This prospectus (the "Prospectus") relates to the initial offering (the "Offering") to subscribe for up to 1,300,000 new shares in Cardio3 BioSciences SA (the "Company" or "Cardio3 BioSciences") within a price range of between €16.65 and €19.00 per new share (the "Offer Price Range"), although it may be set below the lower end of the Offer Price Range. The amount of new shares may be increased by up to 15%, to an amount of 1,495,000 new shares (the "Increase Option", the new shares initially offered and the shares offered as a result of the possible exercise of the Increase Option are jointly being referred to as the "New Shares"). Any decision to exercise the Increase Option will be announced, at the latest, on the date the offer price (the "Offer Price") is announced. Kempen & Co N.V., a limited liability company incorporated under Dutch law, having its registered office at Beethovenstraat 300, 1077 WZ Amsterdam (the Netherlands), acting both for itself and Invest Securities, a limited liability company incorporated under French law, having its registered office at Boulevard Haussmann 73, 75008 Paris (France), (together the "Joint Bookrunners"), has been granted an Over-allotment Option by the Company (the "Over-allotment Option"), exercisable for a period of 30 days from the listing date (the "Listing Date"), corresponding to up to 15% of the New Shares subscribed for in the Offering for the sole purpose of allowing the Joint Bookrunners to cover over-allotments, if any. The minimum amount set for the Offering is €17 million, below which the Offering will not be completed.

The Offering is conducted as a public offering in Belgium and France to retail investors and a private placement (i) in the United States only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in a manner not requiring registration under the Securities Act and (ii) in certain jurisdictions outside the United States in accordance with Regulation S under the US Securities Act, of 1933, as amended (the "Securities Act") to certain Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction). Private placements may take place in EEA Member States pursuant to another exemption under the Prospectus Directive as implemented in the relevant EEA Member State. The New Shares and the shares of the Company covered by the Over-allotment Option (the "Offered Shares") have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws.

This Prospectus does not constitute, and neither the Company nor the Joint Bookrunners are making, an offer to sell the Offered Shares or soliciting an offer to purchase any of the Offered Shares to any person in any jurisdiction where such an offer or solicitation is not permitted. The Offered Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other Offering related documents may be distributed or sent to any person or into any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come are required to inform themselves about, and to observe all, such restrictions. Neither the Company nor the Joint Bookrunners accept any responsibility for any violation by any person, whether or not it is a prospective purchaser of Offered Shares, of any such restriction.

For a description of certain restrictions on transfers of the Offered Shares, see section 2 "DISCLAIMERS AND NOTICES" beginning on page 17. Any Offered Shares offered and sold in the United States will be subject to certain restrictions as set forth under section 17 "TRANSFER RESTRICTIONS".

There is currently no public market for the Company's shares. The Company has applied to have its shares admitted to trading on the regulated markets of NYSE Euronext Brussels and NYSE Euronext Paris under the trading symbol "CARD".

Investing in the Offered Shares involves a high degree of risks. An investor is exposed to the risk to lose all or part of his investment. Before any investment in shares, the investor must read the "Risk Factors Section", in particular the risks relating to the description of the Company's business (from page S-6 to S-9 of the summary and from page 1 of the prospectus) and more generally, the risks relating to the shares (from page S-9 of the summary and from page 12 of the prospectus). The Company's main assets are intellectual property rights concerning technologies that have not led to the commercialization of any product. The Company has never been profitable and it has never commercialised any products.

The Offered Shares are expected to be delivered in book entry form on or about 9 July 2013.

Global Coordinator and Joint Bookrunners

KEMPEN & CO
Merchant Bank

Invest Securities
Société de Bourse

Selling agent

Portzamparc
Société de Bourse

Prospectus dated 19 June 2013

Contents

SUMMARY

Summaries are made up of disclosure requirements known as "Elements." These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and company. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and company, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "Not applicable."

Section A – Introduction and warnings

Element	Disclosure requirement
A.1	**Introduction and warnings** This summary must be read as an introduction to this Prospectus and is provided to aid investors when considering whether to invest in the shares, but is not a substitute for this Prospectus. Any decision to invest in the shares should be based on consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the shares. Where a claim relating to this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.
A.2	**Consent for use of this Prospectus for subsequent resale** Not applicable. The Company does not consent to the use of this Prospectus for the subsequent resale or final placement of securities by financial intermediaries.

Section B – Issuer

Element	Disclosure requirement
B.1	**The legal and commercial name of the Company** The legal and commercial name of the Company is Cardio3 BioSciences SA.
B.2	**Registered office and legal form of the Company** The Company is a limited liability company incorporated in the form of a *société anonyme* under the laws of Belgium. Cardio3 BioSciences SA is registered with the legal entities

Element	Disclosure requirement
	register (Nivelles) under number 0891.118.115. The Company's registered office is located at Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium.
B.3	**Current operations and principal activities of the Company and the principal markets in which it competes** Cardio3 BioSciences was founded in 2007 to develop and market innovative therapies for cardiovascular diseases. The lead product of Cardio3 BioSciences is C-Cure®, a cell therapy currently developed for the treatment of chronic heart failure of ischemic origin, a disease affecting at least 22 million people in the developed world. C-Cure is based on the cardiopoiesis platform invented at Mayo Clinic (Rochester, MN, USA). C-Cure is currently in phase III clinical development, after having achieved positive phase II results. The Cardiopoiesis platform is exclusively licensed worldwide to the Company. Cardio3 BioSciences is also marketing C-Cath$_{ez}$® in Europe. C-Cath$_{ez}$ is a catheter for intramyocardial injection of therapeutics invented by Cardio3 BioSciences. It has obtained CE Mark in April 2012. Other research and development programmes are at earlier stages of development and involve collaborations with major academic institutions in Europe, such as Assistance Publique -Hôpitaux de Paris (Paris, France) and Karolinska Institut (Stockholm, Sweden)
B.4a	**Significant recent trends affecting the Company and the industries in which it operates** In January 2013, the Company started the CHART-1 trial, a 240 patients phase III clinical study intended to request marketing authorization in the European Union under a centralized procedure. Based on similar clinical trials, the Company believes that it could enrol all patients in the study by the end of 2014, and the primary endpoint would become available one year later. Interim data including safety and futility analysis should be made available towards the end of 2013, and the end of 2014, should enrolment be completed as planned. The Company is also pursuing the approval of another phase III study in the USA (CHART-2). Currently CHART-2 is not yet approved by the US Food and Drug Administration (FDA). The Company is pursuing discussions with the FDA to obtain authorization to start CHART-2. Cardio3 BioSciences believes that it could get clearance from the FDA before mid 2014 and may pursue partnering strategies for the clinical development in the USA. The Company also hopes to include the first patients in a second program in development (C3BS-GQR-1) by mid to end 2014. This is a product candidate that consists of a protein combination injected in the coronary arteries after a myocardial infarction, and intended to reduce the scar created by the infarction. This program will undergo GLP testing during the course of 2013 prior to starting the phase I study.
B.5	**Description of the Group and the Company's position within the Group** Cardio3 BioSciences' main business is conducted through the Company itself. In 2011, Cardio3 BioSciences has incorporated Cardio3 Inc, a fully owned subsidiary in the US for the purposes of regulatory filings. Cardio3 Inc is a dormant company without activities.

Element	Disclosure requirement
B.6	**Relationship with major shareholders** The principal direct shareholders of the Company are, on a fully diluted basis, (i) Tolefi SA (44.01%), (ii) SRIW Techno and Sofipôle (7.65%) and (iii) Mayo Foundation for Education and Research (6.62%). The following direct or indirect relationships exist between the Company and its significant shareholders: • The Company has entered into a number of Research and Material Transfer Agreements with Mayo Clinic in respect of the Company's research and development programmes; • The Company has entered into a Process Development Agreement with ATMI (1.69% on a fully diluted basis) in respect of the industrialization of the production process of its lead product C-Cure; • The Company has entered into a Service Agreement with Cardiovasculair Onderzoek Aalst CVBA (4.05% on a fully diluted basis) in respect of the Company's clinical strategy definition.
B.7	**Selected historical key financial information** On 31 May 2013, the Company completed its fourth financing round (Round D Financing) for a total amount of €19.0 million. Out of the €19.0 million capital increase, €12.0 million consists of a contribution in kind of shareholders loans contracted in 2011 and 2012 and €7.0 million consists of a contribution in cash. The consolidated net equity of the Company (under IFRS) is therefore increased by €7.0 million as of 31 May 2013.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(€'000 audited)	For the year ended 31 December 2012	2011	2010
Revenue	54.00	-	1,515.96
Manufacturing	(2,185.90)	(1,958.57)	(1,798.89)
Clinical, Quality & Regulatory	(3,605.14)	(1,733.99)	(1,466.90)
Research and Development	(3,400.82)	(4,135.67)	(4,905.25)
General and administrative	(1,881.60)	(2,584.31)	(2,055.64)
Other operating (income)	2,092.28	2,706.23	2,294.31
Other operating expenses	(3,974.56)	(1,597.14)	-
Operating profit (Loss) - EBIT	**(12,901.74)**	**(9,303.45)**	**(6,416.41)**
Net financial income/(expenses)	(622.51)	(51.13)	(294.67)
Profit (Loss) before taxes	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Income taxes	-	-	-
Profit (Loss) for the period	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Net loss attributable to Equity Holders	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€'000 audited)	As of 31 December 2012	2011	2010
NON-CURRENT ASSETS	**10,148.41**	**10,162.82**	**11,019.40**
Intangible assets	9,614.76	9,624.69	10,205.45
Property, Plant and Equipment	383.12	355.47	592.30

Element	Disclosure requirement			
	Other non-current assets	150.53	182.66	221.65
	CURRENT ASSETS	**2,336.62**	**3,650.03**	**6,475.60**
	Trade and Other Receivables	442.84	1.013.15	1.987.83
	Advances	-	654.10	360.18
	Other current assets	248.75	231.40	300.70
	Cash and cash equivalents	1,645.03	1,751.38	3,826.89
	TOTAL ASSETS	**12,485.03**	**13,812.85**	**17,495.00**
	EQUITY	**(2,259.89)**	**3,743.33**	**8,690.37**
	Share Capital	9,974.51	9,974.51	28,899.98
	Convertible loan	11,406.35	4,036.10	-
	Share-based payments	1,006.11	855.33	483.89
	Retained loss	(24,646.86)	(11,122.61)	(20,693.50)
	NON-CURRENT LIABILITIES	**11,265.92**	**7,963.40**	**6,562.87**
	Finance leases	108.89	116.26	242.87
	Advances	11,157.03	7,847.14	6,320.00
	CURRENT LIABILITIES	**3,479.00**	**2,106.12**	**2,241.76**
	Finance leases	160.49	189.84	290.97
	Advances	684.66	70.00	-
	Trade payables	1,770.31	1,086.26	1,286.55
	Other current liabilities	807.23	698.85	604.50
	Current tax liabilities	56.31	61.17	59.74
	TOTAL EQUITY AND LIABILITIES	**12,485.03**	**13,812.85**	**17,495.00**
B.8	**Selected key pro forma financial information** Not applicable. No pro forma information has been included in this Prospectus.			
B.9	**Profit forecast or estimate** Not applicable. No profit forecast has been included in this Prospectus.			
B.10	**A description of the nature of any qualifications in the audit report on the historical financial information** Not applicable. There are no qualifications to the audit report on the historical financial information.			
B.11	**Working capital** On the date of this Prospectus, the Company is of the opinion that taking into account its available cash and cash equivalents on 31 March 2013 and the net proceeds of the capital increase of 6 May 2013 (as completed on 31 May 2013), it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus. However, taking into account that the minimum proceeds to the Company of the Offering (below which the Offering will not be completed) have been set at an aggregate amount of €17 million, which the Company believes is sufficient to cover its working capital shortfall, the Company is of the opinion that the proceeds of the Offering (together with its available cash and cash equivalents) will, in the event the Offering is completed, provide the Company sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus.			

Section C – Securities

Element	Disclosure requirement
C.1	**Type and class of the securities being offered and admitted to trading** The shares offered to investors in the context of the Offering (the "Offered Shares") are ordinary shares without nominal value of Cardio3 BioSciences. Subject completion of the Offering, all of the Company's shares belong to the same class. They are in registered or dematerialized form. The following codes have been assigned to the shares of the Company: ISIN: BE0974260896 National code: 974260.89
C.2	**Currency of the Offered Shares** The currency of the Offered Shares is euro.
C.3	**Numbers of shares issued** On the date of this Prospectus, the Company's share capital is represented by 4,744,067 shares (3,080,283 Class A shares and 1,663,784 Class B shares which have converted into ordinary shares subject to completion of the shares Offering), each representing an identical fraction of the Company's share capital. All of these Shares have been fully paid up.
C.4	**Rights attached to the Offered Shares** All shares have the same voting rights except if they are held by the Company as treasury shares. The Company has committed to convene, following completion of the Offering, an Extraordinary General Meeting at which it will be proposed to the Company's shareholders to approve an amendment to the Company's articles of association to specify in these articles of association that PMV (which will apply for Offered Shares in the Offering for a minimum amount of €9.5 million) and Sofipôle (which will apply for Offered Shares in the Offering for a minimum amount of €4.45 million) will each be entitled to nominate candidates for the appointment of one member of the Board of Directors as long as each of them continues to hold a number of shares in the Company representing at least 75% of the total number of shares owned as of the closing of the Offering. The Offered Shares carry the right to participate in dividends and other entitlements declared after the Closing Date, in respect of the financial year ending 31 December 2013 and future years.
C.5	**Restrictions on the free transferability of the Offered Shares** The Company's shares are freely transferable, subject to any contractual restrictions and any restrictions imposed on the Company's existing shareholders by the Royal Decree of 17 May 2007 on Primary Market Practices.
C.6	**Applications for admission to trading on a regulated market and identity of all the regulated markets where the Offered Shares are or are to be traded** An application has been made to have the Company's shares (including the Offered Shares) listed on the regulated market of NYSE Euronext Brussels and the regulated market of NYSE Euronext Paris under the symbol "CARD". Trading of the Offered Shares on NYSE Euronext Brussels and NYSE Euronext Paris is expected to commence, on an "if-and-when-issued-or-delivered" basis, on or about 5 July 2013.

Element	Disclosure requirement
C.7	**A description of dividend policy** Following the Offering, the Company's dividend policy will be determined by, and may change from time to time by determination of, the Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors from time to time.

Section D – Risks

Element	Disclosure requirement
D.1	**Key Risks Relating to the Company's Business** ***Cardio3 BioSciences has a history of operating losses and an accumulated deficit and may never become profitable.*** The Company has incurred significant operating losses since it was founded in 2007. Under IFRS, net loss for the period ending 31 December 2012 was €13.5 million. As of 31 December 2012, the Company had an accumulated deficit of €24.6 million. These losses have resulted principally from costs incurred in research and development, pre-clinical testing, clinical development of research programmes and product candidates and from general and administrative costs associated with the Company's operations. In the future, the Company intends to continue to conduct research and development, pre-clinical testing, clinical trials, regulatory compliance activities and start sales and marketing activities that, together with anticipated general and administrative expenses, will likely result in the Company incurring further significant losses for the next several years. On the date of this Prospectus, the Company is of the opinion that it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus Taking into account that the minimum proceeds to the Company of the Offering (below which the Offering will not be completed) have been set at an aggregate amount of €17 million, which the Company believes is sufficient to cover its working capital shortfall, the Company is of the opinion that the proceeds of the Offering (together with its available cash and cash equivalents) will, in the event the Offering is completed, provide the Company sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus. There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. If the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that the Company will experience fluctuating revenues, operating results and cash flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance. ***The Company may need substantial additional funding, which may not be available on acceptable terms when needed, if at all.*** The Company may require additional funding to sufficiently finance its operations and to take advantage of new business opportunities. The Company's future financing needs will depend on many factors, including the progress, costs and timing of its research and development activities, the clinical trials, the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of maintaining or obtaining manufacturing for its products and product candidates, the costs and timing of establishing sales and marketing capabilities and the terms and timing of establishing

Element	Disclosure requirement
	collaborations, licence agreements and other partnerships. Assuming the Company's lead product candidate C-Cure proceeds further to the registration phase and, eventually, marketing and its pre-clinical programmes proceed into clinical development, the Company does not expect its existing capital resources and the net proceeds from this Offering to be sufficient to enable the Company to fund the completion of all such clinical development programmes through commercialisation. Accordingly, the Company expects it will need to raise additional funds. The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. ***Other Risks Relating to the Company's Business*** The Company may face significant competition and technological change which could limit or eliminate the market opportunity for its product candidates. The Company's patents and other intellectual property rights 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 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 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 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 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. Given its stage of 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 currently has no marketing nor sales force; it may be unable to successfully set up and develop its own marketing and sales force. The Company relies and will continue to rely on collaborative partners regarding the development of its research programmes and product candidates. The Company's ability to pursue the development and commercialisation of its research programmes and product candidates depends on the continuation of the agreement with Mayo Clinic. The Company may not have or be able to obtain adequate insurance cover in particular in connection with product liability risk. Dependence on and ability to attract key personnel and managers Manufacturing of the Company's pharmaceutical products requires human or animal derived raw materials. The Company's manufacturing and research and development activities sometimes involve the controlled use and disposal of potentially harmful biological materials, hazardous materials, chemicals and infectious disease agents which creates the risk of contamination or injury from these materials, chemicals, or agents. **Key Risks Relating to the Regulatory and Legislative Environment** ***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***

Element	Disclosure requirement
	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 (see section 10.12 "Regulations"). There can be no assurance that product candidates of the Company will fulfil the criteria necessary 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. ***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. ***Other risks Relating to the Regulatory and Legislative Environment*** Changes in regulatory approval policies or enactment of additional regulatory approval requirements may delay or prevent the product candidates from being marketed. 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.

Element	Disclosure requirement
	Maintenance of high standards of manufacturing in accordance with Good Manufacturing Practices and other manufacturing regulations.
D.3	**Key Risks Relating to the Securities** ***There may not be a very active public market for the Company's shares, which may cause the shares to trade at a discount to the Offer Price and make it difficult to sell the shares.*** Prior to the Offering, there has been no public market for the Company's shares in Belgium, France or elsewhere and an active public market may not develop or be sustained after the Offering. The Offer Price will be determined on the basis of a book building procedure in which only Institutional Investors can participate. There can be no assurance that the Offer Price will correspond to the market price of the shares following the Offering or that the price of the shares available in the public market will reflect the Company's actual financial performance. Although the Company has requested admission of its shares to trading on the regulated markets of NYSE Euronext in Paris and Brussels, it is not possible to guarantee the existence of a liquid market for its shares or that such a market, if it is developed, will last. If a liquid market for Company shares is not developed, the market price of its shares could be affected. ***Risk related to "as if-and-when-issued-or-delivered" trading*** Trading of shares on NYSE Euronext Brussels and NYSE Euronext Paris on an "as-if-and-when-issued-or-delivered" basis will occur in accordance with Rules 6.8 and 6904 of the Euronext Rule Book - Book I: Harmonized Rules. Pursuant to these Rules, NYSE Euronext will publish beforehand the When-Issued Period. During the When-Issued Period, NYSE Euronext Brussels and NYSE Euronext Paris will flag the shares. In the event that the shares admitted on an as-if-and-when-issued basis on NYSE Euronext Brussels and NYSE Euronext Paris are not delivered on the first trading day following the end of the When-Issued Period, all transactions made in such shares will be cancelled. NYSE Euronext will publish any such cancellation immediately. All dealings in shares on NYSE Euronext Brussels and NYSE Euronext Paris during the When-Issued Period are at the sole risk of the parties concerned. NYSE Euronext Brussels and NYSE Euronext Paris do not accept any responsibility or liability with respect to any person if the cancellation of any transaction on the shares during the When-Issued Period. ***Key Risks Relating to the Securities*** Future issuances of shares or warrants may affect the market price of the shares and could dilute the interests of existing shareholders. The market price of the shares may fluctuate widely in response to various factors. The market price of the shares could be negatively impacted by sales of substantial number of shares in the public markets. Certain significant shareholders of the Company after the Offering may have different interests from the Company and may be able to control the Company, including the outcome of shareholder votes. Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights (notice for non-Belgian resident investors). Any sale, purchase or exchange of the shares may become subject to the Financial Transaction Tax.

Section E – The Offering

Element	Disclosure requirement
E.1	**Net proceeds and expenses of the Offering** Assuming a full placement of the Offered Shares and that the Offer Price is at the mid-point of the price range, the gross proceeds of the Offering (assuming exercise of the Over-allotment Option in full) will be €30.6 million and the net proceeds of the Offering, after deduction of fees (assuming full payment of the discretionary fee) and expenses relating to the Offering are expected to be approximately €28.1 million.
E.2a	**Use of proceeds** The principal purposes of this Offering are to support the Company's development, obtain additional working capital, establish a public market for the Shares and facilitate the Company's future access to public equity capital markets. The Company intends to use the net proceeds of the Offering to: - Advance C-Cure into the CHART-1, the International Phase III trial, until public disclosure of the conclusions that may be drawn from the primary endpoint results. - Obtain authorization to conduct CHART-2 in the US; - Continue pre-clinical development and, potentially, start clinical development of selected product candidates in AMI indications; - Advance the Company's discovery programme and bring selected additional product candidates from advanced research to pre-clinical development; - Potential future developments on C-Cure; - Commercialization of C-Cath$_{ez}$; - If appropriate, gain access through in-licensing, acquisition or co-development to new technology platforms that strengthen the Company's position and help its expansion; - Apply funds for general corporate purposes, such as general and administrative expenses, capital expenditures, working capital needs, and the broadening, maintenance and defense of the Company's intellectual property.
E.3	**Terms and conditions of the Offering** The Offering is conducted as a public offering in Belgium and France to retail investors and a private placement (i) in the United States only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in a manner not requiring registration under the Securities Act and (ii) in certain jurisdictions outside the United States in offshore transactions in accordance with Regulation S under the US Securities Act, of 1933, as amended (the "Securities Act") to qualified investors. Private placements may take place in Member States of the European Economic Area other than Belgium and France pursuant to another exemption under the Prospectus Directive as implemented in the relevant Member State of the European Economic Area. The Offer Price will be determined during the Offering Period through a book-building procedure in which only institutional investors can participate. The Offer Price, the exact number of Offered Shares sold in the Offering and the allocation of Offered Shares to retail investors is expected to be published on the Company's website and by press release on the first publishing day following its determination, which is expected to be 5 July 2013 subject to the acceleration or suspension of the Offering Period. The Offer Price will be a single price in euro. The Offer Price is expected to be between €16.65 and €19.00 per Offered Share. The applicable Offer Price will in no event exceed the upper end of the price range, although it may be set below the lower end of the price range. The Offering Period will begin on 21 June 2013 and is expected to close at 4:00 pm Brussels time on 3 July 2013, unless it is closed or suspended earlier, provided that the Offering

Element	Disclosure requirement
	Period will in any event be open for at least six business days from the availability of the Prospectus. Any acceleration or suspension of the Offering Period will be announced on the website of the Company, and by press release and the dates for pricing, allocation, publication of the Offer Price and results of the Offering, conditional listing and trading and closing of the Offering will be adjusted accordingly. In accordance with Belgian regulation, no less than 10% of the Offered Shares must be allocated to retail investors in Belgium. In accordance with French regulation, no less than 10% of the Offered Shares will be reserved for retail investors in Belgium and in France. However, the proportion of Offered Shares allocated to retail investors may be higher or lower than 10% of the Offered Shares (possibly substantially) if retail investors have applied in aggregate for more or less, respectively, than this percentage. The Company has the right to proceed with a capital increase for a reduced number of shares. The actual number of Offered Shares subscribed for or sold in the Offering will be confirmed on the website of the Company and by press release together with the Offer Price. The minimum amount set for the Offering is €17 million, below which the Offering will not be completed. The Company has granted to the Global Coordinator, on behalf of the Joint Bookrunners, an option to subscribe to up to 15% of the number of New Shares allocated in the Offering at the Offer Price for the sole purpose of allowing the Joint Bookrunners to cover over-allotments, if any (the "Over-allotment Option"). The Over-allotment Option will be exercisable for a period of 30 days from the Listing Date. All Offered Shares will be delivered against payment in dematerialized form, through Euroclear Belgium, the Belgian central securities depository. The Offered Shares are subject to restrictions on transfer in certain jurisdictions.
E.4	**Material interests to the Offering** The Global Coordinator, acting on behalf of the Joint Bookrunners, will agree to subscribe to 100% of the Offered Shares purchased in the Offering with a view to immediately distributing these Offered Shares to the investors who applied for them. Assuming a full placement of the Offered Shares and that the Offer Price is at the mid-point of the price range and assuming exercise of the Over-allotment Option in full, the placing fees will be €0.6 million. This does not include any incentive fees which may be paid at the discretion of the Company. The placing fees, including any incentive fees, will be paid by the Company. The Company has also agreed to reimburse the Joint Bookrunners for certain expenses incurred by them in connection with the Offering.
E.5	**Entity offering the Offered Shares and Lock-ups** The Offered Shares are new shares offered by the Company. The Company has agreed that during a term ending twelve calendar months after the closing date it shall not, except with the prior consent of the Joint Bookrunners, issue (or announce the issue) of any new shares, warrants or other securities, financial instruments or contractual rights that give a right to acquire shares or enter into any contract (including derivative transactions) or commitment with similar effects, irrespective of whether these are or are not listed on a stock exchange or a regulated market, except for: (i) the issue of the New Shares, (ii) the issue of the Over-allotment Option, (iii) the issue of new shares following any exercise of the Over-allotment Option, (iv) the issue of new shares following the exercise of existing warrants, (v) the issue of up to 150,000 new warrants in the aggregate (and the issue of new shares following the exercise of such warrants) that would be granted to executives, employees or consultants of the Company and (vi) any issue in the context of a merger, de-merger, transfer of a universality or branch of activity or other corporate restructuring, acquisition, or strategic partnership (provided, in the case of such corporate restructuring, acquisition or strategic partnership,

Element	Disclosure requirement
	that any shares issued do not represent more than 10% of the Company's share capital immediately after the closing date, and that the acquirer of the relevant securities accepts to be subject to the lock-up arrangements for the remaining period thereof). The members of the Executive Management Team and the Company's current shareholders owning more than 50,000 shares are subject to a lock-up agreement with the Joint Bookrunners for a period of twelve calendar months from the date of the lock-up agreement (17 June 2013). The lock-up will not apply to (i) the existing shares borrowed under the stock lending agreement(s), (ii) any existing shares which are subject to stock lending for liquidity provider arrangements (if any), (iii) transfers to legal successors or other transferees in case of death of a natural person or in case of liquidation, *concursus*, merger, de-merger, transfer or contribution of a branch of activity or transfer or contribution of a universality of or by a legal person (provided, however, that the legal successor or transferee of such person assumes the relevant transfer restriction obligations for the remaining term thereof), (iv) intra-group transfers, including to and from controlling natural persons (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (v) transfers by Cardiovasculair Onderzoek Aalst CVBA to any of its shareholders (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (vi) transfers between the shareholders subject to the lock-up agreement (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (vii) acceptance of a tender offer or merger proposal or (viii) an order from a court or as otherwise mandatorily required under the applicable law
E.6	**Dilution resulting from the Offering** The table below provide an overview of the shareholding of the significant shareholders of the Company after the completion of the Offering and listing of the Company's shares. The number of outstanding shares and warrants after the completion of the Offering and listing of the shares assumes that the Increase Option has been fully exercised and that the Over-allotment Option has been fully exercised and that as a result, the number of Offered Shares amounts to 1,719,250. This table does not take into account the Offered Shares which would be allocated to Sofipôle and PMV in the context of their subscription commitments. The simulation is merely for information purposes only. Prospective investors should note that the final number of Offered Shares could be lower than assumed for the table below. The overview must be read together with the notes referred to below.

Share- / Warrantholder	Number of shares	%	Warrants in number of shares	%	Total number of shares and warrants
A. Executive Management Team					
CEO and other members of the Executive Management Team	96,768	1.50%	294,725	72.10%	391,493
B. (Independent) Directors					
Independent Directors	269,521	4.17%	10,000	2,45%	279,521
C. Other shareholders					
Tolefi SA	2,267,844	35.09%	2,504	0,61%	2,270,348
SRIW Techno and Sofipôle	394,134	6.10%	-	-	394,134
Mayo Foundation for Education	340,947	5.28%	-	-	340,947

Element	Disclosure requirement						
	and Research						
	Cardiovasculair Onderzoek Aalst CVBA and its directors	208,830	3.22%	-	-	208,830	3.04%
	Mr Michel Lussier	196,989	3.05%			196,989	2.87%
	Life Science Research Partners VZW	158,420	2.45%	250	0,06%	158,670	2.31%
	Other shareholders	810,614	12.54%	7,021	1,72%	817,635	11.90%
	Subtotal	**4,377,778**	**67.73%**	**9,775**	**2,39%**	**4,387,553**	**63.85%**
	D. Personnel						
	Personnel	-	-	94,245	23,06%	94,245	1.37%
	E. As a result of the offering						
	New shares	1,495,000	23.13%	-	-	1,495,000	21.76%
	Exercise Over-allotment Option	224,250	3.47%	-	-	224,250	3.26%
	Subtotal	**1,719,250**	**26.60%**			**1,719,250**	**25.02%**
	Total A+B+C+D	**4,744,067**	**73.40%**	**408,745**	**100%**	**5,152,812**	**74.98%**
	Total A+B+C+D+E	**6,463,317**	**100%**	**408,745**	**100%**	**6,872,062**	**100%**
E.7	**Estimated expenses charged to the investor by the Company** Not applicable. No fees or expenses in connection with the Offering will be charged to investors by the Company.						

(This page is left blank intentionally.)

1 RISK FACTORS

*An investment in the Offered Shares involves substantial risks. Investors should carefully consider this entire Prospectus, before deciding to subscribe for Offered Shares. This prospectus contains a description of the Offering and certain risks. If any of the following events, circumstances or risks actually occurs, the Company's business, results of operations, financial condition and prospects could be adversely affected. In that case, the trading price of the Company's shares could decline and subscribers for the Offered Shares could lose all or part of their investment. This Prospectus can be obtained at no cost at the registered office of the Company or upon request by phone or email (see section 4.4 "*Available information*").*

An investment in the Offered Shares is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Prospective investors should carefully review this entire Prospectus and should reach their own views and decisions on the merits and risks of investing in the Offered Shares in light of their own personal circumstances. Furthermore, investors should consult their financial, legal and tax advisors to carefully review the risks associated with an investment in the Offered Shares.

The Prospectus also contains forward-looking statements that involve risks and uncertainties. The risks and uncertainties that the Company believes are material are further described below. However, these risks and uncertainties may not be the only ones faced by the Company and are not intended to be presented in any assumed order of priority. Additional risks and uncertainties, including those currently unknown, or deemed immaterial, could have the effects set forth above.

1.1 *Risks factors related to the Company's business*

Cardio3 BioSciences has a history of operating losses and an accumulated deficit and may never become profitable.

The Company has incurred significant operating losses since it was founded in 2007. Under IFRS, net loss for the period ending 31 December 2012 was €13.5million. As of 31 December 2012, the Company had an accumulated deficit of €24.6 million (see section 11 "OPERATING AND FINANCIAL REVIEW"). These losses have resulted principally from costs incurred in research and development, pre-clinical testing, clinical development of research programmes and product candidates and from general and administrative costs associated with the Company's operations. In the future, the Company intends to continue to conduct research and development, pre-clinical testing, clinical trials, regulatory compliance activities and start sales and marketing activities that, together with anticipated general and administrative expenses, will likely result in the Company incurring further significant losses for the next several years.

On the date of this Prospectus, the Company is of the opinion that it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus (see section 8.2 "Working capital statement"). Taking into account that the minimum proceeds to the Company of the Offering (below which the Offering will not be completed) have been set at an aggregate amount of €17 million, which the Company believes is sufficient to cover its working capital shortfall, the Company is of the opinion that the proceeds of the Offering (together with its available cash and cash equivalents) will, in the event the Offering is completed, provide the Company sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus.

There can be no assurance that the Company will earn revenues or achieve profitability, which could impair the Company's ability to sustain operations or obtain any required additional funding. If the Company achieves profitability in the future, it may not be able to sustain profitability in subsequent periods. It is likely that the Company will experience fluctuating revenues, operating results and cash

flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance.

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 (see section 10.12 "Regulations").

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 may require additional funding to sufficiently finance its operations and to take advantage of new business opportunities. The Company's future financing needs will depend on many factors, including the progress, costs and timing of its research and development activities, the clinical trials, the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of maintaining or obtaining manufacturing for its products and product candidates, the costs and timing of establishing sales and marketing capabilities and the terms and timing of establishing collaborations, licence agreements and other partnerships.

Assuming the Company's lead product candidate C-Cure proceeds further to the registration phase and, eventually, marketing and its pre-clinical programmes proceed into clinical development, the Company does not expect its existing capital resources and the net proceeds from this Offering to be sufficient to enable the Company to fund the completion of all such clinical development programmes through commercialisation. Accordingly, the Company expects it will need to raise additional funds.

The Company's ability to raise additional funds will depend on financial, economic and market conditions and other factors, over which it may have no or limited control, and the Company cannot guarantee that additional funds will be available to it when necessary on commercially acceptable terms, if at all. 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 (see section 10.6 "Competition"). 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. For more information see Section 10.9 "Intellectual Property". Out of the numerous patent applications filed as of the date of the prospectus, only two national patents have been granted in the US and Belgium respectively, 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 of the date of this Prospectus and 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

As described in Section 10.8 "Grants and subsidies", 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.

As described in section 5.7 "Intentions of the shareholders, directors and managers" and section 5.8 "Intentions of Participatie Maatschappij Vlaanderen", the Company has committed (i) to start, within three years as from the completion of the Offering, 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 the Offering 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 by PMV respectively Sofipôle for any damage incurred by PMV respectively Sofipôle resulting from the 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 labelling 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 organisations;

- 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. In respect of the Company's arrangements with the Mayo Clinic, reference is made to section 10.7.2 "Academic and clinical collaborations". 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 programmes 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 programmes 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 programmes and product candidates due to the termination or expiration of collaborative research and development arrangements.

The Company's ability to pursue the development and commercialisation of its research programmes and product candidates depends on the continuation of the agreement with Mayo Clinic.

The Company's business notably depends on intellectual property rights which are not owned by the Company, but rather have been granted to it pursuant to licence agreements. The Company is therefore required to comply with certain conditions to maintain its rights to these intellectual property rights.

In particular, the Company's current relationship with Mayo Clinic is essentially based on the Technology Licence Agreement dated 4 June 2007, as amended on 1 July 2008 (the "First Amendment") and 18 October 2010 (the "Second Amendment") (together, the "Mayo Licence"), through which the Company acquired rights to the majority of the Company's current intellectual property portfolio and which has created a long-term research relationship with Mayo Clinic.

Under the Mayo Licence as further described in section 10.7.2 "Academic and clinical collaborations", the Company acquired an exclusive worldwide licence to the inventions "Cardiogenic Cocktail for the production of Cardiac Cells" and "Stem Cell Based Therapy for Non-ischemic Cardiomyopathic Heart Failure" as well as a non-exclusive licence to the know-how in connection thereof. The conditions for the Company to maintain the rights granted to it include, among others, the payment of licensing fees on net sales, the performance of development efforts and the sale of products that incorporate the licensed technology.

More specifically, the Mayo Licence contains provisions that may result in early termination, particularly in the event of a breach of contractual provisions, or the insolvency or bankruptcy of the Company (cases of early termination are further described in section 10.7.2 "Academic and clinical collaborations".

Any violation by the Company of the Mayo Licence may lead to the loss of the use of the related intellectual property rights. Should the Company lose the Mayo Licence or if it were unable to obtain

new rights on reasonable terms similar to those it holds through such licence, it might be unable to develop, manufacture or sell its products. This could have a material adverse effect on the Company's business, financial situation, earnings or growth and, the rights of sub-licensees will terminate as well. A termination in whole or in part of the Mayo Licence would substantially impair the Company's ability to generate revenues. However, the Company believes that such risk is relatively low given the cases pursuant to which the Mayo Licence may be early terminated.

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

The Company is exposed to the risk of liability claims (especially product liability) inherent in businesses relating to testing, manufacturing, marketing and selling of pharmaceutical products and medical devices. Criminal or civil proceedings might be brought or filed against the Company by users (patients, practitioners, researchers and other health/research professionals), Competent Authorities, distributors or any other third party that uses or markets its products. To date, no such claims or legal actions have been filed against the Company.

The Company may not have or be able to obtain adequate insurance cover in particular in connection with potential product liability risks. The Company faces the risk of substantial liability for damages if its product candidates were to cause adverse side effects in clinical trials or once they are on the market. The Company may not be able to accurately predict the possible side effects that may result from the use of its product candidates. The Company maintains product liability insurance for its clinical trials. In the future, the Company will seek additional product liability insurance (i.e., for commercially marketed products) if it is economical to do so, given the level of premiums and the risk and magnitude of potential liability. If, on this basis, it is determined that product liability insurance is necessary in respect of one or more of the Company's products, the Company may have difficulties obtaining full liability coverage, as insurance coverage in the pharmaceutical and medical devices industry is becoming more expensive. Hence, the Company might have to face liabilities for a claim that may not be covered by its insurance or its liabilities could exceed the limits of its insurance, which may harm the Company's financial position. Moreover, product liability claims may require significant financial and managerial resources, may cause harm to the Company's reputation if the market perceives its products to be unsafe or ineffective due to unforeseen side effects, and may limit or prevent the further development or commercialisation of the Company's products.

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.

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 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 believes it will have to expand its manufacturing capacity to meet anticipated demand for products when authorised for marketing. 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.

Dependence on and ability to attract key personnel and managers

The Company's success depends in part on its continued ability to attract, retain and motivate highly qualified clinical and scientific personnel and on its ability to develop and maintain important relationships with leading academic institutions, clinicians and scientists.

If the Company loses the services of certain clinical and scientific personnel or members of its management team, its research and development efforts may be seriously and adversely affected. Although Cardio3 BioSciences generally has not experienced substantial problems retaining key employees, its employees can terminate their employment with the Company at any time with relatively short notice. There can be no assurance that the Company will be able to retain personnel, enforce non-competition undertakings or, where necessary, attract such personnel on acceptable terms, given the competition for experienced people from numerous specialised biotechnology firms and pharmaceutical companies. The Company's anticipated growth and expansion into areas and activities requiring additional expertise such as clinical trials, registration, manufacturing and marketing, are expected to place increased demands on the Company's resources. These demands are expected to require the addition of new personnel and/or managers and the development of additional expertise by current personnel and/or managers. The failure to attract the needed personnel or to develop such needed expertise could have a materially adverse effect on the Company's prospects for success.

Manufacturing of the Company's pharmaceutical products requires human or animal derived raw materials.

Many disease-causing viruses, bacteria and other pathogens may be present in the blood and tissues of human or animal beings. The raw materials or pharmaceutical products derived from these infected beings would likely contain those pathogens. As a result, the sourcing of the needed raw materials is regulated extensively by the FDA, EMA and other Competent Authorities. The Company relies on its suppliers to comply with regulations promulgated by such Authorities. The failure to comply with these regulations or the accidental contamination of the raw materials could engage the Company's liability or adversely affect its ability to source these raw materials at commercially reasonable prices. Moreover, public perception about the safety of human or animal-derived materials, including stem cells, could adversely affect the market.

Concern over the safety of human or animal-derived raw materials, driven in part by past screening failures in the industry and the appearance of new infectious agents like HIV (Human immunodeficiency virus) or TSE (Transmissible spongiform encephalopathy), has resulted in the adoption of rigorous screening procedures by Competent Authorities, and screening procedures are likely to become stricter over time. As screening procedures have become more rigorous, potential donors or animal sources have been disqualified or discouraged. Increasingly stringent measures could adversely affect some of the Company's raw material supplies, with a corresponding adverse effect on its ability to obtain raw materials at a commercially acceptable price or at all. The safety concerns associated with human or animal-derived materials also affect the ability to market the Company's products. Medical events or studies that raise or substantiate concerns about the safety of the Company's or other similar raw materials would negatively impact public perception of all human or animal-derived products and of their procurement process. Further, any failure in screening, whether by the Company or by other manufacturers of these human or animal-derived raw materials, could adversely affect its reputation, the support it receives from the medical community and overall demand for the Company's products.

The Company's manufacturing and research and development activities sometimes involve the controlled use and disposal of potentially harmful biological materials, hazardous materials, chemicals and infectious disease agents which creates the risk of contamination or injury from these materials, chemicals, or agents.

Although the Company believes that its safety procedures for handling, storing and disposing of potentially harmful biological materials, hazardous materials, chemicals and infectious disease agents comply with the standards prescribed by applicable regulations, one cannot completely eliminate the risk of contamination or injury from these materials. The Company also occasionally contracts with third parties for the disposal of some of these materials. In addition, the Company's collaborators and service providers may be working with these types of materials in connection with their collaborations. In the event of an accident or contamination, the Company could be held responsible for any injury caused to persons or property by exposure to, or release of, these materials and could be held liable for significant damages, civil penalties or fines, which may not be covered by or may exceed its insurance coverage.

Additionally, the Company is subject on an ongoing basis to a variety of laws and regulations governing the use, storage, handling and disposal of these materials and specified waste products. The cost of continued compliance with current or new laws and regulations might be significant and could negatively affect the Company's profitability, and current or future environmental regulation may impair its ongoing research, development or manufacturing efforts.

The Company could encounter difficulties related to external growth transactions

The Company's strategy does not at this stage involve plans to acquire companies or technologies facilitating or enabling it to access to new medicines, new research projects, or new geographical areas, or enabling it to create synergies with its existing operations.

However, if such acquisitions were to become necessary, the Company could be unable to identify appropriate targets, to make acquisitions under satisfactory conditions (in particular price conditions), or to incorporate the newly acquired companies or operations effectively, while meeting its operational objectives, or making the cost savings or synergies anticipated. In addition, the Company could be unable to obtain the financing for these acquisitions under favourable conditions, and could be led to finance these acquisitions using cash that could be allocated to other purposes in the context of existing operations.

Such difficulties in implementing or performing its external growth policy could affect the Company's ability to reach its financial objectives and develop its market share, which could have a material adverse effect on the Company's business, prospects, financial situation, earnings and growth.

1.2 *Risks factors related to the Company's shares and the Offering*

There may not be a very active public market for the Company's shares, which may cause the shares to trade at a discount to the Offer Price and make it difficult to sell the shares.

Prior to the Offering, there has been no public market for the Company's shares in Belgium, France or elsewhere and an active public market may not develop or be sustained after the Offering. The Offer Price will be determined on the basis of a book building procedure in which only Institutional Investors can participate. There can be no assurance that the Offer Price will correspond to the market price of the shares following the Offering or that the price of the shares available in the public market will reflect the Company's actual financial performance. Although the Company has requested admission of its shares to trading on the regulated markets of NYSE Euronext in Paris and Brussels, it is not possible to guarantee the existence of a liquid market for its shares or that such a market, if it is developed, will last. If a liquid market for Company shares is not developed, the market price of its shares could be affected.

Future issuances of shares or warrants may affect the market price of the shares and could dilute the interests of existing shareholders.

The dilution resulting from the exercise of outstanding warrants or issue and exercise of new warrants could adversely affect the price of the shares. Additionally, the Company may decide to raise capital in the future through public or private convertible debt or equity securities, or rights to acquire these securities, and exclude or limit the preferential subscription rights pertaining to the then outstanding securities basis. If the Company raises significant amounts of capital by these or other means, it could cause dilution for the holders of its securities and could have a negative impact on the share price, earnings per share and net asset value per share.

The market price of the shares may fluctuate widely in response to various factors.

A number of factors may significantly affect the market price of the shares including changes in the operating results of the Company and its competitors, divergence in financial results from stock market expectations, changes in earnings estimates by analysts, changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates.

Other factors which could cause the price of the shares to fluctuate or could influence the reputation of the Company include, amongst other things:

- announcements of technological innovations or new commercial products or collaborations by the Company's competitors or the Company itself;
- developments concerning intellectual property rights, including patents;
- public information regarding actual or potential results relating to products and product candidates under development by the Company's competitors or the Company itself;
- regulatory and medicine pricing and reimbursement developments in Europe, the US and other jurisdictions; or
- any publicity derived from any business affairs, contingencies, litigation or other proceedings, the Company's assets (including the imposition of any lien), its management, or its significant shareholders or collaborative partners.

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

The market price of the shares could be negatively impacted by sales of substantial number of shares in the public markets.

Sales by the Company or its shareholders of a substantial number of shares in the public markets following the Offering, or the perception that such sales might occur, could cause the market price of the shares to decline. Furthermore, there is no commitment on the part of any of the existing shareholders to remain a shareholder or to retain a minimum interest in the Company after the expiry of the respective lock-up periods to be provided for by law or in the Lock-up agreement for the securities held by certain existing shareholders other than executive management of the Company on the one hand, and for the securities held by executive management on the other hand, each time subject to certain exceptions. For more information regarding these lock-up arrangements, see 5.11 “Lock-up and standstill arrangements”. As a result, no investment decision should be made on the basis that any of the existing shareholders will retain any interest in the Company following the expiration of the lock-up period.

Risk related to “as if-and-when-issued-or-delivered” trading

Trading of shares on NYSE Euronext Brussels and NYSE Euronext Paris on an "as-if-and-when-issued-or-delivered" basis will occur in accordance with Rules 6.8 and 6904 of the Euronext Rule Book - Book I: Harmonized Rules. Pursuant to these Rules, NYSE Euronext will publish beforehand the dates of the When-Issued Period. During the When-Issued Period, NYSE Euronext Brussels and NYSE Euronext Paris will flag the shares. In the event that the shares admitted on an as-if-and-when-issued basis on NYSE

Euronext Brussels and NYSE Euronext Paris are not delivered on the first trading day following the end of the When-Issued Period, all transactions made in such shares will be cancelled. NYSE Euronext will publish any such cancellation immediately. All dealings in shares on NYSE Euronext Brussels and NYSE Euronext Paris during the When-Issued Period are at the sole risk of the parties concerned. The Joint Bookrunners, the Company, the Selling Agent, NYSE Euronext Brussels and NYSE Euronext Paris do not accept any responsibility or liability with respect to any person as a result of the cancellation of any transaction on the shares during the When-Issued Period.

Limited shares available for sale in the market

As set out in Section 5 "INFORMATION ON THE OFFERING", the number of shares that are available for sale in the public market following the admission to listing of the Company's shares will be limited by several arrangements further described in the aforementioned Section of this Prospectus. Pending such arrangements, the liquidity of the shares trading on the regulated markets of NYSE Euronext in Brussels and in Paris may be limited and this may cause the Company's share price to be volatile. Also, upon termination of such arrangements, sales of shares that were previously subject to transfer restrictions could cause to decrease the Company's share price. The current restrictions on transfers of shares by shareholders and the Company as described in Section 17 "TRANSFER RESTRICTIONS" allow to limit sudden, unorganised sales of large numbers of the Company's shares by existing shareholders during a term following the start of the Company's Offering. However, no guarantee can be given that there are no such large, unorganised sales by other shareholders prior to the end of such term, or that there are such large, unorganised sales by existing significant shareholders after such term. Any such large, unorganised sale of shares could have an adverse effect on the Company's share price.

Minimum amount for the Offering set at €17 million

The Company has the right to proceed with a capital increase in a reduced amount. The minimum amount set for the Offering is €17 million. The actual number of Offered Shares subscribed for or sold will be confirmed on the Company's website and by press release together with the Offer Price. Therefore, (i) only a reduced number of Offered Shares could be available for trading on the market which could limit the liquidity of the Company's shares, and (ii) the Company's financial means in view of the uses of proceeds as described in Section 7 "USE OF PROCEEDS" might be reduced. The Company might therefore reduce its level of investment or look for further external funding.

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

Following the closing of the Offering and listing of its shares, the Company will have a number of significant shareholders. For an overview of the Company's current significant shareholders before and after the Offering, reference is made to Section 9 "DILUTION".

Currently, the Company is not aware that any of its current shareholders have entered or will enter into a shareholders' agreement with respect to the exercise of their voting rights in the Company after the closing of the Offering. Nevertheless, they could, alone or together, have the ability to elect or dismiss directors, and, depending on how broadly the Company's other shares are held, take certain other shareholders' decisions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Alternatively, to the extent that these shareholders have insufficient votes to impose certain shareholders' resolutions, they could have the ability to block proposed shareholders' resolutions that require, or require more than, 50%, 75% or 80% of the votes of the shareholders that are present or represented at shareholders' meetings where such items are submitted to voting by the shareholders. Any such voting by these shareholders may not be in accordance with the interests of the Company or the other shareholders of the Company.

The Company does not intend to pay dividends for the foreseeable future.

The Company does not anticipate paying dividends for the foreseeable future. Payment of future dividends to shareholders will be subject to a decision of the Annual Shareholders Meeting of the

Company and subject to legal restrictions contained in Belgian Company law. Furthermore, financial restrictions and other limitations may be contained in future credit agreements.

Holders of the shares outside Belgium and France may not be able to exercise pre-emption rights (notice for non-Belgian resident investors).

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

Any sale, purchase or exchange of the shares may become subject to the Financial Transaction Tax.

On 14 February 2013, the EU Commission adopted a proposal for a Council Directive (the "Draft Directive") on a common financial transaction tax (the "FTT"). According to the Draft Directive, the FTT must be implemented and enter into effect in 11 EU Member States (Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Spain, Slovakia and Slovenia, each a "Participating Member State") on 1 January 2014.

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

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

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

The Draft Directive is still subject to negotiation between the Participating Member States and therefore may be changed at any time. A committee of the EU Parliament published a draft report on 19 March 2013, suggesting amendments to the Draft Directive. If the amendments were included in the eventual Directive, the FTT would have an even wider reach. Moreover, once the Draft Directive has been adopted (the "FTT Directive"), it will need to be implemented into the respective domestic laws of the Participating Member States and the domestic provisions implementing the FTT Directive might deviate from the FTT Directive itself. Investors should consult their own tax advisers in relation to the

consequences of the FTT associated with subscribing for, purchasing, holding and disposing of shares in the Company.

2 DISCLAIMERS AND NOTICES

Decision to invest

In making an investment decision, investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved as described in this Prospectus. Investors should rely only on the information contained in this Prospectus. Neither the Company nor the Joint Bookrunners have authorised any other person to provide investors with different information. If anyone provides different or inconsistent information, it should not be relied upon. The information appearing in this Prospectus is provided as of the date shown on the front cover of this Prospectus only. The Company's business, financial condition, results of operations and the information set forth in this Prospectus may have changed since that date.

In accordance with Belgian law, every significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offered Shares and which arises or is noted between the time when this Prospectus is approved and the final closing of the Offering, or as the case may be, the time when trading of the Offered Shares on the relevant market begins, whichever occurs later, will be mentioned in a supplement to this Prospectus. Investors who have already agreed to purchase or subscribe for the Offered Shares before the supplement is published will have the right, exercisable within at least two Business Days after the publication of the supplement, to withdraw their acceptances, provided that the new factor, mistake or inaccuracy referred to above arose before the final closing of the Offering and the delivery of the Offered Shares. The supplement is subject to approval by the Belgian Financial Services and Markets Authority (Autorité des services et marchés financiers, "FSMA") and will, following such approval be notified to the French Autorité des Marchés Financiers ("AMF") in accordance with the European passport system provided by the Prospectus Directive 2003/71/EC, in the same manner as this Prospectus and must be made public in the same manner as this Prospectus.

