result of unused entitlements at the end of the period.

Share-based payments

Certain employees, managers and members of the Board of Directors of the Group receive remuneration, as compensation for services rendered, in the form of share-based payments. It concerns "equity-settled" share-based payments.

Measurement

The cost of equity-settled share-based payments is measured by reference to the fair value at the date on which they are granted. The fair value is determined by using an appropriate pricing model, further details are given in the Note 4.16.

Recognition

The cost of equity-settled share-based payments is recognised, together with a corresponding increase in equity, over the period in which the service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest.

The expense or credit for a period accounted for in the income statement represents the movement in cumulative expense recognised as of the beginning and end of that period.

Modification

Where the terms of an equity-settled transaction award are modified, the minimum expense recognised is the expense as if the terms had not been modified, if the original terms of the award were met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Cancellation

An equity-settled award can be cancelled with the departure of a beneficiary before the end of the vesting period, or cancelled and replaced by a new equity settled award. Where an equity-settled award is cancelled, the previously recognised expenses is offset directly in the equity of the Group and credited against the retained earnings. However, if a new award is

substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

4.2.15. Taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses(except if the deferred tax asset arises from the initial recognition of an asset or liability in a transaction other than a business combination and that, at the time of the transaction affects neither accounting nor taxable profit or loss), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to income taxes levied by the same taxation authority or either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

4.2.16. Earnings (loss) per share

The basic net profit/(loss) per share is calculated based on the weighted average number of shares outstanding during the period.

The diluted net profit/(loss) per share is calculated based on the weighted average number of shares outstanding including the dilutive effect of potentially dilutive ordinary shares such as warrants and convertible debts. Potentially dilutive ordinary shares should be included in diluted earnings (loss) per share when and only when their conversion to ordinary shares would decrease the net profit per share (or increase net loss per share).

4.3. Risk Management

Financial risk factors

Interest rate risk

The interest rate risk is very limited as the Group has only a limited amount of finance leases and no outstanding loans. So far, because of the materiality of the exposure, the Group did not enter into any interest hedging arrangements.

Credit risk

Seen the limited amount of trade receivables due to the fact that sales to third parties are not significant, credit risk arises mainly from cash and cash equivalents and deposits with banks and financial institutions. The Group only works with national reputable commercial banks and financial institutions.

Foreign exchange risk

The Group is exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. Moreover the Group has also investments in foreign operations, whose net assets are exposed to foreign currency translation risk (USD and HKD). So far, because of the materiality of the exposure, the Group did not enter

into any currency hedging arrangements. No sensitivity has been performed on the foreign exchange risk as up till now this risk is still considered as immaterial by the Group.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposit and finance leases.

The Group is exposed to liabilities and contingent liabilities as a result of the RCAs it has received from the Walloon Government. Out of the RCAs contracted as of 31 December 2014, €17.0 million has been effectively paid out.

In 2015 and 2016, the Group will have to make an exploitation decision on the remaining RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional liability of €3.5 million based on the advances effectively paid out as per 31 December 2014.

We refer to note 4.20 for an analysis of the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Capital management

The Group's objectives when managing capital are to safeguard Cardio3 BioSciences' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an adequate structure to limit to costs of capital.

4.4. Critical accounting estimates and judgments

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

In the process of applying the Group's accounting policies, management has made judgments and has used estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Advances received from the Walloon Region: recognition of a contingent liability

Advances received from the Walloon Region only become contingently reimbursable if the Company notifies the Region of its decision to exploit the outcome of the research program funded with the advances received. At the end of this research phase, the Group should, within a period of six months, decide whether or not to exploit the results of the research programs ('decision phase'). In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently repayable to the Walloon Region and the Company determines its liability under IAS 37. When a contingent liability is recognised, estimates are required to determine the discount rate used to calculate the present value of those contingent liabilities as well as the determination of the estimated cash flows.

The reimbursements of the RCAs to the Walloon Region consist of two elements, i.e., sales-dependent reimbursements (a percentage of sales) and sales-independent reimbursements (an annual lump-sum). For more information we refer to Note 4.18.

Consolidation

The Group periodically undertakes transactions that may involve obtaining control, joint control or significant influence of other companies. In July 2014 Cardio3 Biosciences together with Medisun International incorporated Cardio3 Biosciences Asia Ltd. An assessment was completed to decide if Cardio3 Biosciences had obtained control or joint control of the new company. The agreement stipulates that:

- Cardio3 Biosciences acquired 40% of the share capital of Cardio3 BioSciences Asia in return for an outlicense for the development of C-Cure in Greater China.
- Medisun acquired 60% of shares for HK$ 5 million. They will make additional cash contribution for additional shares over the next 3 years to fund the research.
- The JV agreement stipulates that unanimous consent is required from both parties to the agreements over relevant activities, for example approving budgets and business plans; declaring dividends; borrowing money, apply for registration of IP etc.
- The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements.

Based on the above, the Group has assessed there is joint control and that Cardio3 Bioscienes Asia is a joint venture.

Business combinations

In respect of acquired businesses by the Group, significant judgement is made to determine whether these acquisitions are to be considered as an asset deal or as a business combination. Determining whether a particular set of assets and activities is a business should be based on whether the integrated set is capable of being conducted and managed as a business by a market participant. Moreover, management judgement is particularly involved in the recognition and fair value measurement of the acquired assets, liabilities, contingent liabilities and contingent consideration. In making this assessment management considers the underlying economic substance of the items concerned in addition to the contractual terms. For more information, we refer to Note 4.14.

Contingent consideration provisions

The Group makes provision for the estimated fair value of contingent consideration arrangements arising from business combinations (see Note 4.14). The estimated amounts are the expected payments, determined by considering the possible scenarios of forecast sales and other performance criteria, the amount to be paid under each scenario, and the probability of each scenario, which is then discounted to a net present value. The estimates could change substantially over time as new facts emerge and each scenario develops.

Deferred Tax Assets

Deferred tax assets for unused tax losses are recognised to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 4.22.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 4.16.

4.5. Operating segment information

The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the Board of Directors that makes strategic decisions.

- As per 31 December 2014 the Group was operating in one operating segment. Management has determined that there is only one operating segment based on the information reviewed by the Board of Directors during 2014. The Board of Directors considers the business of the Group from a general company-wide perspective seen the close interrelation between the different projects (C-Cath, C-Cure, CorQuest technology platform). Although the Group is currently active in Europe, the US and Asia, no geographical financial information is currently available given the fact that the core operations are currently still in a study phase.

No disaggregated information on product level or geographical level or any other level is currently existing and hence also not considered by the Board for assessing performance or allocating resources.

As per 31 December 2014, all the Group non-current assets are located in Belgium, except the Corquest intellectual property, valued at €1,5 million which is located in the US.

During 2014 only limited revenues were generated from external customers. All revenues generated relate to sales of C-Cathez to a limited number of customers located in the US.

4.6. Intangible assets

The intangible assets are broken down as follow:

(€'000)	Development costs	Patents, licences, trademarks	Software	Total
Cost:				
At 1 January 2013	**549**	**11,844**	**110**	**12,503**
Additions	458	-	-	458
At 31 December 2013	**1,007**	**11,844**	**110**	**12,961**
Additions	50	-	-	50
Acquisition of subsidiary (note 4.14.1.)	-	1,493	-	1,493

(€'000)	Development costs	Patents, licences, trademarks	Software	Total
At 31 December 2014	**1,057**	**13,337**	**110**	**14,504**
Accumated amortisation				
At 1 January 2013	**(21)**	**(2,839)**	**(28)**	**(2,888)**
Amortisation charge (note 4.24)	(61)	(592)	(20)	(673)
At 31 December 2013	**(82)**	**(3,431)**	**(48)**	**(3,561)**
Amortisation charge (note 4.24)	(64)	(592)	(21)	(677)
At 31 December 2014	**(146)**	**(4,023)**	**(69)**	**(4,238)**
Net book value				
Cost	1,007	11,844	110	12,961
Accumulated amortisation	(82)	(3,431)	(48)	(3,561)
As at 31 December 2013	925	8,413	62	9,400
Cost	1,057	13,337	110	14,504
Accumulated amortisation	(146)	(4,023)	(69)	(4,238)
As at 31 December 2014	**911**	**9,314**	**41**	**10,266**

The capitalised development costs relate to the development of C-Cathez. Since May 2012 and the CE marking of C-Cathez, the development costs of C-Cathez are capitalized and depreciated over the estimate residual intellectual property protection as of the CE marking (15 years and 16 years respectively in 2014 and 2013). No other development costs have been capitalised up till now. All C-Cure related development costs have been assessed as not being eligible for capitalisation and have therefore been recognised in the income statement as research and development expenses.

Patents, Licenses and Trademarks relate to the following items:

- A licence, granted in August 2007 by Mayo Clinic (for an amount of k€9,500) upon the Group's inception and an extension to the licensed field of use, granted on 29 October 2010 for a total amount of k€2,344. The licence and its extension are amortised straight line over a period of 20 years.
- Patents acquired upon the acquisition of CorQuest LLC in November 2014. The fair value of these intellectual rights was estimated at k€1,492 (cfr. Note 4.14.1). These patents are amortised over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012.

Management has not identified any impairment indicators in relation to the intangible assets as mentioned above. Therefore no impairment exercise was performed and hence no impairment losses were recognized.

4.7. Property, plant and equipment

(€'000)	Equipment	Furnitures	Leasehold	Total
Cost:				
At 1 January 2013	**1,340**	**167**	**543**	**2,050**
Additions	41	9	23	73
Disposals	(7)	-	-	(7)
At 31 December 2013	**1,374**	**176**	**566**	**2,116**
Additions	566	-	24	590
Disposals	(39)	(9)	-	(48)
At 31 December 2014	**1,901**	**167**	**590**	**2,658**
Accumulated depreciation:				
At 1 January 2013	**(974)**	**(160)**	**(533)**	**(1,667)**
Depreciation charge (note 4.24)	(204)	(6)	(3)	(213)
Disposals	7	-	-	7
At 31 December 2013	**(1,171)**	**(166)**	**(536)**	**(1,873)**
Depreciation charge (note 4.24)	(175)	(1)	(11)	(187)
At 31 December 2014	**(1,346)**	**(167)**	**(547)**	**(2,060)**
Net book value				
Cost	1,374	176	566	2,116

(€'000)	Equipment	Furnitures	Leasehold	Total
Accumulated depreciation	(1,171)	(166)	(536)	(1,873)
As at 31 December 2013	**203**	**10**	**30**	**243**
Cost	1,901	167	590	2,658
Accumulated depreciation	(1,346)	(167)	(547)	(2,060)
As at 31 December 2014	**555**	**-**	**43**	**598**

Property, Plant and Equipment is mainly composed of office furniture, leasehold improvements, and laboratory machinery and equipment.