The Joint Bookrunners and their affiliates are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their client or for providing advice in relation to the Offering.

None of the information in this Prospectus should be considered investment, legal or tax advice. Investors should consult their own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Offered Shares. Neither the Company nor the Joint Bookrunners make any representation to any offeree or purchaser regarding the legality of an investment in the Offered Shares by such offeree or purchaser under applicable investment or similar laws.

This Prospectus is intended to provide information to potential investors in the context of and for the sole purpose of evaluating a possible investment in the Offered Shares in the Offering. It contains selected and summarised information, does not express any commitment or acknowledgement or waiver and does not create any right expressed or implied towards anyone other than a potential investor. It cannot be used except in connection with the Offering. The content of this Prospectus is not to be construed as an interpretation of the rights and obligations of the Company, of the market practices or of contracts entered into by the Company.

(This page is left blank intentionally.)

3 RESTRICTIONS ON THE OFFERING AND THE DISTRIBUTION OF THIS PROSPECTUS

The Offering is conducted as a public offering in Belgium and France to Retail Investors and a private placement (i) in the United States only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) and (ii) in certain jurisdictions outside the United States in reliance on Regulation S under the Securities Act, to certain Institutional Investors (meaning qualified and/or institutional investors under applicable laws of the relevant jurisdiction). Private placements may take place in EEA Member States pursuant to another exemption under the Prospectus Directive as implemented in the relevant EEA Member State.

The Offering and this Prospectus have not been and will not be submitted for approval to any supervisory authority outside Belgium or France. Therefore, no steps may be taken that would constitute or result in a public offering of the Offered Shares outside Belgium or France.

Accordingly, the Offered Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other Offering related documents may be distributed or sent to any person or into any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come are required to inform themselves about, and to observe all, such restrictions. Neither the Company nor the Joint Bookrunners accept any responsibility for any violation by any person, whether or not it is a prospective purchaser of Offered Shares, of any such restriction.

This Prospectus does not constitute, and neither the Company nor the Joint Bookrunners are making, an offer to sell the Offered Shares or soliciting an offer to purchase any of the Offered Shares to any person in any jurisdiction where such an offer or solicitation is not permitted.

The Company and the Joint Bookrunners reserve the right to reject any offer to purchase the Offered Shares in whole or in part and to sell to any prospective investor less than the full amount of the Offered Shares sought by such investor. See 5.3 "Application procedure".

3.1 *Notice to investors in the United States*

The Offered Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Offered Shares may not be offered, sold, pledged or otherwise transferred within the United States unless they are registered under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Offered Shares are being offered (i) in the United States only to a limited number of "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs") in a manner not requiring registration under the Securities Act and (ii) outside the United States in "offshore transactions" in accordance with Regulation S under the Securities Act ("Regulation S"). Any person in the United States wishing to purchase Offered Shares must execute and deliver to the Company and the Joint Bookrunners an investors letter in the form set forth in Annex A to this Prospectus to the effect that such person is a QIB and satisfies certain other requirements.

Any person who wishes to purchase Offered Shares will also be deemed to have declared, warranted and agreed, by accepting delivery of this Prospectus and Offered Shares, either (i) that it is acquiring or Offered Shares in an offshore transaction as defined by Regulation S of the Securities Act, or (ii) that it is acquiring the Offered Shares in its capacity as a QIB and that it will not re-sell, pledge or otherwise transfer the Offered Shares except (a) in an "offshore transaction" meeting the requirements of Regulation S of the Securities Act, (b) pursuant to an effective registration statement or (c) pursuant to an exemption from registration subject to certain exceptions.

In addition, until the expiration of the period beginning on the later of 40 days after (i) the commencement of the Offering or (ii) the date of closing of the Offering, an offer or sale of Offered

Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than to QIBs in transactions exempt from registration under the Securities Act. For a description of certain restrictions on transfers of the Offered Shares, see section 2 "DISCLAIMERS AND NOTICES". Any Offered Shares offered and sold in the United States will be subject to certain transfer restrictions as set forth under section 17 "TRANSFER RESTRICTIONS". The Offered Shares have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offense in the United States.

3.2 *Notice to New Hampshire residents only*

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ("RSA 421-B") WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

3.3 *Notice to investors in France*

For the purpose of the offer to the public in France, the Company notified this Prospectus to the AMF in accordance with the European passport mechanism provided for by the Prospectus Directive. The notification to the AMF does not imply any judgment by the AMF on the merits or the quality of the Offering, the Offered Shares or the Company.

3.4 *Notice to investors in the EEA*

This Prospectus has been prepared on the basis that all offers of Offered Shares (other than offers contemplated in this Prospectus in Belgium and France once this Prospectus has been approved by the FSMA, passported in France and published in accordance with the Prospectus Directive (2003/71/EC)) will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the European Economic Area ("EEA"), from the requirement to produce a prospectus for offers of securities.

Accordingly, any person making or intending to make any offer within the EEA of Offered Shares (outside Belgium and France) should only do so in circumstances in which no obligation arises for the Company or the Joint Bookrunners to produce a prospectus for such offer. None of the Company or the Joint Bookrunners has authorised or do authorise the making of any offer of the Offered Shares through any financial intermediary, other than offers made through the Joint Bookrunners which constitute the final placement of Offered Shares contemplated herein.

In relation to each Member State of the EEA which has implemented the Prospectus Directive, as defined below, (each, a "Relevant Member State") an offer to the public of Offered Shares contemplated by this Prospectus may not be made in that Relevant Member State unless this Prospectus has been approved by the competent authority in such Member State and published in accordance with the Prospectus Directive as implemented in such Relevant Member State (which approval and publication is only obtained and performed in relation to the Offering in Belgium and France) unless such offer in such Relevant Member State of any Offered Shares is made under the following exemptions under the Prospectus Directive, if and to the extent such exemptions under this Prospectus have been implemented in that Relevant Member State:

- to qualified investors within the meaning of the law in that Relevant Member State implementing the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the Directive 2010/73/EU amending the Prospectus Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or the Joint Bookrunners of a prospectus pursuant to Article 3 of the Prospectus Directive. For the purposes of this representation, the expression an "offer to the public" in relation to any Offered Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offered Shares to be offered so as to enable an investor to decide to purchase Offered Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC (and any amendments thereto, including the Directive 2010/73/EU amending the Prospectus Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State.

3.5 *Notice to investors in the United Kingdom*

This Prospectus is for distribution only to persons who (i) have professionals experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order") (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth bodies corporate, unincorporated associations etc") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "Relevant Persons").

Any invitation, offer or agreement related to the purchase of Offered Shares may only be proposed or entered into with Relevant Persons. The Offered Shares may not be offered or issued in favour of persons located in the United Kingdom, with the exception of Relevant Persons. Any person other than a Relevant Person may not use or rely on this Prospectus or any information therein. The individuals responsible for the distribution of this Prospectus must comply with the legal terms applicable to the distribution of this Prospectus.

Each person to whom an offering is made who receives any communication in respect of, or who acquires any of the Offered Shares under, the offers contemplated in this Prospectus will be deemed to have represented, warranted and agreed to and with the Joint Bookrunners and the Company that it is a relevant person.

3.6 *Notice to investors in Switzerland*

The Offered Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under Article 652a of the Swiss Code of Obligations or Article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this Prospectus nor any other offering or marketing material relating to the Offered Shares or the Offering may be publicly distributed or otherwise made publicly available in Switzerland. It is the responsibility of any person residing in Switzerland who wishes to take part in this Offering to ascertain that the legislation and formalities applicable in Switzerland are complied with.

3.7 *Notice to investors in Italy*

The Prospectus has not been registered with or authorized by the *Comissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to the Prospectus Directive and the Italian regulations related to securities. The Offered Shares will not be offered or remitted directly or indirectly in Italy in the framework of a public offering of financial instruments, as defined in Article 1, Section 1, Letter t) of Legislative Decree No. 58 of 24 February 1998, as amended (the "Law on Financial Services"). The Offered Shares may therefore only be offered or remitted in Italy (a) to qualified investors (*investitori qualificati*) as defined in Article 100 of the Law on Financial Services, Article 34-ter(1)(b) of Regulation No. 11971 dated 14 May 1999 of CONSOB, as amended (the "CONSOB Issuers Regulation") and Article 26(1)(d) of Regulation No. 16190 dated 26 October 2007 of CONSOB, as amended (the "CONSOB Financial Intermediaries Regulation"), or (b) under the conditions provided by an exemption applicable to the rules governing public offerings pursuant to Article 100 of the Law on Financial Services and Article 34-ter of the CONSOB Issuers Regulation.

Furthermore, and subject to the foregoing, any offer or remittal of the Offered Shares in Italy or any distribution in Italy of copies of this Prospectus or any other document related to the Offered Shares in the conditions set out in Sections (a) and (b) above must also be conducted (i) by an investment institution, a bank or a financial intermediary authorized to exercise this type of activity in Italy pursuant to the Law on Financial Services, Legislative Decree No. 385 of 1 September 1993 (the "Banking Law") and CONSOB Financial Intermediaries Regulation, as amended, (ii) in compliance with Article 129 of the Banking Law and the application guidelines provided by the Bank of Italy pursuant to which the Bank of Italy may demand certain information on the securities issue or offering in Italy, and (iii) in compliance with any regulation related to securities, taxation and exchange control, and any other applicable law or regulation, in particular any condition, limitation and restriction that could be imposed, as applicable, by the Italian authorities.

This Prospectus, any other document related to the Offered Shares and the information they contain may only be used by their original recipients thereof. Persons residing or located in Italy who are not original recipients of these documents must not rely on these documents or their content. Any person who subscribes the Offered Shares in the framework of the offering accepts full responsibility for ensuring that the offering or resale of the Offered Shares that he has subscribed in the framework of the offering complies with all applicable laws and regulations.

Article 100-bis of the Law on Financial Services limits the ability to sell the Offered Shares in Italy, where the investment in the Offered Shares is carried out only in favour of qualified investors (and therefore is subject to the above-mentioned exemption) and that these Offered Shares are thereafter systematically resold, at any time during the 12 months that follow said investment, to unqualified investors on the secondary market. In such a case, if no prospectus compliant with the Prospectus Directive was published, the acquirers of the Offered Shares, having acted outside of the normal course of their business or trade, would be entitled under certain conditions to declare such purchases null and void and claim damages from the persons authorized on the premises on which they acquired.

3.8 *Notice to investors in Japan*

The Offered Shares have not been and will not be registered in Japan under the Financial Instruments and Exchange Act of Japan (the "Financial Instruments and Exchange Act"), and may not be sold or offered, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan (which term as used herein refers to any person residing in Japan, including any company or other entity subject to the laws of Japan) or to any other person for re-offering or resale, directly or indirectly in Japan, or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws and regulations of Japan.

3.9 *Presentation of financial and other information*

This Prospectus includes extract of the audited financial statements of the Company as per 31 December 2011 and 31 December 2012 and for the years then ended prepared in accordance with

Belgian GAAP and the consolidated audited financial statements of the Company as per 31 December 2010, 31 December 2011 and 31 December 2012 and for the years then ended prepared in accordance with IFRS as adopted by the European Union (together "the annual financial statements"). The annual financial statements (as prepared under Belgian GAAP and IFRS) were audited by the Company's Statutory Auditor.

The interim condensed consolidated financial statements as of and for the 3-month period ended 31 March 2013 in accordance with IFRS included herein have been reviewed by the Company's Statutory Auditor as described in its review report included in this Prospectus. The Company's Statutory Auditor has not audited the comparative financial numbers for the 3-month periods ended 31 March 2012 as included in the interim IFRS condensed financial statements.

Their reports thereon are set out under section 18 "INDEX TO FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AND BELGIAN GAAP".

In this Prospectus, references to "€" are to the currency of the member states of the European Union participating in the European Monetary Union and references to "$" or are to the currency of the United States.

Some numerical figures included in this Prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

3.10 *Third party information*

Information relating to markets and other industry data pertaining to the Company's business contained in this Prospectus has been obtained from internal surveys, industry sources and publicly available information. The main sources for industry information were industry publications such as those published by Data Monitor (Derived from Data Monitor Report DMHC 2013) and other publicly available sources. The Company accepts responsibility for having correctly reproduced information obtained from publications or public sources, and, so far as the Company is aware and has been able to ascertain from information published by those industry publications or public sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. However, the Company has not independently verified information obtained from industry and public sources. Certain other information in this Prospectus regarding the industry reflects the Company's best estimates based upon information obtained from trade and business organisations and associations and other contacts within the industry. Information from the Company's internal estimates and surveys has not been verified by any independent sources.

3.11 *Forward-looking statements*

Certain statements in this Prospectus are not historical facts and are forward-looking statements. Forward-looking statements appear in various locations, including, without limitation, under the headings, 11 "OPERATING AND FINANCIAL REVIEW" and 10 "BUSINESS AND REGULATION". From time to time, the Company may make written or oral forward-looking statements in reports to shareholders and in other communications. Forward-looking statements include statements concerning the Company's plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditure, research and development, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, business strategy and the trends the Company anticipates in the industries and the political, economic, financial, social and legal environment in which it operates and other information that is not historical information.

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

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other

things, those listed under section 1 “RISK FACTORS”, as well as those included elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

When relying on forward-looking statements, investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, financial, social and legal environment in which the Company operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise, other than as required by applicable laws. The Company makes no representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

4 GENERAL INFORMATION AND INFORMATION CONCERNING RESPONSIBILITY FOR THIS PROSPECTUS AND FOR AUDITING THE ACCOUNTS

4.1 *Responsibility for the content of this Prospectus*

The Company, having its registered offices at Axisparc Business Center, Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium, represented by its Board of Directors, assumes responsibility for the content of this Prospectus. The Company declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to its knowledge, in accordance with the facts and contains no omission which would affect its import.

Neither the Joint Bookrunners, nor their affiliates nor any person acting on their behalf is responsible for, nor are they making any representation or warranty, express or implied, concerning the Company, its past or future performance or the accuracy or completeness of this Prospectus and any supplement thereto.

4.2 *Statutory auditors*

Ernst&Young Réviseurs d'Entreprises SCCRL, a civil company having the form of a co-operative company with limited liability ("société civile ayant emprunté la forme d'une société coopérative à responsabilité limitée") organised and existing under the laws of Belgium, with registered office at De Kleetlaan 2, 1831 Diegem, Belgium, represented by Daniel Wuyts, has been reappointed as Statutory Auditor of the Company on 5 May 2011 for a term of three years ending immediately after the Shareholders Meeting to be held in 2014 that will have deliberated and resolved on the statutory financial statements for the financial year ended on 31 December 2013. Ernst&Young Réviseurs d'Entreprises SCCRL is a member of the Belgian Institute of Certified Auditors ("Institut des Réviseurs d'Entreprises ") (membership number B00160).

The statutory financial statements of the Company as per 31 December 2010, 31 December 2011 and 31 December 2012 and the years then ended were prepared in accordance with Belgian GAAP. The statutory financial statements in accordance with Belgian GAAP have been audited by Ernst&Young Réviseurs d'Entreprises SCCRL, represented by Daniel Wuyts, who delivered unqualified opinions with emphasis of matter paragraph.

The consolidated financial statements of the Company as of 31 December 2010, 31 December 2011 and 31 December 2012 and the years then ended and the interim condensed consolidated financial statements of the Company as of 31 March 2013 and for the 3-month period then ended have also been prepared in accordance with IFRS. The annual financial statements in accordance with IFRS have been audited by Ernst&Young Réviseurs d'Entreprises SCCRL, represented by Daniel Wuyts, who delivered unqualified opinions with emphasis of matter paragraph. The interim condensed consolidated financial statements as of 31 March 2013 and for the 3-month period ended 31 March 2013 have been prepared in accordance with IFRS and have been reviewed by Ernst & Young Réviseurs d'Entreprises SCCRL, represented by Daniel Wuyts. The comparative numbers for the 3-month periods ended 31 March 2012 have not been audited.

4.3 *Approval of this Prospectus*

On 19 June 2013, the FSMA approved the English version of this Prospectus for the purposes of the public offering in Belgium and the listing of the Company's shares on NYSE Euronext Brussels and NYSE Euronext Paris in accordance with Article 23 of the Belgian Act of 16 June 2006 on the public offerings of investment instruments and the admission of investment instruments to trading on a regulated market ("*Loi relative aux offres publiques d'instruments de placement et aux admissions d'instruments de placement à la négociation sur des marchés réglementés*"). The FSMA's approval does not imply any judgment on the merits or the quality of the Offering, the Offered Shares or the Company. On 19 June

2013, the FSMA notified this Prospectus to the AMF in accordance with the European passport mechanism provided for the Prospectus Directive. The AMF passported this prospectus on or about 20 June 2013. This passport does not imply any judgment by the AMF on the merits or the quality of the Offering, the Offered Shares or the Company.

This Prospectus has been prepared and approved in English and has been translated in French. The summary has been prepared and approved in English and translated in French and Dutch. The Company is responsible for verifying the consistency between the language versions of this Prospectus and the summary. In connection with the Offering in Belgium and France, the English version of this Prospectus is legally binding

The Offering and this Prospectus have not been submitted for approval to any supervisory body or governmental authority outside Belgium and France.

4.4 *Available information*

Prospectus

This Prospectus is available in French and in English and a summary in Dutch. This Prospectus will be made available to investors at no cost at the registered office of the Company, at Axisparc Business Center, Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium and can be obtained upon request by phone at +32 10 394100 and by email (investors@c3bs.com). Subject to certain conditions, this Prospectus is also available on Company's website www.c3bs.com.

Posting this Prospectus and the summary on the internet does not constitute an offer to sell or a solicitation of an offer to purchase, and there shall not be a sale of any of the Offered Shares in the United States of America or in any other jurisdiction in which such offer, solicitation or sale would be unlawful prior to its registration or qualification under the laws of such jurisdiction or to or for the benefit of any person to whom it is unlawful to make such offer, solicitation or sale. The electronic version may not be copied, made available or printed for distribution. Other information on the website of the Company or any other website does not form part of this Prospectus.

Company documents and other information

The Company must file its (amended and restated) articles of association and all other deeds that are to be published in the Annexes to the Belgian Official Gazette with the clerk's office of the Commercial Court of Nivelles (Belgium), where they are available to the public. A copy of the most recently restated articles of association and the Company's corporate governance charter is also available on the Company's website from the Closing Date.

In accordance with Belgian law, the Company must prepare annual audited statutory financial statements. The statutory financial statements and the reports of the Board of Directors and of the Statutory Auditor relating thereto are filed with the National Bank of Belgium, where they are available to the public.

Furthermore, as a listed company, the Company must publish its annual statutory financial statements and semi-annual interim financial statements (in the form provided by the Belgian Royal Decree of 14 November 2007 relating to the obligations of issuers of financial instruments admitted to trading on a Belgian regulated market (as amended from time to time) ("*Arrêté royal relatif aux obligations des émetteurs d'instruments financiers admis à la négociation sur un marché réglementé*"), prepared under Belgian GAAP. In addition, the Company, will also provide such financial statements and interim financial statements as prepared under IFRS. The Company in the context of its ongoing reporting requirements after the Offering intends to focus discussion on these financial statements prepared in accordance with IFRS and provide a description of the material differences between Belgian GAAP financial statements and IFRS financial statements for each reporting period. This periodic information will generally be made publicly available in the financial press in Belgium in the form of a press release. Copies thereof will also be available on the Company's website.

The Company will also have to disclose price-sensitive information, information about its shareholders' structure, and certain other information to the public. In accordance with the Belgian Royal Decree of

14 November 2007, such information and documentation will be made available through press releases, the financial press in Belgium, the Company's website, the communication channels of NYSE Euronext Brussels and NYSE Euronext Paris or a combination of these media.

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, *inter alia*, the Belgian Act of 2 May 2007 on the disclosure of large shareholdings in issuers whose securities are admitted to trading on a regulated market ("*Loi du 2 mai 2007 relative à la publicité des participations importantes dans des émetteurs dont les actions sont admises à la négociation sur un marché réglementé et portant des dispositions diverses*") and the Royal Decree of 14 February 2008 on the disclosure of important shareholdings ("*Arrêté royal du 14 février 2008 relatif à la publicité des participations importantes*").

The Company's website address is www.c3bs.com.

(This page is left blank intentionally.)

5 INFORMATION ON THE OFFERING

Certain key dates in connection with the Offering are summarised in the following table. These are all anticipated dates, which are subject to any unforeseen circumstances and to acceleration or suspension of the Offering Period.

Date	Event
21 June 2013	Expected start of the Offering Period
3 July 2013 (T-1)	Expected end of the Offering Period
4 July 2013 (T)	Expected Allocation Date
4 July 2013 (T)	Expected publication date of the Offer Price and results of the Offering
5 July 2013 (T+1)	Expected Listing Date (listing and start of (conditional) trading)
9 July 2013 (T+3)	Expected Closing Date (payment, settlement and delivery)

5.1 *Information related to the capital increase*

At the Extraordinary Shareholders Meeting of the Company held on 11 June 2013, it was decided to increase the Company's share capital through a cash contribution and the issuance of maximum 2,000,000 New Shares, subject to the completion of the Offering. The amount of New Shares may be increased by up to 15%, to an amount of 2,300,000 New Shares.

At the same meeting, it was also decided to grant the Over-allotment Option to the Global Coordinator, acting on behalf of the Joint Bookrunners, to provide it with the right to subscribe in cash for a number of new shares equal to maximum 15% of the New Shares allocated in the Offering. The Over-allotment Option will be exercisable for a period of 30 calendar days from the Listing Date. The Over-allotment Option is issued for the sole purpose of allowing the Global Coordinator to cover over-allotments, if any. The new shares to be issued on the exercise of the Over-allotment Option will have the same issuance price as the New Shares in the Offering.

The issuance price (including share premium) of each New Share and of each new share issued upon the exercise of the Over-allotment Option will be the Offer Price and will be determined based on a book-building procedure during the Offering Period, in which only Institutional Investors can participate. The number of New Shares to be issued in the Offering will be determined by dividing the amount of the capital increase (including share premium) by the Offer Price. All New Shares will be offered within the framework of the Offering.

In connection with the issuance of the New Shares, the preferential subscription rights of the existing shareholders of the Company have been waived. In connection with the grant of the Over-allotment Option, the preferential subscription rights of the existing shareholders of the Company have been cancelled.

Whether or not the Offering is fully subscribed, the Global Coordinator may proceed with over-allotments, covered by the Over-allotment Option, aiming to create stabilisation after the start of the trading. See also section 5.5 “Over-allotment and stabilisation”.

5.2 *Terms and conditions of the Offering*

Conditions and nature of the Offering

The Offering is comprised of (i) a public offering in Belgium and France to Retail Investors, and (ii) a private placement in the United States to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) in transactions exempt from or not subject to the registration requirements of the Securities Act and (iii) private placements outside the United States in offshore transactions in accordance with Regulation S under the Securities Act (“Regulation S”) to

qualified investors, and, with respect to the EEA, pursuant to an exemption under this Prospectus Directive where implemented by the relevant EEA Member State.

The capital increase will consist of maximum 1,300,000 new ordinary shares. The number of New Shares may be increased by up to 15%, to 1,495,000 (the "Increase Option", the new shares initially offered and the new shares offered as a result of the possible exercise of the Increase Option jointly being referred to as the "New Shares"). Any decision to exercise the Increase Option will be announced at the latest on the date the Offer Price is announced, which is currently expected to be on or about 5 July 2013.

The Global Coordinator has been granted an Over-allotment Option, exercisable for a period of 30 calendar days from the Listing Date, to subscribe for new shares at the final Offer Price for the sole purpose of allowing the Global Coordinator to cover over-allotments of Additional Shares, if any.

In accordance with Belgian regulations, no less than 10% of the Offered Shares will be reserved for Retail Investors in Belgium. In accordance with French regulations, no less than 10% of the Offered Shares will be reserved for Retail Investors in Belgium and France. However, the proportion of Offered Shares allocated to Retail Investors may be higher or lower than 10% of the Offered Shares (possibly substantially) if Retail Investors have applied in aggregate for more or less, respectively, than this percentage.

The Offer Price will be the same for Institutional Investors and Retail Investors. See also the subsection "Offer Price" below.

The Company has the right to proceed with a capital increase for a reduced number of shares. The actual number of Offered Shares subscribed for or sold in the Offering will be confirmed on the website of the Company and by press release together with the Offer Price. The minimum amount set for the Offering is €17 million, below which the Offering will not be completed.

The Offering is subject to (i) the Board of Directors concluding that the quantity and quality of the subscriptions received is such that the Offering can be closed in the interests of the Company, and (ii) the Company and the Joint Bookrunners reaching a final agreement on the terms of the Underwriting Agreement. For more information, see also section 16 "UNDERWRITING AGREEMENT".

The Offering is subject to Belgian law. Any person applying for Offered Shares shall be deemed to accept the terms and conditions of the Offering set out in this Prospectus. Any dispute in relation with the Offering shall be submitted to the exclusive jurisdiction of the courts of Brussels, Belgium.

Offer Price

The Offer Price will be a single price in Euro that will apply to all investors, whether Retail Investors or Institutional Investors.

The Offer Price will be determined by the Company on the basis of a book-building procedure conducted during the Offering Period, in which only Institutional Investors can participate, and taking into account various relevant qualitative and quantitative elements, including, but not limited to, the number of shares applied for, the size of orders received, the quality of the investors submitting such orders and the prices at which the orders were made, as well as the market conditions at that time. The Offer Price is expected to be set within a price range of between €16.65 and €19.00 per share (the "Offer Price Range"), although it may be set below the lower end of the Offer Price Range.

The Offer Price will be determined as soon as possible after the end of the Offering Period on the Allocation Date, which is expected to take place on 4 July 2013 and will be published on the website of the Company and by press release on the first publishing day following its determination, which is expected to be 5 July 2013. Both dates are subject to the acceleration or suspension of the Offering Period.

Retail Investors in Belgium and France can only acquire the Offered Shares at the Offer Price and are legally bound to purchase the number of shares indicated in their share application at the Offer Price.

The applicable Offer Price will in no event exceed the upper end of the price range, although it may be set below the lower end of the price range.

Offering Period

The Offering Period will begin on 21 June 2013 and is expected to close at 4:00 p.m. Brussels time on 3 July 2013, unless it is closed or suspended earlier, provided that the Offering Period will in any event be open for at least six Business Days as from the availability of this Prospectus. Any acceleration or suspension of the Offering Period will be announced on the website of the Company and by press release, and the dates for pricing, allocation, publication of the Offer Price and results of the Offering, conditional listing and trading and closing of the Offering will be adjusted accordingly. The Offering Period for Retail Investors and Institutional Investors will be the same. In the event that the Offering Period is extended, a supplement to this Prospectus will be published on the website of the Company.

Prospective investors may submit their orders during the Offering Period. Taking into account the fact that the Offering Period may be closed early, investors are invited to submit their applications as promptly as possible.

5.3 *Application procedure*

General

The Joint Bookrunners are investment service providers registered with their respective national securities regulatory authority (i.e., the *Dutch Autoriteit Financiële Markten* (AFM) for Kempen & Co. and the French *Autorité des marchés financiers* (AMF) for Invest Securities) and are authorized to operate and participate in public offerings in Belgium and in France.

To be valid, share orders from retail and institutional investors must be submitted, at the earliest on the first day of the Offering Period which will begin on 21 June 2013, and at the latest on 3 July 2013, by 4.00 p.m. Brussels time, unless the Offering Period is closed earlier or suspended.

Share applications are not binding on the Company or the Joint Bookrunners as long as they have not been accepted in accordance with the allocation rules described below in the subsection "*Allocation of the Offered Shares*" below.

Retail Investors

Retail Investors must place their share order with their own financial intermediary in Belgium or France in accordance with the procedure of such intermediary. Retail Investors should request details of the costs which their financial intermediary may charge and which they will have to pay themselves.

For the purpose of placing their orders with their own financial intermediary, Retail Investors can download and complete the order form that can be found on the website of the Company (www.c3bs.com). This order form has been prepared for the convenience of the Retail Investors and is not compulsory.

A single order per Retail Investor will be accepted. If the Joint Bookrunners determine, or have reason to believe, that a single Retail Investor has submitted several orders through one or more intermediaries, such orders may be disregarded. The Selling Agent has agreed to use its best endeavours to procure orders from Retail Investors in Belgium and in France.

There is no minimum or maximum amount that may be subscribed for in one order. Every order must be expressed in number of shares with no indication of price and shall be deemed placed at the Offer Price (which will (i) be determined after the end of the Offering Period on the Allocation Date, which is expected to take place on 4 July 2013, and (ii) in no event exceed the upper end of the price range, although it may be set below the lower end of the price range). Orders are subject to a possible reduction as described below in the subsection "*Allocation of the Offered Shares*" below.

Upon termination of the Offering Period, all orders from Retail Investors will be transferred at the latest on 4 July 2013, by 10.00 a.m. Brussels time, by the financial intermediaries on a no-name basis to:

- NYSE Euronext Brussels, by passing their orders through the stock exchange platform in accordance with the calendar and the procedure described in the notice of NYSE Euronext. These orders shall be passed by a market member of NYSE Euronext Brussels, or
- Invest Securities, by facsimile to the following number: +33 1 4488 77 90.

Orders may be modified or cancelled until the end of the Offering Period and will be irrevocable (even in the case of reduction) after the end of the Offering Period (i.e., 3 July 2013, by 4.00 p.m. Brussels time). However, in the event that a supplement to this Prospectus is published prior to the Listing Date and in that event only, Retail Investors shall have the right to withdraw their share applications made prior to the publication of the supplement within the time limits set out in the supplement (which shall not be shorter than two Business Days after publication of the supplement).

Institutional Investors

Institutional Investors must indicate on their orders the number of Offered Shares they are committing to subscribe for, and the prices at which they are making such orders during the book-building period.

Only Institutional Investors may participate in the book-building procedure during the Offering Period.

Institutional Investors are invited to submit their orders, after the start of the Offering Period, as soon as possible with any of the Joint Bookrunners.

Allocation of the Offered Shares

The exact number of Offered Shares allocated to the investors will be determined at the end of the Offering Period by the Company and the Joint Bookrunners on the basis of the respective demand of both Retail Investors and Institutional Investors and on the quantitative and, for Institutional Investors only, the qualitative analysis of the order book, and in accordance with Belgian and French regulations relating to allocation to Retail Investors and Institutional Investors, but without prejudice to the rules set out below.

The orders placed by the Retail Investors located in Belgium and France will be equally treated irrespective of the financial intermediary selected by them.

In the event of over-subscription of the Offered Shares reserved for Retail Investors, reductions will be made on a pro rata basis. In cases where the reduction would lead to a non-whole number of shares, this number will be rounded down to the nearest whole number.

The Company has committed to fully allocate the amount of Offered Shares subscribed by Sofipôle and PMV in the Offering, even in case of over-subscription of the Offering. For further information about the commitment of Sofipôle and PMV to participate in the Offering, see section 5.7 “Intentions of the shareholders, directors and managers” and section 5.8 “Intentions of Participatie Maatschappij Vlaanderen”.

The results of the Offering, the allocation of Offered Shares to the Retail Investors and the Offer Price will be published on the website of the Company and by press release, which is expected to occur on or about 5 July 2013, subject to any acceleration or suspension of the Offering Period. Such notice will specify any reduction rate applied to the orders as the case may be.

The acquisition of Additional Shares will give rise to a tax on stock exchange transactions (*taxe sur les opérations de bourse*) at a rate of 0.25% of the purchase price capped at €740 per transaction and per party. Exemptions apply for certain categories of Institutional Investors and Belgian non-residents. The subscription for New Shares will not give rise to a *tax on stock exchange transactions*. See also section 15 "TAXATION IN BELGIUM AND IN FRANCE".

Payment, settlement and delivery of the Offered Shares

The Offer Price must be paid up in full, in Euro, together with any applicable stock exchange tax. For further information about applicable taxes, see section 15 "TAXATION IN BELGIUM AND IN FRANCE".

The settlement date, which is also the Closing Date, will be the third Business Day after the Allocation Date, and is expected to occur on or about 9 July 2013, unless the Offering Period is closed or

suspended earlier. The Offer Price must be paid by investors upon submission of their share applications or, alternatively, by authorising their financial institutions to debit their bank account with such amount for value on the Closing Date.

All Offered Shares will be delivered against payment in dematerialized form through Euroclear Belgium, the Belgian central securities depository.

Form of the Offered Shares

All Offered Shares will have the same rights and benefits attached to them as the Company's other ordinary shares and will be issued with coupons 1 and following attached. For a further description of the Company's shares and the rights and benefits attached thereto, see section 14 "DESCRIPTION OF THE SHARE CAPITAL AND CORPORATE STRUCTURE".

As described above, all Offered Shares will be delivered in dematerialized form only, through Euroclear Belgium.

Investors who, after delivery, wish to have their shares in registered form in the share register of the Company, should ask the Company to do this, and the Company will thereupon within a reasonable period of time record the shares in its share register.

Any costs incurred in connection with the conversion of shares in dematerialized form into registered form will be borne by the converting shareholder.

All of the Offered Shares will be fully paid up on delivery, and freely transferable, subject to what is set out under the sections 5.11 "Lock-up and standstill arrangements" and 17 "TRANSFER RESTRICTIONS".

Restrictions on ability to subscribe for Offered Shares

This Prospectus does not constitute, and neither the Company nor the Joint Bookrunners are making, an offer to sell the Offered Shares or soliciting an offer to purchase any of the Offered Shares to any person in any jurisdiction where such an offer or solicitation is not permitted. The Offered Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other Offering related documents may be distributed or sent to any person or into any jurisdiction, except in circumstances that will result in the compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come are required to inform themselves about, and to observe all, such restrictions. Neither the Company nor the Joint Bookrunners accept any responsibility for any violation by any person, whether or not it is a prospective purchaser of Offered Shares, of any such restriction.

The Offered Shares offered hereby have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Offered Shares may not be offered, sold, pledged or otherwise transferred within the United States unless they are registered under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Offered Shares are being offered (i) in the United States only to a limited number of "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs") in a manner not requiring registration under the Securities Act and (ii) outside the United States in "offshore transactions" in accordance with Regulation S under the Securities Act ("Regulation S"). Any person in the United States wishing to purchase Offered Shares must execute and deliver to the Company and the Joint Bookrunners an investor letter in the form set forth in Annex A to this Prospectus to the effect that such person is a QIB and satisfies certain other requirements.

Each person who subscribes for Offered Shares outside the United States will be deemed to represent, warrant and agree that it can lawfully subscribe for the Offered Shares, and that

- it is, and the person, if any, for whose account or benefit it is acquiring such Offered Shares is, outside the United States,
- it is acquiring the Offered Shares in an offshore transaction meeting the requirements of Regulation S, and

- it is aware that the Offered Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S.

Further, each investor subscribing for Offered Shares shall be deemed to acknowledge and agree to the restrictions in "Transfer Restrictions", and that the Company, the Joint Bookrunners, and their respective affiliates and others may rely upon the truth and accuracy of the foregoing representation and warranties.

5.4 *Listing and first trading*

An application has been made by the Company for the listing and admission to trading on NYSE Euronext Brussels and NYSE Euronext Paris of all existing and new shares of the Company, including all shares to be issued (if any) upon the exercise of the Over-allotment Option. The shares are expected to be listed under the symbol "CARD" and international code number BE0974260896.

Trading is expected to commence on or about 5 July 2013 (unless the Offering Period is accelerated or suspended), being the first Business Day following the Allocation Date, but at the latest on the Closing Date when the Offered Shares are delivered to the investors. See also section 16 "UNDERWRITING AGREEMENT".

Trading of shares on NYSE Euronext Brussels and NYSE Euronext Paris on an "as-if-and-when-issued-or-delivered" basis will occur in accordance with Rules 6.8 and 6904 of the Euronext Rule Book - Book I: Harmonized Rules. Pursuant to these Rules, NYSE Euronext will publish beforehand the dates of the When-Issued Period. During the When-Issued Period, NYSE Euronext Brussels and NYSE Euronext Paris will flag the shares. In the event that the shares admitted on an as-if-and-when-issued basis on NYSE Euronext Brussels and NYSE Euronext Paris are not delivered on the first trading day following the end of the When-Issued Period, all transactions made in such shares will be cancelled. All dealings prior to settlement and delivery of the Offered Shares are at the sole risk of the parties concerned. The Joint Bookrunners, the Company, the Selling Agent, Euronext Brussels SA/NV and Euronext Paris S.A. do not accept any responsibility or liability with respect to any person as a result of a withdrawal of the Offering or the related annulment of any transaction in Offered Shares on NYSE Euronext Brussels and NYSE Euronext Paris during the When-Issued Period. Prior to the listing of the shares, no public market existed for the shares issued by the Company.

5.5 *Over-allotment and stabilisation*

In connection with the Offering, the Joint Bookrunners may, for a period of 30 days from the Listing Date (the "Stabilisation Period") effect transactions that stabilise or maintain the market price of the Company's shares at levels above those that might otherwise prevail in the open market. For this purpose, the Global Coordinator, acting on behalf of the Joint Bookrunners, will act as stabilisation agent. Such transactions, if any, will be performed in compliance with the applicable laws and regulations, including Chapter III of Commission Regulation (EC) No 2273/2003 and the Belgian Royal Decree of 17 May 2007 on primary market practices, and may be effected on NYSE Euronext Brussels and NYSE Euronext Paris, on the over-the-counter market, or otherwise. There is no assurance that such stabilisation will be undertaken and, if it is, it may be discontinued at any time and will, in any event, be discontinued 30 days after the Listing Date

The Company has granted the Global Coordinator, acting on behalf of the Joint Bookrunners, an Over-allotment Option which allows the Global Coordinator to subscribe for additional new shares at the Offer Price up to maximum 15% of the number of New Shares allocated in the Offering. The Over-allotment Option corresponds to a maximum number of 224,250 Additional Shares.

If the Global Coordinator creates a short position in the shares in connection with the Offering (*i.e.*, over-allot Additional Shares), it may reduce that short position by purchasing shares or, as referred to below, by exercising all or part of the Over-allotment Option. Purchases of shares to stabilise the trading price or to reduce a short position may cause the price of the shares to be higher than it might be in the absence of such purchases. Neither the Company nor the Global Coordinator makes any

representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the shares.

The stabilisation, if any, will not occur at a price higher than the Offer Price.

The Global Coordinator may elect to reduce any short position by exercising all or part of the Over-allotment Option. The Over-allotment Option will be exercisable for a period of 30 calendar days from the Listing Date. The Over-allotment Option will be exercisable in whole or in part, and in one or in several times, only to cover over-allotments of Additional Shares, if any. The possibility to over-allot shares in the Offering and to exercise the Over-allotment Option will exist whether or not the Offering is fully subscribed.

Within five Business Days of the end of the Stabilisation Period, the following information will be published on the website of the Company in accordance with Article 5, § 2 of the Royal Decree of 17 May 2007 on primary markets practices: (i) whether or not stabilisation was undertaken, (ii) the period during which the stabilisation has been performed, (iii) the price range within which stabilisation was carried out, for each of the dates on which stabilisation transactions were carried out and (iv) the final size of the Offering, including the result of the stabilisation and the exercise of the Over-allotment Option, if any.

In order to cover any over-allotments prior to the exercise of the Over-allotment Option, it is expected that the Global Coordinator will enter into a stock lending agreement with existing shareholders. These Additional Shares which may be allocated to investors by way of over-allotment are existing shares.

5.6 *Interest of natural and legal persons involved in the Offering*

Save for the fees payable to the Joint Bookrunners (upon entering into the Underwriting Agreement with the Company, which is expected to occur prior to completion of the Offering, and subject to the terms and conditions thereof), so far as the Company is aware, no person involved in the Offering has an interest that could be material to the Offering.

5.7 *Intentions of the shareholders, directors and managers*

Sofipôle, holding on the date of this Prospectus 2.18% of the Company's shares, which is an affiliate of SRIW Techno SA, one the Company's major shareholders (see section 9.1 "Shareholders prior to the completion of the Offering and listing of the shares"), has committed to apply for Offered Shares in the Offering for a minimum amount of €4.45 million under certain condition including that (i) the amount of Offered Shares subscribed for by Sofipôle will be fully allocated, even in case of over-subscription of the Offering, (ii) Sofipôle will be entitled to nominate candidates for the appointment of one director at the Board of Directors as long as it holds a number of shares in the Company representing at least 75% of the total shares owned as of the closing of the Offering, (iii) the Company undertakes to maintain its headquarters and registered office in the Walloon Region and (iv) 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.

The Company will, following completion of the Offering, convene an Extraordinary General Meeting at which it will be proposed to the Company's shareholders to approve an amendment to the Company's articles of association to specify in these articles of association that Sofipôle will be entitled to nominate candidates for the appointment of one member of the Board of Directors as long as Sofipôle continues to hold a number of shares in the Company representing at least 75% of the total number of shares owned as of the closing of the Offering.

Other than as set out above, to the extent known to the Company, no shareholders, members of the Company's management or Board of Directors have indicated that they intend to subscribe for the Offered Shares in the Offering.

Subject to the lock-up and standstill arrangements described below (see section 5.11 "Lock-up and standstill arrangements"), the existing shareholders have not indicated to the Company their intentions after the Offering.

5.8 *Intentions of Participatie Maatschappij Vlaanderen*

PMV has committed to subscribe for Offered Shares in the Offering for a minimum amount of €9.5 million under certain conditions, including that (i) the amount of Offered Shares subscribed for by PMV will be fully allocated, even in case of over-subscription of the Offering, (ii) PMV will be entitled to nominate candidates for the appointment of one director of the Board of Directors as long as it holds a number of shares in the Company representing at least 75% of the total number of shares owned as of the closing of the Offering and (iii) the Company must undertake to, within three years as from the completion of the Offering, start 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 the Offering.

The Company will, following completion of the Offering, convene an Extraordinary General Meeting at which it will be proposed to the Company's shareholders to approve an amendment to the Company's articles of association to specify in these articles of association that PMV will be entitled to nominate candidates for the appointment of one member of the Board of Directors as long as PMV continues to hold a number of shares in the Company representing at least 75% of the total number of shares owned as of the closing of the Offering.

5.9 *Costs and remuneration of intermediaries*

The aggregate costs of the Offering are estimated to be approximately 8.7% of the gross proceeds of the Offering (assuming the mid range of the Offer Price Range and assuming the Increase Option and the Over-allotment Option are exercised in full). These costs include legal, consulting, administrative, audit and other costs (€0.7 million), remuneration of the Belgian Financial Services and Markets Authority (€0.02 million), legal publications, printing of this Prospectus (€0.02 million), advisors, management, placing and selling fees (6% of the gross proceeds of the Offering and a discretionary fee of 0,5% of such proceeds) and the fees payable to NYSE Euronext Brussels and Paris (€0.07 million).

All costs will be borne by the Company.

5.10 *Financial service*

From the Listing Date, the financial service for the shares of the Company will be provided in Belgium and in France by BNP Paribas Securities Services. Should the Company alter its policy in this respect, this will be announced in accordance with applicable law.

5.11 *Lock-up and standstill arrangements*

The number of shares available for sale in the public market following the admission to listing of the Company’s shares will be limited by transfer restrictions, as summarised below.

The members of the Executive Management Team (see 12.6 “Executive Management – the Executive Management Team”) and certain of the Company’s current shareholders are subject to a lock-up agreement with the Joint Bookrunners for a period of twelve calendar months from the date of the lock-up agreement, which is currently expected to be 17 June 2013. All shareholders other than the members of the Executive Management Team owning more than 50,000 shares of the Company (representing 94% of the Company’s shares) on the date of this Prospectus are subject to the lock-up agreement (including, as the case may be, a number of shares which are also subject to the statutory lock-up provision contained in the Royal Decree dated 17 May 2007 on primary market practices). In the lock-up agreement, the concept of “transfer” is expected to be defined widely (sell, exchange, pledge, assign by way of security, grant any other right in rem, deliver, offer, market, enter into any option, any future, any derivative (whether or not settled in cash) or otherwise dispose of or agree to dispose of any relevant shares or any rights therein).

A. Lock-up arrangements applicable to members of the Company's Executive Management Team and certain shareholders of the Company

During a period of twelve calendar months from the date of the lock-up agreement, the members of the Executive Management Team and certain shareholders of the Company are expected to agree not to transfer any shares held prior to the Offering, unless the Joint Bookrunners have agreed to such transfer of shares. The members of the Executive Management Team hold together 2% of the Company's shares on the date of this Prospectus. All shareholders covered by the lock-up agreement hold together 94% of the Company's shares on the date of this Prospectus.

None of the restrictions referred to above are expected to apply to (i) the existing shares borrowed under the stock lending agreement(s), (ii) any existing shares which are subject to stock lending for liquidity provider arrangements (if any), (iii) transfers to legal successors or other transferees in case of death of a natural person or in case of liquidation, *concursus*, merger, de-merger, transfer or contribution of a branch of activity or transfer or contribution of a universality of or by a legal person (provided, however, that the legal successor or transferee of such person assumes the relevant transfer restriction obligations for the remaining term thereof), (iv) intra-group transfers, including to and from controlling natural persons (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (v) transfers by Cardiovasculair Onderzoek Aalst CVBA to any of its shareholders (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (vi) transfers between the shareholders subject to the lock-up agreement (provided, however, that the transferee assumes the relevant transfer restriction obligations for the remaining term thereof), (vii) acceptance of a tender offer or merger proposal or (viii) an order from a court or as otherwise mandatorily required under the applicable law.

B. Standstill arrangement applicable to the Company

The Company has agreed that during a term ending twelve calendar months after the Closing Date it shall not, except with the prior consent of the Joint Bookrunners, issue (or announce the issue) of any new shares, warrants or other securities, financial instruments or contractual rights that give a right to acquire shares or enter into any contract (including derivative transactions) or commitment with similar effects, irrespective of whether these are or are not listed on a stock exchange or a regulated market, except for (i) the issue of the New Shares, (ii) the issue of the Over-allotment Option, (iii) the issue of new shares following any exercise of the Over-allotment Option, (iv) the issue of new shares following the exercise of existing Warrants, (v) the issue of up to 150,000 new warrants in the aggregate (and the issue of new shares following the exercise of such warrants) that would be granted to executives, employees or consultants of the Company and (vii) any issue in the context of a merger, de-merger, transfer of a universality or branch of activity or other corporate restructuring, acquisition, or strategic partnership (provided, in the case of such corporate restructuring, acquisition or strategic partnership, that any shares issued do not represent more than 10% of the Company's share capital immediately after the Closing Date, and that the acquirer of the relevant securities accepts to be subject to the lock-up arrangements for the remaining period thereof).

(This page is left blank intentionally.)

6 DIVIDENDS AND DIVIDEND POLICY

6.1 *Entitlement to dividends*

The Offered Shares are entitled to dividends, if and when declared, for the financial year ended on 31 December 2013 and the following financial years.

6.2 *Dividend policy*

The Company has never declared or paid any dividends on its shares. Following this Offering, the Company's dividend policy will be determined by, and may change from time to time by determination of, the Company's Board of Directors. Any declaration of dividends will be based upon the Company's earnings, financial condition, capital requirements and other factors considered important by the Board of Directors. The calculation of amounts available to be distributed as dividends or otherwise distributed to shareholders must be made on the basis of the Belgian statutory financial statements, taking into account the limits set out by Article 617 of the Belgian Company Code.

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

(This page is left blank intentionally.)

7 USE OF PROCEEDS

If the Offering is fully subscribed at the high end of the Offer Price Range, the gross proceeds from the issue of New Shares could reach up to €24.7 million, or if the Global Coordinator exercises its Over-allotment Option (representing another 15 per cent of the New Shares allocated in the Offering) in full, up to €32.7 million. For estimates on the costs and expenses of the Offering (see section 5.9 "Costs and remuneration of intermediaries"). The minimum proceeds of the Offering to the Company have been set at an aggregate amount of €17 million, below which the Offering will not be completed

The principal purposes of this Offering are to support the Company's development, obtain additional working capital, establish a public market for the Company's shares and facilitate the Company's future access to public equity capital markets.

The Company intends to use the net proceeds of the Offering (i.e., after costs and expenses payable by the Company have been deducted) to (in order of importance):

- Advance C-Cure into CHART-1, the International Phase III trial, until public disclosure of the conclusions that may be drawn from the primary endpoint results.
- Obtain authorization to conduct CHART-2 in the US;
- Continue pre-clinical development and, potentially, start clinical development of selected product candidates in AMI indications;
- Advance the Company's discovery programme and bring selected additional product candidates from advanced research to pre-clinical development;
- Potential future developments on C-Cure;
- Commercialization of C-Cath$_{ez}$;
- If appropriate, gain access through in-licensing, acquisition or co-development to new technology platforms that strengthen the Company's position and help its expansion;
- Apply funds for general corporate purposes, such as general and administrative expenses, capital expenditures, working capital needs, and the broadening, maintenance and defence of the Company's intellectual property.

Assuming the Company raises only the minimum amount of the Offering (i.e. €17 million), based on the elements in its possession as of the date of this Prospectus, the Company estimates the total direct and indirect clinical and manufacturing costs of the International CHART-1 trial as described in this section 7 "USE OF PROCEEDS" at approximately €17 million until the point of public disclosure of the conclusions that may be drawn from the primary endpoint results. The Company currently estimates that the primary endpoint results of the CHART-1 trial could occur approximately around the end of 2015. If more than the minimum amount is raised, this is expected to positively impact the pace of the enrolment or provide additional financial flexibility.

As of the date of this Prospectus, the Company cannot predict with certainty all of the particular uses for the proceeds from this Offering, or the amounts that it will actually spend on the uses set forth above (without prejudice to what is stated in the previous paragraph). The Company's Board of Directors and management will at their discretion decide on the amounts and timing of the Company's actual expenditures, which will depend upon numerous factors, including the design and the size of the C-Cure Phase III programme and any conditions that may be imposed by regulatory authorities in that respect, the progress of its development efforts, the progress of its discovery research, whether or not the Company enters into strategic collaborations or partnerships and any funds obtained therefrom, the availability of in-licensing or acquisition candidates, the net proceeds actually raised in the Offering, any amounts received by way of grants or recoverable cash advances and the Company's operating costs and expenditures. Accordingly, the Company's management will have significant flexibility in applying the net proceeds of this Offering. Nevertheless, the Company is currently not aware that the minimum size of the Offering (i.e. €17 million gross proceeds) would not be sufficient to fund the above

proposed uses as described in this section 7 "USE OF PROCEEDS" and to run its operations beyond 24 months following the date of this Prospectus[i].

Pending use of the proceeds from this Offering as described above or otherwise, the Company intends to invest the net proceeds in short-term interest-bearing, investment grade securities and other money market instruments.

[i] The costs and timing of product development and regulatory approval, particularly conducting clinical trials, are highly uncertain, are subject to substantial risks, and can often change. Accordingly, the Company may change the allocation of use of the proceeds as a result of contingencies such as the progress and results of its clinical trials and other research and development activities, the establishment of collaborations, its manufacturing requirements and regulatory or competitive developments.

The Company does not expect its existing capital resources and the net proceeds from this Offering to be sufficient to enable the Company to fund the completion of any of its programmes through (and including) commercialisation. The Company expects it may need to raise additional funds in the future. The Company has the right to proceed with a capital increase in a reduced amount, but the minimum amount set for the Offering is €17 million below which the Offering will not be completed. In case the Company would proceed with the capital increase in a reduced amount, the Company might have to reduce its level of investment.