Finance leases

Lease contracts considered as finance lease relate to some contracts with financial institutions and relate to laboratory and office equipment. All finance leases have a maturity of three years and were initiated since March 2008. A key common feature is that they include an option to purchase the leased asset at the end of the three-year-lease term. The carrying value of plant and equipment held under finance leases at 31 December 2014 was €422,556 (31 December 2013 was €137,512). The carrying value corresponds to the net asset value of the leases at the end of period and includes the purchase option price.

4.8. Non current financial assets

(€'000)	As of 31 December		As of 1 January
	2014	2013	2013
Deposits	108.59	140.12	150.53
Total	108.59	140.12	150.53

The non-current financial assets are composed of security deposits paid to the lessors of the building leased by the Group and to Social Security Contribution.

4.9. Trade receivable, advances and other current assets

(€'000)	As of 31 December		As of 1 January
	2014	2013	2013
Trade receivable			
Trade receivable	30.75	149.34	216.79
Advance deposits	701.08	-	-
Other receivables	98.04	271.94	88.20
Total Trade and Other receivables	**829.87**	**421.28**	**304.99**
Grants and Recoverable Cash Advances	**1,008.82**	**-**	**-**
Prepaid expenses	211.77	122.91	249.25
VAT receivable	388.54	-	137.85
Other receivables	191.92	-	-
Total Other current assets	**792.23**	**122.91**	**387.10**

As of 31 December 2014, other receivables mainly relate to advance deposits made to the CHART-2 clinical vendors.

Grants and Recoverable Cash Advances refer to amounts due by the Walloon Region and are related to Recoverable Cash Advances and grants agreements.

Impairment of receivables is assessed on an individual basis at the end of each accounting year.

As per 31 December 2014 and 31 December 2013, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currencies and no impairments were recorded.

4.10. Short term investments

(€'000)	As of 31 December		As per 1 January
	2014	2013	2013
Short term investments	2,670.88	3,000.00	-
Total	**2,670.88**	**3,000.00**	**-**

Amounts recorded as short term investments in the current assets correspond to short term deposits with fixed interest rates. Short-term deposits are made for variable periods depending on the short term cash requirements of the Group. Interest is calculated at the respective short-term deposit rates.

4.11. Cash and cash equivalents

(€'000)	As of 31 December		As per 1 January
	2014	2013	2013
Cash at bank and on hand	27,633.10	19,058.26	1,645.03
Total	**27,633.10**	**19,058.26**	**1,645.03**

Cash at banks earn interest at floating rates based on daily bank deposit rates.

4.12. Subsidiaries fully consolidated

Name	Country of Incorporation and Place of Business	Nature of Business	Proportion of ordinary shares directly held by parent (%)	Proportion of ordinary shares held by the group (%)	Proportion of ordinary shares held by non-controlling interests (%)
Cardio3 Inc	US	Biopharma	100%	100%	0%
CorQuest	US	Medical Device	100%	100%	0%

Cardio3 Inc was incorporated in 2011 to support clinical and regulatory activities of the Group in the US. It has little activities and shows a net loss for the year ended 31 December 2014 and 31 December 2013 of respectively $71,132 and $6,397. The initiation of the CHART-2 trial should generate material activities in the course of 2015.

Corquest Inc was acquired on November 5, 2014. Corquest Inc. is developing Heart XS, a new access route to the left atrium. Further details on the acquisition are disclosed in Note 4.14.1.

4.13. Investment in joint venture

Name	Country of Incorporation and Place of Business	Nature of Business	Ownership interests (%)	Nature of relationship	Measurement method
Cardio3 BioSciences Asia Ltd	Hong-Kong	Pharmaceuticals	40%	Note 1	Equity Method

Note 1: Cardio3 BioSciences Asia Ltd is a joint venture created in July 2014 with Medisun International, a financial partner and shareholder of the Group. The joint venture aims to initiate the clinical development of C-Cure and further commercialize C-Cure in Greater China. The Group owns 40% of the shares of Cardio3 BioSciences Asia Ltd. The Group will contribute its know-how in clinical operations and regulatory offers, and will bear the cost of production of C-Cure clinical batches of the upcoming Phase III clinical trial to be conducted in Greater China.

Cardio3 BioSciences Asia Ltd is a private company and there is no quoted market price available for its shares.

(€'000)	2014
At 1 January	**-**
Incorporation of JV	312
Share of (loss) for the period	(252)
FX adjustment	8
At 31 December	**68**

The Group has no commitments relating to its joint venture and there are no contingent liabilities relating to the Group's interest in the joint venture.

Summarized financial information for the joint venture:

Set out below is the summarized financial information for Cardio3 BioSciences Asia Ltd which is accounted for using the equity method.

Summarized balance sheet:

(€'000)	As at 31 December 2014
Current	
Cash and cash equivalents	429
Total current assets	**429**

(€'000)	As at 31 December 2014
Other current liabilities	824
Total current liabilities	**824**
Non-current assets	565
Total non-current assets	**565**
Net Assets	**170**

Summarized statement of comprehensive loss:

(€'000)	For period ended 31 December 2014
Revenue	-
Depreciation and amortisation	(5)
Operating expense	(624)
Interest income	**-**
Pre-tax profit (loss) from continuing operations	**(629)**
Income tax expense	-
Post-tax profit (loss) from continuing operations	**(629)**
Total comprehensive loss	**(629)**

The information above reflects the amounts presented in the consolidated financial statements of the joint venture. There are no differences in accounting policies between the Group and the joint venture.

Reconciliation of summarised financial information:

Reconciliation of the summarized financial information presented to the carrying amount of the interest in the joint venture.

(€'000)	2014
Opening equity incorporation JV	**780**
FX adjustment on equity as per Dec.31. 2014	19
Loss for the period	(629)
Closing net assets	**170**
Interest in joint venture	**40%**
Interest in net assets of joint venture	68
Carrying value	**68**

4.14. Business Combinations

4.14.1. Corquest Medical, Inc.

On 5 November 2014 the Group acquired a 100% interest in CorQuest Medical, Inc. ('CorQuest'), a US private company based in Miami (Florida), through a single cash payment of 1.5MEUR. With this acquisition, the Group intends to strengthen its Medical Device division. The CorQuest technology platform is fully complementary with Cardio3 BioSciences' C-Cathez® and C-Cure® programs. The acquisition of CorQuest and the development of these technologies will not significantly affect the Company's burn rate over the two coming years. However, the acquisition of an extra medical device with a potential to market by 2016, as well as other therapeutic applications, will enable the Company to create multiple short term value creation milestones for its shareholders. Although no workforce is transferred, this transaction is considered as a business combination since the Group acquired inputs and processes in the form of intellectual property and will be able to progress this intellectual property further through the appropriate clinical and regulatory approval processes with the aim of obtaining EC mark approval by the end of 2016 which would allow commercialisation in Europe. In order to guarantee the transfer of knowledge an exclusive consultancy agreement was concluded with one of the sellers.

The following table summarises the consideration paid for Corquest as well as the provisional fair value of assets acquired at the acquisition date.

Consideration at 05 November 2014 (€'000)	
Cash	1,500
Total consideration transferred	**1,500**
Recognised amounts of identifiable assets acquired (€'000)	
Licences & Patents	1,493
Trade and Other Receivables	7

Total identifiable net assets	**1,500**

This acquisition has been subject to a Purchase Price Allocation process which consists in booking, at "fair value", all the assets and liabilities of a target company acquired in the consolidated balance sheet of the acquiring company. The acquired assets and liabilities have been valued at fair value by an independent firm.

The fair value of the acquired assets was determined on a provisional basis. The fair value as stated is provisional because the integration process of the acquired entity and its activities is still ongoing. The provisional fair value of acquired assets can change when the final fair value of the acquired assets and liabilities assumed is established.

The "Licences and Patents" of CorQuest can be considered as its only significant asset. It has been valued using a Risk-Adjusted Net Present Value ("rNPV") method. Patents acquired are depreciated over 18 years, corresponding to the remaining intellectual property protection filed for the first patent application in 2012 (cfr. note0).

No cash or cash equivalents were acquired.

No deferred tax liability has been provisionally recorded on the PPA step up of intangible assets since the company intends to elect for IRS Section 338 which will lead to creating a tax deductible depreciation in the US Tax books.

There were no revenues contributed by Corquest Medical, Inc in the consolidated statement of comprehensive loss. Since 5 November 2014 all expenses associated to the development of the assets acquired were incurred by the Company itself. Had Corquest Medical, Inc. been consolidated from 1 January 2014, the consolidated statement of comprehensive loss would show an additional pro-forma loss of $124,643.70.

There were no material acquisition-related costs related to the acquisition of Corquest Medical, Inc.

4.14.2. Oncyte LLC

On 21 January 2015, the Company acquired 100% of the share capital of Oncyte LLC from Celdara Medical LLC in exchange for a cash consideration of USD 6 million and 93,087 new shares of Cardio3 BioSciences for a total value of USD 4 million, or (EUR 3,451,680). The fair value of the 93,087 ordinary shares issued as part of the consideration paid for Oncyte LLC was based on a share price of EUR 37.08, the share price at the acquisition.

Oncyte LLC is the company holding the CAR T-Cell portfolio of clinical-stage immuno-oncology assets. The portfolio includes three autologous CAR T-Cell cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications. CAR T-Cell immuno-oncology represents one of the most promising cancer treatment areas today. The lead portfolio candidate CM-CS1 is expected to start U.S. Phase I trial Q1 2015. The final results are expected by mid-2016.

Although no workforce is transferred, this transaction is considered as a business combination since the Group will be able to produce outputs based on the inputs acquired and processes transferred in the form of intellectual property. The transfer of knowledge to the Group is guaranteed by the conclusion of a service agreement between the Group and the seller.

The following table summarises the consideration paid for Oncyte LLC, the provisional fair value of assets acquired and liabilities assumed at the acquisition date.

Consideration at 21 January 2015 (€'000)	
Cash	5,181
Equity instruments (93,087 ordinary shares)	3,452
Contingent Consideration	36,267
Total consideration transferred	**44,900**
Recognised amounts of identifiable assets acquired and liabilities assumed (€'000)	
Patents	44,900
Total identifiable net assets	**44,900**

This acquisition has been subject to a Purchase Price Allocation, process which consists in booking, at "fair value", all the assets and liabilities of a target company acquired in the consolidated balance sheet of the acquiring company. The acquired assets and liabilities have been valued at fair value by an independent firm.

The fair value of the acquired assets and liabilities assumed was determined on a provisional basis. The fair value as stated here above is provisional because the integration process of the acquired entity and its activities is still ongoing. The provisional fair value of acquired assets and liabilities assumed can change when the final fair value of the acquired assets and liabilities assumed is established.

The Intangible asset of Oncyte can be considered as its only significant asset.

The sales price also includes a contingent consideration payment, the potential remaining part of the purchase price, based on future outcome of the research and development and potential future sales that are estimated, through a risk-adjusted Net Present Value, at $42 million (considering the impact of the discount and the probability of success). For the successful development of the most advanced product CM-CS1, the seller could receive up to $50 million in development and regulatory milestones until market approval. The seller will be eligible to additional payments on the other products upon

achievement of development and regulatory milestones totalling up to $21 million per product. In addition, the seller will receive up to $80 million in sales milestones when net sales will exceed $1 billion and royalties ranging from 5 to 8%.

No deferred taxes have been taken up in the overview of provisional fair value of assets acquired and liabilities assumed since the company intends to elect for IRS Section 338 which will lead to creating a tax deductible depreciation in the US Tax books.

No revenues are included in the consolidated financial statements of 2014 since Oncyte LLC was only acquired in 2015.

Had Oncyte LLC been consolidated from 1 January 2014, the consolidated statement of comprehensive loss would show pro-forma revenue of k€903 and loss of k€15,693.

No material acquisition-related costs have been charged to the consolidated income statement for the year ended 31 December 2014.

4.15. Share Capital & convertible loans

The number of shares issued is expressed in units.

	As of 31 December	
	2014	**2013**
Number of ordinary shares	7,040,387	6,332,792
Share Capital (€'000)	24,615	22,138
Total number of issued and outstanding shares	**7,040,387**	**6,332,792**
Total share capital (€'000)	**24,615**	**22,138**

As of 31 December 2014, the share capital amounts to €24,615k represented by 7,040,387 fully authorized and subscribed and paid-up shares with a nominal value of €3.50. This number does not include warrants issued by the Company and granted to certain directors, employees and non-employees of the Company.

History of the capital of the Company

The Company has been incorporated on 24 July 2007 with a share capital of €62,500 by the issuance of 409,375 class A shares. On 31 August 2007, the Company has issued 261,732 class A shares to Mayo Clinic by way of a contribution in kind of the upfront fee that was due upon execution of the Mayo Licence for a total amount of €9,500,000.

Round B Investors have participated in a capital increase of the Company by way of a contribution in kind of a convertible loan (€2,387,049) and a contribution in cash (€4,849,624 of which €1,949,624 uncalled) on 23 December 2008; 204,652 class B shares have been issued at the occasion of that capital increase. Since then, the capital is divided in 875,759 shares, of which 671,107 are class A shares and 204,652 are class B shares.

On 29 October 2010, the Company closed its third financing round resulting in a capital increase totalling €12,100,809. The capital increase can be detailed as follows:

- capital increase in cash by certain existing investors for a total amount of €2,609,320.48 by the issuance of 73,793 class B shares at a price of €35.36 per share;
- capital increase in cash by certain existing investors for a total amount of €471,240 by the issuance of 21,000 class B shares at a price of €22.44 per share;
- capital increase in cash by certain new investors for a total amount of €399,921.60 by the issuance of 9,048 class B shares at a price of €44.20 per share;
- exercise of 12,300 warrants ("Warrants A") granted to the Round C investors with total proceeds of €276,012 and issuance of 12,300 class B shares. The exercise price was €22.44 per Warrant A;
- contribution in kind by means of conversion of the loan C for a total amount of €3,255,524.48 (accrued interest included) by the issuance of 92,068 class B shares at a conversion price of €35.36 per share;
- contribution in kind by means of conversion of the loan D for a total amount of €2,018,879.20 (accrued interest included) by the issuance of 57,095 class B shares at a conversion price of €35.36 per share. The loan D is a convertible loan granted by certain investors to the Company on 14 October 2010 for a nominal amount of €2,010,000.
- contribution in kind of a payable towards Mayo Foundation for Medical Education and Research for a total amount of €3,069,911 by the issuance of 69,455 class B shares at a price of €44.20 per share. The payable towards Mayo Clinic was related to (i) research undertaken by Mayo Clinic in the years 2009 and 2010, (ii) delivery of certain materials, (iii) expansion of the Mayo Clinical Technology Licence Contract by way the Second Amendment dated 18 October 2010.

On 5 May 2011, pursuant the decision of the Extraordinary General Meeting, the capital was reduced by an amount of €18,925,474 equivalent to the outstanding net loss as of 31 December 2010.

On 31 May 2013, the Company closed its fourth financing round, the 'Round D financing'. The convertible loans E, F, G and H previously recorded as financial debt were converted in shares which led to an increase in equity for a total amount of €28,645k of which € 5,026k is accounted for as capital and € 6,988k as share premium. The remainder (€ 16,613k) is accounted for as other reserves. Furthermore a contribution in cash by existing shareholders of the Company led to an increase in share capital and issue premium by an amount of €7,000k.

At the Extraordinary Shareholders Meeting of 11 June 2013 all existing classes of shares of the Company have been converted into ordinary shares. Preferred shares have been converted at a 1 for 1 ratio and subsequently.

On 5 July 2013, the Company completed its Initial Public Offering. The Company issued 1,381,500 new shares at €16.65 per shares, corresponding to a total of €23,002k.

On 15 July 2013, the over-allotment option was fully exercised for a total amount of €3,450k corresponding to 207,225 new shares. The total IPO proceeds amounted to €26,452k and the capital and the share premium of the Company increased accordingly.

The costs relating to the capital increases performed in 2013 amounted to €2.8 million and are presented in deduction of share premium.

On 11 June 2013, the Extraordinary General Shareholders' Meeting of Cardio3 BioSciences SA authorized the Board of Directors to increase the share capital of the Company, in one or several times, and under certain conditions set forth in extenso in the articles of association. This authorization is valid for a period of five years starting on 26 July 2013 and until 26 July 2018. The Board of Directors may increase the share capital of the Company within the framework of the authorized capital for an amount of up to €21,413k.

Over the course of 2014, the capital of the Company was increased in June 2014 by way of a capital increase of €25,000k represented by 568,180 new shares fully subscribed by Medisun International Limited.

The capital of the Company was also increased by way of exercise of Company warrants. Over four different exercise periods, 139,415 warrants were exercised resulting in the issuance of 139,415 new shares. The capital and the share premium of the Company were therefore increased respectively by €488k and €500k.

As of 31 December 2014 all shares issued have been fully paid.

The following share issuances occurred during 2013 and 2014:

Category	Transaction date	Description	# of shares	Par value (in €)
Class A shares	24 July 2007	Company incorporation	409,375	0.15
Class A shares	31 August 2007	Contribution in kind (upfront fee Mayo Licence)	261,732	36.30
Class B shares	23 December 2008	Capital increase (Round B)	137,150	35.36
Class B shares	23 December 2008	Contribution in kind (Loan B)	67,502	35.36
Class B shares	28 October 2010	Contribution in cash	21,000	22.44
Class B shares	28 October 2010	Contribution in kind (Loan C)	92,068	35.36
Class B shares	28 October 2010	Contribution in kind (Loan D)	57,095	35.36
Class B shares	28 October 2010	Contribution in cash	73,793	35.36
Class B shares	28 October 2010	Exercise of warrants	12,300	22.44
Class B shares	28 October 2010	Contribution in kind (Mayo receivable)	69,455	44.20
Class B shares	28 October 2010	Contribution in cash	9,048	44.20
Class B shares	31 May 2013	Contribution in kind (Loan E)	118,365	38,39
Class B shares	31 May 2013	Contribution in kind (Loan F)	56,936	38,39
Class B shares	31 May 2013	Contribution in kind (Loan G)	654,301	4,52
Class B shares	31 May 2013	Contribution in kind (Loan H)	75,755	30,71
Class B shares	31 May 2013	Contribution in cash	219,016	31,96
Class B shares	4 June 2013	Conversion of warrants	2,409,176	0,01
Ordinary shares	11 June 2013	Conversion of Class A and Class B shares in ordinary shares	4,744,067	-
Ordinary shares	5 July 2013	Initial Public Offering	1,381,500	16.65
Ordinary shares	15 July 2013	Exercise of over-allotment option	207,225	16.65
Ordinary shares	31 January 2014	Exercise of warrants issued in September 2008	5,966	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in May 2010	333	22.44
Ordinary shares	31 January 2014	Exercise of warrants issued in January 2013	120,000	4.52
Ordinary shares	30 April 2014	Exercise of warrants issued in September 2008	2,366	22.44
Ordinary shares	16 June 2014	Capital increase	284,090	44.00
Ordinary shares	30 June 2014	Capital increase	284,090	44.00
Ordinary shares	4 August 2014	Exercise of warrants issued in September 2008	5,000	22.44
Ordinary shares	4 August 2014	Exercise of warrants issued in October 2010	750	35.36
Ordinary shares	3 November 2014	Exercise of warrants issued in September 2008	5,000	22.44

(€000)

Date	Nature of the transactions	Share Capital	Share premium	Number of shares	Nominal value
	Balance as of January 1st, 2013	**9,975**	**-**	**1,210,518**	**9,975**
	Issue of shares related to exercise of warrants	24	-	2,409,176	24
	Capital increase by issuance of ordinary common shares (after deduction of transaction costs)	12,139	30,474	2,713,098	45,466
	Balance as of December 31, 2013	**22,138**	**30,474**	**6,332,792**	**55,465**

(€000)

Date	Nature of the transactions	Share Capital	Share premium	Number of shares	Nominal value
	Balance as of January 1, 2014	**22,138**	**30,474**	**6,332,792**	**55,465**
	Issue of shares related to exercise of warrants	488	500	139,415	988
	Capital increase by issuance of ordinary common shares (after deduction of transaction costs)	1,989	21,899	568,180	25,000
	Share based payments	-	429	-	429
	Balance as of December 31, 2014	**24.615**	**53,302**	**7,040,387**	**81,882**

As of 1 January 2013, the company had Class A shares of 671,107 and Class B shares of 539,411, respectively, totalling 1,210,518, which along with 1,124,373 Class B shares issued in 2013 and 2,409,176 warrants converted into Class B shares in 2013 were converted into 4,744,067 ordinary common shares in 2013. The total number of shares issued and outstanding as of 31 December 2014 and 2013 totals 7,040,387 and 6,332,792, respectively, and are ordinary common shares.

4.16. Share based payments

The Company operates an equity-based compensation plan, whereby warrants are granted to directors, management and selected employees and non-employees. The warrants are accounted for as equity-settled share-based payment plans since the Company has no legal or constructive obligation to repurchase or settle the warrants in cash.