The Company may seek additional funding through collaboration agreements and public or private financings. Additional funding may not be available to the Company on acceptable terms or at all. In addition, the terms of any financing may adversely affect the holdings or the rights of the Company's security holders. For example, if the Company raises additional funds by issuing equity securities, further dilution to existing security holders may result. If the Company is unable to obtain funding on a timely basis, it may be required to significantly curtail one or more of its research or development programmes. The Company also could be required to seek funds through arrangements with collaborators or others that may require the Company to relinquish rights to some of its technologies or product candidates which the Company would otherwise pursue on its own.

8 CAPITALISATION, INDEBTEDNESS AND WORKING CAPITAL STATEMENT

8.1 *Capitalisation and indebtedness table*

The following table sets forth the capitalisation and indebtedness of the Company as of 31 March 2013. The figures for capitalisation and indebtedness have been extracted, without material adjustment, from the Company's interim condensed consolidated financial statements prepared in accordance with IFRS, as of and for the three months period ended 31 March 2013 and do not include the capital increase of €19.0 million of 6 May 2013 (as completed on 31 May 2013).

This information should be read in conjunction with the reviewed interim condensed consolidated financial statements as of and for the three months period ended 31 March 2013 and the audited financial statements as of and for the years ended 31 December 2012, 31 December 2011 and 31 December 2010, and the related notes thereto.

(€'000)	As of 31 March 2013
Total Current financial debt	**763**
Secured	108
Unsecured	655
Total Non-Current debt	**11,280**
Secured	108
Unsecured	11,172
Shareholder's Equity	
Share capital	9,975
Quasi-Equity	11,917
Share-based payments	1,044
Retained earnings	(24,647)
Result of the period	(2,725)
Total	**(4,436)**
Cash and Cash Equivalent	110
Current financial debt	763
Net Current Financial Indebtedness [1]	**653**
Non Current financial indebtedness	11,280
Net Financial Indebtedness (Cash)	**11,933**

[1] Current financial debt – cash & cash equivalent

On 31 May 2013, as a result of the capital increase approved by the Extraordinary General Meeting of 6 May 2013, the Shareholder's equity was increased by €7.0 million. Since this capital increase was performed through a contribution in cash, this had a positive impact of €7.0 million on the cash and a cash equivalent and shareholder's equity of the Company

8.2 *Working capital statement*

On the date of this Prospectus, the Company is of the opinion that taking into account its available cash and cash equivalents on 31 March 2013 and the net proceeds of the capital increase of 6 May 2013 (as completed on 31 May 2013), it does not have sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus.

However, taking into account that the minimum proceeds to the Company of the Offering (below which the Offering will not be completed) have been set at an aggregate amount of €17 million, which the Company believes is sufficient to cover its working capital shortfall, the Company is of the opinion that the proceeds of the Offering (together with its available cash and cash equivalents) will, in the event the Offering is completed, provide the Company sufficient working capital to meet its present requirements and cover the working capital needs for a period of at least 12 months as of the date of this Prospectus.

Reference is also made to section 7 “USE OF PROCEEDS”.

9 DILUTION

9.1 *Shareholders prior to the completion of the Offering and listing of the shares*

The table below provides an overview of the significant shareholders of the Company prior to the completion of the Offering and listing of the Company's shares, taking into account the capital increase decided on 6 May 2013 (and completed on 31 May 2013). The overview must be read together with the notes referred to below.

Share- / Warrantholder	Number of shares	%	Warrants in number of shares [1]	%	Total number of shares and warrants	%
A. Executive Management Team [2]						
CEO and other members of the Executive Management Team	96,768	2.04%	294,725	72.10%	391,493	7.60%
B. (Independent) Directors [2]						
Independent Directors	269,521	5.68%	10,000	2,45%	279,521	5.42%
C. Other significant shareholders						
Tolefi SA [3]	2,267,844	47.80%	2,504	0,61%	2,270,348	44.01%
SRIW Techno and Sofipôle	394,134	8.31%	-	-	394,134	7.65%
Mayo Foundation for Education and Research	340,947	7.19%	-	-	340,947	6.62%
Cardiovasculair Onderzoek Aalst CVBA and its directors	208,830	4.40%	-	-	208,830	4.05%
Mr Michel Lussier	196,989	4.15%			196,989	3.82%
Life Science Research Partners VZW	158,420	2.53%	250	0,06%	158,670	2.38%
Other shareholders	810,614	17.09%	7,021	1,72%	817,635	15.87%
Subtotal	**4,377,778**	**92.28%**	**9,775**	**2,39%**	**4,387,553**	**85.15%**
D. Personnel						
Personnel [4]	-	-	94,245	23,06%	94,245	1.83%
Total A+B+C	**4,744,067**	**100%**	**314,500**	**76.94%**	**5,058,567**	**98.17%**
Total A+B+C+D	**4,744,067**	**100%**	**408,745**	**100%**	**5,152,812**	**100%**

[1] For an overview of all Warrants issued by the Company, reference is made to section 14.5 "Warrants".

[2] For a detailed overview of the shares and warrants held by the members of the Board of Directors and by the members of the Executive Management Team, reference is made to section 12.8 "Shares and warrants held by directors and executive management".

[3] Tolefi SA is controlled, within the meaning of Article 5 BCC, by Mr Serge Goblet, who is a Director of the Company. For a detailed overview of the shares and warrants held by Serge Goblet, reference is made to the previous footnote.

[4] "Personnel" includes the persons providing services to the Company on the basis of a consultancy agreement and who are not a member of the Executive Management Team or a member of the Board of Directors.

9.2 *Shareholders after completion of the Offering and listing of the shares*

The table below provide an overview of the shareholding of the significant shareholders of the Company after the completion of the Offering and listing of the Company's shares. The number of outstanding shares and warrants after the completion of the Offering and listing of the shares assumes that the Increase Option has been fully exercised and that the Over-allotment Option has been fully exercised and that as a result, the number of Offered Shares amounts to 1,719,250.

This table does not take into account the Offered Shares which would be allocated to Sofipôle in the context of its subscription commitment (see section 5.7 "Intentions of the shareholders, directors and managers") or which would be allocated to PMV in the context of its subscription commitment (see section 5.8 "Intentions of Participatie Maatschappij Vlaanderen"). The number of Offered Shares to be allocated to Sofipôle and PMV will depend on the Offer Price and the allocation of the Offered Shares, it being understood however that the Company has committed that the amount of Offered Shares subscribed for by each of Sofipôle and PMV will be fully allocated, even in case of over-subscription of the Offering.

The simulation is merely for information purposes only. Prospective investors should note that the final number of Offered Shares could be lower than assumed for the table below.

The overview must be read together with the notes referred to below.

Share- / Warrantholder	Number of shares	%	Warrants in number of shares [1]	%	Total number of shares and warrants	%
A. Executive Management Team [2]						
CEO and other members of the Executive Management Team	96,768	1.50%	294,725	72.10%	391,493	5.70%
B. (Independent) Directors [2]						
Independent Directors	269,521	4.17%	10,000	2,45%	279,521	4.06%
C. Other shareholders						
Tolefi SA [3]	2,267,844	35.09%	2,504	0,61%	2,270,348	33.04%
SRIW Techno and Sofipôle	394,134	6.10%	-	-	394,134	5.73%
Mayo Foundation for Education and Research	340,947	5.28%	-	-	340,947	4.96%
Cardiovasculair Onderzoek Aalst CVBA and its directors	208,830	3.22%	-	-	208,830	3.04%
Mr Michel Lussier	196,989	3.05%			196,989	2.87%
Life Science Research Partners VZW	158,420	2.45%	250	0,06%	158,670	2.31%
Other shareholders	810,614	12.54%	7,021	1,72%	817,635	11.90%
Subtotal	**4,377,778**	**67.73%**	**9,775**	**2,39%**	**4,387,553**	**63.85%**
D. Personnel						
Personnel [4]	-	-	94,245	23,06%	94,245	1.37%
E. As a result of the offering						
New shares	1,495,000	23.13%	-	-	1,495,000	21.76%
Exercise Over-allotment Option	224,250	3.47%	-	-	224,250	3.26%
Subtotal	**1,719,250**	**26.60%**			**1,719,250**	**25.02%**
Total A+B+C+D	**4,744,067**	**73.40%**	**408,745**	**100%**	**5,152,812**	**74.98%**
Total A+B+C+D+E	**6,463,317**	**100%**	**408,745**	**100%**	**6,872,062**	**100%**

[1] For an overview of all Warrants issued by the Company, reference is made to section 14.5.
[2] For a detailed overview of the shares and warrants held by the members of the Board of Directors and by the members of the Executive Management Team, reference is made to section 12.8
[3] Tolefi SA is controlled, within the meaning of Article 5 BCC, by Mr Serge Goblet, who is a Director of the Company. For a detailed overview of the shares and warrants held by Serge Goblet, reference is made to the previous footnote
[4] "Personnel" includes the persons providing services to the Company on the basis of a consultancy agreement and who are not a member of the Executive Management Team or a member of the Board of Directors

10 BUSINESS AND REGULATION

10.1 *Introduction*

Cardio3 BioSciences is a biopharmaceutical company focused on the discovery, development and commercialisation of innovative and proprietary regenerative, reconstructive and protective therapies for a variety of cardiovascular diseases[ii]. The aim of these therapies is to protect the heart during myocardial injury, reduce the volume of the scar and reconstruct damaged or deficient heart tissue. The Company's focus is on developing novel therapies to treat illnesses where cardiac tissue is lost or is missing due to chronic disease, acute injury or congenital defects.

The cardiac disease that the Company currently sees as its primary indication is Heart Failure (HF). The Company is also developing programs in congenital heart diseases, more precisely in Right Ventricular Outflow Tract (RVOT) defects, and acute myocardial infarction (AMI). HF has a high prevalence and the incidence is currently on the rise [1-4] [iii], both in developed and developing countries. Based on available data, the Company estimates that more than 117 million people are suffering from HF worldwide[iv] and that this number is expected to be double by 2040. Such estimates are based on published data [5, 6] and internal analysis conducted by the Company. Within the HF population, there are 53.5 million patients with moderate to severe symptoms, of which 38.1 million patients have some level of systolic dysfunction. Out of those patients, 22.3 million patients suffer from HF of ischemic origin and 15.9 million patients suffer from HF of non-ischemic origin.

For AMI, the Company estimates are based on epidemiological studies [7] indicating that 11.8 million people in the World suffer from an acute event every year (see section 10.3 "The unmet medical need: a significant market opportunity").

Congenital heart diseases (CHD) are the most frequent congenital abnormalities (8-12/1000 births. EUROCAT estimates that, out of 3.3 million of births per year in the European Union, around 36,000 children are born with a CHD [8-12]. More than one third of these congenital abnormalities (such as Tetralogy of Fallot, Pulmonary atresia or Truncus arteriosus) require reconstruction of the RVOT.

Cardio3 BioSciences is developing a breakthrough proprietary Cardiopoiesis platform, which is based on fundamental research and technology from Mayo Clinic. This novel platform is designed to drive the differentiation of multipotent stem cells to the cardiac programme. Based on this Cardiopoiesis platform, the Company has generated a pipeline of research programmes and product candidates of which the most important are:

- C-Cure® (sometimes referred to as C3BS-CQR1), is a cell therapy product candidate under development for HF indications, with two identified modes of action: the direct mode which repairs cardiac tissue through proliferation, engraftment and terminal differentiation of the cells, and an indirect mode through the beneficial effect of the factors excreted by the transplanted cells on the host's resident stem cells through pooling, regeneration and terminal differentiation of those cells (paracrine effect);
- Recombinant proteins (C3BS-GQR-1)that protect heart tissue from acute injury and guide resident stem cells to become cardiac cells in an AMI setting

The Cardiopoiesis platform is versatile, as it can be applied to adult stem cells (bone marrow or adipose derived), embryonic stem cells (ES) or induced pluripotent stem cells (iPS).

[ii] Certain technical terms are defined in

Annex B - Glossary.

iii References are listed in Appendix D at the end of the document.

[iv] The terms "Worldwide or World" are used in this summary and the section 10 "Business and regulation" to indicate a territory with a population of 5.2 billion people, consisting of countries typically targeted by pharmaceutical and medical device companies.

The power of the Cardiopoiesis platform was illustrated by results from the Company's clinical and pre-clinical work, including phase II results showing a 25% increase in left ventricular ejection fraction (LVEF) versus baseline for HF patients treated with C-Cure and pre-clinical data indicating a 65% reduction in infarct size in an AMI swine trial for C3BS-GQR-1.

The Company is engaged in an early-stage research programme (C3BS-GQR-4) to address the problem of "warm reperfusion injury", caused after a blocked coronary artery is opened and high oxygen concentration is resumed to the territory of the previously anoxic tissue. C3BS-GQR-4 is an antibody targeting the pathway that creates the toxic response.

The Company is also collaborating with Assistance Publique - Hôpitaux de Paris (AP-HP) and other academic and SME partners in view of developing an RVOT biodegradable prosthesis, seeded with cells and/or proteins, for the treatment of congenital defects of the heart, specifically those were replacement of the RVOT is required. The Company has been designated as the exploitation manager of the European consortium formed to develop this technology (TEH-TUBE). TEH-TUBE has passed the first selection of the European Commission FP7 programme and is awaiting clearance from the second selection in the second half of 2013.

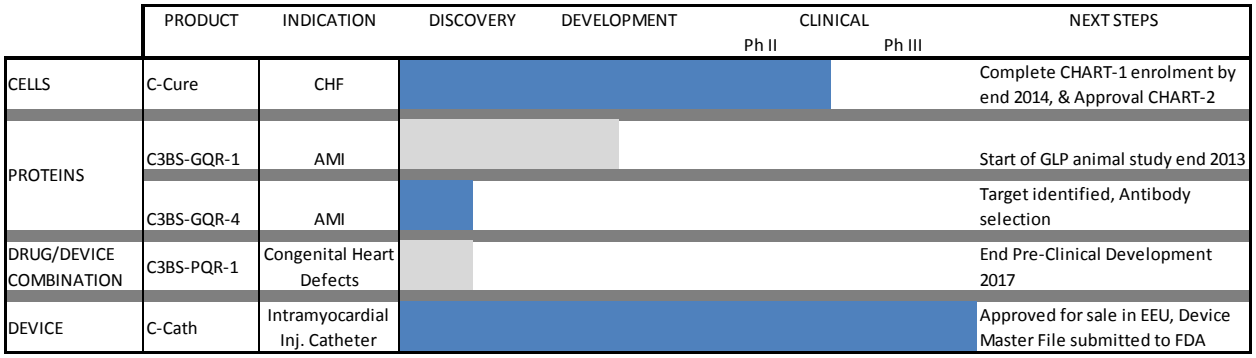


Figure 1: Overview of the Cardio3 BioSciences product portfolio.

The Company's most advanced product candidate is C-Cure. Pre-clinical data of C-Cure have indicated that hearts of rodents with HF from ischemic origin have been anatomically "repaired" or reconstructed, using the stem cells coming from human cardiac patients, thereby yielding important benefits in terms of heart function and survival [13]. This work has been published in the Journal of the American College of Cardiology (August 2010 issue)[v], and was accompanied by an editorial praising the research as "landmark work" [14][vi]. This academic research was also awarded with the prestigious Herman K. Gold Young Investigator Award at the 2010 scientific session of the American College of Cardiology.

Following these results, the Company conducted a Phase II controlled randomized trial that showed very positive outcomes including an increase of 25% of the Left Ventricular Ejection Fraction (LVEF) which was statistically significant ($p<0.0001$), as was the increase in exercise capacity measured by the 6 minutes Walking Distance test (+77m change at 6 months versus baseline in comparison to the control

[v] The article can be downloaded (for free) from the website of the Journal of the American College of Cardiology (JACC) at http://content.onlinejacc.org/article.aspx?articleid=1143089 . A copy of this document can be obtained free of charge at the registered office of the Company, 12 rue Edouard Belin, 1435 Mont-Saint-Guibert, Belgium, Phone: +32 10 39 41 00, email: info@c3bs.com.

[vi] The article can be downloaded (for free) from the website of the Journal of the American College of Cardiology (JACC) at http://content.onlinejacc.org/article.aspx?articleid=1143085 . A copy of this document can be obtained free of charge at the registered office of the Company, 12 rue Edouard Belin, 1435 Mont-Saint-Guibert, Belgium, Phone: +32 10 39 41 00, email: info@c3bs.com.

group (p<0.01). These results were recently published in the Journal of the American College of Cardiology [15][vii] and accompanied by an editorial from Charles Murry commenting that "Six months after treatment, the cell therapy group had a 7 percent absolute improvement in EF (ejection fraction) over baseline, versus a non-significant change in the control group. This improvement in EF is dramatic, particularly given the duration between the ischemic injury and cell therapy. It compares favourably with our most potent therapies in heart failure [16][viii]."

Based on this positive outcome, the Company has obtained the authorization to start its Phase III CHART programme (**C**ongestive **H**eart Failure C**a**rdiopoietic **R**egenerative **T**herapy). The CHART-1 trial has been authorized in Belgium, the UK, Serbia and Israel and the Company is currently pursuing additional authorizations in other geographies outside the US. The Company intends to start the CHART-2 trial if and when the FDA authorizes its start in the US. The CHART programmes are designed to obtain marketing authorisation in Europe and in the USA respectively, either alone, or in combination with other clinical trials.

The Company has also developed a proprietary technology aimed at maximising the delivery efficiency of therapeutics to the heart. C-Cath$_{ez}$® is an intra-myocardial delivery catheter, designed to enhance the retention of myocardial therapeutic agents. The Company has obtained CE marking in April 2012 from NSAI (an Irish Notified Body) and C-Cath$_{ez}$ is therefore available for commercialization in EEA and the catheter is currently being tested by several companies and academic partners to be used in combination with other therapeutics currently in development. The Company expects that the full commercial potential of C-Cath$_{ez}$ will only be reached if and once a product for intramyocardial delivery will be authorized for commercialization.

The Company leverages research collaborations in the US and in Europe. The main research relationship in the US is with Mayo Clinic, from whom the Company has in-licensed the Cardiopoiesis platform. Mayo Clinic is ranked number three hospital in the US after the Massachusetts General Hospital and John Hopkins, and number two in heart and heart surgery, second to the Cleveland Clinic[ix]. The key area of cooperation with Mayo Clinic is in the field of heart development and heart cell biology. In Europe, the Company's main collaboration is with the Cardiovascular Center Aalst (Aalst, Belgium), one of the premier hospitals in Europe in the field of heart diseases and heart surgery. The Cardiovascular Center Aalst and in particular Prof. Jozef Bartunek and Prof. William Wijns have been involved in many cell therapy trials over the past decade, either as participating centre or as principal investigators. Prof. Wijns has authored over 300 publications in peer-reviewed journals and holds several positions in national and international professional and scientific organisations. Prof. Wijns is also a board member of the World Heart Federation and the European Society of Cardiology. In addition, the Company is collaborating on other programmes with the Karolinska Institut (Stockholm, Sweden) to test C-Cure in LVAD patients and has been designated as the exploitation manager in the European FP7 Programme TEH-TUBE for which it collaborates with Assistance Publique - Hôpitaux de Paris (AP-HP), the University College of London (UCL) and Berlin Charité Hospital for the pre-clinical development of a bioresorbable seeded prosthesis for the treatment of certain congenital anomalies (C3BS-PQR-1). The Company is also engaged into other collaborative FP7 programmes.

Cardio3 BioSciences has rights (exclusively licensed or owned) to a comprehensive intellectual property portfolio comprising nine families of patent applications covering methods for the production of Cardiopoietic cells from diverse sources, patent applications covering the characteristics of those cells,

---

[vii] The article can be downloaded from the website of the Journal of the American College of Cardiology (JACC) at http://content.onlinejacc.org/article.aspx?articleid=1679525. A copy of this document can be obtained free of charge at the registered office of the Company, 12 rue Edouard Belin, 1435 Mont-Saint-Guibert, Belgium, Phone: +32 10 39 41 00, email: info@c3bs.com.

[viii] The article can be downloaded from the website of the Journal of the American College of Cardiology (JACC) at http://content.onlinejacc.org/article.aspx?articleid=1679532. A copy of this document can be obtained free of charge at the registered office of the Company, 12 rue Edouard Belin, 1435 Mont-Saint-Guibert, Belgium, Phone: +32 10 39 41 00, email: info@c3bs.com.

[ix] US News, Best Hospitals 2013

including indexes to measure their reparative potential, as well as patent applications in the field of intramyocardial and intracoronary biotherapeutics delivery devices.

As per 31 May 2013, the Company (including Cardio3 SA, the Company's predecessor company) has received €60.0 million in funding (€41.8 million in private equity and €18.2 million in non-dilutive regional public funding instruments). The €41.8 million were raised in four financing rounds conducted in February 2005, December 2008, October 2010 and May 2013, respectively, as further detailed in section 11.6 "Liquidity and capital resources". It has research facilities in Mont-Saint-Guibert, Belgium. As of 31 December 2012, the Company had 50 employees.

Company History

Year	Description
2004	Cardio3 SA (predecessor of Cardio3 BioSciences) was created based on a concept to differentiate stem cells into cardiac myocytes
2005	Christian Homsy appointed CEO
	Series A financing of €3.5 million
2006	Start of the collaboration between the Company under incorporation, Cardiovascular Center Aalst and Mayo Clinic
2007	The technology of Mayo Clinic for programming stem cells to the cardiac lineage established a level of proof-of-concept *in vitro* as well as in small animals
	Cardio3 was dissolved and the Company, Cardio3 BioSciences, was created to incorporate the Mayo Clinic technology[x]
2008	Series B financing of €7.2 million
	Move to new premises in Mont-Saint-Guibert
	GMP certification for the C-Cure Phase II trial, as well as approval for the C-Cure Phase II clinical trial in Belgium
2009	First patient enrolled in C-Cure Phase II trial
	Approvals for the C-Cure Phase II clinical trial in Serbia, UK and India, conditional approval in Switzerland
	Last patient enrolled in the C-Cure Phase II trial
	3-fold increase in cellular retention with C-Cath$_{ez}$ versus gold standard in swine trials
2010	Series C financing of €12.1 million
	Expansion of the Mayo Licence to broaden the field of use as well as to broaden the scope of collaborative research
	Preliminary Results of Phase II C-Cure clinical trial:
	Positive feasibility and safety results
	Positive efficacy outcomes - 25% increase in LVEF versus baseline
	Positive pre-clinical results of large animal study in the protein programme (C3BS-GQR-1) – 65% reduction in infarct size
	C-Cath$_{ez}$ design finalised
2011	EMA Scientific Advice for Phase III trial
	Validation of refined release criteria
2012	Validation of Cryopreservation
	GMP certification for Phase III trial of the Mont-Saint-Guibert plant
	CE mark of C-Cath
	Approval to start CHART-1 in Belgium
	Final results of the C-Cure phase II trial presented at late breaking session of European Society of Cardiology Heart Failure Meeting

[x] Certain assets and liabilities of Cardio3 SA have been transferred to the Company in October 2007.

Year	Description
2013	Series D financing of €19.0 million
	First patient enrolled in CHART-1
	Validation of site automated cell thawing prior to injection (in hospital)
	Publication of the Phase II C-Cure final data in the Journal of the American College of Cardiology
	Signature of distribution and real life Registry management for C-Cure with NetCells in South Africa

10.2 *Company mission and strategy*

Cardio3 BioSciences seeks to successfully discover, develop, commercialise and/or partner regenerative, reconstructive and protective therapies for the treatment of cardiovascular diseases. The Cardiopoiesis technology platform combined with the cell processing and protein expertise are the foundations of the research programmes and product candidates that the Company is currently pursuing. The key elements of the Company's strategy are the following:

Build on positive Phase II results to advance C-Cure towards marketing authorization

The Company intends to exploit the positive Phase II results, published in the Journal of the American College of Cardiology [15], by running CHART-1 and completing patient enrolment as quickly as possible.

Subject to a positive outcome of the CHART-1 clinical trial, the Company intends to start discussions with the European Medicines Agency (EMA) on the filing of a marketing authorization application in the EEA.

For the US, the company intends to obtain authorization from the Food and Drug Administration (FDA) to run the CHART-2 trial and continues to investigate the possible course of actions to either conduct the trial independently or with a partner. Subject to a positive outcome of the CHART-2 clinical trial, the Company aims to discuss with the FDA the filing of a marketing authorization request supplemented with the CHART-1 2 years endpoint results.

Based on the feedback obtained from EMA and FDA, as well as public information that has become available regarding Advanced Therapeutic Medicinal Product (ATMP) submissions, the Company has designed the CHART programme to meet the agencies recommendations for direct clinical benefit to the patients. The intended target population for the CHART programme is moderate to severe HF of ischemic origin with systolic dysfunction. The CHART-1 trial is designed to address the recommendations of EMA, while the CHART-2 Trial will be designed to primarily meet the recommendations of the FDA. This approach is designed to reduce the regulatory risks by seeking to independently meet each agency's recommendations, thereby potentially reducing time-to-market by allowing the filing of a marketing authorisation application in each geography, independently, or in combination with the data obtained in the other geography.

The primary endpoints of HF Phase III trials should demonstrate a clinical benefit possibly in combination with a functional benefit [17]. The primary endpoint for CHART-1 is therefore a composite hierarchical endpoint including Mortality, Morbidity, Functional Status (6MWDT), Quality of Life (MLHF Questionnaire), and Cardiac Function (LVEF and LVESV). The primary endpoint of CHART-2 is expected to be Functional Benefit measured by the 6 minutes Walking Distance Test. Each of the two Phase III trials is expected to include a minimum of 240 patients, with a 1:1 randomisation scheme, meaning that half of the enrolled patients will be assigned to the C-Cure treatment arm and half to the Control arm. Both trials will be blinded (patient and evaluator), with the core labs being blinded as well. Measures of cost-effectiveness and resource utilisation are included with the aim to gather data to support future discussions with reimbursement agencies.

Studies similar to CHART-1 and conducted in similar indications lead the Company to believe that an 18 months enrolment time is a realistic target, following 12 months to obtain endpoint data. As in all clinical programmes, these estimates can vary depending, amongst other factors, on speed of enrolment of patients in the trials.

The Company has obtained a Good Manufacturing Practices (GMP) certificate for the Mont-Saint-Guibert, plant issued by the Belgian regulatory authorities, as further described in section 10.11 "Manufacturing". The Company has included in this inspection all optimised processes that were validated at the time of the inspection resulting in, amongst others, an extended shelf life of the product through a novel cryopreservation technique, and improved quality control test methods.

The Company will seek to obtain CMC and Pre-Clinical modules certification from the EMA ahead of the submission of CHART-1 data to facilitate the marketing authorisation process once. The Company will also engage health assessment agencies once cost effectiveness data becomes available, ahead of the submission of a marketing authorization.

The Company believes that C-Cure is the first heart tissue regeneration product candidate entering a Phase III programme in ischemic HF. The Company aims to maintain that leading position and become the first company with an approved regenerative product for this indication.

Industrialisation and commercialisation strategy for C-Cure

Upon commercialization of C-Cure, the Company plans 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). These two sites are expected to allow for increased flexibility and reduced logistics costs as well as provide the necessary redundancy in case of site or geography-related failure (e.g. natural or environmental disaster).

The Company is continuously working on the optimisation of manufacturing processes to reduce the cost of the product.

The Company's management has had direct involvement in the approval, reimbursement and market access, in Europe and the US, of breakthrough therapies such as Drug Eluting Stents, Implantable Cardioverter Defibrillators, Biventricular Pacemakers and Defibrillators, and Left Ventricular Assist Devices. The Company intends to build a comprehensive data set during the Phase III programme to facilitate reimbursement and therapy adoption.

The Company believes that a commercial strategy involving the concept of key referral centres and the establishment of referral networks is one that the Company can realistically pursue in Europe. In the US, therapy adoption is expected to occur much faster than in Europe. The Company plans to have a direct sales force in the US covering key centres of excellence, thereby replicating the EEA strategy. However, in the US the Company will aim to rely on a local partner for the referral networks. Any commercialisation in Asia would follow a partnering strategy with local reputable and established partners.

Cardiologists, and in particular interventional cardiologists (those who treat acute events with catheters) have a history of early adoption of innovative products and technologies, in part because the rate of innovation in the sector has been high over a longer period of time, and in part because of the dire need that those patients exhibit.

Continue to leverage the potential of C-Cure and the Cardiopoiesis platform

In October 2010, the Company has expanded the licence from, and its long-term research relationship with, Mayo Clinic. The Company will continue to leverage its own as well as Mayo Clinic's unique Cardiopoiesis know how.

The Company plans to enlarge the target patient population of C-Cure through exploration of the benefit of sequential injections and by targeting the most severe subgroup of HF patients through a study to be conducted in collaboration with the Karolinska Institut in Sweden on patients under Left Ventricular Assist Device (LVAD) therapy, exploring the benefits of C-Cure in Ischemic Cardiomyopathy patients as they undergo coronary bypass revascularization surgery.

Potential longer term developments of the Cardiopoiesis platform include:

- Studying the combination of products (combining cellular and a-cellular compounds) *in vitro* and *in vivo;*
- Exploring the opportunity to test C-Cure in ischemic cardiomyopathy indications.

Other types of cells may also be explored (adipose mesenchymal stem cells, embryonic stem cells, umbilical cord blood stem cells or induced pluripotent stem cells).

The Company intends to apply for additional non-dilutive research and development funding through Walloon Region recoverable cash advances and/or subsidies and may participate in other European programmes.

Additionally, the Company is identifying and will continue to identify promising technologies or companies that may have synergies with the Cardiopoiesis platform and the Company's set of competencies in the field of regeneration, reconstruction and protection for cardiovascular diseases.

Establish GLP pre-clinical proof-of-concept for the C3BS-GQR-1 protein programme, thereby making it ready for first-in-man trial

In the next 12 to 18 months the Company intends to achieve significant milestones in its protein programme C3BS-GQR-1. The Company intends to perform a new GLP (Good Laboratory Practices) study following the results and insights obtained from the first animal trial. C3BS-GQR-1 could be ready for human testing as early as the end of 2014 if the results of the GLP trial confirm the outcomes of the swine trial conducted earlier. Should the first results (65% reduction in infarct size) be confirmed in the additional GLP animal study, the Company believes that C3BS-GQR-1 could become a highly desirable therapy for the treatment of AMI, being potentially comparable to established treatments in the area of clot removal - thrombolysis (such as urokinase, streptokinase, and rtPA).

The Company currently believes that the most value-creating strategy for this programme would be a licensing or partnering strategy. The Company will examine each available partnering option to carefully measure the immediate versus long-term return and make decisions on such opportunities as they arise. The Company had and continues to have discussions on potential partnering opportunities with various pharmaceutical and medical device companies.

Establish in Vivo proof of concepts for other discovery programmes

C3BS-GQR-4: Clinical outcome of acute myocardial infarction (AMI) due to cardiac ischemia has significantly improved by current interventional treatment reducing infarct size and mortality by restoring the blood flow through thrombolytic therapy or percutaneous coronary angioplasty [18-20]. However, cardiac reperfusion of the previously ischemic myocardium after myocardial infarction or following artery bypass grafting induces a complex cascade of harmful events resulting in cell death which may account for a large part of the infarct volume, a phenomenon referred to as ischemia reperfusion injury (IRI) [21-23]. As the total infarct size is a critical determinant of the patient's risk to develop heart failure, treating or preventing IRI is anticipated to reduce morbidity and mortality and the need for further regenerative medicine [24-26]. Interventions such as angioplasty, thrombolytic treatment or coronary bypass surgery to restore the coronary flow to the ischemic myocardium following AMI are performed frequently, hence blocking or prevention of IRI is expected to represent a major clinical target with a significant market potential.

The destructive effects of IRI arise mainly from reactive oxygen species (ROS) [27-29] triggering a complex inflammatory response whereby leukocyte activation plays a major role [22, 30, 31]. Several studies reported that CD80 (B7-1) and CD86 (B7-2), members of the co-stimulatory pathway B7-CD28-CTLA-4 and essential for the activation and proliferation of T-cells, are up-regulated after innate immunity-dominated IRI mediated by CD4 T-cells in liver [32], as well as in kidneys [33]. As the co-stimulatory signals appear to be implicated in IRI, as recent clinical data with the administration of cyclosporine A at the time of reperfusion in AMI patients undergoing percutaneous coronary intervention suggest [34, 35], blocking of the co-stimulatory pathway is considered a feasible target for the development of an IRI therapy.

The Company has started early research phase development by establishing in vitro models such as mixed lymphocyte reaction (MLR) for screening and confirmation of the co-stimulatory pathway blocking reagents such as CTLA4Ig and B7-1 and B7-2 blocking monoclonal antibodies, allowing the selection of reagents in preparation of their evaluation in-vivo in a ischemia reperfusion injury animal model.

C3BS-PQR-1: TEH-TUBE was pre-selected within the 7th framework programme to research and develop biodegradable prosthesis for the replacement of the Right Ventricular Outflow Track (RVOT) in certain congenital heart diseases. Final selection is expected to occur in July 2013. The research will be conducted by a consortium lead by the AP-HP and in which various well known research institutions and Small and Medium sized Enterprises (SMEs) are involved. In addition to certain research, regulatory, and pre-clinical activities within the Consortium, the Company is also the Exploitation Manager of this programme and therefore entitled to manage the commercialization of the results to be obtained from the research programme. This research consortium will be exploring biodegradable prosthesis material woven or electrospun in the form of a valved tube, seeded with cells, proteins or both. The current stage of development is the testing of patches of the biodegradable polymers in rabbits and it is expected that this project would be ready for human testing towards the end of 2017. The regulatory path (Device or Combination product) is yet unclear and will depend on the outcome of the discovery phase, while this programme is expected to be granted orphan drug designation.

10.3 *The unmet medical need: a significant market opportunity*

Cardiac diseases are the largest subset of the global classification of cardiovascular diseases. Cardiovascular diseases comprise, in addition to cardiac pathologies, diseases linked to vascular-related malfunctioning such as stroke, diabetes, peripheral vascular diseases or large vessel diseases such as aneurysms. Cardiovascular diseases are the largest cause of mortality in the world. The World Health Organisation statistics for 2008 show that close to one-out-of-three deaths (31.4%) in the world are caused by cardiovascular diseases, representing more than 17 million deaths per year [5]. The second and third largest causes of death are cancers (all cancers grouped together) and infectious diseases. Each of those causes accounting for less than half of the rate of death due to cardiovascular diseases. In addition, the social and healthcare costs related to cardiac disease are high compared to other causes of death [36]. For example, 5% of all hospital admissions in the UK are cardiovascular-related [37].

Cardiac diseases, which represent around 60% of cardiovascular diseases [5], are the single largest cause of death in this cardiovascular diseases population. Cardiac diseases can be broadly divided into diseases linked to impairment of blood flow to the heart muscle (**ischemic causes**) and other diseases grouping causes not linked to the impairment of the blood flow to the heart muscle (**non-ischemic causes**) including hypertension, valvular dysfunctions and congenital and metabolic disorders. If left untreated, cardiac diseases could lead to the heart getting exhausted and becoming unable to pump enough blood to meet the body metabolic needs. This condition is called **heart failure (HF),** which can be of both ischemic and non-ischemic origin. Depending on the geography, lifestyle, or genetic predisposition of the patients, the ratio of HF of ischemic and non-ischemic origin varies between 60/40 and 40/60 [5-7].

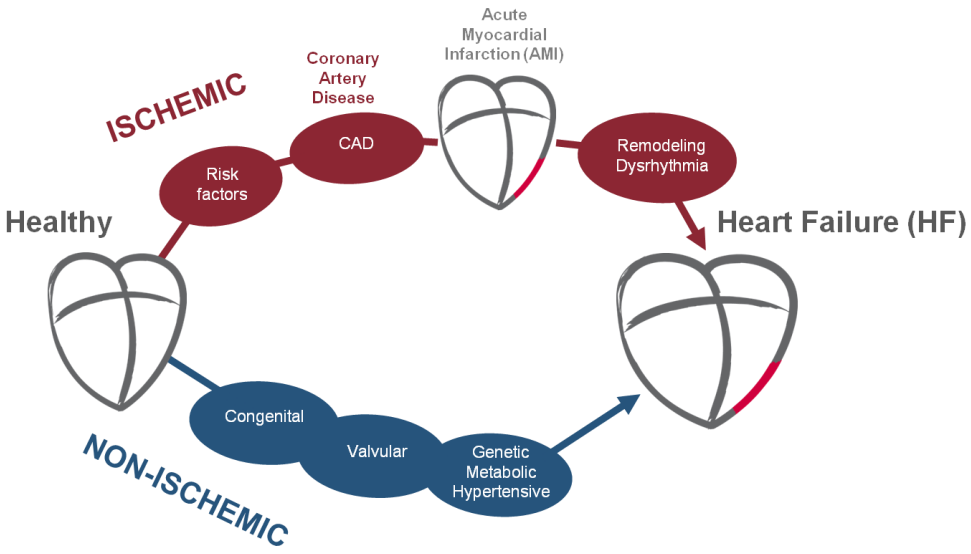


Figure 2: Cardiac disease progression to heart failure

10.3.1 *Heart Failure*

HF in itself can be considered a very serious condition. As HF evolves naturally from most cardiac diseases, it has become a very common condition. The Company estimates that, out of a World population of 5.2 billion people in the geographies traditionally targeted by pharmaceutical and medical device companies, currently 117 million people suffer from HF. This estimate is based on a conservative analysis of data available at the European Society of Cardiology, the World Health Organisation, review articles in peer-reviewed journals, and Census figures that point at a prevalence rate for HF between 1.5 and 2% in the general population [6, 7, 38][xi]. This number increases to 6-10% in individuals over the age of 65 [7, 38]. Specifically, 3.6 million people are diagnosed annually with HF in Europe alone [38]. It is estimated that a 40-year old individual has a one in five lifetime risk of developing HF, and of those patients diagnosed with HF, one in three will die within a year of diagnosis [2, 5, 38].

HF patients in moderate to severe stages of the disease are treated with expensive therapies such as implantable cardioverter defibrillators (ICDs), biventricular pacers and defibrillators (Cardiac resynchronisation therapy- CRTs and CRTDs), and left ventricular assist devices (LVADs). The cost of those devices ranges from USD 25,000 for CRTDs in the US to €75,000 for LVADs in Europe. Replacement is needed every year for LVADs and every five years for CRTDs. In advanced stages of the disease, patients are admitted to intensive care about 10 times per year and consume substantial healthcare resources.

The two principal modes of death of HF patients are sudden cardiac death (or ventricular fibrillation) occurring unexpectedly in everyday activities, and cardiac exhaustion in a bed-ridden patient.

HF is classified in function of the severity of the symptoms experienced by the patient. The classification most commonly used is the New York Heart Association (NYHA) classification. The least severe patients are in NYHA class I (no or very mild symptoms), class II where patients experience shortness of breath during moderate exercise, class III (moderate HF) patients experience shortness of breath during light exercise, and class IV (severe HF) patients are exhausted even at rest. The survival rate in each of these classes of HF is a function of the severity of the disease. The one-year survival rate is evolving from 82% for class I-II patients to 77% for class III patients and 41% for patients in class

[xi] Data supplemented by internal analysis conducted by the Company.

IV. The 3-year survival rate are lower and estimated to be 52%, 34% and 0% for class I-II, class III and class IV patients respectively.

Company estimates are based on the US Census Bureau country population projections for 2011 [3]. For HF, the Company takes into account the prevalence of HF, and patients with moderate to severe symptoms who exhibit some level of systolic dysfunction. The number of patients in the geographies traditionally targeted by pharmaceutical and medical device companies that meet those criteria is estimated to be 22.3 million suffering from symptomatic moderate to severe HF of ischemic origin with systolic dysfunction and 15.9 million patients suffering from moderate to severe HF of non-ischemic origin with systolic dysfunction. The Company further reduces those estimates by taking into account patients in geographies that have access to relatively expensive health care. This further reduces the accessible number of patients with HF of ischemic origin to 7 million and patients with HF of non ischemic origin to 5 million. For AMI, the Company uses incidence data as, by definition, the indication is limited to patients suffering from acute events. The Company estimates based on projections of the MONICA epidemiological study, that 11.8 million patients per year suffer an AMI [7, 36]. This study underestimates the AMI prevalence in the US reported by other studies and in other geographies. However, the Company has chosen to use the most conservative data available to it.

The Company has modelled estimated incidence and prevalence rates based on healthcare access per country derived from US Census Bureau country population projections for 2011 and the Global Competitiveness 2010-2011 report of the World Economic Forum, and has adjusted some of those figures downwards to adopt a more conservative view.

	High Health Care Access	**USA**	**Medium Health Care Access**	**Moderate Health Care Access**	**Low Health Care Access**	**Total**	**Indications**
Population[xii]	600.3m	313m	437.8m	2,498m	1,333m	5.2bn	
Heath Care Access Ratio[xiii]	90%	75%	50%	20%	10%	1.8bn	
HF prevalence[xiv]	14.3m	5.8m	10.0m	57.1m	29.8m	117m	22.3m (ischemic) and 15.9m (non-ischemic) with moderate to severe HF with systolic dysfunction
Addressable HF (Prevalence x health care access)	12.9m	4.35m	5.0m	11.4m	3m	36.7m	7.2m (ischemic) and 5.1m (non-ischemic) with moderate to severe HF with systolic dysfunction
AMI Incidence	1.408m	0.9m	0.9m	5.425m	3.235m	11.8m	
Addressable AMI	1.267m	0.68m	0.45m	1.085m	0.323m	3.81m	

It is estimated that the prevalence of HF will double over the next 10 years [36, 38]. The HF incidence is increasing for a variety of reasons, some of which are linked to the increase in obesity, life-style changes, or diabetes, but also because patients that suffer from HF live longer compared to the recent past. The survival rate and subsequently the prevalence of HF patients has been increasing due to a better standard of care and the advent of life saving therapies such as implantable cardioverter defibrillators (ICDs) that often rescue a patient dying from ventricular fibrillation.

[xii] US Census Bureau 2013 projections

[xiii] Health Care Access Ratio modelled from the World Competitiveness 2010-2011 report of the World Economic Forum, interpreted and further restricted by the Company

[xiv] Derived from Data Monitor Report DMHC 2031

Another reason for the increase in the incidence of HF is specific to HF of ischemic origin. In this aetiology, the disease starts with an impaired blood flow to the heart muscle itself, leading to lack of oxygen supply to the heart. When the oxygen is acutely missing such as when a thrombus (clot) forms in a coronary artery or a plaque due to atherosclerosis ruptures and obstructs a coronary artery, the muscle that depends on that artery for its oxygen supply dies. This is called an acute myocardial infarction (AMI). After the initial injury occurred, inflammation follows, and finally a scar replaces the healthy contractile tissue. This scar tissue is non-functional (as it does not contract). The rest of the heart will beat more vigorously to compensate for the loss of function. Progressively, the heart will use all its available resources. At first, the heart will lose its ability to respond to increased metabolic demand such as during intense exercise, and as the disease progresses, mild exercise will soon exceed the capacity of the heart to react, and towards the end stage of the disease, the heart cannot pump enough blood to meet the body needs even at rest. At this stage, fluids accumulate in the distal circulation (oedema) or in the lungs, making the patient unable to perform daily life activities, and remaining in bed for most of the day.

As patients get treated more aggressively during AMI with therapies that were previously unavailable, such as clot dissolution agents, angioplasties and stents, the rate of patients surviving the initial injury increased from 16 out of 20 in the 1970's to 19 out of 20 in 2010 [5, 6]. Patients with severe injury involving more than 40g of tissue in the 1970's frequently did not survive their initial injury while these patients today have a much improved survival rate [5, 39, 40]. However, these patients tend to progress rapidly towards HF and form a new pool of patients who live, but with a severe handicap.

The cost of HF to society is considered high and estimated to be $32 billion in 2012 in the US alone [36]. The Company considers that this number underestimates the actual costs as it is based on data for HF as the primary diagnosis or the underlying cause of death [36].

10.3.2 *Acute Myocardial Infarction*

The incidence of AMI has been relatively stable over the years in developed countries, but is rising in countries such as China, India and Brazil. The increase of the incidence of AMI in those countries is attributed to changes in health parameters such as smoking and obesity, and related indications like diabetes. It is estimated that 11.8 million suffer from an acute myocardial infarction every year [7, 36].

10.3.3 *Congenital Cardiomyopathies*

A study performed by the World Health Organization (WHO) on epidemiological data between 1950 and 1994 concluded that around 42% of infant mortality in the world could be related to congenital heart defects (CHD). Congenital cardiac abnormalities are the most frequent congenital abnormalities (8-12/1000 births). According to the European study EUROCAT1, the prevalence of CHD in Europe is 8/1000. EUROCAT estimates that, out of 3.3 million of births per year in the European Union, around 36,000 children were born with a CHD and 1,250 perinatal deaths were related to a CHD. The impact of the prenatal diagnosis on the number of living births of children with CHD has remained stable since over the course of 20 years [8-12].

The survival of children with a congenital heart defect thanks to the major progress in medical and surgical management has resulted in a shift in the paradigm of epidemiology (and consequently treatment) of congenital heart defects as the number of adults with such a defect is now larger compared to the number of children currently born with such a disease in North American and Western European countries. From 1985 to 2000, the prevalence of CHD in Quebec increased from 6.88 to 11.89/1000 in children and from 3.57 to 4.09 in adults [41]. During the same period, the median age of patients with CHD significantly increased from 11 to 17 years. The total number of people with a CHD was estimated around 181,000 in Canada and 1,800,000 in the USA. The table below indicates the prevalence of CHD in the whole population (both adult and pediatric) in some European countries, differentiated by the severity of CHD [42-44].

	Population	Severe CHD	Moderate CHD	Simple CHD	Total CHD
Germany	82,000,000	34,164	88,184	107,456	230,037
France	64,000,000	26,676	68,856	83,904	179,618
Italy	58,000,000	23,400	81,540	99,360	163,074
Netherlands	16,000,000	6,669	17,214	20,976	44,904
Greece	11,000,000	4,596	12,291	14,977	32,030
Belgium	10,000,000	4,178	11,174	13,616	29,119

More than one third of congenital heart diseases (such as Tetralogy of Fallot, Pulmonary atresia or Truncus arteriosus) and surgical procedures (such as the Ross procedure) require the reconstruction of the right ventricular outflow tract (RVOT). Current clinical approaches for such a reconstruction involve the use of inert materials without any growth potential and which require multiple reoperations with a risk of mortality (1 to 6%) and morbidity (haemorrhagic syndrome, cerebral vascular accident, damage to the coronary arteries, cardiac rhythm alterations and infection). Presently all the patients who have had surgery for a congenital heart defect involving the RVOT with implantation of a tube during childhood will need at least one revision surgery in their lifetime because of failure of the implanted conduit [42-44].

10.4 *The goal of Cardio3 BioSciences is to harness the power of regenerative therapies to address unmet medical needs.*

Certain regenerative therapies use a specific type of cell, called stem cells, that are present in many organs of the body. Stem cells are present in large quantities in organs such as bones (to heal a fracture) or liver, but are found in much smaller quantities in organs such as the heart or the brain. The Company believes that a large number of patients suffering from HF (which by definition is a disease that currently cannot be cured without regeneration) could benefit from a treatment of the failing heart by a regenerative therapy. Similarly, the severity of HF of ischemic origin could potentially be greatly reduced if AMI scar is reduced through the injection of C3BS-GQR-1. The resulting reperfusion injury (the injury caused by the blood flow that is restored after opening the blocked artery that is carrying toxic levels of oxygen) could be reduced with the use of C3BS-GQR-4. In addition, the replacement of non resorbable prosthesis by biological materials to allow the RVOT to grow with the natural growth of the heart for patients that have had corrective surgery for congenital cardiomyopathies could greatly reduce the burden of the disease.

Regenerative therapies represent significant potential for the treatment of failing organs. Regenerative therapies have the goal of rebuilding an organ that has become non-functional. Many trials with regenerative therapies have been conducted over the past decades. From the 1950s through the 1970s, pioneering work was done using bone marrow-derived stem cells by a team at the Fred Hutchinson Cancer Research Center led by E. Donnall Thomas, whose work was later recognised with a Nobel Prize in Physiology and Medicine. Thomas' work showed that bone marrow stem cells infused intravenously could repopulate the bone marrow and produce new blood cells [45].

The first physician to perform a successful human bone marrow transplant on a disease other than cancer was Robert A. Good at the University of Minnesota in 1968.

Since this first application of regenerative medicine, several therapies have been approved to rebuild cartilage or skin (Carticel® and Epicel® by Sanofi, Dermagraft® by Shire and ChondroCelect® by Tigenix), and home-made skin or bone grafts.

Today, regenerative therapy companies have evolved into a growing field with increasing attention from stakeholders. In 2008, over 500 companies were involved in cell therapy, whereas the market is estimated to grow annually with 29.2% by 2020. The market is currently dominated by small companies with high research and development activity, but large pharmaceutical and medical technology companies show an increasing interest in the field [46].

General guidance from regulatory agencies is available, identifying the regulatory path.

Different business models, such as autologous, allogeneic, and tissue engineering exist in the cell therapy industry.

The advantage of autologous therapies is that the issues related to immunity are minimal and therefore, the effect of injected cells is long-lasting as these cells are not recognized as foreign by the patient's immune system. The procedure involved in autologous approaches is considered to be more complex as it requires two steps for tissue harvest and tissue grafting. In addition, the production process is more cumbersome as each treatment dose constitutes one production batch, with the challenges of person-to-person variability and the costs involved in the testing needed to qualify each batch.

However, allogeneic approaches are interesting as they involve a simpler procedure (one grafting procedure only), easier manufacturing and quality controls, and the availability of the treatment "of the shelf". The allogeneic process alone allows treatment of an acute event as it occurs, without delays. The challenges linked to allogeneic therapies are the immunological reactions that foreign cells generate when implanted in a patient leading to potentially reducing the patient ability to receive a transplant, but more critically the disappearance of the injected cells in a matter of days or weeks.

The Company believes that autologous approaches are best suited when organ regeneration is warranted such as in heart failure, while allogeneic approaches are better suited in diseases where the mode of action of the therapies are linked to a transient paracrine effect.

As far as the Company is aware, the following four commercial cell therapies have been approved to date:

- Provenge®: The first autologous cellular immunotherapy to receive FDA approval for the treatment of asymptomatic or minimally symptomatic metastatic castrate resistant prostate cancer. The product received marketing authorisation in April 2010 and is currently priced at $93,000 per treatment. The results of the one Phase III trial showed that Provenge was able to prolong survival by a median of 4.1 months compared to placebo. Provenge is currently the only approved product of Dendreon Corporation. Dendreon's other products in the pipeline are all in early development.
- ChondroCelect®: the first autologous cell-based product approved by the EMA for the treatment of articular cartilage damage at the knee. Tigenix' product was approved in the EEA
- in October 2009.
- Epicel®: an autologous skin graft patch approved by the FDA in 2007 for the treatment of severe burns. The product is commercialised by Genzyme Corporation (now part of Sanofi).
- Dermagraft®: approved by the FDA in 2001 as a dermal substitute derived from allogeneic human fibroblasts. The product was developed by Advanced Biohealing Inc. which was acquired by Shire plc in 2012 for 750 million USD a day before the company aimed to go public.
- Carticell®: this is the first autologous cell product approved by the FDA in 1995 as well as by European country regulators for the treatment of articular cartilage damage at the knee. The product is commercialised by Genzyme Corporation (now part of Sanofi).