Each warrant gives the beneficiaries the right to subscribe to one common share of the Company. The warrants are granted for free and have an exercise price equal to the fair market price of the underlying shares at the date of the grant, as determined by the Board of Directors of the Company.

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Weighted average exercise price (in €)	Number of warrants	Weighted average exercise price (in €)	Number of warrants
Outstanding as of 1 January	**5,32**	**404,961**	**28.77**	**114,645**
Granted	35.79	49,000	3.24	373,150
Forfeited	2.64	15,950	29.14	82,834
Exercised	7.09	139,415	-	-
Expired	22.44	1,666	-	-
At 31 December	**9.57**	**296,930**	**5.32**	**404,961**

Warrants exercised in 2014 resulted in 139,415 shares being issued at a weighted average price of € 7.09 each. In 2013 no warrants were exercised. For those exercised in 2014 the related weighted average share price at the time of exercise was € 31,31.

Warrants outstanding at the end of the year have the following expiry date and exercise price:

Grant date	Vesting date	Expiry date	Number of warrants outstanding as of 31 December, 2014	Number of warrants outstanding as of 31 December,2013	Exercise price per share
26 Sep 2008	26 Sep 2011	31 Dec 2014	-	19,165	22.44
05 May 2010 (warrants B)	05 May 2010	31 Dec 2016	5,000	5,000	35.36
05 May 2010 (warrants C)	05 May 2013	31 Dec 2016	2,298	3,464	22.44
29 Oct 2010	29 Oct 2013	31 Dec 2020	6,882	7,632	35.36
31 Jan 2013	31 Dec 2013	31 Dec 2013	-	120,000	4.52
06 May 2013	06 May 2016	31 Dec 2023	233,750	249,700	2.64
05 May 2014	05 May 2017	31 Dec 2024	49,000		35.79
			296,930	**404,961**	

Warrants issued on 31 January 2013

On 31 January 2013, the Extraordinary Shareholders Meeting issued a total of 140,000 Personnel Warrants. Out of the 140,000 warrants, 120,000 were granted to certain members of the Executive Management Team and a pool of 20,000 warrants was created. The exercise price of these warrants is €4.52. The warrants attributed to certain members of the Executive Management Team were fully vested at 31 December 2013. The warrants attributed to the Executive Management Team add a 10 years exercise period, as from 1st January 2014 and were all exercised in January 2014 and therefore converted into ordinary shares.

The remaining 20,000 warrants were not granted and therefore lapsed.

Warrants issued on 6 May 2013

At the Extraordinary Shareholders Meeting of 6 May 2013, a plan of 266,241 warrants was approved. Warrants were offered to Company's employees and management team. Out of the 266,241 warrants offered, 253,150 warrants were accepted by the beneficiaries and 233,750 warrants are outstanding on the date hereof.

The 253,150 warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2017. The exercise price amounts to €2.64. Warrants not exercised within 10 years after issue become null and void.

Warrants issued on 5 May 2014

At the Extraordinary Shareholders Meeting of 5 May 2014, a plan of 100,000 warrants was approved. Warrants were offered to Company's new comers (employees, non-employees and directors) in several tranches. Out of the warrants offered, 49,000 warrants were accepted by the beneficiaries and 49,000 warrants are outstanding on the date hereof.

The 100,000 warrants will be vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary the issuance. The warrants that are vested can only be exercised at the end of the third calendar year following the issuance date, thus starting on 1 January 2018. The exercise price amounts of the different tranches amount respectively to €35.79 and €39.22. Warrants not exercised within 10 years after issue become null and void.

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:

	Warrants issued on					
	05 May 2010 (warrants B)	05 May 2010 (warrants C)	29 October 2010	31 January 2013	6 May 2013	5 May 2014 [1]
Number of warrants issued	5,000	30,000	79,500	140,000	266,241	100,000
Number of warrants granted	5,000	21,700	61,050	120,000	253,150	49,000
Number of warrants not fully vested as of 31 December 2014	-	2,298	6,882	-	233,750	100,000
Value of shares	22.44	22.44	35.36	4.52	14.99	35.79
Exercise price (in €)	35.36	22.44	35.36	4.52	2.64	35.79 [4]
Expected dividend yield	-	-	-	-		
Expected share value volatility	35.60%*	35.60%*	35.60%*	35.60%*	39.55%*	67.73%[2]
Risk-free interest rate	3.31%	3.31%	3.21%	2.30%	2.06%	1.09%
Fair value (in €)	5.72	9.05	9.00	2.22	12.44	26.16[3]
Weighted average remaining contractual life	1.42	1.42	5.78	8.09	8.35	9.35

(*) Expected volatility has been determined based on the benchmark of peer companies

(1) Warrants issued on 5 May 2014 are offered in several tranches, in May 2014, September 2014 and December 2014. Assumptions on each tranche are disclosed in the following notes
(2) The volatility has been determined based on the stock price evolution post IPO: 67.73% in May 2014, 60.84% in September 2014 and 58.17% in December 2014.
(3) The fair value of the three tranches are 26.16€ in May 2014, 26.75€ in September 2014 and 22.56€ in December 2014.
(4) The value of shares and exercise price of the three tranches are 35.79€ in May 2014 and 39.22€ in September 2014.

The total net expense recognised in the income statement for the outstanding warrants totals € 1,527k for 2014 (2013: € 1,258k).

4.17. Post-employment benefits

(€000)	As of 31 December	
	2014	2013
Pension obligations	182	-
Total	**182**	**-**

The Group operates a pension plan which requires contributions to be made by the Group to an insurance company. The pension plan is a defined contribution plan. However, because of the Belgian legislation applicable to 2nd pillar pension plans (so-called "Law Vandenbroucke"), all Belgian defined contribution plans have to be accounted for under IFRS as defined benefit plans because of the minimum guaranteed returns on these plans.

Prior to 2014, the Group did not apply the defined benefit accounting for these plans because higher discount rates were applicable and the return on plan assets provided by the insurance company was sufficient to cover the minimum guaranteed return. As a result of continuous low interest rates offered by the European financial markets, in 2014 Cardio 3 Biosciences has decided to measure and account for the potential impact of defined benefit accounting for these pension plans with a minimum fixed guaranteed return because of the higher financial risk related to these plans than in the past. The prior year financial statements were not revised due to such effect not being material.

The contributions to the plan are determined as a percentage of the yearly salary. There are no employee contributions. The benefit also includes a death in service benefit.

The amounts recognised in the balance sheet are determined as follows:

(€'000)	As of 31 December	
	2014	2013
Present value of funded obligations	1,073	738
Fair value of plan assets	(891)	(727)
Deficit of funded plans	182	11
Total deficit of defined benefit pension plans	182	11
Liability in the balance sheet	**182**	**0**

As explained above the liability as per 31 December 2013 is not recognized as it is not material to the financial statements. Interest expense / (income) and remeasurements for 2013 have not been calculated as these were assessed as not material since discount rate as per 1 January 2013 is comparable to the one used as per 31 December 2013 and participants to the post-employment plan have not changed substantially between 1 January 2013 and 31 December 2013.

The movement in the defined benefit liability over the year is as follows:

(€'000)	Present value of obligation	Fair value of plan assets	Total
As of 1 January 2013	**597**	**586**	**11**
Current service cost	141		141
Interest expense / (income)	-	-	-
Remeasurements	-	-	**-**
Employer contributions	**-**	141	(141)
As of 1 January 2014	**738**	**727**	**11**
Current service cost	190		190
Interest expense/(income)	26	28	(2)
	954	755	199
Remeasurements			
- return on plan assets, excluding amounts included in interest expense/(income)		(15)	15
- (Gain)/loss from change in financial assumptions	177		177
- Experience (gains)/losses	(38)		(38)
	139	(15)	154
Employer contributions:		171	(171)

Benefits Paid	-20	-20	0
At 31 December 2014	**1,073**	**891**	**182**

The income statement charge included in operating profit for post-employment benefits amount to:

(€'000)	2014	2013
Current service cost	190	141
Interest expense on DBO	26	-
Interest (income) on plan assets	(28)	-
Total defined benefit costs at 31 December 2014	**188**	**141**

The re-measurements included in other comprehensive loss amount to:

(€'000)	2014	2013
Effect of changes in financial assumptions	177	-
Effect of experience adjustments	(38)	-
Return on plan assets	15	-
Balance at 31 December 2014	**154**	**-**

Plan assets relate all to qualifying insurance policies. The significant actuarial assumptions as per 31 December 2014 were as follows:

Demographic assumptions:

- Mortality tables: MR-5 year for the men, MR-5 year for the women
- Withdrawal rate: 5% each year

Economic assumptions:

- Yearly inflation rate: 1,75%
- Yearly salary raise: 1,5% (above inflation)
- Yearly discount rate: 2%

If the discount rate would decrease/increase with 0,25%, the defined benefit obligation would increase resp. decrease with 2,2% and 5%.

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

Through its defined benefit pension plan, the Group is exposed to a number of risks, the most significant of which are detailed below:

- Changes in discount rate: a decrease in discount rate will increase plan liabilities;
- Inflation risk: the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

The investment positions are managed by the insurance company within an asset-liability matching framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes.

Expected contributions to pension benefit plans for the year ending 31 December 2015 are k€176. The weighted average duration of the defined benefit obligation is estimated at 28 years.

4.18. Advances repayable

(€'000)	2014	2013
Total Non-Current portion as of 1st January	12,072	11,157
Total Non-Current portion at 31 December	10,778	12,072
Total Current portion as of 1st January	429	685
Total Current potion at 31 December	777	429

The Group receives government support in the form of recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Group. These advances are recognised in the income

statement as other operating income over the period in which the Group recognises the expenses for which the advances are intended to compensate.

The advances received only become contingently reimbursable if certain conditions are met. Assessing if these conditions are met (or not) can only reasonably be performed at the end of the 'research phase'. At the end of this research phase, the Group should, within a period of six months, decide whether or not to exploit the results of the research programs ('decision phase'). In the event the Group decides to exploit the results under an RCA, the relevant RCA becomes contingently refundable to the Walloon Region and the company applies the recognition criteria of IAS 37 related to liability recognition, with any amounts being recognized as a reduction of other operating income in the income statement.

The total estimated amount to be reimbursed as per 31 December 2014 includes the sales-independent reimbursements as well as the sales-dependent reimbursements and interests (if applicable) if the reimbursement of these amounts is probable. The contingent liability is discounted using a discount rate made up of two components: a risk free rate reflecting the maturity of the advances repayable and the spread reflecting the Company credit risk.

The amounts recorded under 'Current Advances Repayable' correspond to the sales-independent amounts estimated to be repaid to the Region in the next 12 months period. Non-current Advances repayable are the sum of the estimated sales-independent and sales-dependent reimbursements discounted using a discount rate of 12.5%.

Each year, the Group reassesses the amounts to be reimbursed based on the updated sales projections over the reimbursement period.

For 2014 no new advances were recognized as contingently repayable.

In 2014, the Company notified the Region of its decision to not exploit the outcome of two RCAs related to the industrialization of the C-Cure production process in bioreactors (Agreement n°5914 and 6548), resulting in a decrease of estimated amounts to be reimbursed of €0.5 million.

Reference is made to the table below which shows (i) the year for which amounts under those agreements have been received and initially recognised in the income statement as other operating income and (ii) a description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances.

As per 31 December 2014, the Company has received a total of €16,951k in recoverable cash advances out of a total contractual amount of €18,733k. Taking into account the unused amounts of the terminated contracts, the residual amount to receive out of the existing contracts amounts to €1,782k and should be received over 2015 and 2016 depending on the progress of the different programs partially funded by the Region.

(in €'000)			Amounts received for the years ended 31 December				Amounts yet to receive
Contract number	**Project**	**Contractual amount**	**Previous years**	**2013**	**2014**	**Total**	**2015 and beyond**
5160	C-Cure	2,920	2,920	-	-	2,920	-
5731	C-Cure	3,400	3,400	-	-	3,400	-
5914	C-Cure	700	687	-	-	687	-
5915	C-Cath$_{ez}$	910	910	-	-	910	-
5951	Industrialization	1,470	866	-	-	866	604
6003	C-Cure	1,729	1,715	-	-	1,715	-
6230	C-Cure	1,084	1,083	-	-	1,084	-
6363	C-Cure	1,140	1,020	106	-	1,126	-
6548	Industrialization	660	418	124	-	541	119
6633	C-Cath$_{ez}$	1,020	920	100	-	1,020	-
6646	Proteins	1,200	450	-	-	450	750
7027	C-Cath$_{ez}$	2,500	-	625	1,607	2,232	268
Total		**18,733**	**14,389**	**955**	**1,607**	**16,951**	**1,741**

(in €'000)				As of 31 December 2014		
Contract number	**Contractual amount**	**Total**	**2015 and beyond**	**Status**	**Contingent liability recognized (before discounting)**	**Amount reimbursed (cumulative)**
5160	2,920	2,920	-	Exploitation	2,920	-
5731	3,400	3,400	-	Exploitation	3,400	-
5914	700	687	-	Abandoned		180
5915	910	910	-	Exploitation	910	180
5951	1,470	866	604	Research	-	-
6003	1,729	1,715	-	Exploitation	1,715	-
6230	1,084	1,083	-	Exploitation	1,084	-
6363	1,140	1,126	-	Exploitation	1,126	241
6548	660	541	119	Abandoned	-	-
6633	1,020	1,020	-	Exploitation	1,020	32
6646	1,200	450	750	Research	-	-
7027	2,500	2,232	268	Research	-	-
Total	**18,733**	**16,951**	**1,741**		**12,175**	**633**

The contracts 5160, 5731, 5914, 5915 and 5951 have the following specific characteristics:

- funding by the Region covers 70% of the budgeted project costs;
- certain activities have to be performed within the Region;
- in case of an outlicensing agreement or a sale to a third party, Cardio3 BioSciences will have to pay 10% of the price received (excl. of VAT) to the Region;
- sales-independent reimbursements, sales-dependent reimbursements, and amounts due in case of an outlicensing agreement or a sale to a third party, are, in the aggregate, capped at 100% of the principal amount paid out by the Region;
- sales-dependent reimbursements payable in any given year can be set-off against sales-independent reimbursements already paid out during that year;
- the amount of sales-independent reimbursement and sales-dependant reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Walloon Region to proceed thereto.

The other contracts have the following specific characteristics:

- funding by the Region covers 60% of the budgeted project costs;
- certain activities have to be performed within the European Union;
- sales-independent reimbursements represent in the aggregate 30% of the principal amount;
- sales-dependent reimbursements range between 50% and 200% (including accrued interest) of the principal amount of the RCA depending on the actual outcome of the project compared to the outcome projected at the time of grant of the RCA (below or above projections);
- interests (at Euribor 1 year (as applicable on the first day of the month in which the decision to grant the relevant RCA was made + 100 basis points) accrue as of the 1st day of the exploitation phase;
- the amount of sales-independent reimbursement and sales-dependant reimbursement may possibly be adapted in case of an outlicensing agreement, a sale to a third party or industrial use of a prototype or pilot installation, when obtaining the consent of the Region to proceed thereto.
- sales-independent reimbursements and sales-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- in case of bankruptcy, the research results obtained by the Company under those contracts are expressed to be assumed by the Region by operation of law.

The table below summarizes, in addition to the specific characteristics described above, certain terms and conditions for the recoverable cash advances:

Contract number	**Research phase**	**Percentage of total project costs**	**Turnover-dependent reimbursement**	**Turnover-independent reimbursement**	**Interest rate accrual**	**Amounts due in case of licensing (per year) resp. Sale**
(€'000)						
5160	01/05/05-30/04/08	70%	0.18%	Consolidated with 6363	N/A	N/A
5731	01/05/08-31/10/09	70%	0.18%	Consolidated with 6363	N/A	N/A
5914	01/09/08-30/06/11	70%	5.00%	30 in 2012 and 70 each year after	N/A	10% with a minimum of 100/Y
5915	01/08/08-30/04/11	70%	5.00%	40 in 2012 and 70 each year after	N/A	10% with a minimum of 100/Y

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement	Turnover-independent reimbursement	Interest rate accrual	Amounts due in case of licensing (per year) resp. Sale
(€'000)						
5951	01/09/08-31/08/11	70%	5.00%	100 in 2014 and 150 each year after	N/A	10% with a minimum of 200/Y
6003	01/01/09-30/09/11	60%	0.18%	Consolidated with 6363	N/A	N/A
6230	01/01/10-31/03/12	60%	0.18%	Consolidated with 6363	N/A	N/A
6363	01/03/10-30/06/12	60%	0.18%	From 103 to 514 starting in 2013 until 30% of advance is reached	Starting on 01/01/13	N/A
6548	01/01/11-31/03/13	60%	0.01%	From 15 to 29 starting in 2014 until 30% of advance is reached	Starting on 01/10/13	N/A
6633	01/05/11-30/11/12	60%	0.27%	From 10 to 51 starting in 2013 until 30% of advance is reached	Starting on 01/06/13	N/A
6646	01/05/11-30/04/13	60%	0.01%	From 12 to 60 starting in 2015 until 30% of advance is reached	Starting on 01/01/14	N/A
7027	01/11/12-31/10/14	50%	0.33%	From 25 to 125 starting in 2015 until 30% of advance is reached	Starting on 01/01/15	N/A

In 2015, the Company will have to make exploitation decisions on the remaining RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional contingent liability of €3.5 million (maximum undiscounted amount). This amount is determined based on the amount effectively perceived by the Company as of 31 December 2014.

4.19. Trade payables and other current liabilities

(€'000)	As of 31 December		As per 1 January
	2014	2013	2013
Total trade payables	**4,042**	**2,169**	**1,770**
Other current liabilities			
Social security	242	155	174
Payroll accruals and taxes	825	539	415
Other current liabilities	33	18	275
Total other current liabilities	**1,100**	**712**	**864**

Trade payables (composed of supplier's invoices and accruals for supplier's invoices not yet received at closing) are non-interest bearing and are normally settled on a 60-day terms. Other current liabilities are non-interest bearing and have an average term of six months. Fair value equals approximately the carrying amount of the trade payables and other current liabilities.

The Other current liabilities include the short term debts to employees and social welfare and tax agencies.

No discounting was performed to the extent that the amounts do not present payments terms longer than one year at the end of each fiscal year presented.

4.20. Maturity analysis of financial liabilities

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Financial liabilities as of 31 December 2013:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2013				
Financial leases	109	81	28	-
Trade payables and other current liabilities	2,881	2,881	-	-
Total financial liabilities	**2,990**	**2,962**	**28**	**-**

Financial liabilities posted as of 31 December 2014:

(€'000)	Total	Less than one year	One to five years	More than five years
As of 31 December, 2014				
Financial leases	425	140	285	-
Trade payables and other current liabilities	5,142	5,142	-	-
Total financial liabilities	**5,567**	**5,282**	**285**	**-**

4.21. Financial instruments by category

	As of 31 December 2013	
(€'000)	Loans and receivables	Total
Assets as per balance sheet		
Deposits	140	**140**
Trade and other receivables	422	**422**
Other current assets	123	**123**
Short term investment	3,000	**3,000**
Cash and cash equivalents	19,058	**19,058**
Total	**22,743**	**22,743**

For the financial assets as mentioned above, the carrying amount as per 31 December 2013 is a reasonable approximation of their fair value.

	As of 31 December 2013	
(€'000)	Financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Finance lease liabilities	106	106
Trade payables and other current liabilities	2,881	2,881
Total	**2,987**	**2,987**

For the financial liabilities as mentioned above the carrying amount as per 31 December 2013 is a reasonable approximation of their fair value.

	As of 31 December 2014	
(€'000)	Loans and receivables	Total
Assets as per balance sheet		
Deposits	109	109
Trade and other receivables	830	830
Other current assets	1,801	1,801
Short term investment	2,671	2,671
Cash and cash equivalents	27,633	27,633
Total	**33,044**	**33,044**

For the financial assets as mentioned above, the carrying amount as per 31 December 2014 is a reasonable approximation of their fair value.

	As of 31 December 2014	
(€'000)	Financial liabilities at amortised cost	Total
Liabilities as per balance sheet		
Finance lease liabilities	413	413
Trade payables and other current liabilities	5,142	5,142
Total	**5,555**	**5,555**

For the financial liabilities as mentioned above the carrying amount as per 31 December 2014 is a reasonable approximation of their fair value.