10.5 *Cardio3 BioSciences' Cardiopoiesis platform – making a stem cell become a cardiac progenitor cell*

10.5.1 **Background**

Adult stem cells (the stem cells found in individuals after foetal stage) are considered to be relatively organ-specific. In other words, stem cells located in the liver are best suited to replace liver cells, whereas stem cells in the skin are best suited to replace skin cells. The heart (like the brain, the

kidney or the pancreas) does not harbour large quantities of stem cells and therefore, cannot rely on a self-repair capacity for damages that other organs to a certain extent have.

The challenge is therefore to provide the injured heart with stem cells that have the capacity to function as cardiac-specific progenitor cells, hence the use of a stem cell source that is as close as possible to the heart tissue in developmental biology terms and that can be driven to become a cardiac progenitor cell. This process to derive cardiac progenitor cells from stem cells is termed Cardiopoiesis.

When the predecessor of the Company, Cardio3 was created in December 2004, the goal was to use a technology developed by Dr Ike Lee from Harvard to drive stem cells to become cardiac progenitor cells.

In 2006, after multiple attempts to obtain a robust cardiopoiesis by Dr Ike Lee's approach, Cardio3 explored another technology discovered at Mayo Clinic by Atta Behfar M.D. Ph.D. and Prof. Andre Terzic M.D. Ph.D. and found it to be more robust and predictable in inducing cardiopoesis of stem cells. This technology was then tested in an immunocompromized animal model with cells originating from cardiac patients from the Cardiovascular Centre Aalst and showed to be successful in realising Cardiopoiesis and repairing the heart of the tested animals. Cardio3 was then liquidated and the company Cardio3 BioSciences was created to exclusively in-license the Mayo Clinic Cardiopoiesis technology.

10.5.2 The Cardiopoiesis platform is based on extensive fundamental research

The fundamental research that was conducted at Mayo Clinic and led to the Cardiopoiesis platform started in the early 2000s in an effort to uncover the mechanisms that make an embryonic cell become a heart cell. The second step was to apply those mechanisms to adult stem cells (therefore non embryonic). Finally, the third step involved the use of the same stem cells but coming from cardiac patients as considering that cells from patients do not have the same capacity into progenitor cells compared to cells from young healthy donors.

In a study conducted at Mayo Clinic between 2006 and 2008, published in the Journal of the American College of Cardiology (August 2010 issue) and accompanied by a supportive editorial review by Prof. E. Marban, who labelled this work a "landmark" study, the initial hypothesis was confirmed that the cells that underwent cardiac reprogramming led to cardiac reconstruction. This work was awarded the prestigious Herman K. Gold Young Investigator Award from the American College of Cardiology 2010 scientific session.

The Cardiopoiesis platform was born out of the know-how and insights acquired during this research.

Early hypotheses pursued by various research groups not confirmed in the clinic

Cell therapies for cardiovascular applications have been tested by others in pre-clinical settings since the early 1990s. The results of those animal trials, using stem cells originating from the bone marrow, adipose tissue, the muscle or the blood, were generally positive, leading in the late 1990s to the first human trials. However, those clinical trials did not confirm the benefits that were predicted by the animal models, due to the fact that the stem cells used in the pre-clinical trials were generally drawn from healthy volunteers, or from young animals, while the cells used in clinical trials originated from the cardiac patients themselves [39, 47].

The hypothesis made was that, in young individuals, stem cells exhibit a certain level of plasticity and are therefore able to generate cells that are not identical to the organ they originate from. In other words, stem cells from the blood or the bone marrow could generate cells leading to the formation of new blood vessels, and cells originating from the striated muscle could trans-differentiate into cardiac muscle cells. However, in cardiac patients, who are older and have many factors of co-morbidity, such as diabetes or hypertension, and are taking many different drugs, those stem cells lose their capacity to spontaneously differentiate into the cardiac progenitor stem cells.

Non-reparative versus reparative stem cells

The Company and its research collaborators went on to study this hypothesis through better understanding of the underlying biological mechanisms. This research showed that indeed, when using stem cells from cardiac patients in an immunodeficient rodent model of ischemic cardiomyopathy, stem cells originating from 10-20% of cardiac patients had the inherent capacity to repair the rodent hearts in which they were injected (reparative), whereas the stem cells originating from 80-90% of cardiac patients lacked this ability (non-reparative).

Using cell characterisation techniques, the Company's research collaborators found that the cells from patients exhibiting repair characteristics differed significantly from the cells of patients not exhibiting such repair properties.

In short, the cells exhibiting reparative potential exhibited early markers of cardiac differentiation and therefore showed a "plastic or multipotency" potential (reparative) that the other patient cells (non-reparative) did not show.

Discovery of the cardiopoiesis

In parallel, Mayo Clinic used a specific methodology to decipher the signals in the embryo that lead to cardiovascular genesis, using TNF-alpha stimulation of the endoderm. This stimulation leads to heart tissue development in the embryo, through activation of a pathway based on endodermal signalling to guide the developing mesoderm into cardiac tissue [48, 49].

Genomic analysis of the endodermal layer prior to and following exposure to TNF-alpha allowed mapping of activated genes in the primed endoderm. The derived genomic map was narrowed to secreted proteins whose combined influence guided the differentiation of pluripotent embryonic stem cells (ESCs) towards cardiac cells.

Based on these results, the receptor profiles of ESCs were compared with human mesenchymal stem cells (hMSCs) in an effort to adapt the cardiopoiesis towards adult stem cells. The multipotency of hMSCs has been assessed demonstrating that these cells have the capacity to yield tissue from all germinal layers *in vivo* [50] and differentiate into cell types such as cartilage, bone, and adipose or neural cells *in vitro* [51]. As such, it was hypothesised that exposure to the right culture environment would permit hMSC specification to the cardiac programme.

Initially, bone marrow originating hMSCs from healthy volunteers were used to assess cardiopoiesis. This approach was subsequently fine-tuned using hMSCs from bone marrow harvested from cardiac patients undergoing open chest cardiac surgery. Following a fine-tuning step, the Company's researchers demonstrated a consistent capacity to derive the Cardiopoietic phenotype (precursors of cardiac cells) from patient-derived stem cells.

In summary, exposure of cardiac patient hMSCs to cardiopoiesis yielded Cardiopoietic cells, those identified as cells with reparative potential.

Pre-clinical proof of efficacy

The next step in the pre-clinical programme was to confirm the initial hypothesis that the cardiopoietic phenotype of cells originating from cardiac patients was prospectively linked to heart repair and regeneration. To this end, the Company and its research collaborators conducted a pre-clinical study in 2006-2007 that compared the effectiveness of the pre-programmed Cardiopoietic cells to unmodified stem cells coming from the same cardiac patient and to placebo, in a pre-clinical immunodeficient rodent model of ischemic cardiomyopathy. Transplantation of these Cardiopoietic cells demonstrated significant long-term functional and structural benefit on the injured heart [13].

Cardiopoiesis platform and modes of action

The mechanism of repair demonstrated in this landmark pre-clinical study revealed **direct** participation in *de novo* cardiogenesis, neovasculogenesis as well as an **indirect** beneficial paracrine effect on resident stem cells activated to regenerate the injured cardiac tissue and neo-angiogenesis [13].

10.5.3 **The Cardiopoiesis platform properties**

Cardio3 BioSciences' Cardiopoiesis platform is built on fundamental research published in a number of peer-reviewed Journals [13, 48, 51-53]. It aims to replicate the normal processes of cardiac development existing in during development, without attempting to modify the genome of the cell. Its main properties are summarised below:

Turning on patient's reparative potential

As described in section 10.5.2 "The Cardiopoiesis platform is based on extensive fundamental research", when examining the reparative capacity of non-modified stem cells from cardiac patients in an animal model of HF, it became apparent that the stem cells of only 10 to 20% of patients had the capacity to repair the hearts of chronically infarcted animals. In contrast, the Cardiopoiesis platform has shown in early pre-clinical trials and in the phase II C-Cure clinical trial to generate consistent and homogeneous (for all patients) re-programming bone marrow derived cells, with further demonstration of the cardiac reparative potential of the newly programmed cells. Moreover the cells from the patients whose non-modified cells showed a certain level of repair capacity, exhibited a stronger response and an enhanced capacity for repair after inducing cardiopoiesis compared to the basal level. This actually increases the cell population that exhibits self-repair capacity from 20% to up to 100% [13, 47, 48, 51].

Recapitulating what nature does

As opposed to previous fundamental research attempts, the advantage of the Company's Cardiopoietic transformation using a set of naturally occurring proteins is that it mimics signalling that naturally occurs within the developing embryo to guide cardiac tissue formation. This process is standardised, to yield a high level of homogeneity in the cell culture preparation, a feature absent in previous research attempts[13, 47, 48].

Some attempts to generate cardiac myocytes have been made in the past with associated risks that are incompatible with human use. These attempts included the use of 5 AZA, a powerful drug that achieves cardiogenesis through stem cell DNA demethylation, but that thereby facilitates the oncogenic potential of the cells which may lead to the creation of tumours [53, 54].

Cardiac differentiation has also been obtained using embryonic stem cells by co-culture methods on a feeder layer of neonatal cardiomyocytes. However, this approach can be considered difficult and impractical to humanise, as neonatal cells from animal sources would have to be utilised, that could introduce cellular cross-contamination in the derived product increased risk of infection [55].

Uniqueness

To the Company knowledge, the ability to achieve reprogramming of adult stem cells to the cardiac lineage is believed to be unique, and, to date, no other commercial entity or academic institution has published technologies achieving the same lineage ready for clinical development.

Versatility

The platform is versatile, meaning that it could be used to reprogram cell towards cardiac lineage using cells from different origin including embryonic stem cells (ESCs), mesenchymal stem cells (MSCs) of various origins and reprogrammed stem cells (i.e. Induced Pluripotent Stem Cells, iPS).

10.5.4 **Cardio3 BioSciences' product pipeline**

Cardio3 BioSciences is exploiting the cardiopoiesis platform to generate multiple research programmes and product candidates seeking to address the unmet medical needs in HF and AMI, as well as congenital cardiomyopathies. The Company has also developed a proprietary delivery catheter, C-Cath$_{ez}$ for intramyocardial injection of therapeutic agents.

These product candidates are either under development or in the discovery phase:

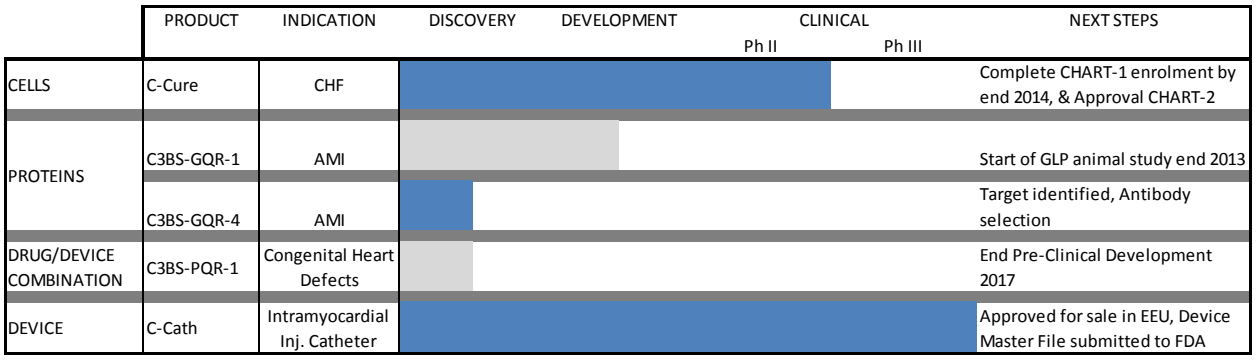


Figure 3: Overview of the Cardio3 BioSciences product portfolio.

10.5.4.1 Autologous bone marrow-derived stem cells – C-Cure

C-Cure is the Company's most advanced product candidate based on the cardiopoiesis platform. It consists of cells harvested through bone marrow aspiration during an outpatient procedure which are then shipped to the Company's central processing facility, are expanded and differentiated, to be then re-injected in the heart of patients suffering from HF of ischemic origin.

Pre-clinical development:

C-Cure is based on the first pre-clinical proof-of-concept achieved during the discovery of the cardiopoiesis platform. First, cardiac progenitor cells were derived from MSCs originating from the bone marrow of cardiac patients. This was achieved in small scale (meaning in small quantities) in bone marrow samples obtained from the Cardiovascular Center Aalst. The Company then tested the effect of those Cardiopoietic cells by injection in an immunodeficient rodent model.

Immunodeficient rodents are animals such as rats or mice which lack a component of the immune system and can therefore be implanted with human cells without triggering of an immune response leading to rejection of those cells. This model was chosen to allow the use of human derived cardiopoietic cells (from cardiac patients) without incurring the risk of rejection after transplantation. The alternative would have been to use animal derived cardiopoietic cells, thereby introducing another variable before starting the clinical application that is the extrapolation of the cell biology between animals and humans. In this test, a group of rodents were infarcted by way of the permanent ligation of the left descending coronary artery. The animals were left alone for one month, until the infarct became chronic and the scar organised. The animals were then divided in three groups. The first group received an injection of placebo (saline), the second group received an injection of cells coming from the cardiac patients but undifferentiated and the third group was injected with cells coming from the same patients but modified to become Cardiopoietic cells (in essence, C-Cure at a low dose to fit the smaller hearts). [13]

This pre-clinical study showed the following:

- Animals treated with the Cardiopoieitic cells survived significantly more at one year compared to animals treated with naive cells or saline (78% vs 48% vs 0% in the animals were the baseline ejection fraction was significantly impaired (<45%)
- The pumping function (LVEF) of the hearts of rodents treated with the Cardiopoietic cells improved in relative terms by 28%±6% at two months, which is significantly more compared to the rodents treated with either placebo (3%±9%) or undifferentiated stem cells (-6%±6%). This benefit was sustained at six, and 12 months following the procedure.
- The visual examination of the hearts after euthanasia showed that the scar tissue created by the infarct in the animals treated with Cardiopoietic cells was substantially diminished, while in the two other groups the scar was still present and large.

- Microscopic examination of those hearts showed that the repair mechanisms came from both the injected human cells that rebuilt heart tissue, as well as the heart itself where the self-repair mechanisms were primed by the injected Cardiopoietic cells through the activation of resident stem cells.

Clinical development – Phase II:

The described pre-clinical study, after a period in which the process of manufacturing large quantities of cells was achieved and methods to qualify those cells were developed, was followed by a human clinical trial. In the case of complex biologics such as C-Cure, the terminology used for pharmaceutical trials does not fully apply as the typical Phase I study involving healthy volunteers is not performed based on ethical arguments in the case of invasive procedures. Hence, the first-in-man clinical trial for C-Cure was a Phase II trial. [15]

Trial design

The trial was initially designed as a Phase II/III trial with a stage A (Phase II) consisting of 45 patients and a Stage B (Phase III) consisting of 195 patients (a total of 240 pooled patients). The primary endpoint of the combined trial was left ventricular ejection fraction (LVEF) at six months. The primary objective of the Phase II part of the trial was to assess the safety of the injection procedure and the feasibility of manufacturing C-Cure in large quantities.

For this Phase II trial, 45 patients were enrolled with HF of ischemic origin (NYHA class II or III, LVEF between 15 and 40%, with some level of systolic dysfunction), and were randomly assigned to either the control group or the C-Cure group. Both groups received optimal standard of care as defined by the American College of Cardiology guidelines [55] and the European Society of Cardiology guidelines [1] (including implantation of an ICD if the patient did not already have it). Patients assigned to the C-Cure group received C-Cure in addition to the optimal standard of care.

Endpoints

The primary endpoint of the Phase II/III clinical trial beyond the safety and feasibility was the LVEF. The LVEF is the percentage of blood that is pumped out of the heart at each beat. In healthy individuals, this percentage is between 60 and 70%.

Other endpoints relating to safety, feasibility and efficacy were assessed. The other endpoints included:

- Safety: cardiovascular events, occurrence of arrhythmias;
- Feasibility: clinical acute success (defined as C-Cure injection without the occurrence of cardiac death and unexpected serious adverse events), success to manufacture C-Cure;
- Efficacy - functional: echocardiographic parameters such as left ventricular volumes (end-diastolic, end-systolic);
- Efficacy – clinical: 6-minutes walking distance, quality-of-life.

Results

At 6 months, which was the time point chosen to assess the efficacy of the therapy, it appeared that the group of patients treated with C-Cure showed a highly significant 25% relative improvement of LVEF versus baseline ($p<0.0001$), whereas the control group (patients with optimal standard of care only) showed a relative improvement of 0.7% versus baseline. In addition, certain other measures of improvement such as the ventricular volumes or measures of cardiac remodelling were significantly in favour of the C-Cure group.

Importantly, all patients in the C-Cure treatment arm showed improved LVEF beyond optimal standard of care; 76% had an absolute increase of over 3% while 57% showed over 5% increase.

The assessment of the above measures was performed by a central core lab, which was blinded (not aware) of the treatment group the patient was in, thereby ensuring that there was no Company or observer bias in the core-lab analysis of the study.

In addition, patients in the C-Cure treatment arm improved exercise capacity as measured by a standard test called the "6 minutes walking distance test" which measures how many meters a patient can walk over a period of six minutes. The C-Cure group's walking distance improved statistically significant by 77 meters compared to the control group ($p<0.01$).

The validated "Minnesota Living with Heart Failure Quality-of-Life questionnaire" was used to assess to what extent the patient's life was affected by its condition. The result of the test is a score, whereby the higher the score is, the lower the quality-of-life (the maximum score being 105). Over the course of six months, the score of the patients in the C-Cure treatment arm improved by 4.95 points whereas the score of the control group patients improved by 0.35 points. In addition, the C-Cure group had 30% of patients improving by a 10 points difference or more while in the control group 0% of patients improved by that difference. These results of the Minnesota questionnaire were not statistically significant.

On the safety aspects of the trial, two patients in the control group died over the two years follow up period and those two deaths were from heart failure origin, whereas one patient in C-Cure group had an elective cardiac transplantation and died following that transplantation from septic (infectious) causes while still in intensive care. Three types of arrhythmias are distinguished: supra ventricular tachycardia (SVT), ventricular tachycardia (VT) and ventricular fibrillation (VF). The number of patients with such new arrhythmic events (occurring in the follow up period, which did not occur prior to the index procedure) in each group is depicted in the table below:

	Control (n=24)	**C-Cure (n=21)**
SVT	6 (25%)	6 (28%)
VT	7 (29%)	4 (19%)
VF	1 (4%)	1 (5%)

After reviewing the reported adverse events, the external independent committee that oversees the safety aspects of the trial (the Data Safety and Monitoring Board, DSMB) decided that there were no safety concerns that could be related to C-Cure. This independent body, consisting of three experts (one expert specialised in clinical pharmacology, another expert specialised in heart disease and a third expert specialised in biostatistics) is appointed by the Company, but does not participate in the trial. The DSMB meets at regular intervals and reviews in closed sessions (without the Company's participation) all adverse events reported by the hospitals participating in the trial.

On the feasibility, the scaling-up and manufacturing of the large quantities of cells during this first human experience was challenging. The Company managed to produce C-Cure for 21 out of the 30 patients attempted, which translates into a 70% success rate. While the Company believes that this is an acceptable number for a phase II trial, the goal of the Company is to achieve an 80% manufacturing success rate or greater for the Phase III programme.

The clinical acute success rate was 95% (20/21 patients), with no patient death but occurrence of one unexpected adverse reaction (migraine (head ache) with aura (vision spots)) one day post-procedure.

On the basis of these positive results, the Company applied for the required national clinical trial authorisations to carry out a Phase III programme in H2 2012 after obtaining the GMP certification for the Mont-Saint-Guibert Plant. This certification also included the approval of the enhancement to the product characteristics such as improved (better sensitivity and specificity) of some release criteria (the criteria used to characterize the final product) and the new cryopreservation process (freezing of the final product for extended shelf life).

Indeed in the context of continuous improvement, the Company looks at ways to facilitate logistics and manufacturing, and to optimise dosing. The Company has validated the following improvements to the manufacturing process of C-Cure:

- Moving from cold product storage to a frozen (cryopreserved) product. This has allowed the shelf life to be significantly extended, from three days for the cold product to at two month for the cryopreserved product. Further stability tests currently in progress are expected to prolong the shelf life for more than six months.

- Optimising the test methods for the release criteria of the cells, in order to ensure that "the desired" cells are not rejected for wrong reasons ("false negatives"). The Company has completed the revision of the test methods for all the release criteria (Purity, Homogeneity, Identity) of the product. In addition, the Company has developed a set of Potency Assays to be validated during the conduct of CHART-1 and CHART-2.
- Improvement in the manufacturing process to reach a consistent cell quantity. The Company has developed predictive tests early in the manufacturing process that allow with high sensitivity to reject patient bone marrow that is of poor quality and therefore unable to yield the required number of cells.

These process optimisation steps also aim at improving the manufacturing success rate from 70% in the Phase II trial to 80% or more in the Phase III trials.

Clinical development – Phase III:

Based on the feedback obtained from the meetings in October 2009 and June 2012 at the FDA and the EMA Scientific Advice of April 2008 and June 2011, the Company decided to decouple the two parts of the Phase II/III clinical trial as initially designed, and to pursue clinical development through a comprehensive Phase III programme comprised of two trials, each involving a clinical or combined clinical/functional primary endpoint (showing improvement in the clinical or combined clinical/functional status of the patient).

The Phase III programme has started in January 2013 with the first CHART-1 patient enrolled in Belgium. The Company has been using the Myostar® (Biologics Delivery Systems, a J&J company) as the delivery catheter in the Phase II trial. To achieve a higher retention rate of injected cells in the heart, the Company developed its own proprietary injection catheter called C-Cath$_{ez}$ (10.5.8 "C-Cathez, a proprietary intramyocardial delivery system"). C-Cath$_{ez}$ has been CE marked in April 2012 and has been included in the CHART-1 clinical trial in Europe.

CHART-1 is a 240 patient prospective controlled randomized blinded (patient and evaluator) trial, including NYHA Class III and IV patients. The trial applies a 1:1 randomization scheme whereas the primary endpoint is a composite hierarchical endpoint using the Finkelstein-Schoenfeld statistical method. The elements of this endpoint are (hierarchically listed) Mortality, Morbidity, 6 minutes Walking Distance Test, Quality of Life, Left Ventricular End Systolic Volume and Left Ventricular Ejection Fraction. Each patient in the treatment arm will be compared to the population of the control arm (and vice versa), and a score will be derived to compare one group versus the other. Based on the time it took to enrol patients in similar trials, the Company anticipates that CHART-1 will take approximately 18 months to enrol all patients (from first patient treated to last patient treated).

The Company takes into account the feedback from the FDA and EMA regarding its clinical programme and the regulatory requirements for marketing authorisation, relying on evidence-based medicine, as well as other Phase III trials in this field authorised by the FDA. The regulatory acceptability of Phase III clinical data will depend on the magnitude of the difference between trial study arms as well as a risk/benefit analysis. The FDA stated that it may show some flexibility reviewing and accepting a licensure application when the outcome of a stand-alone trial is "*internally consistent, clinically meaningful, and highly statistically persuasive*".

The FDA has reviewed the application of CHART-2 and has put the programme on clinical hold in the US until a list of questions mostly related to the use of the C-Cath$_{ez}$ catheter for the US trial are resolved. The Company is currently working to resolve all outstanding questions and intends to file a formal response as soon as possible. The Company believes that it is essential to obtain approval from the FDA on CHART-2 to facilitate the Biologics Licence Application (BLA) application in the US once CHART-1 and CHART-2 results become available. CHART-2 can be initiated only if and once the FDA will have given its clearance to do so. Discussions with the FDA are on-going.

Future developments on C-Cure:

The Company also intends to test C-Cure in the context of repeat injections compared to the current one injection treatment regime, to measure whether the positive effect obtained with one injection

could be further enhanced by two or three injections three to six months apart. Additionally, C-Cure could also be tested in partnership with the Karolinska Institut in Sweden and with Mayo Clinic in the US on patients currently implanted with Left Ventricular Assist Devices (LVAD) pumps who are either on waiting list for transplant or diagnosed with terminal heart failure. The described small Phase II studies may yield significant information and open up additional markets for C-Cure. The two developments could be undertaken while exploring the use of C-Cure in patients undergoing coronary artery bypass or in patients with certain non-ischemic cardiomyopathies would need some level of additional pre-clinical testing.

Market opportunity:

The addressable market for C-Cure has been evaluated by the Company taking into account countries where centres of excellence exist, the average access to healthcare of the general population in these countries, the prevalence of ischemic HF, and finally a restriction to patients with moderate to severe symptoms showing some level of systolic dysfunction. The Company believes that the total population corresponding to these criteria is about 7 million patients [6, 7, 36-38]. The price at which the therapy, if approved, would be sold will be determined based on the cost-effectiveness data that are expected to be provided by the Phase III trials, taking into account the reduction in resource utilisation anticipated by the improvement in the general status of patients included in the Phase II trial. The Company believes that a price level between the current price levels of CRTDs ($25,000) and LVADs (€75,000) would be justified if sufficient clinical benefit is demonstrated in the Phase III programme.

Manufacturing:

The Company plans to use its manufacturing facility, located in Mont-Saint-Guibert, Belgium, for the manufacturing of its pharmaceutical products up to commercial launch. The Company has obtained a good manufacturing practice (GMP) certificate in March 2012 for the Phase III clinical trial in the Mont-Saint-Guibert facility (which has a production capacity of up to 250 patients per year). As the new bioreactors (currently in validation) would become available, the manufacturing capacity of the Mont-Saint-Guibert plant could increase to about 500 patients per year. In the future, the Company plans to operate two commercial manufacturing sites (one in the US for which the Company will need to obtain the consent of the Walloon Region, and one in Belgium). This is expected to allow increased flexibility and reduced logistics costs and to allow for the necessary redundancy in case of site or geography-related failure. Moreover, as the Cardiopoiesis technology was developed at Mayo Clinic partially with funding from the National Institute for Health (NIH), the Company has a contractual obligation (deriving from a legal obligation of Mayo Clinic) to manufacture in the US products sold in the US. Also, pursuant to the agreements with the Walloon Region (see section 10.8 “Grants and subsidies”), the Company should carry on a manufacturing activity in Walloon Region/Europe.

Each site will consist of a number of modules, each module being segregated from the other modules, to allow for periodic maintenance. The concept of identical modules is expected to allow a simpler module certification process, as well as the ability to shift employees between modules without the need to re-train and re-qualify. Also, the use of modules is expected to allow the Company to reduce capital expenditure and keep in line with market demand without incurring high upfront costs. The current plans are to have those manufacturing plants built by external providers and leased back to the Company to reduce upfront capital expenditure.

The Company is continuously working on the optimisation of the manufacturing processes to reduce the cost of the product. The use of closed systems that allow for manufacturing of C-Cure in vessels that prevent the product from contact with the environment as opposed to the current manufacturing vessels that are open to the rooms in which they are processed. This change is expected to allow a reduction in capital expenditure and operating costs compared to current manufacturing costs as this will reduce the needs for Class B clean rooms (which must meet the highest pharmaceutical environmental standards). The use of bioreactors also has the potential to decrease capital expenditure by reducing the total footprint of the manufacturing facility and reducing the manpower required to expand the cells as compared to the process used in the Phase II trial. The inclusion of this bioreactor (one system is currently in validation while another one in late development), is expected to lead to significant cost savings in the commercialization phase of C-Cure. As the new bioreactors

currently tested use the same flat surfaces to grow the cells compared to the current nine containers, the Company believes that there will be limited requirements for biocomparability testing.

Commercialization:

The Company's current strategy is to manufacture and market C-Cure using a sales model focused on centres of excellence and referral networks. Those referral networks are currently already organised, as the centres of excellence would overlap with the angioplasty centres that exist today. The Company believes that C-Cure would be adopted first by high-volume key-opinion-leader centres, and progressively by a broader segment of the market. The Company would aim to only target angioplasty centres with two or more cath lab rooms, both in Europe and in the US. The Company believes that 50% of the sites with two cath lab rooms and 100% of the sites with three or more cath lab rooms could be organised to provide therapies like C-Cure, and that each of those cath lab rooms could treat 1 or 2 patients per month in the medium to long term. The Company therefore believes that a commercial strategy involving the concept of key referral centres and the establishment of referral networks is one that it can realistically pursue.

	Cath Lab Sites	Cath Lab Rooms	Sites with one room	Sites with 2 rooms	Sites with >3 rooms
US[xv]	2,020	4,090	768	707	545 (avg 5)
W Europe[xvi]	1,500	2,813	525	750	225 (avg 3.5)
Average number of procedures/ site/year USA			209	418	1,045
Average number of procedures/ site/year Europe			409	818	1,431

In the EEA, as C-Cure would approach marketing authorisation, the Company intends to set up a sales force consisting of key account managers that would cover the centres where the procedures are performed, and, with the help of referral specialists, would assist these centres in setting up their referral networks. The Company is expected to hire field technicians that would assist the sites during the learning phase to ensure a smooth adoption of the therapy and avoid difficulties that would be related to inexperience. A country-specific market introduction strategy will be developed and is expected to be rolled out as cost reimbursement documentation and procedures are formalized in the various geographies following approval.

In the US, it is estimated that therapy adoption generally occurs much faster compared to Europe. The Company plans to have a direct sales force in the US covering key centres of excellence, thereby replicating the EEA strategy but to rely on a local partner for the referral networks. It is however anticipated that by the time commercialization is allowed in the US, a partnering strategy for C-Cure may become the preferred approach.

Any commercialisation in Asia would probably follow a partnering strategy with local established and reputable partners.

Cardiologists, and in particular the interventional cardiologists (those who treat the acute event with catheters) have a history of early adoption of innovative products and technologies, in part because the rate of innovation in this sector has been sustained, and in part because of the dire need that those patients exhibit.

Based on the Company's senior management and certain Board members' experience, the Company is aware of the challenges arising in the context of the reimbursement and therapy adoption of complex

[xv] Census 2009, JP Morgan Interventional Cardiology Research

[xvi] Company's internal research

and expensive products in the field of cardiology. The Company's management has had direct involvement in the approval, reimbursement and therapy adoption, in Europe and the US, of such breakthrough therapies as Drug Eluting Stents, Implantable Cardioverter Defibrillators, Biventricular pacemakers and defibrillators, and Left Ventricular Assist Devices. The Company therefore intends to build a comprehensive data set during the Phase III programme, to be able to support with facts the arguments that should facilitate reimbursement and therapy adoption. Being active in a life-saving therapeutic domain, the Company believes that should the Phase III programme show the benefits expected on the basis of the Phase II trial, the reimbursement and therapy adoption would be greatly facilitated in comparison with other therapies where alternative approaches are already available or that are essentially targeting quality-of-life improvements.

10.5.5 **A-cellular protein-based product candidate - C3BS-GQR-1**

The development of the cardiogenic process for the differentiation of stem cells into Cardiopoietic cells involves a process with three main components: 1) the selection and expansion of mesenchymal stem cells, 2) the differentiation of the expanded mesenchymal stem cells, and 3) the maturation of those cells into cardiac progenitor cells. Based on the research of the Company, it was contemplated to apply the concept of using the same process *in vivo*, in other words injecting the differentiation factors (from the cardiogenic cocktail) directly in the heart of patients aiming to induce the same effect on the patient's own circulating and resident stem cells. During the acute phase of a myocardial infarction, many myocardial cells die subsequently to the damage, and promoting cells to replace the lost tissue could be very beneficial.

Following additional research, allowing to better understand the signalling pathways guiding the proliferation and differentiation of endogenous cardiac stem cells (CSCs) and circulating stem cells, the Company formulated a protein-based product candidate for myocardial regeneration comprising a group of proteins delivered in two steps two-weeks apart.

Pre clinical results:

A number of combinations of factors with various kinetic profiles were tested in a model of coronary occlusion and reperfusion in swine.

This pre-clinical study involving the testing of five different groups of animals resulted in a significant decrease in scar size at six weeks post infarction in one group of animals tested with a particular combination of factors. The scar size as measured by Magnetic Resonance Imaging (MRI) showed that the animals treated with this particular combination showed a 64% reduction in scar size while animals treated with placebo (saline) injection showed only a 34% reduction in scar size over the same period. This effect was also confirmed by other MRI-based parameters such as the thickening of the infarcted wall, wall motion and transmurality. After euthanasia, the hearts of the animals were analysed, and confirmed the results observed by MRI. Following this study, the initial hypothesis was confirmed that the mode of action of those factors is through the stimulation of the endogenous CSCs and circulating stem cells.

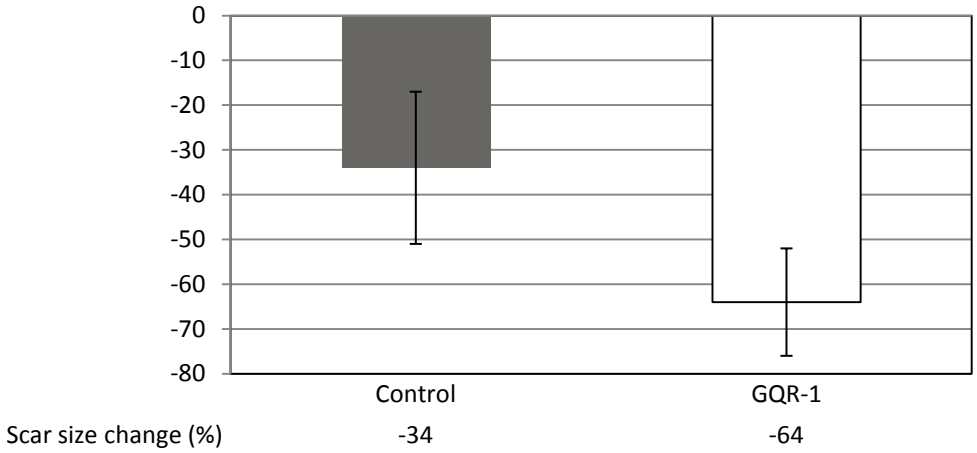


Figure 4: Scar size change (%) in tissue at 6 weeks versus baseline

Next steps:

The Company's next development step will be to confirm the data obtained in this first study in a GLP animal study and increasing the total number of data points available. In the meantime, the Company is sourcing the factors from either GMP grade suppliers or testing sourced proteins in house to ensure that they meet the quality levels required for human injectable products. The Company intends to be ready for a first-in-man clinical trial authorisation application towards the end of 2014 if the results of the GLP animal study are positive.

Market opportunity:

The initially targeted market would be the market of AMI described in section 10.3 "The unmet medical need: a significant market opportunity". The intention of the Company is to seek to partner this programme once the programme is sufficiently advanced to be able to generate substantial interest from such companies that are active in the field of AMI.

10.5.6 **Warm reperfusion injury protein product candidate: C3BS-GQR-4**

Clinical outcome of acute myocardial infarction (AMI) due to cardiac ischemia has significantly improved by current interventional treatment reducing infarct size and mortality by restoring the blood flow through thrombolytic therapy or percutaneous coronary angioplasty [18-20]. However, cardiac reperfusion of the previously ischemic myocardium after myocardial infarction or following artery bypass grafting induces a complex cascade of harmful events resulting in cell death which may account for a large part of the infarct volume, a phenomenon referred to as ischemia reperfusion injury (IRI) [21-23]. As the total infarct size is a critical determinant of the patient's risk to develop heart failure, treating or preventing IRI is anticipated to reduce morbidity and mortality and the need for further regenerative medicine [24-26]. Interventions such as angioplasty, thrombolytic treatment or coronary bypass surgery to restore the coronary flow to the ischemic myocardium following AMI are performed frequently, hence blocking or prevention of IRI is expected to represent a major clinical target with a significant market potential.

The destructive effects of IRI arise mainly from reactive oxygen species (ROS) [27-29] triggering a complex inflammatory response whereby leukocyte activation plays a major role [22, 30, 31]. Several studies reported that CD80 (B7-1) and CD86 (B7-2), members of the co-stimulatory pathway B7-CD28-CTLA-4 and essential for the activation and proliferation of T-cells, are up-regulated after innate immunity-dominated IRI mediated by CD4 T-cells in liver [32], as well as in kidneys [33]. As the co-stimulatory signals appear to be implicated in IRI, as recent clinical data with the administration of cyclosporine A at the time of reperfusion in AMI patients undergoing percutaneous coronary intervention suggest [34, 35], blocking of the co-stimulatory pathway is considered a feasible target for the development of an IRI therapy.

The Company has started early research phase development by establishing in vitro models such as mixed lymphocyte reaction (MLR) for screening and confirmation of the co-stimulatory pathway blocking reagents such as CTLA4Ig and B7-1 and B7-2 blocking monoclonal antibodies, allowing the selection of reagents in preparation of their evaluation in-vivo in a ischemia reperfusion injury animal model.

10.5.7 Right Ventricular Outflow Tract (RVOT) replacement with biodegradable prosthesis C3BS-PQR-1

This project provides an innovative solution concept from at least three perspectives:

1. The use of a fully resorbable material that should ultimately lead to the complete reconstruction of the RVOT by an autologous living and growing tissue;
2. The development of a composite prosthesis of which the two components (the tube and the valve) will be made of polymers featuring specific mechanical properties (the valve being more flexible than the tube) and resorbability rates that ensure an optimal time-controlled re-colonisation of the implant, and;
3. The parallel assessment of two potential options for harnessing endogenous repair mechanisms through the recruitment of host-associated cells: (a) the seeding of the prosthesis with autologous MSC acting as sensors or (b) its grafting with biomimetic peptidic sequences achieving a similar function.

Status of development:

Our project is based on the following preliminary results that already have been obtained:

- Proof of concept with a MSC-seeded bioresorbable patch;
- Manufacturing of prototypes of valved and non-valved tubes made of PLLA (a specific resorbable polymer);
- Creation of a bank of MSC derived from ovine umbilical cords and development of a bioreactor for *in vitro* maturation, and;
- Screening of polymers: seeding tests and *in vitro*/*in vivo* evaluation of bioabsorbable polymeric patches in a rat model of inferior vena cava partial replacement.

Put together, the data collected in these different studies represent the building block from which the present project is developed.

Next steps:

- To process three different polymers (PDO, PHA and PEUU) via electrospinning to produce 3-D valved bioabsorbable tube with mechanical properties and biocompatibility relevant for *in vivo* implantation
- To evaluate the mechanical properties and regenerative potential of each electrospun polymer *in vitro* and *in vivo* in a small animal model (rat)
- To determine the methods of biofunctionalization of the polymer with two different proteins (RGD and SDF1) and evaluate biocompatibility and *in situ* regeneration potential of the functionalized polymers in a small animal model (rat)
- To compare the mechanical properties and potential of regeneration of bioabsorbable polymeric tubes after either MSC pre-seeding or biofunctionalization by RGD or SDF1 in a small animal model (rat) and in a limited number of a larger growing animal model (lamb) to define the best method of functionalization and validate it in the pulmonary artery anatomic position and under hemodynamic conditions relevant to the pulmonary arterial circulation.
- To create *in vitro* a tri-leaflet valve with one or more polymers (PDO, PHA and/or PEUU) via electrospinning, with hemodynamic competency (immediately after implantation) and long-term bioresorption potential without structural deterioration.

- To replace the native RVOT with such a tubular tri-leaflet valved bioabsorbable scaffold biofunctionalized with either MSC or RGD/SDF1 (a specific protein aimed at attracting circulating stem cells) in a growing large animal model (lamb)
- To restore an autologous, living valved RVOT, displaying a valvular competence at mid- and long-term

The expected overall endpoint of the project is to get the preclinical validation of this innovative biomaterial for a pilot clinical trial.

Market opportunity:

A study performed by the World Health Organization (WHO) on epidemiological data between 1950 and 1994 concluded that around 42% of infant mortality in the world could be related to congenital heart defects (CHD). Congenital cardiac abnormalities are the most frequent congenital abnormalities (8-12/1000 births). According to the European study EUROCAT1, the prevalence of CHD in Europe is 8/1000. EUROCAT estimates that, out of 3.3 million of births per year in the European Union, around 36,000 children were born with a CHD and 1,250 perinatal deaths were related to a CHD. The impact of the prenatal diagnosis on the number of living births of children with CHD has remained very stable since more than 20 years [8-12].

More than one third of them (such as Tetralogy of Fallot, Pulmonary atresia or Truncus arteriosus) and some surgical procedures (such as Ross procedure) require the reconstruction of the right ventricular outflow tract (RVOT). Current clinical approaches for such a reconstruction involve the use of inert materials without any growth potential and which require multiple reoperations with a risk of mortality (1 to 6%) and morbidity (haemorrhagic syndrome, cerebral vascular accident, damage to the coronary arteries, cardiac rhythm alterations and infection). Presently all the patients who have had surgery for a congenital heart defect involving the RVOT with implantation of a tube during childhood will need at least one revision surgery in their life because of failure of the implanted conduit [42-44].

10.5.8 C-Cath$_{ez}$, a proprietary intramyocardial delivery system

Cardio3 BioSciences is developing C-Cath$_{ez}$, a proprietary percutaneous catheter with a deflectable tip section containing an injection needle. C-Cath$_{ez}$ is intended to deliver aqueous solutions or suspensions of therapeutic agents into the left ventricle endocardium.

The Company believes that there is a correlation between the efficacy of cell-based therapies and the delivery system used for their administration. An ideal delivery system would optimise treatment by maximising cell retention at the injection site. Increasing cell retention would allow reduction of the overall administered dose, which would be expected to reduce production cost and time, as well as improving patient outcome while minimising risk associated with the intervention.

The Company believes that C-Cath$_{ez}$ is a state-of-the-art delivery catheter that has been designed taking into account myocardium structure and properties aiming to optimise retention of bio-therapeutics at their injection site.

Currently, C-Cath$_{ez}$ comprises three parts: a handle, an injection system and a steerable catheter body. The Company intends to market this product (in the manner further specified below) or partner it. The injection system is a proprietary needle-based concept designed to improve the retention of the injected materials. The handle is also proprietary and C-Cath$_{ez}$ can be guided through regular fluoroscopy to the desired injection sites.

Additional future development may seek to integrate an imaging component in the current design of C-Cath$_{ez}$, which could then be offered as a separate delivery system to customers that require or prefer visualisation capabilities. Interfacing C-Cath$_{ez}$ to imaging systems would enable visualisation of catheter navigation during the procedure and localisation of infarcted areas to obtain optimal delivery of cells and other bio-therapeutics in the desired location. The Company is currently exploring the technologies offered by established imaging leaders to determine the feasibility of this development route.

Like existing catheters, C-Cath$_{ez}$ is inserted into the body through incision via a femoral artery and navigated under fluoroscopy to the left ventricle chamber after crossing the aortic valve. Inside the

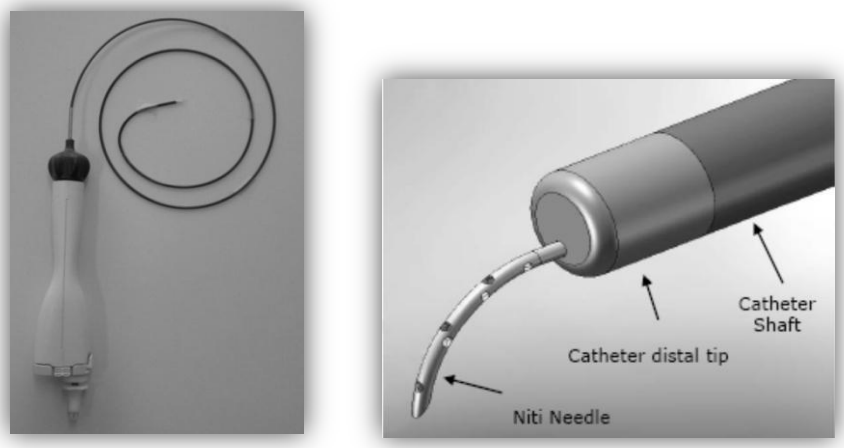
left ventricle the needle-based injection system will be deployed and targeted injections will be performed. Upon completion of the injections, the needle is retracted into the catheter body which is then removed from the patient. The overall procedure lasts less than two hours. Because of the limited invasive nature of the intervention, the patient is expected to be discharged the next day from the hospital. The catheter is biocompatible and conceived to increase user confidence and experience during procedure. C-Cath$_{ez}$ has the following advantages:

- Reduced risk of myocardium perforation;
- Needle stability in beating myocardium;
- Enhanced fluid dynamics resulting in broader tissue exposure and thus higher retention.

State of development:

Several pre-clinical studies have been conducted with C-Cath$_{ez}$ during which various design candidates were tested. One of these pre-clinical studies involved the injection of fluorescent microspheres in an *ex-vivo* pig beating heart model and indicated that the design of the needle indeed influences product retention. Another pre-clinical study indicated improved retention of GFP-expressing mouse Embryonic Stem Cells in a pig model using epicardial injections. Finally the design validation study involved the injection of MSCs.

A head-to-head comparison between the gold standard injection catheter and C-Cath$_{ez}$, indicated a 2.7 fold acute retention (the proportion of cells located at the injection site, one hour after the injection) of C-Cath$_{ez}$ versus the gold standard injection catheter (see graph below):



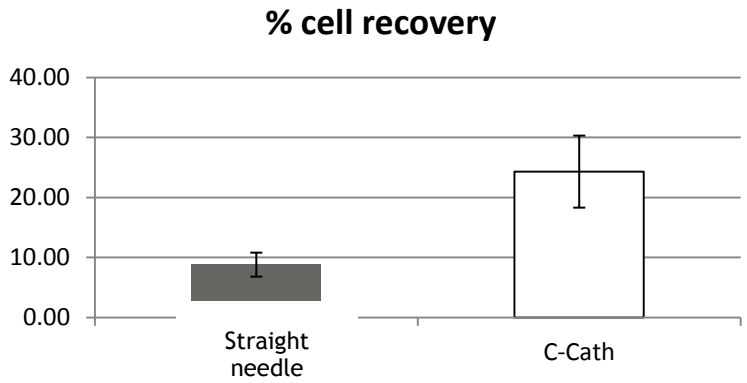


Figure 5: Head-to-head comparison of acute retention

Cardio3 BioSciences has teamed up with various partners to complete the development of C-Cath$_{ez}$, notably with Creganna Contract Design Services (CDDS), part of Creganna Corp. (Galway, Ireland) who, with more than 500 employees, is considered a global player in the medical device field with expertise in catheters and needles. CDDS provides assistance with device development, engineering and manufacturing activities. All intellectual property generated during this project belongs solely to Cardio3 BioSciences. The CE mark of C-Cath$_{ez}$ has been granted in April 2012 by NSAI, an Irish Notified Body. The Catheter is currently available for commercialization in EEA. A Device Master File has been submitted to the FDA to allow the Company as well as other parties to use the catheter in combination with their product during clinical studies. In contrast to Europe, the FDA considers catheters such as C-Cath$_{ez}$ cannot be approved in isolation from the product that is injected through the catheter. Cardio3 BioSciences therefore submitted a Device Master File to the FDA for validation. Companies aiming to test their product with C-Cath$_{ez}$ are expected to make reference to that Device Master File and provide the additional information on the combination of their product with C-Cath$_{ez}$.

Next steps:

Upon obtaining the data from a subset of CHART-1 patients, the data set will be presented to the FDA to ask authorization to start CHART-2 in the USA using C-Cath$_{ez}$ for delivery of C-Cure.

Should the Company experience delays in obtaining the clearance from the FDA to start CHART-2 in the USA with C-Cath$_{ez}$, the Company can decide to use the Myostar catheter in this trial.

Several device manufacturers have expressed interest in acquiring the rights to C-Cath$_{ez}$. The Company continuously reviews those potential offers and may decide to partner the catheter if and when favourable conditions are offered.

Market opportunity:

Presenting C-Cath$_{ez}$ data during scientific congresses (Trans-Catheter Therapeutics – TCT -2010, CRF Stem Cell meeting in January 2013) has generated substantial interest from key opinion leaders in this field. Several physicians and companies involved in cell or gene therapy programmes for cardiac regeneration expressed the willingness to test C-Cath$_{ez}$ using their products. The goal of the Company is to expose as many key opinion leaders as possible to the use of the catheter in animal settings, and then to promote the use of the catheter. Although today the market for such a product is still limited, as soon as one therapy for requiring intramyocardial injection would be approved, the market for products such as C-Cath$_{ez}$ is expected to closely follow the adoption of that therapy by specialists. As a reference order, the Myostar® (Biological Delivery Systems) list price in Europe is USD 4,350 (single use) not including the imaging component, which adds another USD 3,650 (single use). On top of that, the use of Myostar requires the acquisition of dedicated imaging hardware requiring capital expenditure of USD200,000.

10.5.9 **Process developments**

The Company continuously addresses potential process optimization opportunities. The most important process developments are the following:

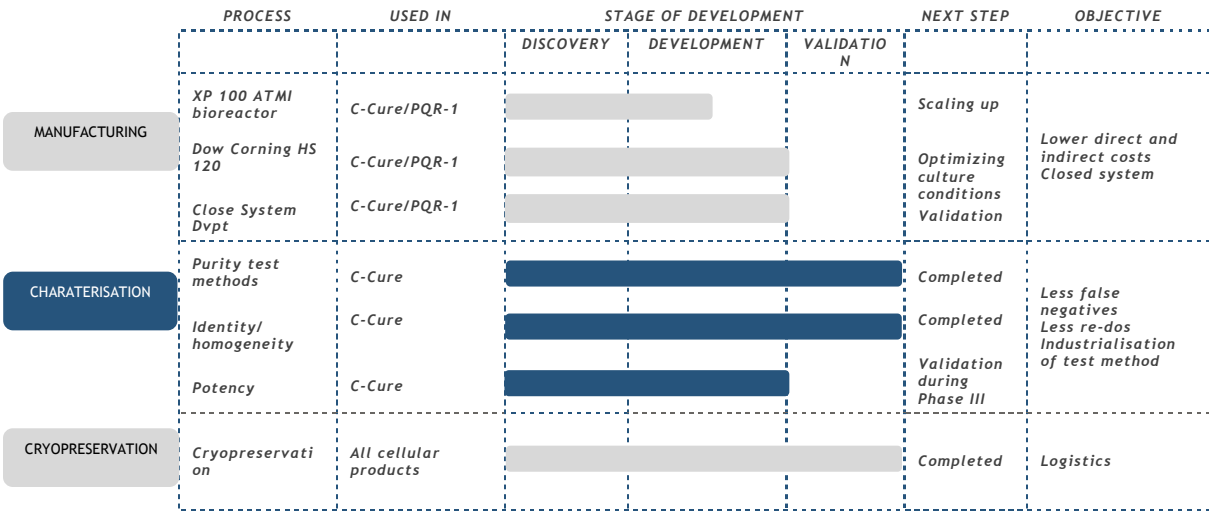


Figure 6: Process developments

Manufacturing process optimisation

The Company is working on the optimisation of the manufacturing processes to reduce the cost of the product. The use of closed systems that allow manufacturing of C-Cure in vessels that prevent the product from contact with the environment (as opposed to the current manufacturing vessels that are open to the rooms in which they are processed and therefore prone to contamination from the air) is expected to allow a reduction of capital expenditure (lighter room filtration requirements) and operating costs (lower number of microbial monitoring test). Therefore, the need for Class B clean rooms (which must meet the highest pharmaceutical environmental standards) will be reduced thereby decreasing the overall capital expenditure. The use of bioreactors also has the potential to reduce the manpower required to grow the cells compared to the process used in the Phase II trial as it requires less manipulations.