4.22. Deferred taxes

The following table shows the reconciliation between the effective and theoretical tax expense at the theoretical standard Belgian tax rate of 33.99% (excluding additional contributions):

(€'000)	For the year ended 31 December

	2014	2013
Loss before taxes	(16,453)	(14,489)
Theoretical group tax rate	33.99%	33.99%
Theoretical tax gain	5,592	4,925
Increase/decrease in tax expense arising from:		
Permanent differences[1]	378	970
Fair value convertible loans	-	(394)
Share-based compensation	(519)	(428)
C3BS Asia	21	-
Capitalization of R&D costs	(4,634)	(2,721)
Depreciation of Mayo license	(42)	(42)
Recoverable cash advances	794	(136)
Other temporary differences	(10)	-
Non recognition of deferred tax assets related to statutory tax losses	(1,806)	(2,494)
Non taxable statutory losses	226	(320)
Effective tax gain / (expense)		
Effective tax rate	**-%**	**-%**

(1) The significant balance of permanent differences is mainly affected by transaction costs on capital increases occurred in 2014 and 2013. These transaction costs are booked in equity and are subject to a tax deduction

Unrecognized deferred tax assets:

(€'000)	For the year ended 31 December	
	2014	2013
Net loss carried forward	**(44,504)**	**(39,192)**
Opening temporary differences	**(20,883)**	**(12,354)**
Amortization of intangibles	118	111
Recoverable cash advances	2,336	(400)
Capitalization of development costs	(13,873)	(8,240)
Post employment benefits	(183)	
Total temporary differences of the period	**(11,602)**	**(8,529)**
Accumulated temporary differences	**(32,485)**	**(20,883)**
Total IFRS tax losses carried forward and		
Deductible temporary difference (net)	**(76,989)**	**(60,075)**
Unrecognised deferred tax assets	**26,169**	**20,419**

The Group has unused tax losses carried forward that are available indefinitely for offset against future taxable profits of the Group. In addition to the net loss carried forward, the Group can benefit from additional tax benefits (notional interest deduction) which can be carry-forward for a period of 7 years.

(€'000)	As of 31 December	
	2014	2013
Notional interest	(1,861)	(1,861)

The Group has a history of losses and significant uncertainty exists surrounding the Group's ability to realise taxable profits in the near future. Therefore, the Group did not recognise any deferred tax assets in respect of these losses, unless sufficient taxable temporary differences were available by which these deferred tax assets can be offset.

The table below present the accumulated deferred tax assets and liabilities as per end of the periods.

(€'000)	As of 31 December	
	2014	2013
Deferred tax assets	30,074	23,490
Deferred tax liabilities	(3,905)	(3,071)
Unrecognized deferred tax assets	26,169	20,419

The statutory tax rate is 33.99%. It should be noted that the Group has obtained on 14 October 2009 a tax ruling issued by the Belgian tax authorities by whom the Group is allowed to exempt 80% of all future revenues originated from patents and licences registered in the books of the Group. The tax ruling has no expiration date and will be applicable until the patents will fall in the public domain.

4.23. Other reserves

(€'000)	Note	Share based payment reserve	Convertible loan	Translation	Total
Balance as of 1st January 2013 as previously reported		1,006	11,406	-	12,412
Effect of restatement	4.36		(11,406)		(11,406)
Balance as of 1st January 2013 (restated)		**1,006**	**-**	**-**	**1,006**
Contribution in kind convertible loans	4.15	-	16,631	-	16,631
Vested share-based payments	4.16	274	-	-	274
Restatement share-based payments	4.36	984			984
Balance as of 31 December 2013 (restated)		**2,264**	16,631	**-**	**18,894**
Vested share-based payments	4.16	1,527	-	-	**1,527**
Exercise of warrants		(429)			**(429)**
Currency Translation differences subsidiaries		-	-	(18)	**(18)**
Currency Translation differences joint venture	4.13			8	**8**
Balance as of 31 December 2014		**3,362**	16,631	**(10)**	**19,982**

4.24. Depreciation and amortisation

(€'000)	For the year ended 31 December	
	2014	**2013**
Depreciation of property, plant and equipment	187	213
Amortisation of intangible assets	677	673
Total depreciation and amortisation	**864**	**886**

4.25. Employee benefit expenses

(€'000)	For the year ended 31 December	
	2014	**2013**
Salaries, wages and bonuses	3,113	2,151
Executive Management team compensation	1,448	1,126
Share based payments	1,527	1,258
Social security	889	666
Post employment benefits	188	141
Hospitalisation insurance	30	22
Other benefit expenses	3	4
Total Employee expenses	**7,198**	**5,368**

Headcount	For the year ended 31 December	
	2014	**2013**
Research & Development	65.8	46
General and administrative staff	8.9	5
Total Headcount	**74.7**	**51**

4.26. Research and Development expenses

The following expenses are aggregated and presented under the caption 'Research and development expenses' in the consolidated statement of comprehensive loss:

- Manufacturing expenses;
- Clinical, Quality and Regulatory expenses;
- Other research and development expenses.

4.26.1. Manufacturing expenses

(€'000)	For the year ended 31 December	
	2014	**2013**
Employee expenses	1,501	842
Contractor fees	402	76

Pilot Plan consulting fees	348	289
Raw materials	2,060	988
Rent & utilities	234	133
Other manufacturing costs	591	87
Total Manufacturing expenses	**5,136**	**2,415**

4.26.2. Clinical, quality and regulatory expenses

	2014	2013
Employee expenses	1,780	1,460
Study cost	4,924	2,169
IP filing & maintenance fees	351	360
Travel & living	249	180
Consulting fees	436	269
Other costs	12	34
Total Clinical, quality and regulatory expenses	**7,752**	**4,472**

4.26.3. Other research and development expenses

(€'000)	For the year ended 31 December	
	2014	2013
Employee expenses	954	898
Mayo research Project	751	4
Pre-clinical studies	274	275
Delivery systems	51	459
Other costs	120	67
R&D consultant fees	13	29
Capitalization C-Cath$_{ez}$ development costs	(50)	(459)
Subtotal	**2,113**	**1,272**
Depreciation and amortization	864	886
Total Research and development expenses	**2,977**	**2,159**

4.27. General and administrative expenses

(€'000)	For the year ended 31 December	
	2014	2013
Employee expenses	1,408	910
Share-based payment	1,528	1,258
Rent	315	323
Communication & Marketing	394	206
Consulting fees	741	975
Travel & Living	399	147
Post employment benefits	28	-
Other	203	153
Total General and administration	**5,016**	**3,972**

4.28. Other operating income

Other operating income is related to government grants received. For the government grants received in the form of recoverable cash advances (RCAs) we refer to note 4.18 for more information.

(€'000)	For the year ended 31 December	
	2014	2013
Recoverable cash advances (RCAs)	2,791	955
Subsidies	636	129
Reversal provision for reimbursement RCA	507	-
Additional provision for reimbursement RCA	-	-1,020
Realized gain on contribution IP into joint venture	312	
Other	167	

Total Operating Income	**4,413**	**64**

4.29. Operating leases

The Group has entered into various leasing contracts for the purpose of renting buildings and equipment. These leases have an average life of three to five years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease expenses amounts to €709k in 2014 and €576k in 2013.

Future minimum rentals payable under non-cancellable operating leases as of 31 December are detailed as follows:

(€'000)	As of 31 December	
	2014	**2013**
Within one year	751	624
After one year but no more than five years	767	1,068
More than five years	165	-
Total Operating leases	**1,683**	**1,692**

4.30. Finance income and expense

(€'000)	For the year ended 31 December	
	2014	**2013**
Interest shareholders loans	-	401
Interest finance leases	6	6
Interest on overdrafts and other finance costs	16	19
Fair value convertible loans	-	1,158
Exchange Differences	19	11
Finance expenses	**41**	**1,595**
Interest income bank account	277	48
Exchange Differences	-	12
Finance income	**277**	**60**

4.31. Loss per share

The loss per share is calculated by dividing loss for the year by the weighted average number of ordinary shares outstanding during the period. As the Group is incurring net losses, outstanding warrants have an anti-dilutive effect. As such, there is no difference between the basic and the diluted earnings per share. In case the warrants would be included in the calculation of the loss per share, this would decrease the loss per share.

(€'000)	As of 31 December	
	2014	**2013**
Loss of the year attributable to Equity Holders	(16,453)	(14,489)
Weighted average number of shares outstanding	6,750,383	4,099,216
Earnings per share (non-fully diluted)	**(2.44)**	**(3.53)**

4.32. Contingent assets and liabilities

As mentioned in note 4.18, the Group has to reimburse certain government grants received in the form of recoverable cash advances under certain conditions. For more information we refer to note 4.18.

In 2015, the Group will have to make exploitation decisions on the remaining RCAs (Agreement 5951, 6646 and 7027) with a potential recognition of an additional contingent liability of €3.5 million (maximum undiscounted amount).

4.33. Commitments

4.33.1. Mayo Foundation for Medical Education and Research

Based on the terms of the second amendment of the licence agreement dated 18 October 2010, the Company is committed to the following payments:

Undirected research grants

The Company will fund research in the Field at Mayo Clinic of $1,000,000 per year for four years beginning in or after 2015, as soon as the Company has had both a first commercial sale of a Licensed Product and a positive cash flow from operations in the previous financial year. The Company will have an exclusive right of first negotiation to acquire an exclusive license to inventions that are the direct result of work carried out under these grants. In case the Company exercises its option to negotiate, but no agreement is reached within a certain period, then Mayo Clinic during the following nine-month period cannot enter into a licence with a third party.

Royalties

The Company will pay a 2% royalty (on net commercial sales by itself or its sub-licensees) to Mayo Clinic, for all of the products that absent the Mayo Licence would infringe a valid claim of a Licensed Patent (each, a "Licensed Product"), during a royalty period (on a Licensed Product-by-Licensed Product basis) beginning on the date of first commercial sale of such Licensed Product and ending on the earlier of: (i) 15 years from first commercial sale; (ii) the date on which such Licensed Product is no longer covered by a valid claim of a Licensed Patent in the territories in which it is sold; (iii) or termination of the Mayo Licence.

Currently no liability has been accounted for by the Group for these variable payments to Mayo Foundation.

4.33.2. Corquest Inc

Based on the terms of the Share Purchase Agreement dated 5 November 2014, former shareholders of Corquest Inc will be entitled to an earn-out payment based on the net revenues generated by the Company, which revenues should be generated from the selling or divesting, in all or in part, of Proprietary Intellectual Property Rights of the Company to a third party.

As from the 5 November 2014 date until the tenth anniversary of the Agreement, former shareholders of Corquest Inc are entitled to:

- an Earn-Out royalty of 2% if Net Revenue are bellow or equal to 10 million euro
- or an Earn-Out royalty of 4% if Net Revenue are higher than 10 million euro

4.34. Related-party transactions

4.34.1. Remuneration of key management

Key management consists of the members of the Executive Management Team and the entities controlled by any of them.

	As of 31 December	
	2014	2013
Number of Management Members	6	4

(€'000)	For the years ended 31 December	
	2014	2013
Short term employee benefits[1]	275	-
Post employee benefits	-	-
Share-based compensation	976	1,029
Other employment costs[2]	-	
Management fees	1,239	987
Total benefits	**2,490**	**2,016**

[1] Include salaries, social security, bonuses, lunch vouchers
[2] Such as Company cars

	As of 31 December	
	2014	2013
Number of warrants granted	17,500	294,500
Number of warrants lapsed	-	60,000
Cumulative outstanding warrants	192,225	294,725
Exercised warrants	120,000	-
Outstanding payables (in '000€)	363	216
Shares owned	166,160	96,768

4.34.2. Transactions with non-executive directors

	For the year ended 31 December

(€'000)	2014	2013
Share-based compensation	46	-
Management fees	54	22
Total benefits	**100**	**22**

	As of 31 December	
	2014	2013
Number of warrants granted	5,000	-
Number of warrants lapsed	-	-
Number of exercised warrants	10,000	-
Cumulative outstanding warrants	12,904	15,400
Outstanding payables (in '000€)	-	27
Shares owned	3,317,283	485,278

4.34.3. Transactions with shareholders

	For the years ended 31 December	
(€'000)	2014	2013
Rent[1]	299	249
Patent costs[2]	592	592
Scientific collaboration[3]	754	-
Other	-	
Total	**1,645**	**841**

[1] Relate to lease paid to Biological Manufacturing Services, company controlled by Tolefi SA

[2] Relate to Mayo License depreciation

[3] Relate to directed research grant paid to Mayo Clinic under License Agreement

	As of 31 December	
(€'000)	2014	2013
Outstanding payables	**76**	**115**

4.35. Events after the balance sheet date

4.35.1. Acquisition of Oncyte LLC

On 21 January 2015, the Company acquired 100% of the share capital of Oncyte LLC from Celdara Medical LLC in exchange for a cash consideration of USD 6 million and new shares of Cardio3 BioSciences for a total value of USD 4 million. The sales price also includes a contingent consideration payment based on future outcome of the research and development and potential future sales estimated to USD 42 million (considering the impact of the discount and the probability of success). For the successful development of the most advanced product CM-CS1, the seller could receive up to USD 50 million in development and regulatory milestones until market approval. The seller will be eligible to additional payments on the other products upon achievement of development and regulatory milestones totalling up to USD 21 million per product. In addition, the seller will receive up to USD 80 million in sales milestones when net sales will exceed USD 1 billion and royalties ranging from 5 to 8%.

Oncyte LLC is the company holding the CAR T-Cell portfolio of clinical-stage immuno-oncology assets. The portfolio includes three autologous CAR T-Cell cell therapy products and an allogeneic T-Cell platform, targeting a broad range of cancer indications. CAR T-Cell immuno-oncology represents one of the most promising cancer treatment areas today. The lead portfolio candidate CM-CS1 is expected to start U.S. Phase I trial Q1 2015. The final results are expected by mid-2016.

4.35.2. Private placement of €31.7 million on 3 March 2015

On 3 March 2015, the Company completed a €31.7 million capital increase via a private placement subscribed by qualified institutional investors in the United States and Europe at a price of €44.50 per share. The placed shares represent 10% of the current number of outstanding shares, bringing the total number of shares outstanding after the issue to 7,847,187, and the capital of the Company to €27,438,380.63. The net proceeds, after deduction of the placement fees amount to € 29.8 million and will be dedicated to:

- Further develop its newly acquired CAR-T cell technology platform;
- Strengthen the leadership of C-Cure® for the treatment of congestive heart failure, and;
- For general corporate purposes.

4.36. Restatement of 2013 financial statements: restatement of prior period errors

The financial statements of the Group of 2013 were restated to reflect a correction in the IFRS accounting treatment of the shareholders convertible loans as well as a change in the IFRS 2 calculations for the fair value of the warrants that were issued on 6 May 2013.

The restatement for the IFRS accounting treatment of the shareholders convertible loans is related to the reconsideration of the shareholders convertible loans E, F, G and H as financial debt, instead of equity (previously called 'quasi equity') as originally reflected in the 2013 financial statements. After due consideration with its auditors, the Group decided that the shareholders convertible loans should have been accounted for as a financial debt, because the loans were convertible into a variable number of shares. This correction in the IFRS accounting treatment triggers the valuation of this financial debt at redemption amount at inception and at each subsequent reporting date up till conversion in May 2013. The redemption amount of this financial debt as per 31 December 2012 amounts to € 26,9 million. Therefore equity as per 1 January 2013 decreased with € 26,9 million compared to previously reported figures. The increase in the financial liability led to an additional loss of € 1,1 million in the 2013 income statement. An amount of € 0,6 million has also been reclassified from equity to liability before May 2013. The financial liability before conversion in May 2013 therefore amounted to € 28,6 million, including € 0,6 million. Due to the conversion of these convertible loans in May 2013, the amount of the financial liability has been reclassified into equity, leading to an increase in equity by € 28,6 million. The total net equity of the Group as of 31 December 2013 remains unchanged.

The restatement due to a correction in the IFRS 2 calculations for the fair value of the warrants that were issued on 6 May 2013 led to an additional loss of € 1 million in the 2013 income statement and to an increase in the other reserves with the same amount. Therefore there is no impact on total equity as per 31 December 2013. The restatement was done to take into account the value of the shares at the moment of IPO in July 2013 amounting to EUR 16,65 whereas the value of the shares was previously determined at EUR 2,64.

These adjustments have no impact on the net cash position of the Company as of 1 January 2013 and as of 31 December 2013 as these are non-cash adjustments.

Tables before show the 2013 consolidated statement of financial position as it was originally reported and the restated financials.

4.36.1. 2013 Consolidated statement of financial position

(€'000 audited)	For the year ended 31 December	
	2013 (reported)	2013 (restated)
NON-CURRENT ASSETS	**9,783**	**9,783**
Intangible assets	9,400	9,400
Property, Plant and Equipment	243	243
Investment accounted for using the equity method	-	-
Other non-current assets	140	140
CURRENT ASSETS	**22,603**	**22,603**
Trade and Other Receivables	422	422
Grants receivables	-	-
Other current assets	123	123
Short term investments	3,000	3,000
Cash and cash equivalents	19,058	19,058
TOTAL ASSETS	**32,386**	**32,386**
EQUITY	**16,898**	**16,898**
Share Capital	22,138	22,138
Share premium	30,474	30,474
Other reserves	675	18,894
Retained loss	(36,389)	(54,608)
NON-CURRENT LIABILITIES	**12,099**	**12,099**
Finance leases	27	27
Advances repayable	12,072	12,072
Post employment benefits	-	-

CURRENT LIABILITIES	**3,389**	**3,389**
Finance leases	79	79
Convertible loan		
Advances repayable	429	429
Trade payables	2,169	2,169
Other current liabilities	712	712
TOTAL EQUITY AND LIABILITIES	**32,386**	**32,386**

4.36.2. Consolidated statement of comprehensive loss

(€'000 audited)	For the year ended 31 December	
	2013 (reported)	**2013** (restated)
Revenue	-	-
Cost of sales	-	-
Gross profit	**-**	**-**
Research and Development expenses	(9,046)	(9,046)
General administrative expenses	(2,987)	(3,972)
Other operating income	64	64
Operating Loss	**(11.969)**	**(12,954)**
Financial income	60	60
Financial expenses	(437)	(1,595)
Loss before taxes	**(12,346)**	**(14,489)**
Income taxes	-	-
Loss for the year	**(12,346)**	**(14,489)**
Basic and diluted loss per share (in €)	(3.01)	(3.53)
Other comprehensive loss		
Other comprehensive loss for the year, net of tax	-	-
Total comprehensive loss for the year	**(12,346)**	**(14,489)**
Total comprehensive loss for the year attributable to Equity Holders	**(12,346)**	**(14,489)**

5. *Statutory accounts as of 31 December 2014 and 2013 according to Belgian GAAP*

This section contains selected financial information, consisting of the balance sheet, income statement and certain notes, as derived from the statutory financial statements of Cardio3BioSciences SA as of and for the year ended 31 December 2014 (including comparative information as of and for the year ended 31 December 2013). These financial statements were prepared in accordance with the applicable accounting framework in Belgium and with the legal and regulatory requirements applicable to the financial statements in Belgium and are filed with the National Bank of Belgium. These statutory financial statements were approved by the Shareholders' Meeting on 5 May 2015 and the statutory auditor has issued an unqualified audit opinion with respect to these statutory financial statements. The full set of the statutory financial statements is available on the website of the National Bank of Belgium (www.nbb.be).

5.1. Balance Sheet

(in €)	2014	2013
ASSETS		
FIXED ASSETS	**34,277,813**	**19,317,434**
II. Intangible fixed assets	**32,063,115**	**18,934,105**
III. Tangible fixed assets	**597,879**	**243,213**
Land and buildings		-
Installations machinery and equipment	92,714	49,980
Furniture and vehicles	39,338	24,833
Leasing and similar rights	422,556	137,512
Other fixed assets	43,271	30,888
IV. Financial fixed assets	**1,616,819**	**140,116**
CURRENT ASSETS	**31,978,104**	**22,602,456**
VI. Stocks and contracts in progress		
Goods purchase for resale		**-**
VII. Amounts receivable within one year	**1,576,108**	**421,283**
Trade debtors	822,621	149,338
Others amounts receivable	753,488	271,945
VIII. Investment	**2,670,881**	**3,000,000**
IX. Cash at bank and in hand	**27,519,341**	**19,058,260**
X. Deferred charges and accrued income	**211,774**	**122,913**
TOTAL ASSETS	**66,255,918**	**41,919,890**
CAPITAL AND RESERVES	**58,886,870**	**37,495,075**
I. Capital	**24,614,581**	**22,138,008**
Issued capital	24,614,581	22,138,008
Uncalled capital (-)		**-**
II. Share Premium	**56,837,406**	**33,326,296**
V. Accumulated profits (losses)	**(22,565,116)**	**(17,969,229)**
PROVISIONS AND DEFERRED TAXES		**-**
VII.A. Provisions for liabilities and charges		**-**
CREDITORS	**7,369,047**	**4,424,815**
VIII. Amounts payable after more than one year	**1,194,164**	**1,042,721**
Financial debts	1,194,164	1,042,721
Credit institutions; leasing and other similar obligations	279,164	27,121
Other financial loans	915,000	1,015,600
Other debts		-
IX. Amounts payable within one year	**6,157,393**	**3,372,932**
Current portion of amounts payable after one year	1,044,087	508,289
Trade debts	4,042,178	2,169,358
Suppliers	4,042,178	2,169,358
Taxes; remunerations and social security costs	1,066,638	693,990
Taxes	50,322	102,925
Remunerations and social security costs	1,016,316	591,065
Other amounts payable	4,490	1,295
X. Accrued charges and deferred income	**17,490**	**9,162**
TOTAL LIABILITIES	**66,255,918**	**41,919,890**