These developments could potentially be applied to all cellular research programmes and product candidates in the Company's pipeline (C-Cure, C3BS-PQR-1).

Next steps:

Through collaboration with ATMI (Brussels, Belgium), the Company is currently testing this bioreactor process improvement. The next step is to validate this solution in medium scale manufacturing (half size production batches, i.e. 300 million cells) in Q3 2013. Large scale (XP 100) would be tested once the outcome of the medium scale (XP 50) processing with our cells proves feasible and effective.

The Company is also testing another bioreactor, the HS 120 from Dow Corning. The initial results of this technology seem promising and validation of this solution should be available by the end of 2013.

Potency

The mechanism of C-Cure cardiac regenerative activity is described as the result of a combination of direct and indirect (paracrine) effects. Among the direct effects C-Cure has the potency to become cardiac cells when injected, more precisely cardiomyocytes (muscle) and endothelial cells (blood vessels). Among the indirect (paracrine) effects, C-Cure increases the production and local pooling of endogenous stem cells and promotes cell growth within the myocardium. The paracrine effect also stimulates angiogenesis (new blood vessel formation from the recipient own circulating stem cells).

- **Direct mode**

The assumed direct mode of action implies that C-Cure differentiates into functional cardiac muscular and vascular cells after intramyocardial injection. In contrast to human embryonic and induced pluripotent stem cells, adult stem cells do not differentiate efficiently towards the cardiac lineage. A

non-biological assay as a surrogate measurement was developed based on the nuclear expression of the transcription factor MEF2C (Myocyte-specific Enhancer Factor 2C) to identify and qualify the successful differentiation of a naïve stem cell to a cardiac lineage cell. MEF2C plays a pivotal role not only in the formation of the cardiac tissue and is therefore a good marker that the cells are indeed progressing to become cardiac tissue cells.

A method has been developed, as was also used during the initial C-Cure phase II clinical trial, and meanwhile improved and finally validated using a proprietary MEF2C-specific monoclonal antibody, to detect the nuclear expression (presence in the nucleus of the cell) of MEF2C in C-Cure, and this has been implemented as a release criterion for the phase III clinical trial.

- **Indirect mode**

A proangiogenic (capacity to promote new blood vessel growth) *in vitro* assay was selected by the Company to document the C-Cure proangiogenic activity and screen the angiogenic potency of different conditioned media prepared from different C-Cure batches produced under different manufacturing process conditions and at different stages of C-Cure production and clinical use , e.g. upon thawing and injection.

The angiogenesis assay is performed at Essen BioSciences (UK).

The proangiogenic *in vitro* assay developed with C-Cure showed different levels of proangiogenic activity among media in which C-Cure was grown, and proves to be sensitive enough to differentiate between the proangiogenic potency of different batches of C-Cure.

Next Steps:

Quantification of the MEF2C transcription factor expression into the nucleus by ELISA (another test method that is more quantifiable) is currently under evaluation. Qualification and quantification of the induction of the MEF2C expression is therefore not only to be considered as an identity test (do we have the right cells) but also as surrogate potency assay does the product have the desired efficacy). This will furthermore also significantly reduce the cost for quality control in comparison to the current method which is based on immunofluorescence.

Cryopreservation

In the Phase II C-Cure clinical trial, the cells were conditioned at the end of the manufacturing process and subsequently stored and shipped at a temperature maintained between 2 and 8 degrees Celsius until 15 minutes prior to starting the injection. This ensured a cell product of good quality but with a shelf-life of 72 hours, rendering the logistics feasible but complex.

The Company has developed a cryopreserved solution that allows long-term storage of the final product. The use of a very low temperature (under -150°C) for the storage of a cellular product ensures that any biological activity is interrupted. Cryopreservation permits scheduling of the cell implantation when most convenient for the various parties involved, including the patients and the hospital team.

Next steps:

A two month shelf life has been validated to date, while stability testing is currently in progress to validate six and 12 months shelf life.

Potential other applications

The Company and its research collaborators have gained significant methodological insights in cell biology, genomics and proteomics, together with clinical translation of bench-based discoveries.

The Company believes that these insights could potentially be used progressively outside of the field of cardiac applications, for example in the fields of vascular regeneration in cerebral or peripheral artery diseases, and beyond that into fields such as neurology, diabetes and other organ-specific destructive diseases. While the Company has chosen to focus its resources on cardiac applications, the field of lineage-specific regenerative therapies is considered to be open for exploration, and the Company

believes that competencies developed through the use of the cardiopoiesis platform could, if and when need be, potentially be translated to different organs.

The Company is exploiting and will continue to exploit the cardiopoiesis platform to derive a number of therapeutic and diagnostic product candidates. Those could be broadly divided in cellular (product candidates comprising living cells) and a-cellular entities (product candidates not comprising living cells). In addition, the Company believes that diagnostic tests could potentially be developed on the basis of the same technology, with a view to identifying patients that are at higher risk of permanent disability following a myocardial infarct, thereby better understanding the specific needs of those patients. In the same area, the Company is interested in seeking to develop a potency assay on cardiac stem cells that could predict the effect of various therapeutic agents on heart regeneration.

10.6 *Competition*

The industry in which Cardio3 BioSciences operates is subject to rapid and technological change. Cardio3 BioSciences faces competition from pharmaceutical, biopharmaceutical and medical devices companies, as well as from academic and research institutions. Some of these competitors are pursuing the development of medicinal products and other therapies that target the same diseases and conditions that the Company is targeting.

As of the date of this Prospectus, Cardio3 BioSciences believes it is well-positioned to succeed when compared to other entities pursuing alternative approaches. Indeed, in the field of cardiac regeneration, Cardio3 BioSciences is the only company utilising the cardiac-lineage commitment approach as the basis of its research programmes and product candidates. The Company believes that these cells offer the potential advantage of enhanced intra-tissue connection, improved engraftment into host myocardium and a greater and more permanent paracrine (indirect) influence on host tissues, as indicated in pre-clinical work by the Company comparing undifferentiated stem cells and Cardiopoietic cells [13]. In addition, the Company believes that its C-Cure programme for the treatment of ischemic HF is more advanced than competitive programmes, being the first regenerative medicine programme that has started a Phase III trial.

Cardio3 BioSciences is developing a range of research programmes and product candidates for the curative rather than palliative treatment of heart diseases. The Company does not believe that the research programmes and product candidates under development would compete directly with currently available therapies which are palliative therapies aiming at relieving patient symptoms.

The Company has identified several companies which are active in the advanced therapy medicinal products arena on the date of this Prospectus. As far as the Company is aware, these companies use undifferentiated stem cells of different types and sources for the treatment of either HF or AMI. MSCs originating from the bone marrow are used in clinical trial settings, either as mixed cell populations (Aastrom) or as a sub-population of MSCs (Aldagen Athersys, Mesoblast).

One other company (Celladon) is using a gene therapy targeting SERCA2a (a key enzyme that is depleted in HF patients) upregulation.

Adipose tissue constitutes an alternative source of MSCs, a path in which Cytori is engaged with an approach to obtain those MSCs from adipose tissue processed in a bedside device. Cytori is therefore promoting a device and not a therapy as such.

The following tables present an overview of companies active in the Advanced Therapy Medicinal Products (ATMP) area for heart failure treatments.

Gene Therapy Company	Product	Technology	Class	Indication	Clinical stage	Status	Results
Celladon	Mydicar	SERCA2a	Gene Therapy	HF	Phase IIb	Enrolling	Ph IIa HF stabilization

Cell Therapy Companies	Product	Technology	Cell Type	Indication	Clinical stage	Clinical data (1)	Partner
Bioheart	MyoCell	Autologous	Myoblast	HF	Phase III Stopped	N/A	-
Aastrom	Ixmyelocel-T	Autologous	MSC	DCM	Phase IIb Enrolling	No change in cardiac function	-
Aldagen	ALD-201	Autologous	MSC	HF	Phase II Stopped	N/A	-
Mesoblast	Revascor	Allogeneic	MSC	HF	Phase II Completed	MACE?	Teva

Sources: company websites and clinicaltrials.gov website

10.7 *Collaborations*

10.7.1 Industrial collaborations

The Company has entered into industrial collaborations with:

- ATMI (Artelis), on the optimisation of the manufacturing processes with a view to reducing the cost of the product (see section 10.5.9 "Process developments"). ATMI acquired Artelis which is a technology company that provides disposable bioprocess solutions, from optimisation to intensification. ATMI Artelis' team comprises 40 individuals all of whom are highly experienced in cell culture and well aware of biotechnology companies' needs.
- Creganna, for the development of C-Cath$_{ez}$ (see section 10.5.8 "C-Cathez, a proprietary intramyocardial delivery system"). Creganna Contract Design Services (CDDS) is part of Creganna Corp. (Galway, Ireland) which, with more than 500 employees, is considered a global player in the medical device field with expertise in catheters and needles. CDDS provides assistance with device development, engineering and manufacturing activities.

10.7.2 Academic and clinical collaborations

The Company has core relationships and collaborations with Mayo Clinic and Cardiovascular Centre Aalst.

Relationship with Mayo Clinic

General

Since 2007 Cardio3 BioSciences has a core academic, research and licence collaboration with Mayo Foundation for Medical Education and Research ("Mayo Clinic"). Mayo Clinic is ranked number three hospital in the US following the Massachusetts General Hospital and John Hopkins Hospital respectively

ranked number one and two. Mayo Clinic is ranked number two in Heart and Heart Surgery, second to Cleveland Clinic[xvii].

The Cardiopoiesis platform is based on technology discovered at the Molecular Pharmacology and Experimental Therapeutics lab, headed by Prof. Terzic. In 2007 Mayo Clinic has licensed the Cardiopoiesis technology to the Company. This licence was significantly expanded in 2010. In addition, the Company is funding research programmes in this field at Mayo Clinic under the direction of Prof. Terzic. Certain results of such research are automatically included in the licence to the Company, while other results of such research are subject to the Company's right of first negotiation to obtain an exclusive licence (as further detailed under "Mayo Clinic Licence").

Mayo Clinic Licence

The Company's current relationship with Mayo Clinic is essentially based on the Technology Licence Agreement dated 4 June 2007, as amended on 3 July 2008 (the "First Amendment") which is effective as from 1st July 2008 and on 18 October 2010 (the "Second Amendment") (together, the "Mayo Licence"), through which the Company acquired at arms' length rights to the majority of its current intellectual property portfolio and which has created a long-term research relationship with Mayo Clinic.

Under the Mayo Licence, the Company acquired an exclusive worldwide licence to the inventions "Cardiogenic Composition for the production of Cardiac Cells" and "Stem Cell Based Therapy for Non-ischemic Cardiomyopathic Heart Failure" (each a "Licensed Invention" and each time including related patents, each, a "Licensed Patent") as well as a non-exclusive licence to the know-how in connection with the Licensed Inventions, including the right for the Company (under certain conditions) to sublicence. To Mayo's knowledge, the Licensed Inventions encompass all of Mayo Clinic's inventions and intellectual property relating to guided cardiopoiesis as of the date of the Second Amendment. The Company's permitted field of use of the licence is "cardiovascular regeneration or protection" (the "Field"), which, allows the Company to use the Licensed Inventions in the context of cardiovascular regeneration or protection, including for example autologous, allogenic and non-cellular (*i.e.*, protein) programmes, for example in heart failure and acute myocardial infarction. The licence is subject to Mayo Clinic's right to use the Licensed Inventions and Licensed Know-How within its own programmes, provided such programmes are only for internal (research or clinical, but not commercial) use and do not include any allocation of any right to any third party.

In consideration, 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. The upfront fees that were due upon execution of the initial Technology Licence Agreement and the Second Amendment (€9,500,000 and €2,344,438 (or $3,193,125), respectively), have been contributed into the Company's capital on 31 August 2007 and at the occasion of the Series C financing on 29 October 2010, respectively. Also further to the initial Technology licence Agreement, the Company has paid €231,392 (or $337,000) to Mayo Clinic for the purchase of equipment, which by preference is to be used for the research sponsored by the Company.

In the context of the whole of the arrangements under the Second Amendment, for the years 2012-2014, the Company has committed to directed research funding (which is expected to help the Company to move towards commercialisation and/or to further develop existing or new product candidates) of $500,000 per year. Any results of this research will automatically fall under the Mayo Licence. Also, the Company will fund research in the Field at Mayo Clinic of $1,000,000 per year for

[xvii] US News Best Hospitals USA 2012-2013: http://health.usnews.com/best-hospitals/rankings/cardiology-and-heart-surgery

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 licence 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.

Outside of the results of the research funded by the Company, the Company also (subject to any pre-existing obligations) until 18 October 2015 has an exclusive right of first negotiation to obtain an exclusive licence from Mayo Clinic on any guided Cardiopoiesis technology developed by Prof. Andre Terzic or developed or co-developed by Dr Atta Behfar, the senior investigator involved in the discovery of the Cardiopoiesis technology. 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.

The Company has undertaken, by way of diligence obligation, to use its best efforts, taking into account all circumstances, to pursue a thorough, vigorous and diligent programme of developing (and ultimately commercialising) one or more products making use of a Licensed Invention and manufacturing substantially in the United States for products to be sold in the United States. The Company believes that to date, it has complied with its diligence obligations, and confirms that no concerns in this respect have been raised by Mayo Clinic.

The term of the Mayo Licence is for the longest of 10 years or as long as Mayo Clinic has any rights to any part of the Licensed Inventions.

The grounds for early termination by Mayo Clinic specifically set out in the Mayo Licence are limited to the following clauses:

- if the Company defaults in making payment when due and payable or in the making of any report (which failure to pay or to report is not remedied within 120 days of receipt of written notice by Mayo Clinic, respectively which false statements are not rectified in a new report within 120 days of receipt of written notice by Mayo Clinic) or if the Company makes a report in which the Company deliberately made false statements in any material respect, then Mayo Clinic (a) on a product-by-product basis (if the breach relates to a specific product under development or being commercialised) or (b) on a Licensed Invention-by-Licensed Invention basis (if the breach relates to a specific Licensed Invention, but unless the breach relates to a specific product under development or being commercialised) may terminate the Mayo Licence;
- Mayo Clinic may terminate the Mayo Licence in the event of bankruptcy (or certain other situations indicative of insolvency) of the Company;
- Mayo Clinic may notify the Company of its intent to terminate the Licence Agreement, if the Company at any time after January 2011 has breached its diligence obligations as described above. Mayo Clinic and the Company will then first try to resolve the disagreements in good faith. Should the disagreements remain, Mayo Clinic and the Company have agreed to binding arbitration as to the existence of the breach of the diligence obligations and Mayo Clinic's right to terminate the Licence Agreement on that basis. In case of arbitration, any termination of the Licence Agreement will only be effective upon the final decision to that effect of the arbitral tribunal (and then as of the date of such final decision, irrespective of any contractual remedy period that would then still run).

In case the Mayo Licence terminates, the rights of sub-licensees will terminate as well. A termination in whole or in part of the Mayo Licence would substantially impair the Company's ability to generate revenues.

Other relationships with Mayo Clinic

Apart from the relationship which follows from the Mayo Licence, the Company has entered into several material transfer agreements with Mayo Clinic in respect of the delivery of platelet lysate, a

media used by the Company in the production process of C-Cure and all cellular products. The platelet lysate can also be obtained from other sources. Also, specific research agreements will each time define budgets, deliverables and timelines of the Company-funded research referred to above. Pursuant to such agreements, all inventions conceived using the platelet lysate provided by Mayo Clinic will solely be owned by Mayo Clinic.

Relationship with Cardiovascular Centre Aalst

The department of cardiology of the Cardiovascular Centre of the Onze-Lieve-Vrouw hospital of Aalst provides scientific and clinical guidance to the Company in the areas of clinical expertise, protocol design, review and interpretation of data as well as scientific publications. An agreement between the Company and the Cardiovascular Centre Aalst sets the remuneration associated with this collaboration. The remuneration is based on hours of work performed and is billed at pre-specified hourly rate of €200. Those hourly and daily rates are in line with the ordinary rates applied by the Cardiovascular Centre Aalst to other companies, and also in line with the rates applied by the Company to other scientific or clinical advisors.

10.8 *Grants and subsidies*

Since incorporation and until 31 March 2013, the Company has been awarded non-dilutive financial support from the Walloon Region (the "Region") totalling €18,208,283. The support has been granted in the form of recoverable cash advances ("RCAs") for an amount of €16,232,642 of which €14,495,359 has been effectively paid out to the Company as per 31 March 2013, and subsidies for an amount of €1,975,641 of which €1,487,819 has been effectively paid out to the Company as per 31 March 2013. The Company intends to continue to apply for RCAs and subsidies to fund its development and research programmes.

10.8.1 **Recoverable cash advances**

RCAs are dedicated to support specific development programmes. 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 Company receives funds from the Region based on statements of expenses. At the end of the research phase, the Company should within a period of six months decide whether or not to exploit the results of the research programme (decision phase). The exploitation phase has a duration of 10 years. In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable. The reimbursements of the RCAs to the Region consist of two elements, *i.e.*, turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum independent of the Company's turnover).

Cardio3 BioSciences owns the intellectual property rights which would result from the research programmes. Subject to certain exceptions, the Company cannot grant to third parties, by way of licence or otherwise, any right to use the results without the prior consent of the Region. A similar prior consent by the Region is needed in case of a transfer by the Company of an intellectual property right resulting from the research programmes or a transfer or license of a prototype or installation. Obtaining such consent from the Region could give rise to a review of the applicable financial terms.

In case the Company decides not to exploit (or not to continue to exploit) the results under an RCA, then such RCA does not become refundable (or respectively is not longer refundable as of the calendar year after such decision), and the rights related to such results must be transferred to the Region. In such case, Cardio3 BioSciences may also have to grant (or cause to be granted) an exclusive licence to the Region to the underlying patent(s). Also, in case Cardio3 BioSciences would decide to renounce to its rights to patents which may result from the research, title to such resulting patents will need to be transferred to the Region.

The research results under several RCAs are potentially built on Mayo Clinic patents. As a consequence, a transfer to the Region of new intellectual property rights generated during the research phase of a RCA or a licence to the Region to the underlying patent(s) could give rise to a conflict between the rights of Mayo Clinic and those of the Region. With regard to the RCAs 5160 and 5731, the Region, Mayo

Clinic, the Company and Cardio3 SA entered into a "Four Party Agreement" on 23 May 2008 which addressed this potential conflict. Under such Four Party Agreement, Mayo Clinic has committed to grant a licence to the Region if a conflict between the rights of Mayo Clinic and those of the Region would ever materialize.

The RCAs also contain provisions prohibiting the Company from conducting researches for any other person which would fall within the scope of a research programme of one of those RCAs. Most RCAs provide that this prohibition is applicable during the research phase and the decision phase but a number of RCAs extend it beyond these phases.

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

Certain specific characteristics of the Old Contracts (contracts 5160, 5731, 5914, 5915 and 5951) are the following:

- 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 in principle 10% of the price received (excl. of VAT) to the Region;
- turnover-independent reimbursements, turnover-dependent reimbursements, and amounts due in case of an outlicensing agreement or a sale to a third party, are, in the aggregate, capped (except for interests) at 100% of the principal amount paid out by the Region;
- turnover-dependent reimbursements payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year.

Certain specific characteristics of the New Contracts (all other contracts) are the following:

- funding by the Region covers 60% of the budgeted project costs;
- certain activities have to be performed within the European Union;
- turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- turnover-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;
- turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- in case of bankruptcy, the research results obtained by the Company under the New Contracts are expressed to be assumed by the Region by operation of law.

The Company has contracted the following RCAs with the Region:

Contract Number	Description	Date of RCA	Amount in €
5160	Initial pre-clinical programme of C-Cure	December 2005	2,920,000[xviii]
5731	C-Cure Phase II clinical programme (part 1)	December 2007	3,400,000
5914	Development of cell culture in bioreactor (part 1)	November 2008	700,000
5915	Development of a proprietary delivery system	November 2008	910,000
5951	Mayo research programme	November 2008	1,470,000
6003	Additional pre-clinical development requested by EMA	November 2009	1,729,200
6230	C-Cure Phase II clinical programme (part 2)	December 2009	1,083,442
6363	Pre-clinical trials on adipose tissue-derived cells	November 2010	1,140,000
6548	Development of cell culture in bioreactor (part 2)	June 2011	660,000
6633	C-Cath; additional preclinical work for EU and US approvals	December 2011	1,020,000
6646	Preclinical studies for GQR-1 programmes	December 2011	1,200,000
Total			**16,232,642**

[xviii] Granted to Cardio3 SA and transferred to Cardio3 BioSciences. The reimbursement scheme of the RCA 5160 was cancelled and included in the reimbursement scheme of RCA 5731.

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement [1, 3]	Turnover-independent reimbursement [1, 3]	Interest rate accrual [2]	Amounts due in case of licensing (per year) resp. sale [1]
Amounts expressed in '000€						
5160	01/05/05-30/04/08	70%	5.00%	Consolidated with 5731	N/A	Consolidated with 5731
5731	01/05/08-31/10/09	70%	5.00%	250 in 2013 and 500 each year after	N/A	10% with a minimum of 210
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
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
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
6003	01/01/09-30/09/11	60%	0.02%	From 35 to 86 starting in 2013 until 30% of advance is reached	Starting on 01/10/11	N/A[4]
6230	01/01/10-31/03/12	60%	0.05%	From 22 to 54 starting in 2013 until 30% of advance is reached	Starting on 01/04/12	N/A[4]
6363	01/03/10-30/06/12	60%	0.02%	From 20 to 50 starting in 2013 until 30% of advance is reached	Starting on 01/07/12	N/A[4]
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[4]
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[4]
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[4]

[1] Turnover-independent reimbursements and turnover-dependent reimbursements and amounts due in case of an outlicensing agreement or a sale to third parties are, in the aggregate, capped at 100% of the principal amount for agreements 5160, 5731, 5914, 5915 and 5951. Turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including interests), capped at 200% of the principal amount for the New Contracts.

[2] The annual interest rate applicable to the New Contracts amounts to Euribor 1 year + 100 basis points on the principal amount. As stated under (1) above, total amounts that may be reimbursed under such agreements, including interests, are capped at 200% of the principal amount.

[3] The amount of turnover-independent reimbursements and turnover dependent reimbursements may possibly be adapted in case of an outlicensing agreement as well as, a sale or a licence to a third party of a prototype or pilot installation, as obtaining the consent of the Region to proceed thereto may give rise to such review.

Out of the eight RCAs contracted as of 31 March 2013, €14,495,359 has been effectively paid out. The remaining €1,696,335 is expected to be received in 2013 and 2014, as further detailed in sections 3.26 and 6.26 "Contingent assets and liabilities" of the notes to the consolidated financial statements.

In 2013, the Company will have to make exploitation decisions on two RCAs (Agreements n°6548 and 6633), with a potential recognition of an additional liability of €1.7 million. In 2014, the Company will have to make an exploitation decision on the remaining RCA (Agreement 6646 and 5951) with a potential recognition of an additional liability of €2.7 million.

10.8.2 **Subsidies**

Subsidies granted by the Region are dedicated to fund research programmes and patent applications. Subsidies granted by the Region and amounting to €1,975,641 are related to patent applications (contracts 920547, 920548, 920549, 920550, 920551, 920552, 920553, 920588, 1120131, 1120132, 1120133 and 1120135 together the "Patent Subsidies") and research programmes. As of the date of this Prospectus, the Company has received subsidies related to patent applications totalling €881,939 of

which €602,571 has been received. The balance will be granted based on statements of expenses to be submitted to the Region. The Company has also received a subsidy to fund 70% of costs of the feasibility trials of the protein (C3BS-GQR-1) and allogeneic (C3BS-AQR-1) programmes for an amount of €1,100,540 (Contract n° 6305; "Feasibility trials of allogeneic and a-cellular (protein) programme targeting the treatment of Acute Myocardial Infarction"). All subsidies are not refundable.

Out of the subsidies contracted as of 31 March 2013, €1,487,819 has been effectively paid out. The remaining €0.5 million will be received in 2013 and 2014.

The Company owns the intellectual property rights which would result from the research programmes or with regard to a patent covered by a subsidy. Subject to certain exceptions, the Company cannot grant to third parties, by way of licence, transfer or otherwise, any right to use the patents (with regard to the Patent Subsidies 920547, 920548 and 920549) respectively the results (with respect to contract 6305) without the prior consent of the Region. In addition, certain subsidies contain an obligation for the Company to exploit the patent in the countries where the protection was granted and to make an industrial use of the underlying invention.

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

10.9 *Intellectual Property*

10.9.1 **Patents and patent applications**

Patents, patent applications and other intellectual property rights are important in the sector in which the Company operates. The Company considers on a case-by-case basis filing patent applications with a view to protecting certain innovative technical processes and product candidates, processes used to prepare these product candidates, pharmaceutical compounds contained in these product candidates and medical treatment methods. The Company may also license or acquire rights to patents, patent applications or other intellectual property rights owned by third parties, academic partners or commercial companies which are of interest to the Company.

From inception, the Company has implemented an intellectual property protection policy with the objective of protecting its Cardiopoiesis platform in a broad manner. (see table below) In addition to the exclusive right to licence intellectual property from Mayo Clinic (Prof. Terzic lab) relating to the field of cardiovascular regeneration or protection, as provided in the Mayo Licence Agreement and further described in section 10.7.2 "Academic and clinical collaborations", the Company pursues a strategy of protecting its core technologies and product candidates by broadly filing patent applications and by seeking to secure some of the key processes used in cell production and in-house research programmes as proprietary know-how. The Company's portfolio of patent, patent applications and other intellectual property related matters are managed in-house in close collaboration with external European patent counsels Keltie LLC (United Kingdom), Gründ IPG (Germany) and Field Fisher Waterhouse LLP (UK), with external US patent counsel Fish and Richardson (MN, US); and for trademark-related matters worldwide with external trademark counsel Distinctive IP (Luxemburg).

Some of the Company's intellectual property rights in respect of its current product candidates are contained in the Mayo Licence Agreement as described in 10.7.2 "Academic and clinical collaborations". Other parts of the Company's intellectual property rights in respect of its current research programmes and product candidates are contained in agreements with third parties contracted by the Company to develop process intensification technologies, including cell culture processes and disposable bioreactors.

On the date of this Prospectus, Cardio3 BioSciences' patent portfolio consists of nine patent family applications. Three patent applications were authored and are owned by Mayo Clinic (referred to as Patent Application "A", "B" and "C" in the table below), one patent application was co-authored by

the Company and Mayo Clinic and has been assigned to Mayo Clinic (referred to as Patent application "D" in the table below), and five patent applications were authored and are owned by the Company (referred to as "E", "F", "G", "H", "I" in the table below). Patent application A was granted in the US in 2012 and patent application E has been granted in Belgium in 2011. Cardio3 BioSciences has exclusive worldwide rights to Mayo Clinic's patent families A, B, C and D in the field of regeneration and protection for cardiovascular applications. These patents/patent applications are listed and described hereunder.

The Company also owns any intellectual property rights that would arise from the agreement with Artelis (ATMI) on the development of the bioreactor. Artelis (ATMI) and the Company each keep their background IP, while the developed IP belongs to the Company. The Company has agreed to grant to Artelis (ATMI) a worldwide, non-exclusive, royalty-free licence relating to the use by Artelis (ATMI) of the developed IP. This licence excludes Artelis' (ATMI) use of the developed IP, directly or indirectly for the benefit of the Company's competitors, defined as third parties who engage in cell transplant activities for curing cardiovascular diseases.

Company portfolio of patents and patent applications owned by or licensed to the Company

Patent Application	Publication No	Description	Owner	International Application Filing date[xix]	Territory
A	WO2006/05127	Methods and materials for treating cardiovascular tissue	Mayo Foundation for Education and Research	29 Jul 2005	US[1], EP
B	US2008/0019944	Methods and materials for providing cardiac cells	Mayo Foundation for Education and Research	13 Feb 2007	US
C	WO 2009/151907	Compositions and methods for using cells to treat heart tissue	Mayo Foundation for Education and Research	20 May 2009	AU, BR, CA, CN, EP, HK, IN, IL, JP, MX, NZ, RU, SG, ZA, KR, US, TH
D	WO 2010/135555	Method for determining the cardio-generative potential of mammalian cells	Mayo Foundation for Education and Research[1]	20 May 2010	AU, BR, CA, CN, EP, IL, JP, NZ, RU, KR, US, TW
E	WO 2010/125166	Injection catheter for delivering a therapeutic agent into a substrate	Cardio3 BioSciences	29 Apr 2010	BE[2], AU, BR, CA, CN, EP, HK, IN, IL, JP, MX, NZ, RU, SG, KR, US, TW
F	WO 2010/133686	Pharmaceutical composition for the treatment of heart disease	Cardio3 BioSciences	20 May 2009	AU, BR, CA, CN, EP, HK, IN, IL, JP, MX, NZ, RU, SG, KR, TH, US, TW
G	WO 2011/067317	Pharmaceutical composition for the stimulation of stem cells	Cardio3 BioSciences	2 Dec 2010	AU, BR, CA, CN, EP, HK, IN, IL, JP, MX, NZ, RU, SG, KR, US, TW

[xix] The International Application Filing date corresponds to the filing of the patent application via the Patent Cooperation Treaty system (which enables the filing of a patent application in numerous countries). Subject to their grant, patents are protected for a duration of 20 years from the filing date of the first patent application (that is from the filing date of the national, European or international patent application used as priority).

Patent Application	Publication No	Description	Owner	International Application Filing date[xix]	Territory
H	UK 1223058.7	Biomarker methods and compositions	Cardio3 BioSciences	20 Dec 2012	(UK, PCT Priority)
I	UK 1306341.7	Steering control mechanism for catheter	Cardio3 BioSciences	8 Apr 2013	(UK, PCT Priority)

[1] This application was co-owned by Mayo Clinic and the Company, which assigned its rights on the application to Mayo Clinic, which in turn licensed the rights on this application to the Company. The registration with the patent offices of the listed territories of this assignment and subsequent licence has not yet been completed.

[2] Granted

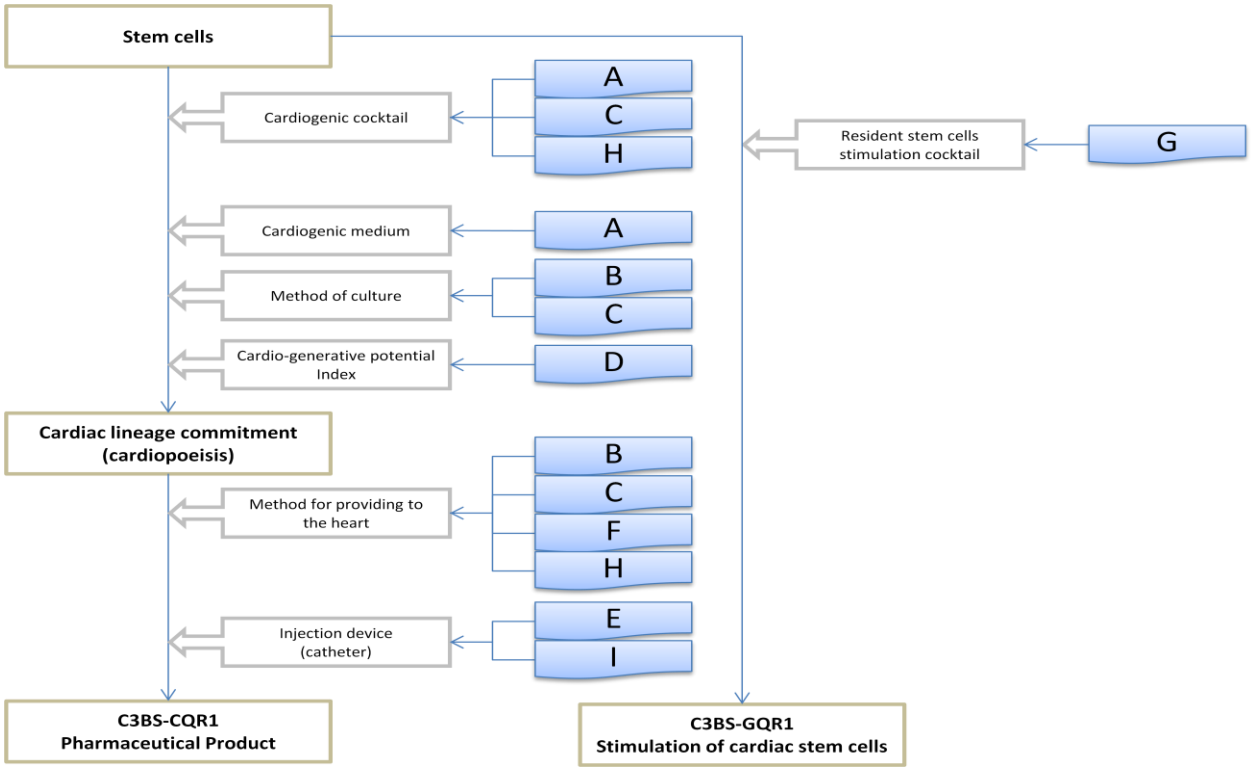


Figure 7: Schematic representation of Company's intellectual property portfolio

Case A: (WO 2006/015127) entitled "Treating cardiovascular tissue" is an invention providing methods and materials for treating cardiovascular tissue. For example, stem cells, compositions for generating stem cells expressing particular markers, and methods for repairing cardiovascular tissue are provided.

Case B: (US2008/0019944) entitled "Methods and materials for providing cardiac cells" is an invention providing methods and materials relating to cardiac cells. For example, this document provides methods and materials that can be used to obtain cells having the ability to differentiate into cardiomyocytes. Such cells can be used to repair damaged heart tissue. For example, cells having the ability to differentiate into cardiomyocytes can be used to repair or regenerate heart tissue in patients with a cardiac condition (e.g., ischemic cardiomyopathy, myocardial infarction, or heart failure).

Case C: (WO 2009/151907) entitled "Compositions and methods for using cells to treat heart tissue" is an invention relating to compositions containing cardiogenic factors, to methods to obtain cells by culturing initial cells in the presence of such factors, and methods of administering the obtained cells to heart tissue.

Case D: (WO 2010/135555) entitled "Method for determining the cardiogenerative potential of mammalian cells" is an invention related to a method for determining the cardio-generative potential of mammalian cells which comprises the assessment of a CARdiac generation Potential Index (CARPI) as a function of the quantification of the expression of genes of said cells. It also relates to a method for quantitatively assessing the modification of this cardio-generative potential and the cardiogenic potential of a treatment aiming at cellular differentiation.

Case E: (WO 2010/125166) is an invention entitled "Injection catheter for delivering a therapeutic agent into a substrate" that relates to an injection catheter for delivering a therapeutic agent into a substrate, comprised of one or more lumens and a delivery element, said lumen serving as a guide for said delivery element outside of the substrate; said delivery element being comprised of openings on its distal tip, said distal tip comprising of a distal zone and a proximal zone, said injection catheter being characterized as the specific surface in said distal zone of said distal tip of said delivery element being larger than the specific surface in said proximal zone of said distal tip of said delivery element. The invention also relates to a process for delivering a therapeutic agent into a substrate.

Case F: (WO 2010/133686) entitled "Pharmaceutical composition for the treatment of heart diseases" is an invention related to a pharmaceutical composition comprising cells committed to the generation of heart tissue and at least one pharmaceutically acceptable excipient produced according to internationally recognized standards for pharmaceutical product manufacture, a process for the manufacture of such a pharmaceutical composition and a kit for the administration of said pharmaceutical composition which comprises a container containing said pharmaceutical composition.

Case G: (WO 2011/067317) entitled "Pharmaceutical compositions for the stimulation of stem cells" is an invention that relates to a human or veterinary pharmaceutical composition for the stimulation of stem cells, comprising at least two stem-cells stimulating-agents and at least one pharmaceutically acceptable excipient.

Case H: (UK 1223058.7, priority filing) entitled "Biomarker methods and compositions" is an invention relating to methods and compositions for identifying a biomarker, in particular for identifying a biomarker of cardiovascular lineage committed cells obtained by the differentiation of stem cells.

Case I: (UK1306341.7, priority filing) entitled "Steering control mechanism for catheter" is an invention that relates to the field of steerable tip catheters and devices for their control, in particular, steerable tip catheters and handles for their control for delivering a therapeutic agent into a substrate.

10.9.2 **Freedom to Operate assessments**

The Company has conducted Freedom to Operate assessments to determine whether a particular commercial action, such as licensing, testing or commercializing its products or processes, can be done without infringing valid intellectual property rights of others. In 2007/2008 the Company requested external patent counsel firm Regimbeau (France) to examine whether the use of Mayo Clinic patents Case A: (WO 2006/015127) entitled "Treating cardiovascular tissue" and Case B: (US2008/0019944) entitled "Methods and materials for providing cardiac cells" could be held to infringe two patents owned by a third party. The results of this analysis were taken into account in the patent prosecutions of those two patents as well as for subsequent filings. To the Company's knowledge, no other entity (academic or commercial) has made public research results on the Cardiopoiesis of adult stem cells. The Company conducted Freedom to Operate assessments of its Case E (WO 2010/125166) patent application entitled "Injection catheter for delivering a therapeutic agent into a substrate" in 2010 and of its Case G (WO 2011/067317) patent application entitled "Pharmaceutical compositions for the stimulation of stem cells" in 2011 by external patent counsel firms Pecher Consultant (Belgium) and Keltie LLC (United Kingdom), respectively, that were both taken into account in their filing strategy. To date, no patent infringement claims have been made against Cardio3 BioSciences nor has Cardio3 BioSciences asserted any such patent infringement claim against a third party. The Company policy is to conduct Freedom to Operate assessments that take into account the development stage of its product candidates. No other full and formal Freedom to Operate assessments were conducted than those referred above. To the best of its knowledge, the Company is not inappropriately using know-how or otherwise privileged information regarding its pharmaceutical product and medical device

technologies that could result in infringement of contractual duties or other intellectual property rights. Where appropriate, the Company intends to take action against any third party products or processes, whether or not protected by patents, that could be considered infringing and enforce intellectual property rights of Cardio3 BioSciences.

10.9.3 **Trademarks and Designs**

On the date of this Prospectus, the Company has notably sought protection on the "C-Cure", "C-Cath", "$Cath_{ez}$" names as well as the Company name and logo by having these registered, or is in the process of registering these names as trademarks in most relevant countries, including but not limited to all European Union Member States (EU Community trademark) and the US. Trademark protection for "C-Cure" was applied for but refused in Russia and China. The Company also applied in April 2013 for a European Community design right covering its proprietary C-$Cath_{ez}$ catheter handle.

The name "C-Cure" used by the Company to describe the first autologous cardiopoietic cell therapy clinical trial for HF and by extension, the cardiopoietic cell therapy program itself, is not being used in the commercialisation of any product. In most countries, including the European Union and the US, prior regulatory clearance by the competent authorities of the commercial name(s) of a pharmaceutical product is required. In view of the therapeutic connotations of the word "C-Cure", the Company is likely not to be authorized to use this mark to identify its products or services

As of the date of this Prospectus and 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. The Company received a "cease and desist" request letter from SMB SA (Belgium) for the C-Cure trademark limited to the Benelux market in the event it would be authorized by EMA to use this trademark for an approved pharmaceutical product.

10.9.4 **Trade secrets**

Cardio3 BioSciences' inventions are based on the Company's expertise in developmental stem cells and heart biology, leading to cell isolation and cultivation procedures for which in some cases only common tools and techniques are used. The experience of Cardio3 BioSciences' researchers has taught that isolation protocols, growth conditions, cell density and passaging protocols are extremely important in the production process of quality-controlled products such as C-Cure. For some of these procedures, patenting (and thus publication) may neither be appropriate nor desirable. However, this is part of Cardio3 BioSciences' proprietary know-how, and is treated as such within the Company. Procedures have been installed to maintain the confidentiality and ownership of such proprietary information. Under these procedures, all internal and key external researchers and associates enter into confidentiality agreements with the Company. In addition, the know-how is fragmented between different persons according to standard industry practice with a view to seek optimal protection of such trade secrets.

10.10 ***Facilities***

The Company rents a 1,120 square meter office and laboratory space from the Axis Parc developer located at the Axis Business Center in Mont-Saint-Guibert pursuant to a lease agreement dated 31 October 2007 (as amended from time to time) which expires on 30 September 2017. In addition, clean-room environments are put at the disposal of the Company by BMS in the same building pursuant to a service agreement dated 11 April 2011 which expires on 31 December 2015.

The Company plans to identify additional space, from 2014 onwards, to locate its intended future European industrial plant. In this respect, Company has committed, provided that PMV applies for Offered Shares in the Offering for a minimum amount of €9.5 million, to start the establishment of a significant operational site located in the Flemish region of Belgium within three years as from the completion of the Offering, which site must become the Company's major effective commercial production site within six years as from the completion of the Offering. For further information about the commitment of PMV to participate in the Offering, see section 5.8 "Intentions of Participatie

Maatschappij Vlaanderen". The Company has furthermore committed, provided that Sofipôle applies for Offered Shares in the Offering for a minimum amount of €4.45 million, to maintain its headquarters and registered office in the Walloon Region and agreed that all existing activities 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. For further information about the commitment of Sofipôle to participate in the Offering, see section 5.7 "Intentions of the shareholders, directors and managers".

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 by PMV or Sofipôle for any damage incurred by PMV or Sofipôle resulting from the breach of contract.

10.11 *Manufacturing*

The Company's manufacturing approach has been designed to respond to three objectives:

- protect the intellectual property and know-how by minimising the need to call upon the services of contract manufacturing organisations;
- improve processes to allow scalability; and
- have a validated production unit in Europe if and when market authorisation would be obtained.

Manufacturing is dedicated to provide the appropriate capacity for the different clinical phases and the potential commercial launch. Manufacturing is also centred on operating and valuing the investments in facilities and in human resources with a focus on product quality and processes with a view to meeting the standard of compliance in terms of Good Manufacturing Practices (GMP) and regulatory requirements.

The Company plans to use its manufacturing facility, located in Mont-Saint-Guibert, Belgium, for the manufacturing of its pharmaceutical products. This facility has been GMP certified in April 2012 by the Belgian Competent Authorities.

Cardio3 BioSciences is engaged in a collaboration agreement with ATMI (Danbury, CT, USA & Brussels, Belgium) with a view to supporting the development and industrialization of the C-Cure manufacturing process, with the following objectives:

- minimise the risk of GMP concern related to safety and consistency by developing a single-use closed system for manufacturing including upstream steps of the cell cultivation and downstream steps of harvesting, washing, filling and packaging; and
- minimise investment and operational costs by process intensification using innovative technologies in order to decrease complexity of manufacturing facilities and to limit human operations (with the implementation of high cell density containers such as the Hyperstack multilayer container from Corning (Union City, USA) or the Xpansion bioreactor from ATMI).

Post-commercialisation, the Company intends to have one production unit in Belgium and one production unit in the US in order to better address local demand, increase redundancy and limit the regulatory exposure risk.

Relationship with Biological Manufacturing Services SA

On 20 April 2009, certain shareholders of Cardio3 BioSciences participated in the capital increase of Biological Manufacturing Services SA (BMS) for purposes of the outfitting and servicing out of laboratory spaces (to be GMP certified) to the Company. The lab spaces are located in the building where the Company has its offices. On 11 April 2011, the Company entered into a three year agreement with BMS regarding the rent of clean rooms (approximately 200 m^2), by BMS to the Company, until December 2012, against a fixed daily consideration to be paid by the Company to BMS of €500. This agreement was automatically renewed in December 2012 for an equivalent period of three years. For their investment in BMS, the BMS shareholders received a number of warrants in the Company *pro rata* to their shareholding in BMS (reference is made to section 14.5 "Warrants"). The original term sheet in respect of the capital increase of BMS (to which the Company was a party) also contained an agreement in principle in respect of a put and call option mechanism between the BMS shareholders and the Company in respect of the shares of BMS. Based on this term sheet, a put and call agreement was entered into on 9 December 2011 between the BMS shareholders and the Company.

On 31 May 2013, it was agreed by the Company and all BMS shareholders to waive the right to such put and call option mechanism in the event that the Company would become a listed company. In consideration for such waiver, a number of amendments to the original service agreement were agreed by the Company and BMS.

- First, the term of the agreement with BMS regarding the rent of clean rooms will become a fixed-term agreement until 30 September 2017.
- Second, the Company will extend the scope of the current service agreement with BMS to the GMP laboratory spaces that are available (100 m^2 until 30 September 2017), at a price per m^2 that is comparable to the fee currently paid by the Company for the GMP laboratory spaces it rents from BMS.
- Thirdly, in the event that BMS would purchase the building in which both the Company's offices and GMP laboratory spaces are currently located, the Company will:
- enter into a 9-year fixed-term lease agreement starting at the building purchase date in respect of the entirety of the administrative space presently occupied (ground and first floor) at an annual fee which guarantees a one percent yield additional to the yield used in the all-in purchase price paid for those premises calculated on a portion of such all-in purchase price *pro rata* to the portion of the available surface actually occupied by the administrative spaces leased by the Company;
- replace the current service agreement between BMS and the Company with a 9 year fixed term service agreement between both companies starting at the same date as the new lease contract described in the previous paragraph at the same terms and conditions as the current service agreement;
- Finally, a right of first refusal, with a term of five years, renewable in common agreement, was granted to BMS to act as the developer for any future production facilities the Company would wish to develop. Such right shall take the form of a right for BMS to match offers received from other developers, and, in the event its offer matches the best offer received by the Company from a third party, to be considered as the preferred partner to act as the developer of the project.

10.12 *Regulations*

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

10.12.1 *Medicinal Product Regulations*

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

Competent Authorities are aware of the specificities of cell-based product candidates, and give much attention to their upfront characterisation and the development of assays to measure their biological activity (potency). The pre-clinical and clinical development paths are broadly similar in the EEA and in the US. Initially, non-clinical studies are conducted to evaluate the mode of action and *in vivo* tests are conducted until adequate proof of safety is established. Upon successful completion of non-clinical studies, a Request for Authorisation of a human clinical trial (RfA, in the EU) or an Investigational New Drug application (IND in US), need to be approved by the relevant authorities for such trials to be allowed to start. Clinical trials are typically conducted in sequential phases, Phases I, II and III, with Phase IV studies conducted after marketing approval. Phase IV trials are generally required for products that receive conditional and/or accelerated approval. These phases may be compressed, may overlap or may be omitted in some circumstances.

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

Completion of pre-clinical and clinical activities may take several years, and the length of time for completion of the required studies is unpredictable. In addition, data obtained from preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. No assurance can be given that any of the Company's clinical trials will be successfully completed on a timely basis, or at all, and/or that additional clinical trials will be allowed by the Competent Authorities.

Competent Authorities typically have between one and six months from the date of receipt of the application for conducting a clinical trial with a drug product candidate to raise any objections to the proposed trial and they often have the right to extend this review period at their discretion. They may also require additional data before allowing studies to commence and could demand that studies be discontinued at any time, for example if there are significant safety issues. In addition to obtaining Competent Authority approval, clinical trials must receive Ethics Committee (in the EU) (or Institutional Review Board, "IRB", in the US) approval in each hospital where the clinical trials are conducted.

When Cardio3 BioSciences started designing its clinical development program for C-Cure, a clear regulatory framework for cell-based products was only emerging in Europe. The Company therefore sought early EMA advice with a view to seeking to pre-empt regulatory requirements for conducting its first fully controlled, prospective randomised clinical trial in compliance with internationally recognized standards of Good Manufacturing Practices ("GMP") and Good Clinical Practices ("GCP"), as well as related implementing measures and applicable guidelines. The Company so far successfully anticipated the increasing regulatory requirements and was authorised to directly conduct a Phase II clinical trial that consisted of studying in a limited patient population, the initial efficacy of the product candidate, possible adverse side effects and safety risks and overall feasibility. Having met the Phase II objectives, the Company now seeks to collect evidence of an acceptable efficacy and safety profile in Phase III studies. These studies, sometimes referred to as registration or pivotal studies, are undertaken when Phase II data suggest that the drug candidate is effective and has an acceptable safety profile and an effective dosage has been identified. The goal of these studies is to obtain definitive statistical evidence of safety and efficacy of the drug candidate as compared to a placebo or to an approved standard treatment, as is the case with C-Cure, in a defined and larger patient population with a given disease and stage of illness.

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

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

In 2008, C-Cure was ruled as a cell therapy medicinal product by EMA and in 2011, C-Cure was classified as an Advanced Therapy Medicinal Product. This designation makes C-Cure eligible in the EU for exclusive review of the marketing authorization application by EMA and subject to the requirements

of the EU Advanced Therapy Medicinal Product Regulation EC/1394/2007. If granted, the approval shall automatically be valid in all EU countries and recognized in the additional EEA countries, without prejudice to national ethical regulations prohibiting or restricting the use of any specific type of human cells or the sale, supply or use of medicinal products containing or derived from such cells. To date, Cardio3 BioSciences received Scientific Advice from EMA in Apr 2008, and June 2011 and had a pre-IND submission meeting with the FDA in Oct 2009, an IND submission in Jan 2012 and a follow-up meeting in June 2012. These meetings were requested by the Company to ask these regulatory authorities for advice on the available data and the additional data that may be required to be authorised to conduct (further) clinical trials.

Pricing and reimbursement for pharmaceuticals are not harmonised in Europe and fall within the exclusive competence of the national authorities, provided that basic transparency requirements defined at the European level are met as set forth in the EU Transparency Directive 89/105/EEC, which is currently under revision. As a consequence, reimbursement mechanisms by private and public health insurers vary from country to country. In public health insurance systems, reimbursement is determined by guidelines established by the legislator or a competent national authority. In general, inclusion of a product in reimbursement schemes is dependent upon proof of the product efficacy, medical need, and economic benefits of the product to patients and the healthcare system in general. Acceptance for reimbursement comes with cost, use and often volume restrictions, which again vary from country to country. In the US, the target population for the Company's products is between 18 and 80 years old, for which worker compensation plans and private insurers are the main payers together with Medicare, the federal healthcare programme for the elderly and disabled.

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

10.12.2 *Medicinal Devices Regulations*

The product C-Cath$_{ez}$ is classified as medical device in the EU and in the US. As provided in the Medical Devices Directive, 93/42/EEC, as amended ("MDD"), the Company has been inspected by its Notified Body and its quality system has been certified by the Notified Body as being in compliance with the required standards for quality management systems (EN ISO 13485). In addition, the Company compiled the technical, non-clinical and clinical data that its Notified Body indicated to be required to satisfy the essential requirements of the MDD. The Company submitted these data to its Notified Body and received a favourable determination of safety and performance of C-Cath$_{ez}$. The Company was authorized by its Notified Body to affix the CE-mark on this product and to place it on the market in the EEA (and by consequence, in all other countries recognizing the validity of the European CE-mark pursuant to their local regulations). The Company intends to pursue its controlled commercial launch in Europe of its CE-marked proprietary percutaneous injection catheter, C-Cath$_{ez}$® for delivery into the myocardium of therapeutic agent

The Company is subject to ongoing regulation under the MDD. The quality system will be subject to periodic audit and recertification, and serious adverse events with humans must be reported to the Competent Authorities in the country where the incident takes place. If such incidents occur, the Company may have to take remedial action, including withdrawal of the product from the market. The MDD is currently undergoing revisions in the EU. A revised legislation on medical devices may impose even more stringent market surveillance obligations and quality assurance systems on the Company than currently already in place, which may increase costs. The Company has limited clinical experience with C-Cath$_{ez}$. The clinical development program of C-Cure in Europe allows gathering such experience. In anticipation of future clinical uses of C-Cath$_{ez}$ in the US in combination with therapeutic agents, the Company filed in April 2013 a Medical Device Access File (MAF) with the FDA, to facilitate development of such combinations, as may be determined desirable by the Company.

10.13 *Human resources*

As of 31 December 2012, the Company has 50 heads under contract. The table below summarises the evolution of employment in the Company since 2010.

	As of 31 December		
	2012	**2011**	**2010**
Research and development	44	41	40
Administrative	6	7	7
Total	50	48	47

The Company's headcount remains stable over the past three years. The Company expects to further increase staff numbers to approximately 60 full time equivalents by the end of 2013 in order to support the Phase III C-Cure clinical programme as well as to further develop the products currently in the discovery or pre-clinical development phase.

24% of the Company's current staff is qualified to Ph.D. and/or M.D. level. The key areas of scientific expertise covered by the Company's personnel include molecular biology, cell biology, immunology, engineering and chemistry. Cardio3 BioSciences currently employs staff of five different nationalities.

10.14 *Litigation*

The Company is not involved in any litigation or arbitration proceedings which have had or which, to the best of the Company's knowledge, may have, a material effect on its financial condition and/or results of operations, nor is Cardio3 BioSciences aware that any such proceedings are pending or threatened.

11 OPERATING AND FINANCIAL REVIEW

The following operating and financial review should be read in conjunction with the Company's audited consolidated financial statements and unaudited interim condensed consolidated financial statements and notes to those consolidated financial statements, included in this Prospectus. Certain statements in this section are forward-looking and should be read in conjunction with 3.11 "Forward-looking statements". The Company's consolidated financial statements have been prepared and have been restated in accordance with IFRS as adopted by the EU and Belgian GAAP. The figures used in this section refer to the financial statements which have been prepared in accordance with IFRS as adopted by the EU.

11.1 *Overview*

Cardio3 BioSciences is a Belgian based biopharmaceutical company focused on the discovery, development and commercialisation of innovative proprietary regenerative and protective therapies for the treatment of cardiovascular diseases with a high unmet medical need. Cardio3 BioSciences is committed to fully exploiting its proprietary Cardiopoieseis technology platform, in-licensed from Mayo Clinic, to develop curative therapies for the treatment of HF and AMI.

The Company has completed in January 2012 the Phase II clinical trial of its lead product candidate, C-Cure. C-Cure is designed to direct the patient's own stem cells into new heart cells with the potential to rebuild the heart. The Company has launched its Phase III trial in December 2012.

Through 31 March 2013, the Company has funded its operations through:

- proceeds of €34.8 million from private placements and contributions in kind; and
- cash receipts of €18.2 million from Region subsidies and cash advances (non-dilutive).

Since inception till end of March 2013, the Company spent approximately €9.5 million on manufacturing, €11.5 million on clinical, quality and regulatory, €18.2 million on research and development and €10.5 million on general and administrative expenses. As of 31 December 2012, the Company held €1.65 million in cash.

Cardio3 BioSciences began operations in July 2007 and is based in Mont-Saint-Guibert in the Walloon region of Belgium. Since July 2007, the Company has devoted the majority of its efforts to the development of C-Cure targeting heart failure and its other pre-clinical programmes targeting the AMI. If appropriate, the Company intends to enter into selective collaboration with biopharmaceutical partners as a means of generating revenues for the further development of its platform and sharing risk as well as increasing the likelihood of both development and commercial success.

11.2 *Factors affecting the result of operations*

The successful development of research programmes and product candidates is uncertain and the Company expects to continue to incur operating losses for the foreseeable future as it develops C-Cure and its other product candidates and research programmes. At this time, the Company cannot reasonably estimate the precise timing and detailed costs of the efforts that will be necessary to complete the remainder of the development of these research programmes and product candidates. The Company is also unable to predict when material cash inflows will commence from sales of C-Cure and or other product candidates.

Set forth below is a discussion of material factors that the Company believes will materially impact the Company's results in future periods.

Manufacturing expenses

The Company's manufacturing expenses includes mainly salaries of the manufacturing team, production supplies, depreciation, maintenance and calibration charges of equipments and the rental

of GMP laboratory facilities. The Company leases its production facility from Biological Manufacturing Services SA (see section 10.11 "Manufacturing").

The Company expects such costs to increase significantly over the next months with the on-going Phase III clinical programmes of its lead product candidate C-Cure. The current production facility has sufficient capacity to meet the needs of the C-Cure Phase III trials and of the South African clinical registry.

Clinical, Quality and Regulatory expenses

Cardio3 BioSciences clinical, quality and regulatory expenses gather costs closely related to clinical trials. It includes employee expenses, costs of setting up the quality procedures, as well as the preparation and supervision of the clinical trial. It also includes the costs of maintaining and overseeing the Company's intellectual property portfolio including the costs of legal counsel and associated filing and maintenance fees.

All clinical, quality and regulatory costs are expensed as incurred. To date, the Company has not capitalised any of such costs. Cardio3 BioSciences may review this practice in the future depending on the outcome of the current development programmes.

The Company expects such costs to increase significantly over the next months with the conduct of the Phase III clinical programmes of its lead product candidate C-Cure.

Research and Development expenses

The Company's research and development expenses reflect costs incurred for research and development projects, including the salaries of scientists and technicians, the laboratory supplies, depreciation of the Mayo Licence and the costs of the outsourced research and development services. With the exception of the Mayo Licence, acquired in August 2007 and its extension in the field of use acquired in October 2010, which has been capitalised and amortised over 20 years, Cardio3 BioSciences expenses all research and development costs as they are incurred. The Company determines at each reporting date whether the condition for recognizing development costs are met depending on the outcome of the current development trials. For the first time in 2012, the Company recognized the development costs of its proprietary intra-myocardial catheter C-Cath$_{ez}$. All development costs of C-Cath$_{ez}$ are capitalized since May 1st 2012, the first month following the CE marking of C-Cath$_{ez}$.

The Company believes that research and development expenses will continue to grow in the future with the development of the Cardiopoiesis platform and the intention to further invest in the other research programmes and product candidates for the treatment of AMI. It is the Company's objectives to progress additional research programmes and product candidates from pre-clinical to clinical development.

The expected increase in research and development expenditures will mostly relate to higher personnel costs, outsourcing costs and additional in house pre-clinical trials.

General and administrative expenses

The Company's general and administration expenses consist of salaries and other related costs for personnel in executive, finance, accounting and communication functions. It also includes the fees related to functions that are outsourced by the Company such as audit, legal, IT and human resources. General and administrative expenses are expected to increase with the expansion of the Company's management to include new persons responsible for legal, IT, human resources and later sales and marketing, as well as with the additional responsibilities related to becoming a public entity.

Other operating income

To date, the Company's other operating income has been generated from subsidies and cash advances received from the Region. Since inception through 31 March 2013, Cardio3 BioSciences has been granted subsidies totalling €2.0 million and cash advances totalling €16.2 million. In the future, the Company will seek to generate income from a combination of subsidies, cash advances, products sales and upfront fees, research and development support, milestone payments from potential collaborations and royalties from the outlicensing of intellectual property. The Company expects that

future income will continue to fluctuate from period to period as a result of the timing of future regional funding, the terms and timing of potential collaboration agreements and, to the extent that any products are successfully commercialised, the volume and timing of product sales.

Other operating expense

Amounts recorded under other operating expenses correspond to the cash advances received which are transferred to non-current liabilities as advances once criteria of liability recognition are met.

Taxation

Since its inception, the Company has not made profits and has therefore not paid corporate taxes with the exception of a small amount of withholding tax on interest income in 2009. Its accumulated taxable losses amount to €38.3 million at 31 December 2012 as further detailed in section 3.16 "Deferred taxes". These losses can be used to offset future profits. However, no deferred tax assets (in excess of the deferred tax liabilities resulting from IFRS restatements) have been recorded to date because of the development stage of the Company and the lack of certainty that the Company will generate taxable profits in the future.

On 27 April 2007, a law was approved in Belgium which allows Belgian Companies to exempt 80% of their patent income from corporate income tax starting from the 2008 tax assessment year if such income is deemed to derive from intellectual property which is internally generated. The tax deduction will only apply to "new" patent income, i.e. income from patents that have not given rise to sales of products or services covered by these patents to third parties by the Belgian company, a licensee or an affiliated company, prior to 1 January 2007. In the case of acquired intellectual property, the patent income that will be eligible for tax reduction will be reduced by the relevant depreciation on the acquired intellectual property.

On 14 October 2009, Cardio3 BioSciences has obtained a ruling in respect of its Mayo Clinic platform future income. As a result, all revenues generated by the Cardiopoiesis platform will be, after deduction of depreciation of the acquired licence, subject to a tax rate of approximately 6.8% instead of the nominal rate of 33.99%.

11.3 *Analysis of the consolidated statement of comprehensive income*

The following table includes information relating to the Company's statement of comprehensive income for the years ended 31 December 2012, 2011 and 2010 and for the three months period ended 31 March 2013 and 2012.

(€'000)	For the period ended				
	3 months period ended				
	31 March		31 December		
	2013 (reviewed)	2012 (unaudited)	2012	2011	2010
Revenue	-	-	54,00	-	1.515,96
Manufacturing	(601.65)	(625.75)	(2,185.90)	(1,958.57)	(1,798.89)
Clinical, Quality and Regulatory	(961.76)	(993.97)	(3,605.14)	(1,733.99)	(1,466.90)
Research & Development	(539.08)	(1,253.53)	(3,400.82)	(4,135.67)	(4,905.25)
General and administrative	(468.20)	(499.07)	(1,881.60)	(2,584.31)	(2,055.64)
Other operating income	115.44	873.14	2,092.28	2,706.23	2,294.31
Other operating expenses	-	(1,729.20)	(3,974.56)	(1,597.14)	-
Operating profit (loss) – EBIT	**(2,455.25)**	**(4,228.38)**	**(12,901.74)**	**(9,303.45)**	**(6,416.41)**
Financial income	0.04	0.05	19.17	17.37	20.77
Financial expenses	(269.32)	(122.41)	(641.68)	(68.50)	(315.44)
Profit (loss) before taxes	**(2,724.53)**	**(4,350.74)**	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Income taxes	-	-	-	-	-
Profit (loss) for the period	**(2,724.53)**	**(4,350.74)**	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Net loss attributable to Equity Holders	**(2,724.53)**	**(4,350.74)**	**(13,524.25)**	**(9,354.58)**	**(6,711.08)**

Manufacturing

Manufacturing expenses increased respectively by €0.16 million and €0.23 million and in 2011 and 2012. These relatively small increases are linked with the GMP certification of the clean rooms in 2011 and the initiation of the C-Cure Phase III clinical trial in 2012.

Manufacturing expenses for the three months period ending 31 March 2013 are comparable to same period in 2012 (€0.60 million versus €0.63 million).

Clinical, Quality and Regulatory

In 2011 and 2012, clinical, quality and regulatory expenses increased by €0.27 million and €1.87 million respectively. The increase of 0.27 million in 2011 is mainly explained by increased regulatory consulting fees. The increase of €1.87 million in 2012 is largely explained by the preparation of the C-Cure Phase III clinical trial (study costs and payroll).

Clinical, quality and regulatory expenses for the three months period ending 31 March 2013 are comparable to same period in 2012 (€0.96 million versus €0.99 million).

Research and Development

In 2011 and 2012, research and development expenses decreased by €0.77 million and €0.73 million respectively. The decrease from €4.9 million in 2010 to €4.1 million in 2011 is explained by the absence of Mayo direct research funding in 2011 (€-0.55 million) and the reduction of the preclinical workload associated with C-Cure (€-0.64 million). The development costs of C-Cath$_{ez}$ associated to the preparation of the CE-marking increased significantly in 2011 compared to 2010 (€0.49 million). The decrease of €0.73 million in 2012, is mainly resulting from the capitalization from May 2012 onwards of the development costs of C-Cath$_{ez}$.

For the three months period ending 31 March 2013, Research & Development expenses amounted €0.54 million compared to €1.25 million for the same period of 2012. The decrease of €0.71 million from 2012 to 2013 is mainly resulting from the capitalization of the development costs of C-Cath$_{ez}$.

General and Administrative

General and administrative expenses increased by €0.53 million in 2011 and decreased by €0.70 million in 2012 The increase in general and administrative expenses in 2011 is mostly explained by fees

associated with the financing efforts conducted beginning of 2011. The general and administrative expenses of 2012 are slightly lower than in 2010 (€-0.17 million).

General and administrative expenses for the three months period ending 31 March 2013 are comparable to same period in 2012 (€0.47 million versus €0.50 million).

Other operating income

Amounts received from the Walloon government are dedicated to support the Company's research and development projects.

Other operating income increased by €0.41 million in 2011, from €2.3 million to € 2.7 million. In 2012, the amount recorded under Other Operating Income amounted € 2.1 million, a decrease by €0.6 million compared to 2011. Cardio3 BioSciences received funding and notification of funding from the Region under recoverable cash advance agreements amounting to €1.9 million in 2010, €1.2 million in 2011 and €2.4 million in 2012. The Company also received subsidies and grant for a total of €0.1 million in 2010, €1.1 million in 2011 and €0.3 million in 2012.

As further detailed in section 10.8 "Grants and subsidies", the Company expects to receive the remainder of the existing cash advances and subsidies agreements as of 31 December 2012 in 2013 and 2014 for a total of €2.3 million. The Company also plans to make new applications for additional Regional non-dilutive funding in 2013 and the years after to partially finance new research and development programmes.

Other operating expenses

In 2011 and 2012, the Company decided to further develop initial programmes funded by the Region through cash advances (Agreements n°5914, 5915, 6003, 6230 and 6363). As a consequence, the Company recorded a liability against an "Other operating expenses" for respectively €3.9 million and €1.6 million in 2012 and 2011.

Operating loss

As a result of the foregoing, the operating loss before financial result and taxes increased respectively by €2.9 million in 2011 and by €3.6 million in 2012, totalling respectively € 6.4 million, €9.3 million and €12.9 million for the years 2010, 2011 and 2012.

For the three months period ending 31 March 2013, the operating loss amounts €2.5 million versus an operating loss of €4.2 million for the same period of 2012. The variance is mainly due to the recognition of a recoverable advance (Agreement n°6003) as liability in Q1 2012 and capitalization of the development costs of C-Cath$_{ez}$ in Q1 2013.

Financial income and expenses

Financial income represents interest on short term deposit. The financial expenses represent interest paid on finance leases and shareholders loans. Interest expenses on convertible loans (10% on an annual basis) represent the biggest part of the financial expenses in 2010, 2012 and 2013.

Income tax expense

As the Company incurred losses in all of the relevant periods, it had no taxable income and therefore incurred no corporate taxes.

Loss for the period

As a result of the foregoing, the Company's loss increased by € 2.6 million from €6.7 million in 2010 to €9.4 million in 2011, and by €4.2 million from €9.4 million in 2011 to €13.5 million in 2012.

The loss for the three months period ending 31 March 2013 amounts €2.7 million versus a loss of €4.4 million for the same period in 2012.

11.4 *Analysis of the consolidated statement of financial position*

The table below sets forth the balance sheet as of 31 December 2012, 31 December 2011 and 31 December 2010 as well as of 31 March 2013.

(€'000)	As of 31 March	As of 31 December		
	2013 (reviewed)	2012	2011	2010
NON-CURRENT ASSETS	**10,059.87**	**10,148.41**	**10,162.82**	**11,019.40**
Intangible assets	9,596.89	9,614.76	9,624.69	10,205.45
Property, Plant and Equipment	326.67	383.12	355.47	592.30
Other non-current assets	136.31	150.53	182.66	221.65
CURRENT ASSETS	**593.81**	**2,336.62**	**3,650.03**	**6,475.60**
Trade and Other Receivables	280.78	442.84	1,013.15	1,987.83
Advances receivables	-	-	654.10	360.18
Other current assets	202.76	248.75	231.40	300.70
Cash and cash equivalents	110.27	1,645.03	1,751.38	3,826.89
TOTAL ASSETS	**10,653.68**	**12,485.03**	**13,812.85**	**17,495.00**
EQUITY	**(4,436,20)**	**(2,259.89)**	**3,743.33**	**8,690.37**
Share Capital	9,974.51	9,974.51	9,974.51	28,899.98
Convertible loan	11,916.94	11,406.35	4,036.10	-
Share-based payments	1,043.74	1,006.11	855.33	483.89
Retained loss	(27,371.39)	(24,646.86)	(11,122.61)	(20,693.50)
NON-CURRENT LIABILITIES	**11,280.32**	**11,265.92**	**7,963.40**	**6,562.87**
Finance leases	108.28	108.89	116.26	242.87
Advances payables	11,172.04	11,157.03	7,847.14	6,320.00
CURRENT LIABILITIES	**3,809.56**	**3,479.00**	**2,106.12**	**2,241.76**
Finance leases	108.36	160.49	189.84	290.97
Advances payables	654.66	684.66	70.00	-
Trade payables	1,833.22	1,770.31	1,086.26	1,286.55
Other current liabilities	1,213.32	807.23	698.85	604.50
Current tax liabilities	-	56.31	61.17	59.74
TOTAL EQUITY AND LIABILITIES	**10,653.68**	**12,485.03**	**13,812.85**	**17,495.00**

Assets

The Company's total assets are mainly composed of intangible assets and cash. Intangible assets correspond to the Mayo Licence, entered into in August 2007 and expanded in October 2010 as further described in section 10.7.2 "Academic and clinical collaborations", and starting 2012 the development costs of C-Cath$_{ez}$ (capitalized as of May 2012).

Currently, the Company leases its facilities and laboratories and owns all office and laboratory equipment. Laboratory equipment is financed by finance leases over a period of 36 months.

The outstanding amount of Trade and Other Receivables as of 31 December 2010 is mainly composed of a €1.5 million trade receivable on Mayo Foundation, fully paid up in April 2011. The Advances receivables correspond to amount due by the Region on non-dilutive funding agreements (recoverable cash advances and subsidies).

Liabilities

In May 2011, the capital was reduced by the amount by €18.9 million, corresponding to the retained loss as of 31 December 2010. Since the end of 2011, the Company financed its operations through

convertibles loans contracted respectively in December 2011, May 2012, October 2012 and December 2012, as further described in section 3.11 "Share Capital and convertible loans"of the notes to the financial statements. On 6 May 2013, the Extraordinary General Meeting approved a capital increase of €19 million. Out of the €19.0 million capital increase, €12.0 million consists of a contribution in kind of shareholders loans contracted in 2011 and 2012 and a contribution in cash of €7.0 million. The contribution in cash was completed on 31 May 2013. The consolidated net equity of the Company (under IFRS) is therefore increased by €7.0 million as of 31 May 2013.

The non-current liabilities correspond to amounts due to the Region and to finance leases. Amounts due to the Region (booked as advances payables) end of 2012 correspond to funding received under the contracts 5160, 5731, 5914, 5915, 6003, 6230 and 6363 and will be paid back when C-Cure would either reach the market or is sub-licensed. Once the Company will commercialise C-Cure, up to 5% of the proceeds of the net sales will be allocated to refund the cash advances. Furthermore, independently from the percentage of net sales, annual lump sums are due starting 2013 as further detailed in section 10.8.1. "Recoverable cash advances".

The current liabilities relate primarily to trade payables, social debt and the current part of the Advances payables. The increase of the current liabilities at year end 2012 is mostly explained by an increase of the trade payables and the current part of the Advances payables.

11.5 *Impact of inflation*

The results of the Company's operations for the periods discussed have not been materially affected by inflation.

11.6 *Liquidity and capital resources*

General

The Company's liquidity requirements primarily relate to the funding of manufacturing expenses, clinical quality and regulatory expenses, research and development expenses, general and administrative expenses, capital expenditures, repayments of finance leases and working capital requirements.

The Company expenses all its clinical and research and development costs to the exception of, since May 2012, the development costs of C-Cath$_{ez}$.

As of end of March 2013 and including the financing of Cardio3 SA, the Company has been funded by several financing rounds conducted respectively in February 2005, December 2008 and October 2010 for a total of €34.8 million and by non-dilutive Region funding totalling €16.2 million out of the €18.2 million granted. Following the Offering, and the application of the proceeds as described in section **7** "USE OF PROCEEDS", the Company's principal sources of funds are expected to be cash on hand and cash from operations.

Cash flows

The following table sets forth the Company's consolidated cash flow statement for the years ended 31 December 2012, 2011 and 2010 as well as the three month period ended 31 March 2013 and 2012, as further detailed in sections 2.4 and 5.4 "Condensed consolidated statement of cash flow" of the notes to the financial statements.

(€'000)	3 month period ended 31 March		Year ended 31 December		
	2013 (reviewed)	2012 (unaudited)	2012	2011	2010
Net cash used in operations	(1,656.89)	(2,055.85)	(8,336.84)	(7,631.88)	(8,324.22)
Net cash used in investing activities	(151.40)	(16.38)	(656.96)	(40.92)	(60.52)
Net cash from financing activities	273.53	1,437.77	8,887.45	5,597.29	8,780.04

Cash flow from operating activities represented a net cash outflow of €8.3 million in 2012, 7.6 million in 2011 and €8.3 million in 2010. This large amount of cash outflow reflects the cost of the C-Cure Phase II clinical trial, the pace of the research and development activities and initiation of the C-Cure Phase III clinical trial.

Compared to the three month period ended 31 March 2012, the net cash outflow from operating activities of the three months period ended 31 March 2013 was significantly lower (€0.40 million). This decrease is mainly linked to the capitalization of the development costs of C-Cath$_{ez}$ and the change in working capital.

Cash flow from investing activities represented a net cash outflow in all years discussed and corresponded to investments made by the Company in non-current assets paid in cash.

Cash flow from financing activities represented a net cash inflow €8.9 million in 2012 versus €5.6 million in 2011 and €8.8 million in 2010. The Company financed its operating and investing activities by several investment rounds conducted in 2005, 2008 and 2010, the convertible loans provided by Company shareholders and by non-dilutive financing brought by the Region through cash advances and subsidies.

11.7 *Disclosures about interest rates, credit and currency risk*

The Company has limited interest rate risk as it has only convertible loans with fixed interest rate and only small finance lease contracts. The Company also believes that its credit risk, relating to receivables, is limited because most of its receivables are with creditworthy organisations and public institutions. The Company's foreign currency risk is limited in size and scope as certain of its research agreements are in foreign currencies, mostly US dollars, and it purchases some of its consumables used in production in foreign currencies. The Company has not entered and does not envisage to enter in the near future into any currency hedging arrangements in the near future in order to cover its currency exposure.

11.8 *Critical accounting policies and estimates*

The preparation of the Company's financial statements requires management to make reasonable estimates and assumptions that affected the reported amounts of assets and liabilities as reflected in its financial statements at the reporting date, as well as the disclosure of amounts of income and expenses for the period being reported on. These estimates are made in respect of fair values of financial instruments, impairment losses, deferred income taxes, provisions for employee's vacation leave payments, advance repayable, share based payments as well as the useful life and residual values of equipment, development costs and licences.

These estimates are subject to measurement uncertainty. Future results could differ from and affect the results reported in these financial statements. The Company has not identified at reporting date any sources of estimation uncertainty, which involve a significant risk of material adjustment to the financial statements in the following year.

12 MANAGEMENT AND GOVERNANCE

12.1 *General*

This section summarises the rules and principles by which the corporate governance of the Company is organised pursuant to Belgian company law and the Company's articles of association.

The description below of the management of the Company and its corporate governance structure and functioning shall, in certain respects, take effect upon completion of the Offering.

12.2 *Composition of the Board of Directors and Executive Management*

12.2.1 Composition of the Board of Directors

At the date of the Prospectus, the Board of Directors consists of 7 members, one of which is an executive director (as a member of the Executive Management Team) and 6 of which are non-executive directors, including three independent directors.

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
Christian Homsy	Executive director	2016	Rue Edouard Belin 12, 1435 Mont-Saint-Guibert	
William Wijns	Non-executive director	2016	Moorselbaan 219, 9300 Aalst	
Serge Goblet	Non-executive director	2016	Chaussée de Waterloo 1589D, 1180 Brussels	
Pienter-Jan BVBA, represented by its permanent representative Chris Buyse [2]	Independent director	2016	Baillet Latourlei 119A, 2930 Brasschaat	Member of the Nomination and Remuneration Committee
Rudy Dekeyser	Independent director	2016	Rijvisschestraat 120, 9052 Ghent	Member of the Nomination and Remuneration Committee
Jean-Marc Heynderickx	Independent director	2019	Chemin de la Chapelle Robert 21, 1380 Lasne	

[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 mandate of all directors will expire in 2016 except for the mandate of Jean-Marc Heynderickx which will expire on 31 January 2019.

[2] Chris Buyse acts as permanent representative of Pienter-Jan BVBA, a Belgian management company with registered office located in 2930 Brasschaat, Baillet Latourlei 119 A.

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, Chairman - Michel Lussier, obtained a degree of Bachelor of Sciences in Electrical Engineering and a degree of Master in Sciences in Biomedical Engineering at the University of Montreal. He also holds an MBA from INSEAD (European Institute of Business Administration), France. Michel is co-founder of Cardio3 BioSciences and has served as Chairman of the Board of Directors since Cardio3

BioSciences' incorporation in July 2007. He was also the co-founder and Chairman of the Board of Directors of the Company's predecessor entity, Cardio3 SA, from its incorporation in 2003 until its liquidation in 2008. From September 1994 until its acquisition by Guidant in 1998, Michel led, as Vice-President and General Manager of European Operations, the European subsidiary of InControl Corp. From October 1998 to March 2002, Michel served as Vice President, General Manager Europe of Novoste Corp., a medical technology company. From July 2002 to 2007, he assumed the position of Volcano Vice President, General Manager of Europe, Africa and Middle East for Volcano Corporation, Headquartered in San Diego, California. From 2007 until October 2012, Michel served as Volcano Group President, Advanced Imaging Systems, Global Clinical & Scientific Affairs and General Management of Europe, Africa and Middle East. Since October 2012, Michel serves as President, Clinical and Scientific Affairs for Volcano. In February 2002, he founded Medpole SA, a European distribution incubator for medical device start-up companies located in Belgium. Michel brings 15 years of operational experience with Medtronic Inc, where he led the company's core business in Europe as Business Director Cardiac Pacing. Additionally, Michel Lussier is CEO of Medpole SA and has been Chairman of a number of committees within Eucomed. He also served on several start-up boards for medical devices.

Christian Homsy, Executive director – Christian Homsy obtained his Medical Doctorate at the University of Louvain and holds an MBA from the IMD in Lausanne (Switzerland). He has been Chief Executive Officer (CEO) of Cardio3 BioSciences since its foundation. 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. Christian excelled in building businesses with well-respected teams, setting standards inside and outside the organisation. 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, Non-executive director – William Wijns is co-founder of Cardio3 BioSciences and is permanent representative of the Cardiovascular Center Aalst CVBA. Doctor William Wijns graduated in 1976 from the University of Louvain in Belgium where he trained as a cardiologist until 1981. He subsequently joined the Thorax Center in Rotterdam where he was actively involved with the first applications of nuclear cardiology, thrombolysis and coronary dilatation. After spending two years as a Visiting Associate Professor of Radiological Sciences at UCLA, Dr Wijns returned to the University of Louvain in Brussels where he directed the cardiac PET programme and became Clinical Professor of Cardiology. His research focused on the regulation of coronary blood flow and cardiac metabolism in ischemic heart disease. Since 1994, Dr Wijns is the co-Director of the Cardiovascular Center Aalst and merely 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. He has authored over 300 publications in peer-reviewed journals and holds several positions in national and international professional and scientific organisations. In the past five years, he held board memberships in the European Society of Cardiology (Chairperson European Relations Committee 2008-2010) and the World Heart Federation. He is currently Chairman of EuroPCR, the official congress of the European Association of Percutaneous Cardiovascular Interventions (EAPCI).

Serge Goblet, Non-executive director – Serge Goblet holds a Master Degree in Business and Consular Sciences ("licence en sciences commerciales et consulaires") 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.

Chris Buyse (permanent representative of Pienter-Jan BVBA), Independent director – Chris 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 brings to Cardio3 BioSciences more than 20 years of international financial expertise and experience in introducing best financial management practices. Since August 2006 Chris is CFO and director of ThromboGenics NV, a leading biotech company that is listed on NYSE Euronext Brussels. Before joining ThromboGenics, he was CFO 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 CFO and interim CEO of Keyware Technologies. In addition Chris also held several financial positions as financial controller and internal auditor at Spector Photo Group, Suez Lyonnaise des Eaux and Unilever. 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 privately held companies:, Bone Therapeutics SA, Iteos SA, Q-Biologicals NV, Immo David NV, Pinnacle Investments SA, CreaBuild NV and Pienter-Jan BVBA, ThromboGenics NV, Life Sciences Research Partners VZW (a shareholder of the Company) and Keyware Technologies NV.

Rudy Dekeyser, Independent director – Rudy Dekeyser obtained a Ph.D. in molecular biology at the University Ghent. 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), managing for more than 16 years. He holds non-executive director position Remynd NV, and held non-executive director positions until recently in Devgen NV, CropDesign NV, Ablynx NVActogenix NV, Pronota NV, Flandersbio VZW, Bioincubator Leuven NV, Biolign NV and Multiplicom NV. He is a co-founder of ASTP (the European associations of technology transfer managers) and Chairman of EMBLEM and of the valorisation board of NGI (the Dutch genome initiative). Rudy has been advisor toto several seed and venture capital funds and to multiple regional and international committees on innovation.

Jean-Marc Heynderickx, Independent director – With a degree in Marketing from Charleroi University (Belgium). Jean-Marc Heynderickx 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 Heynderickx 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 is currently also Board Member of FRI (First Retail International) a Belgian Investment funds specialized in Retail Warehousing. In 2006 Jean-Marc was co-founder of the Budapest Food Bank.

Litigation statement concerning the directors or their permanent representatives

At the date of this Prospectus, none of the directors of the Company or, in the case of legal entities being director, none of their permanent representatives, has, for at least the previous five years:

- been convicted in relation to fraudulent offences;
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

The following directors of the Company were also directors of Cardio3 SA, which was wound-up and liquidated on 13 November 2008: Michel Lussier, Serge Goblet and William Wijns. Christian Homsy held a management position in Cardio3 SA at that time. Serge Goblet was a director of Air Sensor SA (France) which was declared bankrupt on 1 September 2009. Other than this, no director has held an executive function as a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of or preceding any bankruptcy, receivership or liquidation.

12.2.2 Composition of the Executive Management Team

At the date of the Prospectus, 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), and the "Vice President Research and Development".

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

Name	Function	Year of birth
Christian Homsy	Chief Executive Officer	1958
Patrick Jeanmart SPRL, represented by its permanent representative, Patrick Jeanmart	Chief Financial Officer	1972
Advanced Therapies Consulting Ltd., represented by its permanent representative, Peter de Waele	Vice President Research & Development	1957

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, CEO – reference is made to section 12.2.1 "Composition of the Board of Directors".

Patrick Jeanmart (permanent representative of Patrick Jeanmart SPRL), CFO – Mr Jeanmart obtained a Master in Economics from the University of Namur, Belgium. He has served as CFO since September 2007. Prior to joining Cardio3 BioSciences, Patrick worked for IBA (Ion Beam Applications, Belgium) during 6 years where he held a number of senior financial management positions within several IBA subsidiaries located in Belgium, Italy, UK and the US. Between January 2004 and 2007, Patrick acted as Vice President of Finance of IBA Molecular. He also holds the position of CFO at Medpole SA and at Biological Manufacturing Services SA.

Peter de Waele (permanent representative of Advanced Therapies Consulting Ltd), VP Research & Development – Mr de Waele obtained his Master of Science in Biochemistry and Physiology at Ghent University, Belgium. He 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. Dr. De Waele is the author and co-author of several peer reviewed scientific publications, and the inventor of several patents and patent applications. He has been serving as Vice President Research & Development since November 2010. Dr. De Waele not only brings his clinical expertise to Cardio3 BioSciences, he has also years of business experience. 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. Up to 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 COO of XCELLentis he was responsible for several multicenter international clinical trials with recombinant vaccines and cell derived advanced medical products. Moreover, Dr. De Waele also assumes the function of Managing Director in Advanced Therapies Consulting Limited. He is also consultant for regulatory affairs, quality assurance and quality control and research & development at Cryo-Save AG in Switzerland as well as acting as Responsible Person for the Dutch tissue bank Stichting Cryo-Save.

Litigation statement concerning the members of the Executive Management Team or their permanent representatives

At the date of this Prospectus, none of the members of the Executive Management Team of the Company or, in the case of legal entities being a member of the Executive Management Team none of their permanent representatives, has, for at least the previous five years:

- been convicted in relation to fraudulent offences;
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body); or
- ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from acting in the management or conduct of affairs of any company.

Christian Homsy and Patrick Jeanmart held managing positions in Cardio3 SA. Cardio3 SA was wound-up and liquidated on 13 November 2008. Other than this, no member of the Executive Management Team has held an executive function as a senior manager or a member of the administrative, management or supervisory bodies of any company at the time of, or preceding, any bankruptcy, receivership or liquidation.

12.3 *Corporate governance*

12.3.1 General provisions

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. It is based on the Company's articles of association that have been amended by the Extraordinary Shareholders Meeting of 11 June 2013 and on the Company's corporate governance charter, both of which will become effective upon completion of the Offering.

The Company's corporate governance charter has been adopted in accordance with the CGC. The CGC is based on a "comply or explain" system: Belgian listed companies should follow the CGC, but may deviate from its "provisions" and "guidelines" (though not the "principles") provided they disclose the justification for such deviation.

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. For an overview of the Warrants held by the directors, reference is made to section 12.8.1 "Shares and warrants held by directors".
- 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, will be made available on the Company's website (www.c3bs.com) and may be obtained free of charge at the registered office of the Company after completion of the Offering. The Board of Directors shall in its annual report for the financial year ending on 31 December 2013, to be published in 2014 (and any financial year thereafter), devote a specific section to corporate governance, describing the Company's corporate governance practices during that year, including any specific information required by the applicable legislation and the CGC.

In accordance with Article 96, §2 of the Belgian Company Code, such corporate governance declaration will at least include the following information: the corporate governance code which is applied by the Company (i.e., the CGC), any deviations from the CGC,(in accordance with the requirement "comply or explain"), the main characteristics of the internal systems for control- and risk management with regard to financial reporting; the shareholder structure, resulting from the transparency notifications

the Company has received from its shareholders and certain financial and corporate information, the composition and functioning of the management bodies and its committees, and an overview of the efforts undertaken to ensure that at least 1/3 of the members of the Board of Directors is of the opposite sex.

Additionally, the corporate governance declaration shall include a separate remuneration report, prepared by the Nomination and Remuneration Committee, for the financial year ending on 31 December 2013, to be published in 2014 (and any financial year thereafter). Such remuneration report will, in accordance with Article 96, §3 of the Belgian Company Code at least include information on among others: (i) the procedure applied during the financial year, for developing the remuneration policy and the remuneration policy effectively applied during the relevant financial year, (ii) the remuneration and all other benefits directly or indirectly received from the Company or a company within the consolidation perimeter of the Company by the non-executive directors on an individual basis, (iii) information on criteria, periods and methods used to calculate the variable remuneration payable to the Leading Persons, (iv) a broken-down overview of the remuneration package of the CEO, (v) the aggregate amount of the remuneration, broken down per category, of the Leading Persons (other than the CEO), (vi) an individual overview of the shares held by, the stock option plans to the benefit of and all other rights to acquire shares lapsed, held or exercised by, the Leading Persons, and (vii) the (potential) severance payments of the Leading Persons, and the Company's clawback rights of variable remuneration of Leading Persons, in the event such remunerations would have been granted on the basis of incorrect financial information. The Board of Directors will provide the remuneration report to the work's council (or to other designated bodies or persons representing the employees, in case such council does not exist; i.e., the employee representatives in the committee for prevention and protection in the workplace or, in the absence of such committee, to the trade union delegation).

The Annual Shareholders Meeting, deciding upon the Board of Director's annual report, shall also decide, by separate vote, on the remuneration report.

12.4 *Board of Directors*

12.4.1 General provisions

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. The Board of Directors currently believes that the optimum number of directors is between 5 and 10. 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.

The directors of the Company are appointed by the Shareholders Meeting. However, in accordance with the Belgian Company Code, if the mandate of a director becomes vacant due to his or her death or resignation, the remaining directors have the right to temporarily appoint a new director to fill the vacancy until the first Shareholders Meeting after the mandate became vacant. The new director completes the term of the director whose mandate became vacant. The corporate governance charter, which will become effective upon completion of the Offering, provides that directors may be appointed for a maximum (renewable) term of four years.

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.

12.4.2 **Chairman**

The Company's articles of association provide that the Board of Directors appoints a Chairman amongst its members.

The Chairman of the Board of Directors is responsible for the leadership of the Board of Directors. The Chairman takes the necessary measures to develop a climate of trust within the Board of Directors, contributing to open discussion, constructive dissent and support for the decisions of the Board of Directors. The Chairman promotes effective interaction between the Board of Directors and the board committees, in particular the Executive Management Team. The Chairman establishes a close relationship with the Executive Management Team, providing support and advice, while fully respecting the executive responsibilities of the Executive Management Team.

The Chairman has additional specific tasks. These are further described in the terms of reference of the Board of Directors as set out in the Company's corporate governance charter.

12.4.3 **Independent directors**

A director may only be considered an independent director if he or she meets at least the criteria set out in the Belgian Company Code. The independence criteria of Article 526ter of the Belgian Company Code can be summarised as follows:

- the director has not been an executive member of the Board of Directors, member of the management board *("comité de direction")* (should such corporate body be created) or daily manager of the Company (or an affiliate of the Company, if any), during a term of five years prior to his or her election;
- the director has not been a non-executive director for more than three consecutive terms or during a period of more than 12 years;
- the director has not been a member of the managerial staff of the Company (or an affiliate of the Company, if any) during a term of three years prior to his or her election;
- the director does not receive and has not received any remuneration or other significant financial advantage from the Company (or an affiliate of the Company, if any), other than the profit share *("tantièmes")* and remuneration received in his or her capacity as a non-executive director or as a member of the supervisory body;
- the director does not own any corporate rights that represent 10% or more of the share capital, of the corporate funds or of a category of shares of the Company. If the director has corporate rights which represent less than 10%, then:
- such rights, taken together with rights in the same Company held by companies over which the director has control, may not represent 10% or more of the share capital, the corporate funds or of a category of shares of the Company;
- or the disposal of these shares, or the exercise of the rights attached thereto, may not be subject to agreements or unilateral commitments entered into by the director.
- The independent director in any case can not represent a shareholder who falls under the conditions set forth in this criterion;

- the director does not and, during the past financial year, did not, have a significant business relationship with the Company (or an affiliate of the Company, if any), either directly or as a partner, shareholder, member of the board of directors or member of the managerial staff of a company or of a person that maintains such a relationship;
- the director is not and has not been at any time during the past three years, a partner or an employee of the Company's current or former statutory auditor or of a company or person affiliated therewith;
- the director is not an executive director of another company in which an executive director of the Company is a non-executive director or a member of the supervisory body, and has no other significant ties with executive directors of the Company through his or her involvement in other companies or bodies;
- the director's spouse, unmarried legal partner and relatives (via birth or marriage) up to the second degree do not act as a member of the board of directors, member of the senior executive team *("comité de direction")* (should such corporate body be created) or daily manager or member of the managerial staff in the Company (or an affiliate of the Company, if any), and do not meet one of the criteria set out above.

The Board of Directors will disclose in its annual report which directors it considers to be independent directors.

The independent directors of the Company are Mr Jean-Marc Heynderickx, Mr Rudy Dekeyser and Pienter-Jan BVBA (permanently represented by Chris Buyse).

12.5 *Committees within the Board of Directors*

12.5.1 **General**

Without prejudice to the role, responsibilities and functioning of the Executive Management Team as set out below under section 12.6 "Executive Management – the 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.

12.5.2 **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. The Company, at the date of this Prospectus, does not qualify as a "large" company, and has decided not to establish a separate Audit Committee. In accordance with Article 526bis of the Belgian Company Code, the audit function is therefore carried out by the entire Board of Directors. For purposes of these tasks, Chris Buyse (permanent representative of Pienter-Jan BVBA) has been identified as the director having the necessary expertise in accounting and audit matters.

12.5.3 **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, at the date of this Prospectus, does not 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.

On completion of the Offering, the following directors shall be member of the Nomination and Remuneration Committee: Michel Lussier (Chairman), Pienter-Jan BVBA (represented by its permanent representative, Chris Buyse) and Rudy Dekeyser.

12.6 *Executive Management – the Executive Management Team*

12.6.1 General provisions

The Board of Directors of the Company has established an Executive Management Team, which is an advisory committee to the Board of Directors, and which therefore does not constitute a management committee (*"comité de direction")* under Article *524bis* of the Belgian Company Code. The terms of reference of the Executive Management Team have been determined by the Board of Directors.

12.6.2 The Executive Management Team

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 CEO, CFO and Vice President Research & Development are members of the Executive Management Team. The Executive Management Team is chaired by the CEO of the Company.

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 Executive Management Team unanimously decides on its report to the Board of Directors. If unanimity cannot be reached *(e.g.,* in respect of whether a certain matter should be included in its report to the Board of Directors, or in respect of the substance of the reporting on a particular matter), the relevant matter must be separately reported to the Board of Directors, with a summary of each of the positions within the Executive Management Team on the relevant matter.

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 Board of Directors may at any time invite members of the Executive Management Team to attend the meetings of the Board of Directors to discuss the policies they are pursuing. The Executive Management Team as such shall have no powers to represent the Company.

12.6.3 **Chief Executive Officer**

The CEO is appointed, and can be removed, by the Board of Directors of the Company. The CEO is charged by the Board of Directors with the day-to-day management of the Company and is therefore also managing director of the Company within the meaning of Article 525 of the Belgian Company Code.

The main responsibilities of the CEO, together with the other members of the Executive Management Team, include:

- directing the business in order to achieve the mission of the Company;
- establishing current and long-term strategies, objectives, plans and policies subject to the approval of the Board of Directors; and
- representing the Company with its major partners, the financial community, the government and the public.

The CEO shall in particular:

- be the chief strategy officer and the top executive leader of the Company;
- enable the Board of Directors to exercise its responsibilities; and
- ensure the day-to-day management of the Company and exercise other powers and duties entrusted by the Board of Directors in specific matters.

The CEO also has responsibility for other specific tasks. These are described in greater detail in the terms of reference of the CEO, as set out in the Company's corporate governance charter.

12.7 *Remuneration of directors and executive management*

12.7.1 General principles

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 or any other Leading Person, 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, member of the Executive Management Team or any other Leading Person, did not meet the performance criteria referred to in the agreement.

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

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.

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

Furthermore, in accordance with Article 520*ter* of the Belgian Company Code, and unless provided otherwise in the articles of association or approved explicitly by the Annual General Shareholders Meeting, (i) variable remuneration for Leading Persons must be based, at least for 25%, on performance criteria measured over a period of at least two years and for (another) 25% on performance criteria measured over a period of at least three years and (ii) shares may only be definitively acquired by

directors and Leading Persons and stock options or other rights to acquire shares may only be exercised by Leading Persons at the earliest three years after they have been granted to them. The rules set out under point (i) above, do not apply if the variable remuneration represents 25% or less of the total annual remuneration of the Leading Person, where the total annual remuneration refers to the basic salary, variable remuneration, pension payments and other remuneration components. The Company's articles of association explicitly provide that Article 520*ter* of the Belgian Company Code does not apply to the Company.

12.7.2 **Directors**

The non-executive directors will 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.

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.

None of the other directors will receive any remuneration in consideration for their membership of the Board of Directors. All directors (including those who are not independent) will in any event keep the warrants granted to them prior to the completion of the Offering. For an overview of the warrants held by certain directors, reference is made to section 12.8.1 "Shares and warrants held by 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. The remuneration package for the 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.

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.

There are no loans outstanding from the Company to the members of the Board of Directors.

There are no employment or service agreements that provide for notice periods or indemnities between the Company and members of the Board of Directors who are not a member of the Executive Management Team. In respect of the members of the Board of Directors who are a member of the Executive Management Team, reference is made to the section “Executive Management Team” here below.

12.7.3 **Executive Management Team**

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 520*bis* of the Belgian Company Code, are pre-determined in an explicit decision by the Board of Directors;
- 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.

Currently, all members of the Executive Management Team are engaged on the basis of a service agreement, all of which can be terminated at any time, subject to certain pre-agreed notice periods, which may, at the discretion of the Company, be replaced by a corresponding compensatory payment.

The total remuneration and benefits paid to the members of the Executive Management Team and their connected persons in 2012 was €0.75 million (full company costs, including fringe benefits but excluding VAT and stock based compensation) as further detailed in sections 3.28.1 and 6.28.1 "Remuneration of key management" of the notes to the financial statements.

In accordance with Article 96, §3 of the Belgian Company Code, the remuneration report for the financial year ending on 31 December 2013 (and any financial year thereafter), which forms part of the corporate governance declaration which shall be included in the Company's annual report, to be published in 2014, shall include (amongst other things) the amount of the remuneration of, and any other benefits granted to, the Company's CEO, on a broken-down basis.

12.8 ***Shares and warrants held by directors and executive management***

12.8.1 **Shares and warrants held by directors**

The table below provides an overview (as of the date of this Prospectus) of the shares and warrants held by the members of the Board of Directors. The number of shares and warrants takes into account the capital increase of 6 May 6 2013 and completed on 31 January 2013, referred to in section 14.4 "Share capital and shares" and section 14.5 "**Warrants**".

This overview must be read together with the notes referred to below.

	Total shares and Warrants		Shares		Warrants	
Name	**Number**	**%**	**Number**	**%**	**Number**	**%**
Michel Lussier	202,389	3.93	196,989	4.15	5,400	1.32
Christian Homsy	277,898	5.39	85,698	1.81	192,200	47.02
William Wijns	18,768	0.36	18,768	0.40	-	-
Rudy Dekeyser	5,000	0.10	-	-	5,000	1.22
Serge Goblet[1]	2,270,348	44.06	2,267,844	47.80	2,504	0.61
Chris Buyse[2]	23,768	0.46	18,768	0.40	5,000	1.22
Jean-Marc Heynderickx	250,753	4.87	250,753	5.29	-	-

[1] Serge Goblet does not hold any shares or warrants personally; all shares and warrants are held by Tolefi SA, a Belgian company controlled (within the meaning of Article 5 BCC) by Mr Goblet.

[2] Chris Buyse holds these warrants and shares in person, whereby he is the permanent representative of Pienter-Jan BVBA, his management company, which has been appointed as independent director.

12.8.2 Shares and warrants held by executive management

The table below provides an overview as of the date of this Prospectus of the shares and warrants held by the members of the Executive Management Team. This overview must be read together with the notes referred to below. In respect of shares which members of the Executive Management Team have the right to acquire, reference is made to "14.5 *Description of share capital and corporate structure-warrants*".

	Total shares and Warrants		Shares		Warrants	
Name	**Number**	**%**	**Number**	**%**	**Number**	**%**
Members of the Executive Management Team	391,493	7.60	96,768	2.04	294,725	72.10

At as of the date of this Prospectus, the Executive Management team is composed of the CEO, CFO and Vice President Research & Development.

12.8.3 Warrant plan

The Company created warrants within the context of several warrant plans for employees, consultants or directors of the Company. For a description of these warrant plans, see also section 14.5 “Warrants”.

12.9 *Statutory Auditor*

Ernst & Young Reviseur d’Entreprises SCCRL, a civil company having the form of a co-operative company with limited liability organised and existing under the laws of Belgium, with registered office at De Kleetlaan 2, B-1831 Diegem, Belgium, represented by Daniel Wuyts. Ernst & Young was appointed as Statutory Auditor of Cardio3 BioSciences on 5 May 2011 for a term of three years ending immediately after the Shareholders Meeting to be held in 2014 that will have deliberated and resolved on the statutory financial statements for the financial year ended on 31 December 2013.

The annual remuneration of the Statutory Auditor for the performance of its three year mandate for the audit of the Belgian statutory financial statements of the Company amounts to €19,000 for the years 2011 and 2012 and €13,500 for the year 2013 (excluding VAT).

The remuneration for the audit of the Company’s 2010, 2011 and 2012 annual accounts and the audit of the interim three months period ended 31 March 2013, prepared in accordance with IFRS, as adopted by the EU, was €16,931 (excluding VAT).

13 RELATIONSHIP WITH SIGNIFICANT SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

13.1 *Related party transactions*

13.1.1 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.

13.1.2 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.

In case of non-compliance with the foregoing, the Company may request the annulment of the decision or the transaction which has taken place in breach of these provisions if the counterparty to the decision or the transaction was, or should have been, aware of such breach.

This procedure does not apply to decisions or transactions in the ordinary course of business at customary market conditions. It also does not apply to transactions or decisions between companies of which one holds (directly or indirectly) at least 95% of the voting financial instruments of the other, and transactions or decisions between companies whereby at least 95% of the voting financial instruments of both companies are (directly or indirectly) held by another company.

The Company applied this procedure respectively on 27 February 2012, 23 April 2012, 24 May 2012 and 16 August 2012 to face to potential conflicts of interest of directors (or entities represented by directors):

- On 27 February 2012, Christian Homsy made a statement in accordance with article 523 BCC with regard to a potential conflict of interest of financial nature in respect of the determination by the board of directors of his objectives under the 2011 Bonus Plan (of which he was one of the beneficiairies) and an increase in his annual remuneration;

- On 23 April 2012, Serge Goblet made a statement in accordance with article 523 BCC with regard to a potential conflict of interest of financial nature in respect of the ratification by the board of the signature of the Loan E Agreement, which was signed on 9 December 2011. Under that agreement, Tolefi SA, a company controlled by Serge Goblet (within the meaning of article 5 BCC), lent an amount of EUR 1,000,000 to the Company, and was granted certain financial benefits from the Company (consisting of an interest of 10% per annum on the amount lent to the Company);
- On 24 May 2012, Serge Goblet, Michel Lussier and Christian Homsy made a statement in accordance with article 523 BCC with regard to a potential conflict of interest of financial nature in respect of the ratification by the board of the signature of the Loan F Agreement, which was signed on 14 May 2012. Under that agreement, Tolefi SA (a company controlled by Serge Goblet within the meaning of article 5 of the Belgian Company Code), Michel Lussier and Christian Homsy lent respectively an amount of EUR 500,000, EUR 219,570 and EUR 75,000 to the Company, and were granted certain financial benefits from the Company (consisting of an interest of 10% per annum on the amount lent to the Company);
- On 16 August 2012, Serge Goblet and Michel Lussier made a statement in accordance with article 523 BCC with regard to a potential conflict of interest of financial nature in respect of the definition by the board of the terms and conditions of the Loan G Agreement, as both Tolefi SA and Michel Lussier would lend respectively an amount of EUR 1,500,000 (of which an advance of EUR 500,000 was already paid up in anticipation of entering into this agreement) and EUR 154,083 to the Company, and would be granted certain financial benefits from the Company (consisting of an interest of 10% per annum on the amount lent to the Company).
- On 17 June 2013, Michel Lussier, Christian Homsy, Serge Goblet, Jean-Marc Heynderickx, William Wijns and Chris Buyse (permanent representative of Pienter-Jan BVBA) made a statement in accordance with article 523 BCC with regard to a potential conflict of interest of financial nature in respect of the approval of the documents and transactions relating to the Offering, including the definitions of the terms and conditions of the Offering, as (i) these directors are also, directly and indirectly, shareholders of the Company and (ii) Christian Homsy holds management warrants in the Company (issued on 31 January 2013), which will automatically vest on 31 December 2013 subject to the completion by the Company of financing rounds (dilutive or non-dilutive) totaling a minimum of €25 million at on average pre-money valuation of €45 million by 31 December 2013.