5.2. Income statement

(in €)	2014	2013
Operating income	**18,076,333**	**10,567,500**
Turnover	146,400	
Capitalization of development costs	13,923,201	8,698,125
Other operating income	4,006,733	1,869,375
Operating charges	**(22,815,033)**	**(16,841,449)**
Direct Material	(1,828,972)	(1,104,878)
Services and other goods	(14,041,733)	(10,471,072)
Remuneration; social security and pensions	(4,994,571)	(3,405,679)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(986,893)	(966,997)
Provisions for liabilities and charges (appropriations -; use and write-backs (+)	(308,956)	
Other operating charges (-)	(653,908)	(862,823)
Operating profit (loss)	**(4,738,700)**	**(6,273,949)**
Financial income	**278,766**	**67,734**
Income from current assets	276,622	47,532
Other financial income	2,144	20,202
Financial charges (-)	**(135,222)**	**(458,520)**
Interest on financial debts	(6,076)	(406,942)
Other financial charges	(129,146)	(51,578)
Profit (loss) on ordinary activities before taxes (-)	**(4,595,156)**	**(6,664,735)**
Extraordinary income	**-**	**-**
Other extraordinary income	-	-
Extraordinary charges (-)	**(731)**	**(23)**
Other extraordinary charges	(731)	(23)
Profit (Loss) for the period before taxes (-)	**(4,595,887)**	**(6,664,758)**
Income taxes (-) (+)	**-**	**(17,532)**
Profit (loss) for the period available for appropriation	**(4,595,887)**	**(6,682,290)**

5.3. Notes

Statement of intangibles assets

(in €)	2014	2013
Acquisition value at the end of the preceding period	30,348,770	21,650,645
Movements during the period		
Acquisitions, included produced fixed assets	13,923,201	8,698,125
Acquisition value at the end of the period	44,271,971	30,348,770
Depreciation and amounts written down at end of the preceding period	11,414,665	10,630,443
Movements during the period		
Recorded	794,191	784,222
Depreciation and amounts written down at the end of the period	12,208,856	11,414,665
Net book value at the end of the period	32,063,115	18,934,105

Statement of tangible fixed assets

(in €)	2014	2013
LAND AND BUILDINGS		
Acquisition value at the end of the preceding period	-	-
Movements during the period		
Acquisitions, included produced fixed assets	-	-
Acquisition value at the end of the period	-	-
Depreciation and amounts written down at end of the preceding period	-	-
Movements during the period		
Recorded	-	-
Depreciation and amounts written down at end of the period	-	-
Net book value at the end of the period		-
INSTALLATIONS, MACHINERY & EQUIPMENT		
Acquisition value at the end of the preceding period	682,442	495,479
Movements during the period		
Acquisitions, included produced fixed assets	88,255	27,249
Sale, transfer and withdraw	(33,138)	159,714
Acquisition value at the end of the period	737,558	682,442
Depreciation and amounts written down at end of the preceding period	632,462	458,275
Movements during the period		
Recorded	15,976	16,194
Sale, transfer and withdraw	(3,594)	157,993
Depreciation and amounts written down at end of the period	644,844	632,462
Net book value at the end of the period	92,714	49,980
FURNITURE AND VEHICLES		
Acquisition value at the end of the preceding period	801,3	457,583
Movements during the period		801,325
Acquisitions, included produced fixed assets	45,000	22,372
Sale, transfer and withdraw	(13,105)	321,370
Acquisition value at the end of the period	833,219	801,325
Depreciation and amounts written down at end of the preceding period	776,492	443,187
Movements during the period		
Recorded	7,014	79,978
Sale, transfer and withdraw	10,375	253,327
Depreciation and amounts written down at end of the period	793,881	776,492
Net book value at the end of the period	39,338	24,833
LEASING AND OTHER SIMILAR RIGHT		
Acquisition value at the end of the preceding period	380,892	868,975
Movements during the period		
Acquisitions, included produced fixed assets	443,770	-
Sale, transfer and withdraw	(12,868)	(488,083)
Acquisition value at the end of the period Sale, transfer and withdraw	811,794	380,892

(in €)	2014	2013
Depreciation and amounts written down at end of the preceding	243,380	548,318
Movements during the period Recorded	158,254	113,381
Sale, transfer and withdraw	(12,396)	(418,319)
Depreciation and amounts written down at end of the period	389,238	243,380
Net book value at the end of the period	422,556	137,512
Whereof:		
Land and buildings		
Installation, machinery & equipment	422,556	137,512
Furniture and vehicles		-
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	66,587	43,338
Movements during the period		
Acquisitions, included produced fixed assets	23,841	23,249
Acquisition value at the end of the period	90,428	66,587
Depreciation and amounts written down at end of the preceding period	35,699	32,476
Movements during the period		
Recorded	11,458	3,223
Movements during the period		
Depreciation and amounts written down at end of the period Recorded	47,157	35,699
Net book value at the end of the	43,271	30,888

Other investments and deposits

(in €)	2014	2013
Other Investments and deposits		
Acquisition value at the end of the preceding period	132,632	143,045
Movements during the period		
Additions	1,670	41,852
Reimbursments (-)	24,967	52,265
Net book value at the end of the period	109,335	132,632

Investment and deferred charges and accrued income assets

(in €)	2014	2013
short-term investment	2,670,881	3,000,000
More than one year		
Net book value at the end of the period	2,670,881	3,000,000

Statement of capital 2014

(in €)	Amounts	Number of shares
Issued capital	24,614,581	
Structure of the capital		
Different categories of shares		
Registered		-
Dematerialized		7,040,387
Unpaid capital		
Uncalled capital		Xxxxxxxxxx
Capital called, but unpaid	Xxxxxxxxxx	
Shareholders having yet to pay up in full	xxxxxxxxxx	
Authorised unissued capital	16,251,456	

Statement of capital 2013

(in €)	Amounts	Number of shares
Issued capital	22,138,008	
Structure of the capital		
Different categories of shares		
Registered		2,923,311

Dematerialized		3,409,481
	Uncalled capital	Called, but unpaid amount
Unpaid capital		Xxxxxxxxxxxxxx
Uncalled capital		
Capital called, but unpaid	Xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full	Xxxxxxxxxxxxxx	
Authorised unissued capital	21,412,720	

Statement of amounts payable

(in €)	2014	2013
Analysis of amounts payable after more than one year		
Current portion of amounts initially payable after more than one year	1,194,164	1,042,721
Amounts payable expiring over five year	-	-
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	279,164	27,121
Other debts (loans)	915,000	1,015,000
Other debt	589	589
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	50,322	102,925
Remuneration and social security		
Other amounts payable related to remuneration and social security	1,016,316	591,065

Operating results

(in €)	2014	2013
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	3,206,209	1,620,405
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	77	47
Average number of employees calculated in full-time equivalents	59.5	43.5
Number of actual worked hours	101,618	72,000
Personnel costs		
Remuneration and direct social benefits	3,133,015	2,333,991
Employer's social security contributions	1,052,439	761,944
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	617,647	146,594
Pensions	191,470	163,150
Impairment of trade receivables	308,956	
Provisions for risks and charges		
Addition		
Use of and withdrawal		
Other operating charges		
Taxes related to operations	1,355	2,173
Other charges	652,553	860,649
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date		-
Average number calculated as full-time equivalents	0,6	-
Number of actual worked hours	1,131	-
Charges to the enterprise	46,243	-

Financial results

(in €)	2014	2013
Interest charges	6,076	406,942
Valuation allowance on current assets		-
Other financial charges	129,146	51,578

Income tax

(in €)	2014	2013
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	**44,503,983**	39,833,563

The total amount of value added tax and taxes borne by third parties

(in €)	2014	2013
The total amount of value added tax and taxes borne by third parties		
The total amount of value added tax charged		
To the enterprise (deductible)	3,028,728	2,162,845
By the enterprise	1,741,617	1,295,618
Amounts retained on behalf of third parties		
Payroll withholding taxes	955,530	888,419

Financial relationship with Amount of direct and indirect remunerations and pensions, included in the income statement, as long as this disclosure does not concern exclusively or mainly, the situation of a single identifiable person

(in €)	2014	2013
To directors and managers	423,200	382,474

Financial relationship with auditors

(in €)	2014	2013
Auditor's fees	35,000	44,500
Fees for exceptional services or special missions executed in the company by people who are linked to		
Other Auditor's missions	8,104	134,000

5.4. Summary of valuation rules

Valuation rules are determined by the Board of Directors in accordance with Chapter II of the Royal Decree of 8 October 1976 related to the annual accounts of companies.

Formation expenses are booked as intangible fixed assets and amortised over 5 years. Intangible fixed assets acquired from a third party or acquired through a contribution in kind are recorded at the acquisition value. Intangible fixed assets not acquired from a third party are valued at their cost of production in such a way that they do not exceed a prudent estimation of their future economical use or their future return.

Intangible assets developed internally are capitalized when perspectives of future return are probable and clearly identified. Clinical development expenses are capitalized when authorization to start a phase III trial of the related program is obtained. Development expenses of a medical device are capitalized when the device is CE marked.

These intangible fixed assets are – in principle – amortised prorate temporis over 5 years starting the year of the first revenue generation associated with the related asset. Furniture and fixtures are depreciated over 3, 5 or 10 years depending on the economical life of the assets.

An impairment test is performed each year at year end on all tangible and intangible assets. Exceptional depreciation or amortization expenses may result from such impairment analysis.

Financial fixed assets are booked at acquisition value. A write-off is accounted for when the financial fixed asset is permanently impaired. There is no inventory.

Direct materials purchased are directly expensed taken into account their short lifetime. Amounts receivable are booked as asset at nominal value. Amounts receivable in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income. Amounts receivable are written-off when their realizable value is estimated to be lower than their carrying value.

Bank deposits are valued at their acquisition value. Cash and cash equivalent are valued at nominal value. When the nominal value includes interests, these latter are accounted for through the balance sheet caption “deferred charges and accrued income”. A write-off is accounted for when their realizable value is estimated to be lower than their carrying value. Amount payables are booked at nominal value. Amount payables in foreign currencies are converted in EUR at the exchange rate at closing date. Negative exchange differences resulting from the conversion in EUR at the exchange rate at closing date are expensed; positive exchange differences are accounted for as deferred income.

Recoverable cash advances contracted with the Region are booked as off balance sheet when Company notifies the Region of its decision to exploit the outcome of the research and development program partially financed by the Region. A debt will be recognized the first year of revenue recognition for an amount equivalent to the funding received from the Region. Classification between long term and short term is determined based on perspectives of revenue generation and reviewed on a yearly basis.

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