13.1.3 **Related Party Transactions**

On 20 April 2009, certain shareholders of Cardio3 BioSciences participated in the capital increase of Biological Manufacturing Services SA ("BMS") for purposes of the outfitting and servicing out of laboratory spaces (to be GMP certified) to the Company. The lab spaces are located in the building where the Company has its offices. On 11 April 2011, the Company retroactively entered into a 3 year agreement with BMS regarding the rent of clean rooms (approximately 200 m^2), by BMS to the Company, until 31 December 2012, against a fixed daily consideration to be paid by the Company to BMS of €500. This lease agreement was subsequently extended until 31 December 2015.

For their investment in BMS, the BMS shareholders received a number of warrants in the Company *pro rata* to their shareholding in BMS (reference is made to section 14.5 “Warrants”). The original term sheet in respect of the capital increase of BMS (to which the Company was a party) also contained an agreement in principle in respect of a put and call option mechanism between the BMS shareholders and the Company in respect of the shares of BMS. Based on this term sheet, a put and call agreement was entered into on 9 December 2011 between the BMS shareholders and the Company.

On 31 May 2013, it was agreed by the Company and all BMS shareholders to waive the right to such put and call option mechanism in the event that the Company would become a listed company. In consideration for such waiver, a number of amendments to the original service agreement were agreed by the Company and BMS.

- First, the term of the agreement with BMS regarding the rent of clean rooms will become a fixed-term agreement until 30 September 2017.
- Second, the Company will extend the scope of the current service agreement with BMS to the GMP laboratory spaces that are available (100 m^2 until 30 September 2017), at a price per m^2 that is comparable to the fee currently paid by the Company for the GMP laboratory spaces it rents from BMS.
- Thirdly, in the event that BMS would purchase the building in which both the Company's offices and GMP laboratory spaces are currently located, the Company will:
- enter into a 9-year fixed-term lease agreement starting at the building purchase date in respect of the entirety of the administrative space presently occupied (ground and first floor) at an annual fee which guarantees a one percent yield additional to the yield used in the on the all-in purchase price paid for those premises calculated on a portion of such all-in purchase price *pro rata* to the portion of the available surface actually occupied by the administrative spaces leased by the Company;
- replace the current service agreement between BMS and Cardio 3 BioSciences with a 9 year fixed term service agreement between both companies starting at the same date as the new lease contract described in the previous paragraph at the same terms and conditions as the current service agreement;
- Finally, a right of first refusal, with a term of five years, renewable in common agreement, was granted to BMS to act as the developer for any future production facilities the Company would wish to develop. Such right shall take the form of a right for BMS to match offers received from other developers, and, in the event its offer matches the best offer received by the Company from a third party, to be considered as the preferred partner to act as the developer of the project.

13.2 *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.

13.2.1 Transactions with affiliates

Article 524 of the Belgian Company Code, which will apply to the Company following completion of the Offering, 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 (as set out in section 13.1.2 "Conflicts of interest of directors" above). 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.

On completion of the Offering and the listing of the shares of the Company, the Company will not have a controlling parent company.

13.2.2 Relationship with significant shareholders

The following direct or indirect relationships exist between the Company and its significant shareholders (see section 10 "BUSINESS AND REGULATION" for further information on these agreements):

- the Company has entered into a number of Research and Material Transfer Agreement with Mayo Clinic in respect of the Company's research and development programmes; (see section 10.7.2 "Academic and clinical collaborations");
- the Company has entered into a Service Agreement with Cardiovasculair Onderzoek Aalst CVBA in respect of the Company's clinical strategy definition; (see section 10.7.2 "Academic and clinical collaborations"); and
- the Company has entered into a Process Development Agreement with ATMI in respect of the industrialization of the production process of its lead product C-Cure; (see section 10.7.2 "Academic and clinical collaborations").

The Company has no knowledge of any shareholders' agreement that would be effective upon completion of the Offering and listing of the Company's shares, other than the specific Lock-up and Standstill agreement described in section 5.11 "Lock-up and standstill arrangements" and the commitments vis-à-vis Sofipôle and PMV described respectively in section 5.7 "Intentions of the shareholders, directors and managers" and section 5.8 "Intentions of Participatie Maatschappij Vlaanderen".

14 DESCRIPTION OF THE SHARE CAPITAL AND CORPORATE STRUCTURE

14.1 *General*

The Company was incorporated on 24 July 2007. Cardio3 BioSciences is a public limited liability company ("société anonyme" or "SA") organised and existing under the laws of Belgium with registered office at Rue Edouard Belin 12, 1435 Mont-Saint-Guibert, Belgium (enterprise number 0891.118.115 (RPM Nivelles)). Pursuant to the Belgian Company Code, the liability of shareholders of a public limited liability company is limited to the amount of their respective committed capital contribution to the capital of the Company. The Company may be reached by telephone at the number +32 10 394 100.

The Company's corporate purpose, share capital and corporate structure and the material rights of its shareholders under Belgian law and the Company's articles of association are summarised below. This summary is based on the Company's articles of association as amended by the Extraordinary Shareholders Meeting of 11 June 2013 and that will become effective upon completion of the Offering.

At its meeting of 11 June 2013, the Extraordinary Shareholders Meeting of the Company passed, amongst other things, the following resolutions:

- Subject to the condition precedent of the completion of the Offering, conversion of all existing classes of shares of the Company (including the preferred and non-preferred shares) into ordinary shares and cancellation of all existing anti-dilution warrants;
- Subject to the completion of the Offering, increase of the Company's share capital within the framework of the proposed Offering and listing, through the issuance of a maximum amount of 2,000,000 new shares of the Company which can be increased (i) by a decision of the Board of Directors to make use of the regulatory possibility for the Board of Directors to increase the size of the Offering by a maximum of 15% as set out in Article 10 of the Royal Decree of 17 May 2007 on primary market practices, up to 2,300,000 new ordinary shares, by issuing new ordinary shares of the Company, and (ii) if certain warrants are exercised in accordance with article 501 of the BCC, for an amount up to the participation of the warrant holders in the framework of the new issuance of shares;
- Approval of the terms and conditions of the capital increase, delegation to the Board of Directors and individual waiver of preferential subscription rights;
- Subject to the completion of the Offering, issue of and subscription to an Over-allotment Option entitling the holders thereof to subscribe for a maximum number of new shares equal to 15% of the New Shares that will be issued in connection with the Offering. The Over-allotment Option is issued in the framework of the contemplated Offering;
- Subject to the completion of the Offering, in accordance with article 604 of the BCC authorisation to the Board of Directors to increase the Company's share capital, in one or several times, with a maximum aggregate amount equal to the amount of the Company's share capital after completion of the Offering, without taking into account the possible capital increase pursuant to the exercise of the Over-allotment Option;
- Subject to the completion of the Offering, further amendments to and restatement of the Company's articles of association in view of the contemplated capital increase and the proposed listing of the Company; and
- Decision on the remuneration of the non-executive directors.

The resolutions of the Extraordinary Shareholders Meeting of 11 June 2013, including the conversion of all existing classes of shares of the Company into ordinary shares and restatement of the Company's articles of association, are subject to the completion of the Offering on NYSE Euronext Brussels and NYSE Euronext Paris.

The description hereafter is a summary only and does not purport to give a complete overview of the articles of association, nor of all relevant provisions of Belgian law. Neither should it be considered as legal advice regarding these matters. The description below assumes that the changes to the

Company's articles of association, which were approved on 11 June 2013, subject to the condition precedent of completion of the Offering and listing of the shares on NYSE Euronext Brussels and NYSE Euronext Paris, have become effective.

14.2 *Corporate purpose*

The corporate purpose of the Company is set forth in Article 3 of its articles of association and reads as follows:

- The Company has as its purpose, both in Belgium and abroad, in its own name and for its own account or in the name of and for the account of third parties: the development of new medical technologies and particularly, but not limited to, the research and the development, the production and commercialisation of components and of systems including the procedures, the formulas, the methods of development and of production, the instruments and the equipment, the materials and the products, the prototypes, the software and the technical programmes and research programmes, the design, the patents and the trademarks, all directly or indirectly related to biotechnology and particularly, but not limited to, cellular therapy and the various scientific, operational, legal and financial subjects directly or indirectly related thereto. The Company, if necessary, may file, register all or part of its research (patents, inventions, trademarks) and may proceed to any other transaction directly or indirectly related to its corporate purpose if such transactions prove to be necessary for the continuation of its activities;
- The Company may, both in Belgium and abroad, effect any industrial, commercial, financial, movable and immovable, transactions of a nature that they, directly or indirectly, expand or promote its business;
- The Company can acquire any moveable and real property, even if these have no direct or indirect relation to its corporate purpose;
- The Company can provide any form of security as a guarantee of the commitments of an affiliated company, an associated company, a company in which it holds a participation, or of any third party in general;
- The Company can take an interest in, cooperate or merge with other associations, businesses, enterprises or companies with an identical, similar or connected corporate purpose, or which are likely to promote its business or facilitate the selling of its products or services;
- The Company can, by way of contribution, assignment, merger, subscription, participation, financial intervention or otherwise, take an interest in all companies, enterprises or transactions which have a similar or connected purpose, or which are likely to promote the realisation of its own corporate purpose.

14.3 *Group structure*

Cardio3 BioSciences' main business is conducted through the Company itself. In 2011, Cardio3 BioSciences incorporated Cardio3 Inc, a fully owned subsidiary, in the US for the purposes of regulatory filings. Cardio3 Inc is currently a dormant company without activities.

14.4 *Share capital and shares*

On the date of this Prospectus, the Company's registered capital amounts to €16,577,470.43, represented by 4,744,067 registered shares without nominal value. As of the date of this Prospectus, the capital is fully paid up.

Development of capital

The table below provides an overview of the history of the Company's share capital since its incorporation in 2007. The overview should be read together with the notes set out below the table.

Date	Transaction	Number and class of shares issued	Issue price per share (€) (including issuance premium)	Capital increase (€)	Share capital (including issuance premium) after transaction	Aggregate number of shares after capital increase
Incorporation						
24 July 2007	Incorporation [1]	409,375 ordinary shares	€0.15	€62,500	€62,500	409,375
Capital Increase						
31 August 2007	Capital increase in kind [2]	261,732 ordinary shares	€36.30	€39,960	€9,562,500	671,107
Capital Increase						
31 August 2007	Incorporation of issuance premium [3]	None	None	None	€9,562,500	671,107
Capital Increase						
23 December 2008	Capital increase in cash [4]	137,150 preferred Class B Shares	€35.36	€4,849,624	€14,412,124	808,257
	Capital increase in kind [5]	67,502 preferred Class B Shares	€35.36	€2,387,049	€16,799,173	875,759
Capital Increase						
29 October 2010	Capital increase in cash upon exercise of rights [6]	21,000 preferred Class B Shares	€22.44	€471,240	€17,270,413	896,759
	Capital increase in kind [7]	69,455 preferred Class B Shares	€44.20	€3,069,911	€20,340,324	966,214
	Capital increase in kind [8]	92,068 preferred Class B Shares	€35.36	€3,255,524.48	€23,595,848.48	1,058,282
	Capital increase in kind [9]	57,095 preferred Class B Shares	€35.36	€2,018,879.20	€25,614,727.68	1,115,377
	Capital increase in cash [10]	73,793 preferred Class B Shares	€35.36	€2,609,320.48	€28,224,048.16	1,189,170
	Capital increase in cash [11]	9,048 preferred Class B Shares	€44.20	€399,921.60	€28,623,969.76	1,198,218
	Capital increase in cash upon exercise of warrants [12]	12,300 preferred class B Shares	€22.44	€276,012.00	€28,899,981.76	1,210,518
5 May 2011	Formal capital reduction through	/	/	-€18,925,474.35	€9,974,507.41	1,210,518

Date	Transaction	Number and class of shares issued	Issue price per share (€) (including issuance premium)	Capital increase (€)	Share capital (including issuance premium) after transaction	Aggregate number of shares after capital increase
	the incorporation of losses carried forward as per 31 December 2010					
6 May 2013	Capital increase in kind [13] (Loan E)	118,365 preferred Class B Shares	€38.39	€4,544,032.35	€14,518,539.76	1,328,883
	Capital increase in kind [14] (Loan F)	56,936 preferred Class B Shares	€38.39	€2,185,773.04	€16,704,312.80	1,385,819
	Capital increase in kind [15] (Loan G)	654,301 preferred Class B Shares	€4.52	€2,957,440.52	€19,661,753.32	2,040,120
	Capital increase in kind [16] (Loan H)	75,755 preferred Class B Shares	€30.71	€2,326,436.05	€21,988,189.37	2,115,875
31 May 2013	Capital increase in cash [17]	219,016 preferred Class B Shares	€31.96	€6,999,751.36	€28,987,940.73	2,334,891
4 June 2013	Capital increase in cash upon exercise of warrants[18]	2,409,176 ordinary Class A Shares	€0.01	€24,091.76	€29,012,032.49	4,744,067

[1] The shares were subscribed for by Michel Lussier (116,569 ordinary shares), Christian Homsy (126,193 ordinary shares) and Cardiovasculair Onderzoek Aalst CVBA (166,613 ordinary shares) and immediately fully paid up.

[2] The shares were subscribed for by Mayo Foundation for Medical Education and Research ("Mayo") (261,732 ordinary shares). Mayo performed a contribution in kind in an amount of €9,500,000 of which €39,960 was booked as capital and of which the remainder, *i.e.* €9,460,040 was booked as an issuance premium.

[3] This was a formal capital increase by means of incorporation in the share capital of the issuance premium of €9,460,040 which was applied at the capital increase in kind of the same date. No new shares were issued further to this formal capital increase.

[4] The shares were subscribed for by Tolefi SA (33,001 Class B Shares), Fosterline Ltd (28,278 Class B Shares), Jacques Hayez (28,278 Class B Shares), Dulake Holding (11,311 Class B Shares), Isabella Gabrielli (2,828 Class B Shares), Philippe Diricq (1,414 Class B Shares), Grifols SA (14,139 Class B Shares), Hunza Ventures SA (9,417 Class B Shares), Life Sciences Research Partners VZW (7,070 Class B Shares).

[5] The shares were subscribed for by Tolefi SA (15,872 Class B Shares), Fosterline Ltd (14,383 Class B Shares), Avion SA (11,022 Class B Shares), Cardiovasculair Onderzoek Aalst CVBA (6,280 Class B Shares), Christian Homsy (6,074 Class B Shares), Michel Lussier (6,046 Class B Shares), Hunza Ventures SA (4,788 Class B Shares), Patrick Jeanmart (2,278 Class B Shares), Philippe Ronse (759 Class B Shares).

[6] The shares were issued further to the exercise of rights held by Tolefi SA (15,000 Class B Shares), S.R.I.W. Techno SA (5,000 Class B Shares) and Hunza Ventures II SCA (1,000 Class B Shares).

[7] The shares were subscribed for by Mayo Foundation for Medical Education and Research (69,455 Class B Shares).

[8] The shares were subscribed for by Tolefi SA (43,758 Class B Shares), S.R.I.W. Techno SA (15,334 Class B Shares), Life Sciences Research Partners VZW (8,442 Class B Shares), Umbrela Investments Inc. (9,200 Class B Shares), Grifols SA (7,665 Class B Shares), Jacques Hayez (3,070 Class B Shares), Michel Lussier (2,097 Class B Shares), Christian Homsy (1,484 Class B Shares) and Patrick Jeanmart (1,018 Class B Shares).

[9] The shares were subscribed for by Tolefi SA (14,226 Class B Shares), Hunza Ventures II SCA (5,682 Class B Shares), Life Sciences Research Partners VZW (5,678 Class B Shares), Isabella Gabrielli (5,676 Class B Shares), Didier Mulders (3,549 Class B Shares), Jacques Hayez (7,101 Class B Shares), Michel Lussier (5,676 Class B Shares), Cardiovasculair Onderzoek Aalst CVBA (2,412 Class B Shares) and S.R.I.W. Techno SA (7,095 Class B Shares).

[10] The shares were subscribed for by Tolefi SA (55,756 Class B Shares) and S.R.I.W. Techno SA (18,037 Class B Shares).

[11] The shares were subscribed for by Cap Hatteras (2,262 Class B Shares), Jacques Demortier (3,393 Class B shares), Frederic Van Swieten (2,493 Class B Shares) and Brigitte Cauwe (900 Class B Shares).

[12] The shares were issued further to the exercise of the holders of Warrants A, *i.e.*: Tolefi SA (8,550 Class B Shares), Life Sciences Research Partners VZW (1,650 Class B Shares), Grifols SA (1,500 Class B Shares) and Jacques Hayez (600 Class B Shares).

[13] The shares were subscribed for by Tolefi SA (29,775 Class B Shares), S.R.I.W. Techno SA (29,745 Class B Shares), ATMI BVBA (29,738 Class B Shares), Mayo (9,760 Class B Shares), Vadim Rokhline (10,421 Class B Shares), Isabella Gabrielli (5,953 Class B Shares), Life Sciences Research Partners VZW (2,973 Class B Shares).

[14] The shares were subscribed for by Tolefi SA (14,312 Class B Shares), S.R.I.W. Techno SA (14,308 Class B Shares), ATMI BVBA (11,391 Class B Shares), Michel Lussier (6,218 Class B Shares), Life Sciences Research Partners VZW (4,297 Class B Shares), Numoda Capital Innovations LLC (4,005 Class B Shares), Christian Homsy (2,131 Class B Shares), Patrick Jeanmart (274 Class B Shares) .

[15] The shares were subscribed for by Tolefi SA (353,871 Class B Shares), S.R.I.W. Techno SA (58,643 Class B Shares), Invest4Cardio3 (58,490 Class B Shares), Michel Lussier (35,803 Class B Shares), Jacques Hayez (25,782 Class B Shares), Avion SA (25,688 Class B Shares), Hunza Ventures II SCA (21,012 Class B Shares), Cardiovasculair Onderzoek Aalst CVBA (17,657 Class B Shares), Life Sciences Research Partners VZW (17,574 Class B Shares), Dulake Holding SA (11,615 Class B Shares), Jacques Dumortier (8,275 Class B Shares), Didier Mulders (8,192 Class B Shares), Cap Hatteras SARL (5,861 Class B Shares) and Isabella Gabrielli (5,838 Class B Shares).

[16] The shares were subscribed for by Jean-Marc Heynderickx (67,477 Class B Shares) and Isabella Gabrielli (8,278 Class B Shares).

[17] The shares were subscribed for by Tolefi SA (138,131 Class B Shares), S.R.I.W. Techno SA (8,635 Class B Shares), Sofipôle (8,634 Class B shares), William Wijns (1,564 Class B shares), Chris Buyse (1,564 Class B shares), Cardiovasculair Onderzoek Aalst CVBA (1,096 Class B Shares), Michel Lussier (6,257 Class B Shares), Christian Homsy (3,754 Class B Shares), Life Sciences Research Partners VZW (9,228 Class B Shares), Isabella Gabrielli (6,467 Class B Shares), Didier Mulders (854 Class B Shares), Patrick Jeanmart (625 Class B Shares), Jacques Demortier (782 Class B shares), Cap Hatteras (701 Class B Shares), Dulake Holding (2,124 Class B Shares), Philippe Diricq (130 Class B Shares), ATMI BVBA (3,811 Class B Shares), Invest4Cardio3 (9,386 Class B Shares) and Jean-Marc Heynderickx (15,273 Class B Shares).

[18] The shares were subscribed for by Tolefi SA (1,519,441 Class A Shares), S.R.I.W. Techno SA (94,985 Class A Shares), Sofipôle (94,974 Class A shares), William Wijns (17,204 Class A shares), Chris Buyse (17,204 Class A shares), Cardiovasculair Onderzoek Aalst CVBA (12,056 Class A Shares), Michel Lussier (68,827 Class A Shares), Christian Homsy (41,294 Class A Shares), Life Sciences Research Partners VZW (101,508 Class A Shares), Isabella Gabrielli (71,390 Class A Shares), Didier Mulders (9,394 Class A Shares), Patrick Jeanmart (6,875 Class A Shares), Jacques Demortier (8,602 Class A shares), Cap Hatteras (7,711 Class A Shares), Dulake Holding (23,364 Class A Shares), Philippe Diricq (1,430 Class A Shares), ATMI BVBA (41,921 Class A Shares), Invest4Cardio3 (103,246 Class A Shares) and Jean-Marc Heynderickx (168,003 Class A Shares).

On 11 June 2013, the Company's Extraordinary Shareholders Meeting also decided to authorise the capital increase required for the purpose of the Offering and to create the Over-allotment Option. See also section 5.1 “Information related to the capital increase” and section 5.11 “Lock-up and standstill arrangements”.

14.5 *Warrants*

The Company created various stock option plans under which warrants were granted to employees, consultants or directors of the Company ("Warrants"). Additionally, the Company entered into certain loan agreements loan E, loan F loan G and loan H further to which anti-dilution warrants were granted to the lenders of the relevant loans. Finally, the Company granted warrants to certain shareholders of the Company and to certain investors in the BMS project (all warrants are together referred to as "Warrants"). This section provides an overview of the outstanding Warrants at the date of this Prospectus.

Upon proposal of the Board of Directors, the Extraordinary Shareholders Meeting of the Company approved the issuance of, in the aggregate Warrants giving right to subscribe to shares as follows:

- on 26 September 2008 (Warrants giving right to 90,000 shares). Of these 90,000 Warrants, 50,000 were accepted, 70,835 Warrants lapsed and 19,165 Warrants are outstanding on the date hereof;
- on 5 May 2010 (Warrants giving right to 50,000 shares). Of these 50,000 Warrants (15,000 Warrants A, 5,000 Warrants B and 30,000 Warrants C), 12,710 Warrants A were accepted but none are outstanding on the date hereof, 5,000 Warrants B were accepted and are still outstanding on the date hereof, and 21,700 Warrants C were accepted and 3,798 warrants are still outstanding on the date hereof;
- on 29 October 2010 (Warrants giving right to 79,500 shares). Of these 79,500 Warrants, (i) Warrants giving right to 18,450 shares were refused by the relevant beneficiaries, (ii) Warrants giving right to 53,418 shares have lapsed and 7,632 warrants are still outstanding on the date hereof;
- on 21 March 2012 (70 anti-dilution Warrants giving right to an undefined number of shares);

- on 31 January 2013 (140 anti-dilution Warrants giving right to an undefined number of shares);
- on 31 January 2013 (Warrants giving right to 140,000 shares); subject to the Warrants being offered to and accepted by the beneficiaries. Of these Warrants, 120,000 were accepted and are outstanding and 20,000 were not allocated and have lapsed;
- on 6 May 2013 (11 investor Warrants are attached to each Class B Share subscribed in the capital increase in cash which was decided on the same date, with each investor Warrant giving right to subscribe to one (1) ordinary share – as a result, these Warrants give right to ~~a~~ maximum 2,433,618 ordinary shares); subject to the Warrants being offered and accepted by the beneficiaries. On 31 May 2013, Warrants giving right to 2,409,176 ordinary shares were issued and accepted, which have all been exercised on the date of this Prospectus.
- on 6 May 2013 (Warrants giving right to 266,241 ordinary shares); subject to the Warrants being offered to and accepted by the beneficiaries. Of these Warrants, Warrants giving right to 253,150 shares were accepted, Warrants giving right to 11,791 shares were refused and Warrants giving right to 1,300 shares have not been allocated.

This brings the total number of shares that could be issued pursuant to the exercise of Warrants to 408,745 on the date of this Prospectus which on a fully-diluted basis represent 7.93 % additional shares. This calculation does not take into account the 70 and 140 anti-dilution Warrants issued on 21 March 2012 and 31 January 2013 respectively, which were cancelled by the Extraordinary Shareholders Meeting of 11 June 2013 subject to the completion of the IPO.

All warrants have been granted free of charge. Subject to the conversion of all existing classes of shares of the Company into ordinary shares (conditionally approved by the Extraordinary Shareholders Meeting of 11 June 2013), each Warrant outstanding following completion of the IPO entitles their holder to subscribe for one ordinary share of the Company at a subscription price set out below in the table.

Warrants issued on 26 September 2008

The Warrants giving right to 90,000 shares that have been granted by the Extraordinary Shareholders Meeting on 26 September 2008 have a term of six years. These Warrants were acquired in a final manner ("vested") in cumulative tranches over a period of three years and have all vested. Upon expiration of the six year term, the Warrants become null and void. On the date hereof, Warrants giving right to 70,835 shares have lapsed. Consequently, of the Warrants giving right to 90,000 shares, issued on 26 September 2008, Warrants giving right to 19,165 shares remain outstanding.

Warrants issued on 5 May 2010

Further to a decision of the Extraordinary Shareholders Meeting of 5 May 2010, the Company issued Warrants giving right to 50,000 shares, in three tranches, as follows:

- the first tranche of Warrants (*i.e.* the 15,000 "Warrants A"), giving right to 15,000 shares, were issued to lenders of the Company in connection with the grant of a loan to the Company pursuant to the Loan C Agreement of 21 December 2009 (the "Loan C"). Of such 15,000 Warrants A, giving right to 15,000 shares, 2,290 Warrants A, giving right to 2,290 shares were refused. 12,710 Warrants A, giving right to 12,710 shares were accepted. 12,300 Warrants A giving right to 12,300 shares were exercised at the occasion of the conversion of the Loan C in shares of the Company. Such conversion occurred further to a decision of the Extraordinary Shareholders Meeting of 29 October 2010. At the time hereof, there are no longer Warrants A outstanding.
- Warrants (i.e. the 5,000 "Warrants B"), giving right to 5,000 shares, were issued to investors of the BMS project of the Company and have a term of six years. These Warrants B were acquired in a final manner ("vested") upon acceptance and are exercisable after the third anniversary following their issuance (i.e. as from 5 May 2013). At the time hereof 5,000 Warrants B giving right to 5,000 shares are still outstanding and are exercisable.

- the third tranche of Warrants (i.e. the 30,000 “Warrants C”), giving right to 30,000 shares, have the same terms and conditions as the Warrants issued further to the decision of the Extraordinary Shareholders Meeting of 26 September 2008. These Warrants C have a six year term and, upon expiration of such six year term, the Warrants C become null and void. These Warrants C were acquired in a final manner ("vested") in cumulative tranches over a period of three years and are currently fully vested. On the date of this Prospectus, 3,798 Warrants C giving right to 3,798 shares are still outstanding and exercisable.

Warrants issued on 29 October 2010

The Warrants giving right to 79,500 shares that have been granted by the Extraordinary Shareholders Meeting on 29 October 2010 have a term of ten years. Upon expiration of the ten year term, the Warrants become null and void. These Warrants shall only be acquired in a final manner ("vested") in cumulative tranches over a period of three years: i.e., a first tranche of 33% has vested on the first anniversary of their grant (i.e., date of the written offer to each beneficiary) and a second tranche of 33% has vested on the second anniversary of their grant. The exercise price of each of these Warrants is €35.36. On the date hereof 18,450 Warrants giving right to 18,450 shares were refused, 53,418 Warrants giving right to 53,418 shares were refused and 7,632 Warrants giving right to 7,632 shares are still outstanding.

Warrants issued on 21 March 2012

On 21 March 2012, the Extraordinary Shareholders Meeting of the Company issued 70 anti-dilution Warrants to the benefit of the Loan E lenders. Such Warrants aim to protect the Shares of the lenders issued at the occasion of the Round C in October 2010 and subsequent financing rounds (including those Shares issued against the conversion of the Loan E) against future dilutive financing rounds until the read-out of the primary endpoint of the International C-Cure Phase III Trial becomes available. These anti-dilution Warrants are exercisable at the time of future dilutive financing rounds. Once the read-out is available and disclosed, the 70 anti-dilution Warrants would lapse. At the Extraordinary Shareholders Meeting of 11 June 2013, it was decided to cancel these anti-dilution Warrants subject to completion of the IPO.

Warrants issued on 31 January 2013

On 31 January 2013, the Extraordinary Shareholders Meeting of the Company issued 140 anti-dilution Warrants to the benefit of the Loan F, G and H lenders. Such Warrants aim to protect the Shares of the Loan F, G and H lenders issued at the occasion of the Round C in October 2010 and subsequent financing rounds (including those Shares issued against the conversion of the Loan F, G and H) against future dilutive financing rounds until the read-out of the primary endpoint of the International C-Cure Phase III Trial becomes available. These anti-dilution Warrants are exercisable at the time of future dilutive financing rounds. Once the read-out is available and disclosed, the 140 anti-dilution Warrants would lapse. At the Extraordinary Shareholders Meeting of 11 June 2013, it was decided to cancel these anti-dilution Warrants subject to completion of the IPO.

On 31 January 2013 also, the Extraordinary Shareholders Meeting of the Company issued a total of 140,000 Warrants, each Warrant giving right to subscribe to 1 ordinary Class A Share. Out of the 140,000 Warrants, 120,000 were granted to certain members of the Executive Management Team. The remaining 20,000 Warrants were not allocated and have lapsed. The exercise price of each of these Warrants is €4.52. The Warrants attributed to certain members of the Executive Management Team will be vested on 31 December 2013 subject to the completion by the Company of financing rounds (dilutive or non-dilutive) totalling a minimum of €25 million at an average pre-money valuation of €45 million by 31 December 2013. The Warrants attributed to the Executive Management Team, if vested by 31 December 2013, can be exercised as from 1 January 2014 until 31 January 2023.

Warrants issued on 6 May 2013

On 6 May 2013, the Extraordinary Shareholders Meeting of the Company decided to increase the Company's share capital up to a maximum amount of EUR 7,000,000 in cash through the issuance of maximum 221,238 Class B Shares, at a subscription price of €31.96 per Class B Share and together with

11 investor Warrants per subscribed Class B Share (i.e. a maximum of 2,433,618 investor Warrants in total were issued). Each investor Warrant gives the right to subscribe to 1 ordinary share at a subscription price of €0.01 per share. On 31 May 2013, a total of 2,409,176 investor Warrants were effectively issued and accepted, which have all been exercised on the date of this Prospectus.

On 6 May 2013 also, the Extraordinary Shareholders Meeting of the Company issued a maximum of 266,241 Warrants, each giving right to subscribe to 1 ordinary share. These 266,241 new Warrants shall only be acquired in a final manner ("vested") in cumulative tranches over a period of three years: i.e., a first tranche of 33% will vest on the first anniversary of their grant (i.e., the date of the written offer to each beneficiary). The Warrants that are vested can only be exercised at the end of the third full calendar year following the issuance date, thus starting on 1 January 2017. Warrants not exercised within 10 years after issue become null and void. The exercise price of each Warrant amounts to €2.64. On the date hereof 253,150 Warrants giving right to 253,150 shares were accepted, 11,791 Warrants giving right to 11,791 shares were refused and 1,300 Warrants giving right to 1,300 shares have not been allocated yet.

The Warrants issued to employees, directors or consultants of the Company further to the decision of the Extraordinary Shareholders Meeting of 26 September 2008, 5 May 2010, 29 October 2010, 31 January 2013 and 6 May 2013 are, for the purpose of this section, hereafter called the "SOP Warrants".

SOP Warrants can only be exercised by the relevant holder of such SOP Warrants, provided that they have effectively vested, as of the beginning of the fourth calendar year following the year in which the Company granted the SOP Warrants to the holders thereof. As of that time, the SOP Warrants can be exercised during the first month of each quarter. As an exception, the 120,000 Warrants granted to certain members of the Executive Management Team on 31 January 2013 which will be effectively vested on 31 December 2013 subject to the completion by the Company of financing rounds (dilutive or non-dilutive) totalling a minimum of €25 million at an average pre-money valuation of €45 million. These Warrants attributed to the Executive Management Team, if vested by 31 December 2013, can be exercised at any time as from 1 January 2014 until 31 January 2023.

However, the terms and conditions of the SOP Warrants provide that the SOP Warrants can or must also be exercised, regardless of whether they have vested or not, in a number of specified cases of accelerated vesting set out in the issue and exercise conditions (referred to as a liquidity event). Pursuant to the terms and conditions of all Warrants, no Warrants will immediately vest upon, and as a result of, closing of the present Offering–with the exception of the 120,000 Warrants granted to certain members of the Executive Management Team, which may immediately vest upon the closing of the Offering depending on the final size of the Offering and the final Offer Price, if such closing takes place prior to 31 December 2013.

The table below gives an overview (as of 11 June 2013, and assuming completion of the Offering) of the outstanding Warrants described above. The table should be read together with the notes referred to below. The Company has issued various warrant plans at exercise prices of, respectively, €22.44 (Warrants A), €35.36 (Warrants B), €22.44 (Warrants C), €35.36 (Warrants issued on 29 October 2010), €0.01 (anti-dilution Warrants issued on 21 March 2012 and 31 January 2013), €4.52 (Warrants issued on 31 January 2013), €2.64 (Warrants issued on 6 May 2013) and €0.01 (Warrants issued on 6 May 2013). Please note the difference between these prices and the price range (€16.65 - €19.00) of the Offering.

Issue Date	Term	Warrants issued [1] in number of Shares [2]	Warrants granted in number of Shares [2]	Exercise price per Share(€)	Warrants no longer exercisable in number of Shares [2]	Warrants exercised [2]	Warrants outstanding in number of Shares [2]	Exercise periods vested Warrants [3, 4]
26 September 2008	From 26 December 2008 to 31 December 2014	90,000	50,000	€22.44	70,835 [4]	0	19,165	1 January 2012 - 31 December 2014
5 May 2010	From 5 May 2010 to the day of the contribution in kind of Company's debt under the Loan C Agreement [6]	15,000	12,710	€22.44	410 [6]	12,300	0 [7]	The day of the contribution in kind of Company's debt under the Loan C Agreement
5 May 2010	From 5 May 2010 to 5 May 2016	5,000	5,000	€35.36	0	0	5,000	5 May 2013 – 5 May 2016
5 May 2010	From 5 May 2010 to 31 December 2016	30,000	21,700	€22.44	26,202 [8]	0	3,798	1 January 2012 – 31 December 2016
29 October 2010	From 29 October 2010 to 28 October 2020	79,500	61,050	€35.36	71,868 [9]	0	7,632	1 January 2014 – 28 October 2020
21 March 2012	From 21 March 2012 until the earlier of: (i) the date on which the first read-out of the 9-months data of the C-Cure Phase III trial becomes available to the Company or (ii) 10 years as from the decision to issue these warrants	Undefined	Undefined	€0.01	0	0	[0] [10]	Each date of a dilutive issue of shares
31 January 2013	From 21 March 2012 until the earlier of: (i) the date on	Undefined	Undefined	€0.01	0	0	[0] [11]	Each date of a dilutive issue of

Issue Date	Term	Warrants issued [1] in number of Shares [2]	Warrants granted in number of Shares [2]	Exercise price per Share(€)	Warrants no longer exercisable in number of Shares [2]	Warrants exercised [2]	Warrants outstanding in number of Shares [2]	Exercise periods vested Warrants [3, 4]
	which the first read-out of the 9-months data of the C-Cure Phase III trial becomes available to the Company or (ii) 10 years as from the decision to issue these warrants							shares
31 January 2013	From 31 January 2013 to 31 January 2023	140,000	120,000	€4,52	20,000	0	120,000	From 1 January 2014 to 31 January [2023]
6 May 2013	From 31 May 2013 to 4 June 2013[4]	2,409,176	2,409,176	€0.01	0	2,409,176	0	From 31 May 2013 to June 2013[4]
6 May 2013	From 6 May 2013 to 6 May 2023	266,241	253,150	€2.64	0	0	253,150	From 1 January 2017 to 6 May 2023
Total		3,034,917	2,932,786		184,315	2,421,476	408,745	

[1] Issued under the condition precedent of the Warrant effectively being offered and accepted.
[2] The numbers reflect the number of shares for which the holder of Warrants can subscribe upon exercise of all relevant Warrants.
[3] The Warrants (i) can only be exercised by the holder of Warrants if they have effectively vested, and (ii) can only be exercised during the exercise periods as set out in the respective issue and exercise conditions.
[4] 40,000 Warrants lapsed due to their not being granted before 1 September 2009; 8,335 Warrants lapsed due to their beneficiary leaving the Company, 22,500 Warrants lapsed on 31 May 2013.
[5] The Company's debt under the Loan C Agreement of 21 December 2009 was contributed into the Company's capital through a contribution in kind at the Extraordinary General Meeting of 29 October 2010.
[6] 410 Warrants lapsed to their beneficiary not exercising its Warrants at the occasion of the contribution in kind of the Company's debt under the Loan C Agreement, at the Extraordinary General Meeting of 29 October 2010.
[7] 12,300 Warrants were exercised at the occasion of the of the contribution of the Company's debt under the Loan C Agreement of 21 December 2009 into the Company's capital, through a contribution in kind, at the Extraordinary General Meeting of 29 October 2010.
[8] 4,902 Warrants lapsed due to their beneficiary leaving the Company, 13,000 Warrants lapsed on 31 May 2013.
[9] 18,450 Warrants were refused by beneficiaries; 9,868 Warrants lapsed due to their beneficiary leaving the Company, 43,550 Warrants lapsed on 31 May 2013
[10] At the Extraordinary Shareholders Meeting of 11 June 2013, it was decided to cancel these 70 anti-dilution Warrants subject to the completion of the IPO.
[11] At the Extraordinary Shareholders Meeting of 11 June 2013, it was decided to cancel these 140 anti-dilution Warrants subject to the completion of the IPO.

On the date of this Prospectus, not taking into account the issue of the "over-allotment" warrant issued on 11 June 2013 and the cancellation of the anti-dilution Warrants issued on 21 March 2012 and 31 January 2013 subject to completion of the IPO, the total number of all outstanding Warrants that have

been granted and that remain outstanding represent approximately 7.93% of the total number of all outstanding shares (on a fully diluted basis and taking into account the exercise ratio of the Warrants).

There are no other financial instruments outstanding.

14.6 *Description of rights and benefits attached to shares*

Voting rights

Each shareholder of the Company is entitled to one vote per share.

Voting rights may be suspended in relation to shares, in the following events, without limitation and without this list being exhaustive:

- which are not fully paid up, notwithstanding the request thereto by the Board of Directors of the Company;
- to which more than one person is entitled, except in the event that a single representative is appointed for the exercise of the voting right;
- which entitle their holder to voting rights above the threshold of 5%, or any multiple of 5% of the total number of voting rights attached to the outstanding financial instruments of the Company on the date of the relevant Shareholders Meeting, except in case the relevant shareholder has notified the Company and the FSMA at least 20 days prior to the date of the Shareholders Meeting (see also "14.11 Notification of important participations".) of its shareholding reaching or exceeding the thresholds above; and
- of which the voting right was suspended by a competent court or the FSMA.

Generally, the Shareholders Meeting has sole authority with respect to:

- the approval of the statutory financial statements of the Company (statutory financial statements under Belgian GAAP);
- the appointment and dismissal of directors and the Statutory Auditor of the Company;
- the granting of discharge of liability to the directors and the Statutory Auditor;
- the determination of the remuneration of the directors and of the Statutory Auditor for the exercise of their mandate;
- the distribution of profits;
- the filing of a claim for liability against directors;
- the decisions relating to the dissolution, merger and certain other reorganisations of the Company; and
- the approval of amendments to the articles of association.

Nomination right with respect to members of the Board of Directors

No shareholder of the Company is entitled to nominate persons for appointment as member of the Board of Directors.

However, the Company has committed to each of Sofipôle and PMV to convene, following completion of the Offering, an Extraordinary General Meeting at which it will be proposed to the Company's shareholders to approve an amendment to the Company's articles of association to specify in these articles of association that each of Sofipôle and PMV will be entitled to nominate candidates for the appointment of one member of the Board of Directors as long as each of them continues to hold a number of shares in the Company representing at least 75% of the total number of Offered Shares that each of them has acquired in the Offering. For further information about the commitment of Sofipôle and PMV to participate in the Offering, see section 5.7 "Intentions of the shareholders, directors and managers" and section 5.8 "Intentions of Participatie Maatschappij Vlaanderen".

14.7 *Right to attend and vote at Shareholders Meetings*

Annual Shareholders Meeting

The Annual Shareholders Meeting is held at the registered office of the Company or at the place determined in the notice convening the Shareholders Meeting. The meeting is held every year on 5 May, at 9.00 a.m. If this date is a Saturday, Sunday or legal holiday, the meeting is held on the next Business Day.

At the Annual Shareholders Meeting, the Board of Directors submits the audited statutory financial statements under Belgian GAAP and the reports of the Board of Directors and of the Statutory Auditor with respect thereto to the shareholders. The Shareholders Meeting then decides on the approval of the statutory financial statements under Belgian GAAP, the proposed allocation of the Company's profit or loss, the discharge of liability of the directors and the Statutory Auditor, and, as the case may be, the (re-)appointment or dismissal of the Statutory Auditor and/or of all or certain directors and the matters described in Article 554 of the Belgian Company Code.

Special and Extraordinary Shareholders Meetings

The Board of Directors or the Statutory Auditor may, at any given time when the interest of the Company so requires, convene a Special or Extraordinary Shareholders Meeting. A Shareholders Meeting must also be convened each time at the request of one or more shareholders holding at least 20% of the Company's share capital.

Notices convening the Shareholders Meeting

The convening notice to the Shareholders Meeting must at least state the place, date and hour of the meeting, and must include an agenda indicating the items to be discussed, as well as any motions for resolutions. In addition, it must give a clear description of the formalities to be fulfilled by the shareholders to be allowed entry to the Shareholders Meeting and to exercice their voting right.

The notice must be published at least 30 days prior to the Shareholders Meeting in the Belgian Official Gazette ("*Le Moniteur belge*") and in media of which it reasonably can be expected that it will ensure an effective distribution of the information among the public in the European Economic Area and which is quickly and in a non-discriminatory manner accessible (see also section 4 “

GENERAL INFORMATION AND INFORMATION CONCERNING RESPONSIBILITY FOR THIS PROSPECTUS AND FOR AUDITING THE ACCOUNTS"). The notice must also be published in a national newspaper 30 days prior to the date of the Shareholders Meeting, except if the relevant meeting is an Annual Shareholders Meeting held at the municipality, place, date and hour mentioned in the articles of association of the Company and its agenda is limited to the review of the statutory financial statements, the annual report of the Board of Directors on the statutory financial statements, the annual report of the Statutory Auditor, the vote on the discharge of the directors and the Statutory Auditor, and, as the case may be, matters described in Article 554 of the Belgian Company Code (i.e., approval of the remuneration report and, under certain circumstances, the severance pay of Leading Persons). The statutory financial statements, the annual report of the Board of Directors and the annual report of the Statutory Auditor on the statutory financial statements must be made available to the public as of the date of the publication of the convening notice.

Convening notices must be sent 30 days prior to the Shareholders Meeting to the holders of registered shares, registered bonds, registered warrants, registered certificates issued with the co-operation of the Company (if any) and to the directors and the Statutory Auditor of the Company. This communication is made by way of ordinary letter unless the addressees have individually and expressly accepted in writing to receive the notice by another form of communication in accordance with Article 533 of the Belgian Company Code, without having to give evidence of the fulfilment of such formality.

Formalities to attend the Shareholders Meeting

The fourteenth day prior to the Shareholders Meeting, at 24:00 (CET) shall constitute the registration date.

A shareholder can only participate to a Shareholders Meeting and exercise its voting right provided that its shares are registered in its name, on the registration date (and irrespective of the number of shares the shareholder holds at the date of the Shareholders Meeting). For registered shares, this is the registration of the shares in the Company's shareholders register, and for dematerialized shares, this is the registration of the shares in the accounts of an authorised account holder or a clearing institution in accordance with Article 536 of the Belgian Company Code.

In the convening notice to the Shareholders Meeting, the registration date is explicitly mentioned. The shareholder must provide the Company (or any person so appointed by the Company) with its intention to participate to the meeting, at the latest on the sixth day before the date of such meeting.

The Board of Directors must maintain a register in which, for each shareholder who has duly expressed its intention to participate to the Shareholders Meeting, it shall record the name and address (or registered offices) of such shareholder, the number of shares it held on the registration date and for which it has expressed its intention to participate to the meeting, as well as a description of the documents evidencing that such shareholder held the relevant shares at the registration date.

Prior to participating to the Shareholders Meeting, the holders of securities or their proxy holders must sign the attendance list, thereby mentioning: (i) the identity of the holder of securities, (ii) if applicable, the identity of the proxy holder, and (iii) the number of securities they represent. The representatives of shareholders-legal entities must present the documents evidencing their quality as legal body or special proxy holder of such legal entity. In addition, the proxy holders must present the original of their proxy evidencing their powers, unless the convening notice required the prior deposit of such proxies. The physical persons taking part in the Shareholders Meeting must be able to prove their identity.

The holders of profit certificates (if any), shares without voting rights (if any), bonds (if any), warrants or other securities issued by the Company (if any), as well as the holders of certificates issued with the co-operation of the Company and representative securities issued by the Company (if any), may attend the Shareholders Meeting insofar as the law grants them such right with an advisory vote, or, as the case may be, the right to participate in the vote. If they wish to attend, they must abide by the same formalities, requirements to be admitted, form and deposit of proxies, as those imposed on the shareholders.

Power of attorney

Any shareholder may grant a proxy to any other person, in accordance with Article 547*bis* of the Belgian Company Code, and this for one or more specific Shareholders Meetings, or for meetings which shall be held during a specific period. Any person may, as a proxy holder, represent multiple shareholders. Any proxy must be received by the Company at the latest on the sixth day before the Shareholders Meeting, in writing or electronically, in accordance with Article 547*bis* of the Belgian Company Code. The Company shall only accept such proxies which were provided by shareholders that comply with the formalities to be admitted at the Shareholders Meeting.

Quorum and majorities

In general, there is no quorum requirement for a Shareholders Meeting and decisions are generally passed with a simple majority of the votes of the shares present and represented.

Capital increases (unless decided by the Board of Directors within the framework of the authorised capital), decisions with respect to the Company's dissolution, mergers, de-mergers and certain other reorganisations of the Company, amendments to the articles of association (other than an amendment of the corporate purpose) and certain other matters referred to in the Belgian Company Code not only require the presence or representation of at least 50% of the share capital of the Company but also the approval of at least 75% of the votes cast. An amendment of the Company's corporate purpose or, subject to certain exceptions, the purchase and sale of own shares, requires the approval of at least 80% of the votes cast at a Shareholders Meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of the Company and at least 50% of the profit certificates, if any, are present or represented. On the date of this Prospectus, the Company has not issued any profit certificates. In the event that the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new convening notice. The second Shareholders Meeting can validly deliberate and resolve regardless of the number of shares present or represented.

Right of Shareholders to add items to the agenda

In accordance with Article 533*ter* of the Belgian Company Code, one or more shareholders holding at least 3% of the Company's share capital have the right to add new items on the agenda of a Shareholders Meeting and to file proposals of decision concerning items that were or will be written on the agenda of a Shareholders Meeting. Any shareholder(s) who exercise(s) this right must comply with the following two conditions for the proposal(s) to be eligible for consideration at the Shareholders Meeting: (i) they must prove that they hold the above mentioned percentage of shares on the date of their request (either by producing a certificate of registration of those shares in the Company's shareholder register, or by producing a certificate from a recognized account holder or by a clearing institution evidencing that the relevant number of dematerialised shares are registered in the shareholder's name in the accounts of such authorised account holder or clearing institution); and (ii) they must demonstrate that they still hold 3% of the Company's share capital on the registration date. The Company must receive requests to add new items on the agenda of Shareholders Meetings and to file new proposals of decision at the latest 22 days prior to the date of the Shareholders Meeting. The revised agenda will be published by the Company at the latest 15 days prior to the date of the Shareholders Meeting.

14.8 *Dividends*

All shares participate in the same manner in the Company's profits (if any). The Offered Shares carry the right to receive dividends (if any) payable with respect to the entire financial year started on 1 January 2013 and each subsequent year. Pursuant to the Belgian Company Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the Annual Shareholders Meeting, based on the most recent audited statutory financial statements, prepared in accordance with Belgian GAAP and based on a (non-binding) proposal of the Company's Board of Directors. The Company's articles of association also authorise the Board of Directors to declare interim dividends subject to the terms and conditions of the Belgian Company Code.

Pursuant to Article 617 of the Belgian Company Code, dividends can only be distributed if, following the declaration and payment of such dividends, the amount of the Company's net assets on the date of the closing of the last financial year as set out in the financial statements of the Company prepared in accordance with Belgian GAAP *(i.e.*, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities), decreased with the non-amortised activated costs of incorporation and extension and the non-amortised activated costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the called capital), increased with the amount of non-distributable reserves. In addition, prior to distributing dividends, 5% of the net profits of each financial year must be allocated to a legal reserve, until this legal reserve amounts to 10% of the share capital.

The right to payment of dividends expires five years after the Board of Directors has declared the dividend payable.

14.9 *Rights regarding liquidation*

The Company can only be dissolved by a shareholders' resolution passed with a majority of at least 75% of the votes cast at an Extraordinary Shareholders Meeting where at least 50% of the share capital is present or represented.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian GAAP) to share capital is less than 50%, the Board of Directors must convene a Shareholders Meeting within two months from the date the Board of Directors discovered or should have discovered this undercapitalisation. At such Shareholders Meeting, the Board of Directors must propose either the dissolution of the Company, or the continuation of the Company's activities, in which case the Board of Directors must propose measures to redress the Company's financial situation. Shareholders representing at least 75% of the votes validly cast at this meeting can decide to dissolve the Company, provided that at least 50% of the Company's share capital is present or represented at the meeting.

If, as a result of losses incurred, the ratio of the Company's net assets (determined in accordance with Belgian GAAP) to share capital is less than 25%, the same procedure must be followed, it being understood, however, that in such event shareholders representing 25% of the votes validly cast at the meeting can decide to dissolve the Company.

If the amount of the Company's net assets has fallen below €61,500 (the minimum amount of share capital of a Belgian public limited liability company), each interested party is entitled to request the competent court to dissolve the Company. The court may order the dissolution of the Company or grant a grace period within which the Company is allowed to remedy the situation.

In the event the Company is dissolved, the assets or the proceeds of the sale of the remaining assets, after payment of all debts, costs of liquidation and taxes, must be distributed on an equal basis to the holders of the shares, taking into account possible preferential rights with regard to the liquidation of shares having such rights. Upon completion of the Offering, none of the shares will have any preferred liquidation rights.

14.10 *Changes to the share capital*

14.10.1 Changes to the share capital decided by the shareholders

The Shareholders Meeting can at any given time decide to increase or decrease the share capital of the Company. Such resolution must satisfy the quorum and majority requirements that apply to an amendment of the articles of association, as described above under section 14.7 “Right to attend and vote at Shareholders Meetings”.

14.10.2 Capital increases by the Board of Directors

Subject to the same quorum and majority requirements as for a capital increase decided by the Shareholders Meeting, the latter can authorise the Board of Directors, within certain limits, to increase

the company's share capital without any further approval of the shareholders being required. This authorisation needs to be limited in time (*i.e.*, it can only be granted for a renewable period of maximum five years as from the date of the publication of the authorisation in the Annexes to the Belgian Official Gazette), and in scope (*i.e.*, the authorised capital may not exceed the amount of the share capital at the time of the authorisation).

On 11 June 2013, the Extraordinary Shareholders Meeting authorised the Board of Directors to increase the Company's share capital in one or more transactions with a maximum amount that cannot exceed the amount of the Company's share capital upon completion of the Offering (excluding issuance premiums, if any).

If the capital is increased within the limits of the authorised capital, the Board of Directors will be authorised to request payment of an issuance premium. This issuance premium will be booked on a non-available reserve account, which may only be decreased or disposed of by a resolution of a Shareholders Meeting taken in accordance with the provisions relating to amendments of the articles of association.

This Board of Directors' authorisation will be valid for capital increases subscribed for in cash or in kind, or made by capitalisation of reserves and issuance premiums, with or without issue of new shares. The Board of Directors is authorised to issue convertible bonds, warrants or a combination thereof within the limits of the authorised capital.

The Board of Directors is authorised, within the limits of the authorised capital, to limit or cancel the preferential subscription rights granted by law to the holders of shares if in doing so it is acting in the interests of the Company and in accordance with Article 596 and following of the Belgian Company Code. The Board of Directors is authorised to limit or cancel the preferential subscription rights in favour of one or more specified persons, even if such persons are not members of the personnel of the Company.

The powers of the Board of Directors within the framework of the authorised capital will be effective upon the completion of the Offering, and will be valid for a period of five years as of the publication thereof in the Annexes to the Belgian Official Gazette.

14.10.3 Preferential subscription right

In the event of a capital increase in cash with issue of new shares, or in the event of an issue of convertible bonds or warrants exercisable in cash, the shareholders have a preferential right to subscribe for the new shares, convertible bonds or warrants, *pro rata* to the part of the share capital represented by the shares that they already hold. The Shareholders Meeting may decide to limit or cancel such preferential subscription right, subject to special substantive and reporting requirements. Such decision must satisfy the same quorum and majority requirements as the decision to increase the Company's share capital (see above under section 14.7 "Right to attend and vote at Shareholders Meetings - *Quorum and majorities*").

The shareholders can also decide to authorise the Board of Directors to limit or cancel the preferential subscription right within the framework of the authorised capital, subject to the terms and conditions set forth in the Belgian Company Code. In principle, the authorisation of the Board of Directors to increase the share capital of the Company through contributions in cash with cancellation or limitation of the preferential right of the existing shareholders is suspended as of the notification to the Company by the FSMA of a public tender offer on the shares of the Company. The Shareholders Meeting can, however, authorise the Board of Directors to increase the share capital by issuing further shares, not representing more than 10% of the shares of the Company at the time of such a public tender offer. On 11 June 2013, the Extraordinary Shareholders Meeting of the Company decided to authorise the Board of Directors to increase the Company's share capital, including with limitation or cancellation of the shareholders' preferential subscription rights, in one or more times and including the authorisation to make use of such authorised capital in the framework of a public tender offer.

14.10.4 Form and transferability of the shares

The shares of the Company can take the form of registered shares or dematerialised shares. As described in section 5.3 "Application procedure - *Form of the Offered Shares*", the Offered Shares will be delivered in dematerialised (book-entry) form and will be dematerialised shares.

Belgian company law and the Company's articles of association entitle shareholders to request, in writing and at their expense, the conversion of their dematerialised shares into registered shares and *vice versa*. Any costs incurred as a result of the conversion of shares into another form will be borne by the shareholder.

For shareholders who opt for registered shares, the shares will be recorded in the Company's shareholder register.

All of the Company's shares, including the Offered Shares upon delivery, are fully paid up and freely transferable, subject, however, to the lock-up arrangements described in section 5.11 "Lock-up and standstill arrangements".

14.10.5 Purchase and sale of own shares

In accordance with the Company's articles of association and the Belgian Company Code, the Company can only purchase and sell its own shares by virtue of a special shareholders' resolution approved by at least 80% of the votes validly cast at a Shareholders Meeting where at least 50% of the share capital (and at least 50% of the profit certificates, if any) are present or represented. The prior shareholders' approval is not required if the Company purchases its own shares to offer them to its personnel.

In accordance with the Belgian Company Code, an offer to purchase its own shares must be made to all shareholders under the same conditions. This does not apply to (i) the acquisition of shares by companies listed on a regulated market and companies whose shares are admitted to trading on a multilateral trading facility (an "MTF"), provided that the company ensures equal treatment of shareholders finding themselves in the same circumstances by offering an equivalent price (which is assumed to be the case: (a) if the transaction is executed in the central order book of a regulated market or MTF; or (b) if it is not so executed in the central order book of a regulated market or MTF, in case the offered price is lower than or equal to the highest actual independent bid price in the central order book of a regulated market or (if not listed on a regulated market) of the MTF offering the highest liquidity in the share); or (ii) the acquisition of shares that has been unanimously decided by the shareholders at a meeting where all shareholders were present or represented.

A company can only acquire its own shares with funds that would otherwise be available for distribution to the company's shareholders pursuant to Article 617 of the Belgian Company Code (see section 14.8 "Dividends").

The total amount of own shares held by a company can at no time be higher than 20% of its share capital.

At the date of this Prospectus, the Board of Directors of the Company was not authorised by the Shareholders Meeting to purchase its own shares and neither do the articles of association authorise the Board of Directors to purchase own shares in case of imminent serious harm to the Company in accordance with Article 620, §1, paragraph 3 of the Belgian Company Code.

14.11 *Notification of important participations*

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC has been implemented in Belgian law by, *inter alia*, the Belgian law of 2 May 2007 on the disclosure of major shareholdings in issuers whose securities are admitted to trading on a regulated market ("*Loi du 2 mai 2007 relative à la publicité des participations importantes dans des émetteurs dont les actions sont admises à la négociation sur un marché réglementé et portant des dispositions diverses*") and the Royal

Decree of 14 February 2008 on the disclosure of major shareholdings ("*Arrêté royal du 14 février 2008 relatif à la publicité des participations importantes*").

Pursuant to this legislation, Belgian law, in conjunction with Article 15 of the Company's articles of association, imposes disclosure requirements on any natural person or legal entity acquiring or disposing of, directly or indirectly, securities granting voting rights or securities which give a right to acquire existing securities granting voting rights, when, as a result of such acquisition or disposal, the total number of voting rights directly or indirectly held by such natural person or legal entity, alone or in concert with others, increases above or falls below a (legal) threshold of 5%, or any multiple of 5%, of the total number of voting rights attached to the Company's securities. Any future amendment to these statutory disclosure thresholds must be made public and simultaneously notified to the FSMA. All legal provisions applicable to the legal thresholds of 5% or any multiple of 5% also fully apply to the statutory thresholds.

Pursuant to Article 6 of the Act of 2 May 2007, the above disclosure obligations will be triggered any time the above thresholds are crossed (downwards or upwards) as a result of, *inter alia*: (i) the acquisition or the disposal of securities granting voting rights, regardless of the way in which this acquisition or disposal takes place, e.g. through purchase, sale, exchange, contribution, merger, de-merger, or succession; (ii) the possession of securities granting voting rights at the time of the admission to trading of the Company's shares; (iii) the passive crossing of these thresholds (as a result of events that have changed the breakdown of voting rights even if no acquisition or disposal took place); or (iv) the execution, amendment or termination of an agreement of concerted action.

Pursuant to Article 6 of the Act of 2 May 2007, the disclosure obligations apply to each natural person or legal entity that "directly" or "indirectly" acquires, disposes of or holds (at the time of the admission to trading, at the time of passive crossing the threshold or at the time of execution, amendment or termination of an agreement of concerted action) voting securities or voting rights. In this respect, a natural person or legal entity is deemed to "indirectly" acquire, dispose of or hold voting securities of the Company: (i) when voting securities are acquired, disposed of or held by a third party that, regardless in whose name it is acting, acts on behalf of such natural person or legal entity (e.g., in case of an agreement of agency, commission, carrying ("*portage*"), name lending ("*prête-nom*"), trust or an agreement with similar effect which leaves the principal elements of the ownership rights on the securities with the other contracting party); (ii) when voting securities are acquired, disposed of or held by an undertaking controlled (within the meaning of Articles 5 and 7 of the Belgian Company Code) by such natural person or legal entity (the notion "control" implies that possibly several persons will be deemed to be a controlling person (e.g., the parent company, the parent company of such parent company, as well as the natural person controlling the latter) and therefore subject to the notification duty); or (iii) when such natural person or legal entity acquires or transfers the control over an entity holding voting rights in the Company in which case there is no acquisition or disposal of a shareholding in the Company itself, but an acquisition or transfer of control over an entity holding voting rights of the Company (e.g., if the entity over which control is acquired or transferred itself holds a holding in Company which must be notified, or if the securities held by the entity over which control is acquired or transferred together with the securities the person acquiring or transferring control holds in a different manner, reaches, exceeds or falls below one of the thresholds).

In addition, persons subject to notification obligations must include in their notification the total number of potential voting rights (provided they (meet the requirements of Article 6, § 1 of the Royal Decree of 14 February 2008) (whether or not incorporated in securities) they own, as well as the percentage that it represents of the total of existing voting shares.

If a transparency notification is legally required, such notification must be made to the FSMA and the Company as soon as possible and at the latest within a period of four trading days as from the trading day following the day on which the event triggering the disclosure obligation took place.

The notification can be electronically transmitted to the Company and the FSMA. The forms required to make such notifications, as well as further explanations may be found on the website of the FSMA (www.fsma.be).

Violation of the disclosure requirements may result in the suspension of voting rights, a court order to sell the securities to a third party and/or criminal liability. The FSMA may also impose administrative sanctions.

The Company must publish all information contained in such notifications no later than three trading days after receipt of such notification. In addition, the Company must mention in the notes to its annual accounts, its shareholders structure (as it appears from the notifications received). Moreover, the Company must publish the total share capital, the total number of voting securities and voting rights (for each class of securities (if any)), at the end of each calendar month during which one of these numbers has changed, as well as on the day on which the shares of the Company will for the first time be admitted to trading on NYSE Euronext Brussels and NYSE Euronext Paris. Furthermore, the Company must disclose, as the case may be, the total number of bonds convertible in voting securities (if any), whether or not incorporated in securities, to subscribe to voting securities not yet issued (if any), the total number of voting rights that can be obtained upon the exercise of these conversion or subscription rights and the total number of shares without voting rights (if any).

14.12 *Public tender offers*

The Directive 2004/25/EC of the European Parliament and the Council dated 21 April 2004 on takeover bids (the "Takeover Directive") sets forth the principles governing the choice of laws applicable to the Company in the context of a takeover bid for the shares of the Company.

Article 4-2(c) of the Takeover Directive provides that if the securities of the company subject to the offer were first admitted to trading on regulated markets in more than one Member State simultaneously, the offeree company shall determine which of the supervisory authorities of those Member States shall be the authority competent to supervise the bid by notifying those regulated markets and their supervisory authorities on the first day of trading.

Article 4-2 (e) of the Takeover Directive also provides that matters relating to the consideration offered in the case of an offer, in particular the price and matters relating to the offer procedure, in particular the information on the offeror's decision to make an offer, the contents of the offer document and the disclosure of the offer, shall be dealt with in accordance with the rules of the Member State of the competent authority. As to matters relating to the information to be provided to the employees of the offered company and matters relating to corporate law, in particular the percentage of voting rights which confers control and any exemption from the obligation to launch an offer, as well as the conditions under which the supervisory board of the offeree company may undertake any action which might result in the frustration of an offer, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

These provisions have been implemented in Belgium by the Law of 1 April 2007 on public tender offers ("*Loi du 1er avril 2007 relative aux offres publiques d'acquisition*"), as implemented by the Royal Decree of 27 April 2007 on public tender offers ("*Arrêté royal du 27 avril 2007 relatif aux offres publiques d'acquisition*") and the Royal Decree of 27 April 2007 on public squeeze-outs ("*Arrêté royal du 27 avril 2007 relatif aux offres publiques de reprise*") (for the latter, see below under section 14.13 "Squeeze-out and sell-out" of this chapter).

The Company has chosen the FSMA as competent authority. As a consequence, Belgian laws and regulations will fully apply and public tender offers on the Company's shares and other securities granting access to voting rights (such as warrants or convertible bonds, if any) will be subject to supervision by the FSMA. In accordance with article 6.2 of the Takeover Directive, the tender offer documents approved by the FSMA will be recognized in full in France, subject to any translation required, without the need to obtain the approval of the AMF. The AMF may however require the inclusion of additional information regarding the formalities to be complied with to accept the tender offer and to receive the consideration due at the close of the tender offer as well as to the tax arrangements to which the consideration offered to the holders of the securities will be subject.

Public tender offers must be made for all of the Company's voting securities, as well as for all other securities issued by the Company that entitle the holders thereof to the subscription for, or the conversion in, voting securities. Prior to making an offer, an offeror must issue and disseminate an offer document, which must be approved by the FSMA. The offeror must also obtain approval of the relevant competition authorities, where such approval is legally required for the acquisition of the shares of the target.

All shareholders and warrantholders (and holders of other securities granting access to voting rights issued by the target company) must have equal rights to contribute their securities in any public tender offer. Furthermore, whenever a person (as a result of its own acquisition or the acquisition by persons acting in concert with it or by persons acting for their account, directly or indirectly) acquires more than 30% of the voting securities of a company that are (at least in part) admitted to trading on a regulated market, such person must, regardless of the price paid, launch a mandatory tender offer for all the shares, warrants and convertible securities issued by the target company. In general and except for certain exceptions, the mere fact of exceeding the relevant threshold as a result of an acquisition will give rise to the obligation to launch a mandatory tender offer, irrespective of whether or not the price paid in the relevant transaction exceeds the then current market price.

In such an event, the tender offer must be launched at a price equal to the higher of the two following amounts: (i) the highest price paid by the offeror or the persons acting in concert with it for the acquisition of shares during the last 12 calendar months; and (ii) the average trading price during the last 30 days before the obligation to launch a tender offer arose. No mandatory tender offer is required, amongst other things, when the acquisition is the result of a subscription for a capital increase with application of the preferential subscription rights of the shareholders.

The price for the acquisition of the shares can be in cash or in securities. In the event of a mandatory tender offer or a voluntary tender offer launched by an offeror who controls the target, if a price composed of securities is offered, a cash alternative must also be offered in the event that: (i) the price does not consist of liquid securities admitted to trading on a regulated market; or (ii) the offeror, or a person acting in concert with it, acquired shares for cash during a period of 12 calendar months preceding the publication of the tender offer or during the tender offer period (whereby these shares, in the event of a voluntary tender offer by a controlling shareholder, represent more than 1% of the outstanding voting securities).

Where the voluntary tender offer is launched by a controlling shareholder, the price must be supported by a fairness opinion issued by an independent expert. In addition, in any cases, the Board of Directors of the target company is required to publish its opinion concerning the tender offer, as well as its comments on the offer document.

The acceptance period for the tender offer must be at least two weeks and not more than ten weeks.

In principle, the authorisation granted to the Board of Directors of a company to increase the share capital through contributions in cash with cancellation or limitation of the preferential subscription right of the existing shareholders is suspended as of the notification to the company by the FSMA of a public tender offer on the securities of such company. The Shareholders Meeting can, however, authorise the Board of Directors to increase the share capital by issuing shares representing not more than 10% of the existing shares of the company at the time of such a public tender offer. Such authorisation was granted to the Board of Directors of the Company on date 11 June 2013. Those powers remain in effect for a period of three years from the date of this authorisation.

The Company can acquire, dispose of, or pledge its own shares, profit certificates or any certificates relating thereto subject to compliance with the relevant legal provisions. In particular, the Shareholders Meeting can authorise the Board of Directors to, without any resolution of the Shareholders Meeting, purchase and keep the Company's own shares when such is necessary to prevent an imminent serious harm to the Company. If granted, such authorisation is valid for a period of three years as of the publication thereof in the Annexes to the Belgian Official Gazette. Such authorisation upon completion of the Offering has not been granted to the Board of Directors of the Company.

The articles of association of the Company do not provide for any other specific protective mechanisms against public tender offers.

14.13 *Squeeze-out and sell-out*

Pursuant to Article 513 of the Belgian Company Code, a person or legal entity, acting alone or in concert, who owns 95% of the voting securities in a publicly held company, can acquire all of the outstanding voting securities or securities granting access to the voting rights in that company by way of a squeeze-out offer. The above threshold is reduced to 90% if the squeeze-out offer takes place in view of a merger by absorption of the company by the legal entity holding 90% of the voting securities of the company.

The securities that are not voluntarily tendered in response to such offer are deemed to be automatically transferred to the offeror at the end of the bidding process and the consideration due from the offeror for such securities is deposited in an escrow account. The consideration paid for the securities must be in cash and must represent the fair value of the securities with a view to safeguarding the interests of the transferring shareholders.

At the end of the squeeze-out offer, the company is no longer deemed to be a publicly held company, unless bonds issued by the company, if any, are still publicly held.

In addition, as from the entry into force on 1 September 2007 of the Belgian Law of 1 April 2007 on public tender offers ("*Loi du 1er avril 2007 relative aux offres publiques d'acquisition*") and its implementing Royal Decrees, certain new rules on the squeeze-out by majority shareholders of the minority shareholders and on the selling-out right of the minority shareholders are applicable.

If, as a result of a (re-opened) voluntary or mandatory tender offer, a bidder (or any person acting in concert with the bidder) holds 95% or more of the shares of the target company, and provided, in respect of a voluntary tender offer only, that the bidder has acquired at least 90% of the target's shares subject to the tender offer as a result of such offer, then the bidder can proceed with a simplified squeeze-out in accordance with Article 42 of the Royal Decree of 27 April 2007 on public squeeze-outs ("*Arrêté royal du 27 avril 2007 relatif aux offres publiques de reprise*") to acquire the shares not yet acquired by the bidder (or any other person then deemed to act in concert with the bidder).

Also, if, as a result of such a (re-opened) voluntary or mandatory tender offer, a bidder (or any person acting in concert with the bidder) holds 95% or more of the shares of the target company, and provided, in respect of a voluntary tender offer only, that the bidder acquired at least 90% of the target's shares subject to the tender offer as a result of such offer, each security holder has the right to force the bidder to take over its securities against the offer price in accordance with Article 44 of the aforementioned Royal Decree (the so-called "sell-out").

(This page is left blank intentionally.)

15 TAXATION IN BELGIUM AND IN FRANCE

The following is a summary of the principal Belgian and French tax consequences for investors relating to the acquisition, the ownership and disposal of the shares of the Company. This summary is based on the Company's understanding of the applicable laws, treaties and regulatory interpretations as in effect in Belgium and France on the date of this Prospectus, all of which are subject to change, including changes that could have a retroactive effect.

This summary does not purport to address all tax consequences associated with the acquisition, ownership and disposal of the shares, and does not take into account the specific circumstances of any particular investor or the tax laws of any country other than Belgium and France. In particular, this summary deals only with investors who hold the shares as capital assets and does not address the tax treatment of investors who are subject to special rules, such as financial institutions, insurance companies, collective investment undertakings, dealers in securities or currencies or persons who hold the shares as a position in a straddle, share-repurchase transactions, conversion transactions, a synthetic security or other integrated financial transaction. This summary does not address the local taxes that may be due in connection with an investment in shares, other than the additional local taxes which generally vary from 0% to 10% of the investor's income tax liability in Belgium.

Investors should consult their own advisers regarding the tax consequences of an investment in the shares in light of their particular situation, including the effect of any state, local or other national laws, treaties and regulatory interpretations thereof.

15.1 *Taxation in Belgium*

For purposes of this summary, a Belgian resident is an individual subject to Belgian personal income tax (that is, an individual who is domiciled in Belgium or has his seat of wealth in Belgium or a person assimilated to a resident for purposes of Belgian tax law), a company subject to Belgian corporate income tax (that is, a corporate entity that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium), an Organisation for Financing Pensions subject to Belgian corporate income tax (*i.e.*, a Belgian pension fund incorporated under the form of an Organisation for Financing Pensions), or a legal entity subject to Belgian income tax on legal entities (that is, a legal entity other than a company subject to Belgian corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium). A Belgian non-resident is any person that is not a Belgian resident.

Investors should consult their own advisors regarding the tax consequences of an investment in shares of the Company in the light of their particular circumstances, including the effect of any state, local or other national laws.

15.1.1 *Dividends*

For Belgian income tax purposes, the gross amount of all benefits paid on or attributed to the shares of the Company is generally treated as a dividend distribution. By way of exception, the repayment of capital carried out in accordance with the Belgian Companies Code is not treated as a dividend distribution to the extent such repayment is imputed to fiscal capital. This fiscal capital includes, in principle, the actual paid-up statutory share capital and, subject to certain conditions, the paid-up issuance premiums and the cash amounts subscribed to at the time of the issuance of profit sharing certificates.

Belgian dividend withholding tax of 25% is normally levied on dividends, subject to such relief as may be available under applicable domestic or tax treaty provisions.

In the event of a redemption of the shares of the Company, the redemption distribution (after deduction of the part of the fiscal capital represented by the redeemed shares) will be treated as a dividend subject to Belgian withholding tax of 25%, subject to such relief as may be available under

applicable domestic or tax treaty provisions. No withholding tax will be triggered if this redemption is carried out on Euronext Brussels or another stock exchange and meets certain conditions.

In the event of liquidation of the Company, any amounts distributed in excess of the fiscal capital will in principle be subject to the 10% withholding tax, subject to such relief as may be available under applicable domestic provisions. However, please note that the Belgian government has announced in a press release dated 30 March 2013 that such 10% withholding tax rate would be increased to 25% as of 1 October 2014.

Belgian resident individuals

For Belgian resident individuals who acquire and hold shares of the Company as a private investment, the Belgian dividend withholding tax fully discharges their personal income tax liability. They may nevertheless elect to report the dividends in their personal income tax return. Where the beneficiary opts to report them, dividends will normally be taxable at the lower of the generally applicable 25% tax rate on dividends or at the progressive personal income tax rates applicable to the taxpayer's overall declared income. If the beneficiary reports the dividends, the income tax due on such dividends is not increased by local surcharges. In addition, if the dividends are reported, the dividend withholding tax levied at source can, in both cases, be credited against the personal income tax due and is reimbursable to the extent it exceeds the personal income tax due, provided that the dividend distribution does not result in a reduction in value of or capital loss on the shares of the Company. The latter condition is not applicable if the individual can demonstrate that he has held the shares of the Company in full legal ownership for an uninterrupted period of 12 months immediately prior to the payment or attribution of the dividends.

For Belgian resident individual investors who acquire and hold shares of the Company for professional purposes, the Belgian withholding tax does not fully discharge their income tax liability. Dividends received must be reported by the investor and are, in such an event, taxable at the investor's personal income tax rate increased with local surcharges. Belgian withholding tax levied at source can be credited against the personal income tax due and is reimbursable to the extent it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the shares in full legal ownership at the time the dividends are paid or attributed, and (ii) the dividend distribution does not result in a reduction in value of or a capital loss on the shares. The latter condition is not applicable if the investor can demonstrate that he has held the full legal ownership of the shares for an uninterrupted period of 12 months immediately prior to the payment or attribution of the dividends.

Belgian resident companies

Corporate income tax

For Belgian resident companies, the gross dividend income (including any Belgian withholding tax) must be declared in the corporate income tax return and will be subject to a corporate income tax rate of 33.99% (lower corporate income tax rates apply for Small and Medium Sized Enterprises ("SMEs")).

Belgian resident companies can generally (although subject to certain limitations) deduct up to 95% of the gross dividend received from their taxable income ("dividend received deduction"), provided that at the time of a dividend payment or attribution: (i) the Belgian resident company holds shares representing at least 10% of the share capital of the Company or a participation in the Company with an acquisition value of at least €2,500,000 (it being understood that only one out of the two tests must be satisfied); (ii) the shares of the Company have been or will be held in full ownership for an uninterrupted period of at least one year immediately prior to the payment or attribution of the dividend; and (iii) the conditions relating to the taxation of the underlying distributed income, as described in Article 203 of the Belgian Income Tax Code (the "Article 203 ITC Taxation Condition") are met (together, the "Conditions for the application of the dividend received deduction regime").

The Conditions for the application of the dividend received deduction regime depend on a factual analysis and for this reason the availability of this regime should be verified upon each dividend distribution.

Any Belgian dividend withholding tax levied at source can be credited against the mainsteam corporate income tax and is reimbursable to the extent it exceeds such corporate income tax, subject to two conditions: (i) the taxpayer must own the shares of the Company in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution does not result in a reduction in value of or a capital loss on the shares of the Company. The latter condition is not applicable: (i) if the taxpayer can demonstrate that it has held the shares in full legal ownership for an uninterrupted period of 12 months immediately prior to the payment or attribution of the dividends or (ii) if, during that period, the shares never belonged to a taxpayer other than a Belgian resident company or a non-resident company that has, in an uninterrupted manner, invested the shares in a Belgian permanent establishment ("PE") in Belgium.

Withholding tax

Dividends distributed to a Belgian resident company will be exempt from Belgian withholding tax provided that the Belgian resident company holds, upon payment or attribution of the dividends, at least 10% of the Company's share capital and such minimum participation is or will be held for an uninterrupted period of at least one year.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it satisfies the two conditions. If the investor holds a qualifying participation for less than one uninterrupted year, at the time the dividends are paid or attributed, the Company will levy the withholding tax but not transfer it to the Belgian Treasury provided the investor certifies its qualifying status, the date from which it has held such minimum participation, and its commitment to hold the qualifying participation for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent when the one-year period expires or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

Organisations for financing pensions

For organisations for financing pensions ("OFPs"), i.e., Belgian pension funds incorporated under the form of an OFP (*organismes de financement de pensions*) within the meaning of Article 8 of the Belgian Law of 27 October 2006, the dividend income is generally tax-exempt. Although there is no specific exemption from dividend withholding tax at source for dividends paid or attributed to OFPs, subject to certain limitations, the Belgian dividend withholding tax can be credited against the OFPs' corporate income tax and is reimbursable to the extent it exceeds the corporate income tax due.

Other taxable legal entities

For taxpayers subject to the Belgian income tax on legal entities, the Belgian dividend withholding tax in principle fully discharges their income tax liability.

Belgian non-resident individuals and companies

For non-resident individuals and companies, the dividend withholding tax will be the only tax on dividends in Belgium, unless the non-resident holds shares of the Company in connection with a business conducted in Belgium through a Belgian establishment.

If shares of the Company are acquired by a non-resident investor in connection with a business in Belgium, the investor must report any dividends received, which are taxable at the applicable non-resident individual or corporate income tax rate, as appropriate. Any Belgian withholding tax levied at source can be credited against the non-resident individual or corporate income tax and is reimbursable to the extent it exceeds the income tax due, subject to two conditions: (i) the taxpayer must own the shares of the Company in full legal ownership at the time the dividends are paid or attributed and (ii) the dividend distribution does not result in a reduction in value of or a capital loss on the shares. The latter condition is not applicable if (i) the non-resident individual or the non-resident company can demonstrate that the shares were held in full legal ownership for an uninterrupted period of 12 months immediately prior to the payment or attribution of the dividends or (ii) with regard to non-resident companies only, if, during the said period, the shares have not belonged to a taxpayer other than a

resident company or a non-resident company which has, in an uninterrupted manner, invested the shares in a Belgian PE.

Non-resident companies that have invested their shares in the Company in a Belgian establishment can deduct up to 95% of the gross dividends included in their taxable profits if, at the date dividends are paid or attributed, the Conditions for the application of the dividend received deduction regime are satisfied. Application of the dividend received deduction regime depends, however, on a factual analysis to be made upon each distribution and its availability should be verified upon each distribution.

Belgian dividend withholding tax relief for non-residents

Under Belgian tax law, dividend withholding tax is not due on dividends paid to a foreign pension fund which satisfies the following conditions: (i) to be a legal entity with tax residence outside of Belgium; (ii) whose corporate purpose consists solely of managing and investing funds collected in order to pay statutory or complementary pensions; (iii) whose activity is restricted to the investment of funds collected in the exercise of its statutory mission, without any profit making aim; (iv) which is exempt from income tax in its country of residence; and (v) provided it is neither contractually obligated to redistribute the dividends to any ultimate beneficiary of such dividends for whom it would manage the shares of the Company, nor obligated to pay a manufactured dividend with respect to the shares of the Company under a securities lending transaction. The exemption will only apply if the foreign pension fund provides a certificate confirming that it is the full legal owner or usufruct holder of the shares and that the above conditions are satisfied. The foreign pension fund must then forward that certificate to the Company or its paying agent.

Dividends distributed to non-resident parent companies established in a Member State of the EU or in a (non-EU) country with which Belgium has concluded a bilateral tax treaty that includes a qualifying exchange of information clause, are exempt from Belgian dividend withholding tax provided the shares of the Company held by the non-resident parent company, upon payment or attribution of the dividends, amount to at least 10% of the Company's share capital and such minimum participation is or will be held for an uninterrupted period of at least one year. A company qualifies as a parent company provided that (i) for companies established in a Member State of the EU, it has a legal form as listed in the annex to the EU Parent-Subsidiary Directive of 23 July 1990 (90/435/EC), as amended by Directive 2003/123/EC of 22 December 2003, or, for companies established in a (non-EU) country with which Belgium has concluded a qualifying bilateral tax treaty it has a legal form similar to the ones listed in such annex; and (ii) it is considered to be a tax resident of the country where it is established according to the tax laws of and the bilateral tax treaties concluded by such country; and (iii) it is subject to corporate income tax or a similar tax without benefiting from a tax regime that derogates from the ordinary tax regime.

In order to benefit from this exemption, the investor must provide the Company or its paying agent with a certificate confirming its qualifying status and the fact that it meets the three abovementioned conditions. If the investor holds a qualifying participation for less than one year, at the time the dividends are paid or attributed, the Company will levy the withholding tax but not transfer it to the Belgian Treasury provided that the investor certifies its qualifying status, the date from which it has held such qualifying participation, and commits itself to hold the qualifying participation for an uninterrupted period of at least one year. The investor must also inform the Company or its paying agent when the one-year holding period expires or if its shareholding will drop below 10% of the Company's share capital before the end of the one-year holding period. Upon satisfying the one-year shareholding requirement, the levied dividend withholding tax will be refunded to the investor.

Belgium has concluded bilateral tax treaties with over 95 countries, reducing the dividend withholding tax rate to 20%, 15%, 10%, 5% or 0% for residents of those countries, depending on conditions, among others, related to the size of the shareholding and certain identification formalities.

Prospective holders should consult with their own tax advisors as to whether or not they qualify for any treaty-based reduction of Belgian dividend withholding tax upon payment or attribution of dividends, and as to the procedural requirements for obtaining a reduced withholding tax upon the payment of dividends or for making claims for reimbursement.

15.1.2 *Capital gains and losses*

Belgian resident individuals

In principle, Belgian resident individuals acquiring shares of the Company as a private investment should not be subject to Belgian capital gains tax on the disposal of the shares; capital losses are not tax deductible.

However, capital gains realised by a private individual are taxable at 33% (plus local surcharges) if the capital gain is deemed to be realised outside the scope of the normal management of the individual's private estate. Capital losses are, however, not tax deductible.

Gains realised by Belgian resident individuals upon the redemption of shares of the Company or upon the liquidation of the Company are generally taxable as a dividend.

Belgian resident individuals who hold shares of the Company for professional purposes are taxable at the ordinary progressive personal income tax rates (plus local surcharges) on any capital gains realised upon the disposal of the shares, except for shares held for more than five years, which are taxable at a flat rate of 16.5% (plus local surcharges). Capital losses on the shares incurred by Belgian resident individuals who hold the shares for professional purposes are in principle tax deductible.

Belgian resident companies

Belgian resident companies (not being SMEs) are subject to Belgian capital gains taxation at a flat rate of 0.412% on gains realised upon the disposal of shares of the Company provided that: (i) the Article 203 ITC Taxation Condition is satisfied and (ii) the shares have been held in full legal ownership for an uninterrupted period of at least one year. The 0.412% flat capital gains tax rate cannot be off-set by any tax assets (such as tax losses) or tax credits.

Belgian resident companies qualifying as SMEs (within the meaning of Article 15 of the Belgian Companies Code) are normally not subject to Belgian capital gains taxation on gains realised upon the disposal of the shares of the Company provided that (i) the Article 203 ITC Taxation Condition is satisfied and (ii) the shares have been held in full legal ownership for an uninterrupted period of at least one year immediately preceding the disposal.

If the one-year minimum holding condition would not be satisfied (but the Article 203 ITC Taxation Condition is) the capital gains realised upon the disposal of shares of the Company by a Belgian resident company (non-SME or SME) are taxable at a flat corporate income tax rate of 25.75%.

Capital losses on shares of the Company incurred by resident companies (both non-SMEs and SMEs) are as a general rule not tax deductible.

Shares of the Company held in the trading portfolios (*portefeuille commercial/handelsportefeuille*) of qualifying credit institutions, investment enterprises and management companies of collective investment undertakings which are subject to the Royal Decree of 23 September 1992 on the annual accounts of credit institutions, investment firms and management companies of collective investment undertakings (*comptes annuels des établissements de crédit, des entreprises d'investissement et des sociétés de gestion d'organismes de placement collectif/jaarrekening van de kredietinstellingen, de beleggingsondernemingen en de beheervennootschappen van instellingen voor collectieve belegging*) are subject to a different regime. The capital gains on such shares are taxable at the ordinary corporate income tax rate of 33.99% and the capital losses on such shares are tax deductible. Internal transfers to and from the trading portfolio are assimilated to a realisation.

Capital gains realised by Belgian resident companies (both non-SMEs and SMEs and both ordinary Belgian resident companies and qualifying credit institutions, investment enterprises and management companies of collective investment undertakings) upon the redemption of shares by the Company or upon the liquidation of the Company are, in principle, subject to the same taxation regime as dividends.

Organisations for financing pensions

OFPs are, in principle, not subject to Belgian capital gains taxation realised upon the disposal of the shares of the Company, and capital losses are not tax deductible.

Other taxable legal entities

Belgian resident legal entities subject to the legal entities income tax are, in principle, not subject to Belgian capital gains taxation on the disposal of shares of the Company.

Capital gains realised by Belgian resident legal entities upon the redemption of shares of the Company or upon the liquidation of the Company are in principle taxed as dividends.

Capital losses on shares of the Company incurred by Belgian resident legal entities are not tax deductible.

Belgian non-resident individuals

Capital gains realised on the shares of the Company by a non-resident individual who has not acquired the shares in connection with a business conducted in Belgium through a Belgian establishment are in principle not subject to any Belgian taxation, unless the gain is deemed to be realised outside the scope of the normal management of the individual's private estate and the capital gain is obtained or received in Belgium. However, Belgium has concluded tax treaties with more than 95 countries which generally provide for a full exemption from Belgian capital gains taxation on such gains realised by residents of those countries. Capital losses are generally not tax deductible.

Capital gains realised by Belgian non-resident individuals upon the redemption of shares of the Company or upon the liquidation of the Company are generally taxable as dividends.

Capital gains are taxable at the ordinary progressive income tax rates and capital losses are tax deductible, if those gains or losses are realised on shares of the Company by a non-resident individual holding the shares in connection with a business conducted in Belgium through a fixed base in Belgium.

Belgian non-resident companies or entities

Capital gains realised on the shares of the Company by non-resident companies or non-resident entities that have not acquired the shares in connection with a business conducted in Belgium through a Belgian establishment are in principle not subject to any Belgian taxation and losses are not tax deductible.

Capital gains realised by non-resident companies or other non-resident entities holding the shares of the Company in connection with a business conducted in Belgium through a Belgian establishment are generally subject to the same regime as Belgian resident companies.

15.1.3 *Tax on stock exchange transactions*

The purchase and the sale as well as any other acquisition or transfer for consideration of shares of the Company (secondary market) in Belgium through a professional intermediary is subject to the tax on stock exchange transactions (*taxe sur les opérations de bourse/taks op de beursverrichtingen*) of 0.25% of the purchase price, capped at €740 per transaction and per party. Under current Belgian tax law, this rate and cap will go down to 0.22% and €650, respectively, for transactions occurring on or after 1 January 2015. A separate tax is due by each party to the transaction, and both taxes are collected by the professional intermediary.

No tax on stock exchange transactions is due on transactions entered into by the following parties, provided they are acting for their own account: (i) professional intermediaries described in Article 2, 9° and 10° of the Belgian Law of 2 August 2002; (ii) insurance companies described in Article 2, §1 of the Belgian Law of 9 July 1975; (iii) professional retirement institutions referred to in Article 2, 1° of the Belgian Law of 27 October 2006 concerning the supervision on institutions for occupational pension; (iv) collective investment institutions; and (v) Belgian non-residents provided they deliver a certificate to their financial intermediary in Belgium confirming their non-resident status.

As stated under paragraph "Any sale, purchase or exchange of the shares may become subject to the Financial Transaction Tax" (see section 1.2 "Risks factors related to the Company's shares and the Offering"), the EU Commission adopted on 14 February 2013 the Draft Directive on a Financial Transaction Tax ("FTT"). The Draft Directive currently stipulates that once the FTT enters into effect, the Participating Member States shall not maintain or introduce any taxes on financial transactions other than the FTT (or VAT as provided in the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax). For Belgium, the tax on stock exchange transactions should thus be abolished once the FTT enters into effect. The Draft Directive is still subject to negotiation between the Participating Member States and may, therefore, be further amended at any time.

The subscription of New Shares does not give rise to a tax on stock exchange transactions. The Over-allotment Shares will be allocated on a priority basis to investors that are exempt from the tax on stock exchange transactions.

15.2 *Taxation in France*

15.2.1 *Dividends*

Individuals who are fiscally domiciled in France, who hold the shares in their personal portfolio and who do not carry on a trading activity in conditions which are similar to those of a professional trading activity

Income tax

Dividends received by individuals who are fiscally domiciled in France are taken into account for the computation of their taxable income. They are subject to personal income tax at the progressive rates and, subject to certain conditions, to the exceptional tax on high income (*contribution exceptionnelle sur les hauts revenus*). For taxpayers who are married or have entered into a civil partnership (PACS) and who are filing a joint tax return, the exceptional tax on high income applies at a rate of 3% on fiscal income (*revenu fiscal de référence*) of the fiscal household between €500,000 and €1,000,000and at a rate of 4% on fiscal income above €1,000,000. For other taxpayers, the tax applies at a rate of 3% on fiscal income between €250,000 and €500,000 and at a rate of 4% on fiscal income above €500,000.

Furthermore, as from 1 January 2013, dividends are generally subject to the 21% withholding tax set out under article 117 *quater* of the French *Code général des impôts* (the "French Tax Code") if paid by a paying agent located in France. The 21% withholding tax is applicable to the gross amount of the dividend paid and is deductible from their personal income tax liability in respect of the year in which the payment has been made. If the 21% withholding tax exceeds the amount of personal income tax due by the taxpayer, it may be reimbursed.

Persons belonging to a fiscal household with a fiscal income (*revenu fiscal de référence*) below €75,000, for taxpayers filing a joint return, and below €50,000, for other taxpayers, during the penultimate year preceding the payment of the dividends, can elect not to be subject to the 21% withholding tax. Furthermore, dividends paid on shares of the Company held in a personal equity plan (*plan d'épargne en actions*) are exempt from the 21% withholding tax.

Pursuant to article 158 of the French Tax Code, a rebate of 40% (*abattement de 40%*) is applicable when the personal income tax liability is computed and certain costs and expenses may also be deducted.

Furthermore, in application of the tax treaty entered into between France and Belgium on 10 March 1964 (the "Treaty"), a French shareholder is entitled to claim a tax credit for the Belgian withholding tax applicable to the dividends. This foreign tax credit may be offset against his/her personal income tax, to the extent that the foreign tax credit does not exceed the amount of French tax attributable to the dividend payments (*règle du butoir*) and that the Belgian withholding tax has been levied at the rate provided in the Treaty.

Social levies

The following social levies are applicable to the gross amount of the dividends:

- *contribution sociale généralisée* (CSG) at the rate of 8.2% (5.1% being deductible from the taxable income subject to personal income tax);
- *contribution au remboursement de la dette sociale* (CRDS), at the rate of 0.5% (not deductible from the taxable income subject to personal income tax) ;
- *prélèvement social* at the rate of 4.5% (not deductible from the taxable income subject to personal income tax) ;
- *contribution additionnelle au prélèvement social* at the rate of 0.3% (not deductible from the taxable income subject to personal income tax) ; and
- *prélèvement de solidarité* at the rate of 2% (not deductible from the taxable income subject to personal income tax).

The aggregate rate of the social levies equals 15.5%

Legal entities subject to French corporation tax

Shareholders not qualifying for the participation exemption (régime des sociétés mères et filiales)

Dividends received by shareholders who do not qualify for the participation exemption are subject to corporation tax at a rate of 33.33% to which is added a social surtax at a rate of 3.3% calculated on the amount of corporation tax due after a deduction of €763,000. Besides, an additional contribution of 5% applies to companies having a turnover in excess of €250,000,000 during the fiscal years ending on or before 30 December 2015.

Small and medium sized enterprises (i.e. enterprises whose turnover is lower than €7,630,000) may benefit, if the conditions specified under articles 219 I b) and 235 *ter* ZC of the French Tax Code respectively, are met, from a 15% reduced rate of corporation tax up to €38,120 and from an exemption of the 3.3% social surtax.

By application of the Treaty, a French shareholder is entitled to claim a tax credit for the Belgian withholding tax applicable to the dividends. This foreign tax credit may be offset against the corporation tax due, to the extent that the foreign tax credit does not exceed the amount of French tax attributable to the dividend payments (*règle du butoir*) and that the Belgian withholding tax has been levied at the rate provided in the Treaty.

Shareholders qualifying for the participation exemption

Pursuant to articles 145 and 216 of the French Tax Code, legal entities (i) subject to corporation tax and (ii) holding at least 5% of the share capital and voting rights of the Company (iii) for a continuing period of at least two years may benefit, upon election, from the participation exemption.

Under the participating exemption, dividends are exempt from corporation tax, except that 5% of the dividends received (including any foreign tax credit) must be added back to the shareholder's taxable income (*quote-part de frais et charges*).

15.2.2 *Capital gains and losses*

Individuals who are fiscally domiciled in France, who hold the shares in their personal portfolio and who do not carry on a trading activity in conditions which are similar to those of a professional trading activity

Pursuant to the Treaty, any capital gains realised by a French resident shareholder upon the disposal of the shares of the Company will be taxable in France.

In accordance with article 150-0A of the French Tax Code, capital gains on the disposal of shares are subject to personal income tax at the progressive rates and to social levies at the aggregate rate of 15.5%, as mentioned under paragraph "Social levies", under "Individuals who are fiscally domiciled in France, who hold the shares in their personal portfolio and who do not carry on a trading activity in conditions which are similar to those of a professional trading activity" (see section 15.2.1 "Dividends").

Pursuant to article 150-0 D-1 of the French Tax Code, capital gains realised upon the disposal of the shares are reduced by a rebate equal to (i) 20% if the shares have been held between two and less than four years, (ii) 30% if the shares have been held between four and less than six years and (iii) 40% if the shares have been held for six years or more. The rebate does not apply for the computation of the 15.5% social levies.

According to article 150-0 D of the French Tax Code, capital losses incurred in a given year may be offset against capital gains of the same kind realised during that year and during the ten following years. However, the 20% / 30% / 40% rebates apply to capital losses too. Accordingly, the amount of capital losses which is deductible from capital gains of the same kind may be reduced by the application of such rebate.

The capital gains on the disposal of shares may also be subject to the exceptional tax on high income (*contribution exceptionnelle sur les hauts revenus*), as mentioned under paragraph "Income tax", under "Individuals who are fiscally domiciled in France, who hold the shares in their personal portfolio and who do not carry on a trading activity in conditions which are similar to those of a professional trading activity" (see section 15.2.1 "Dividends").

Legal entities subject to French corporation tax

Pursuant to the Treaty, any capital gains realised by a French resident shareholder upon the disposal of the shares of the Company will be taxable in France.

General regime

Capital gains realised upon the disposal of the shares are subject to corporation tax, to the social surtax and to the additional contribution at the rates mentioned under paragraph "Shareholders not qualifying for the participation exemption", under "Legal entities subject to French corporation tax" (see section 15.2.1 "Dividends").

Capital losses are deductible from the taxable income.

Special rules applicable to long-term capital gains and losses

Pursuant to article 219 I a) *quinquies* of the French Tax Code, long-term capital gains realised upon the disposal of shares qualifying as non-portfolio shares (*titres de participation*) and which have been held for at least two years, are exempt from corporation tax, except that 12% of the gross capital gains must be added back to the shareholder's taxable income (*quote-part de frais et charges*).

Long-term capital losses are not deductible for corporation tax purposes and may not be imputed against long-term capital gains for the purposes of computation of the *quote-part de frais et charges*.

Prospective investors should consult their own tax advisor as to the qualification of the shares of the Company as non-portfolio shares (*titres de participation*).

15.2.3 *Special rules applicable to a plan d'épargne en actions, PEA (personal equity plans)*

Under certain conditions set out under article 163 *quinquies* D of the French Tax Code, the shares of the Company may be eligible to the PEA (personal equity plan).

Holders of a PEA are, subject to certain conditions, entitled to an exemption from personal income tax on net income and net capital gains derived from investments held in the PEA provided that no withdrawal occurs during the five-year period following the opening of the PEA. Special rates of personal income tax apply to closing and withdrawals occurring before two years and between two and five years following the opening of the PEA. Social levies are due upon withdrawal from the PEA.

Capital losses incurred on shares held in a PEA may in principle only be offset against capital gains realised on other shares held in the plan.

15.2.4 *French wealth tax (impôt de solidarité sur la fortune)*

The shares of the Company held by individuals fiscally domiciled in France in their personal portfolio are included in the taxable basis for wealth tax purposes (however wealth tax and similar tax paid outside France on these shares may be deducted, to a certain extent, from the French wealth tax). French wealth tax is applicable at progressive rates to individuals whose net wealth exceeds €1,300,000 on 1 January 2013.

Certain exemptions may be available depending on the specific situation of each holder of the shares of the Company. Prospective investors in the shares should therefore consult their own tax advisor in this respect.

15.2.5 *Stamp duties*

The subscription of the shares does not give rise to stamp duties or other transfer taxes in France. The sale of the shares is not subject to stamp duties or other transfer taxes in France provided that the transfer is not evidenced by a written deed or agreement executed in France, unless a purchase agreement is voluntarily registered before the French tax authorities (in which case the 0.1% rate would apply).

15.2.6 *Other situations*

Prospective investors who are subject to taxation regimes other than those described above should consult their own tax advisor in respect of their specific situation.

16 UNDERWRITING AGREEMENT

Kempen & Co N.V., a limited liability company incorporated under Dutch law, having is registered office at Beethovenstraat 300, 1077 WZ Amsterdam (the Netherlands) will act as Global Coordinator, and as Joint Bookrunner together with Invest Securities S.A., a limited liability company incorporated under French law, having is registered office at Boulevard Haussmann 73, 75008 Paris (France) (together the "Joint Bookrunners").

The Company and the Joint Bookrunners expect (but have no obligation) to enter into an Underwriting Agreement on the Allocation Date, which is expected to take place on or about 4 July 2013. The entering into of the Underwriting Agreement may depend on various factors including, but not limited to, market conditions and the result of the book-building process. If the Company or the Joint Bookrunners do not sign the Underwriting Agreement, the Offering will not be completed.

Subject to the terms and conditions to be set forth in the Underwriting Agreement, the Global Coordinator, acting on behalf of the Joint Bookrunners, will agree to subscribe to 100% of the New Shares purchased in the Offering with a view to immediately distributing these New Shares to the investors who applied for them.

The Joint Bookrunners will be under no obligation to purchase any New Shares prior to the execution of the Underwriting Agreement, and thereafter only on the terms and subject to the conditions set out therein.

The Joint Bookrunners will deliver the New Shares to investors who applied for them, subject to prior issue, when, as and if delivered to the Joint Bookrunners, subject to the satisfaction or waiver of the conditions that will be contained in the Underwriting Agreement.

In the Underwriting Agreement, the Company will make certain representations and warranties and the Company will agree to indemnify the Joint Bookrunners against certain liabilities.

The Underwriting Agreement is also expected to provide that the Joint Bookrunners will have the right to terminate the Underwriting Agreement and their obligations thereunder upon the occurrence of certain events, such as circumstances having a material adverse effect on the Company, the state of the financial markets, or if the conditions contained in the Underwriting Agreement, such as delivery of certain documents by the Company, legal opinions and comfort letters, are not satisfied or waived.

If the Underwriting Agreement is terminated, which can happen at any time, the Offering will not close, allocations of the New Shares to investors will be cancelled and investors will not have any claim to delivery of the New Shares, of which the investors will be informed by publication on the website of the Issuer.

(This page is left blank intentionally.)

17 TRANSFER RESTRICTIONS

The Offered Shares offered hereby have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States. Accordingly, the Offered Shares may not be offered, sold, pledged or otherwise transferred within the United States unless they are registered under the Securities Act, or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The Offered Shares are being offered (i) in the United States only to a limited number of "qualified institutional buyers" as defined in Rule 144A under the Securities Act ("QIBs") in a manner not requiring registration under the Securities Act and (ii) outside the United States in "offshore transactions" in accordance with Regulation S. No public offering of the Offered Shares is being made in the United States. Terms used in this section have the meaning given to them by Regulation S.

In addition, until the expiration of the period beginning on the later of 40 days after (i) the commencement of the Offering or (ii) the date of closing of the Offering, an offer or sale of Offered Shares within the United States by a broker/dealer (whether or not it is participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made other than to QIBs in transactions exempt from registration under the Securities Act.

17.1 *Potential Purchasers Outside the United States*

Each potential purchaser of Offered Shares outside the United States pursuant to Regulation S, by accepting delivery of this Prospectus and the Offered Shares, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- it is, and the person, if any, for whose account or benefit it is acquiring such Offered Shares is, outside the United States,
- it is acquiring the Offered Shares in an offshore transaction meeting the requirements of Regulation S, and
- it is aware that the Offered Shares have not been and will not be registered under the Securities Act and are being distributed and offered outside the United States in reliance on Regulation S.

Each potential purchaser also acknowledges that:

- the Company, the Joint Bookrunners and their affiliates will rely upon the truth and accuracy of the acknowledgements, representations and agreements in the foregoing paragraphs; and
- it understands that the Offered Shares, to extent they are delivered in certificated form, will bear a legend substantially to the following effect for so long as such securities are "restricted securities" within the meaning of Rule 144 under the Securities Act:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT'), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, (2) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR

RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION INCLUDED AS PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE SHARES REPRESENTED HEREBY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THESE SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS."

17.2 *Potential Purchasers Inside the United States*

Because of the following restrictions, potential purchasers of the Offered Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, the Offered Shares.

Each purchaser of Offered Shares in the Offering in the United States, by accepting delivery of this document and such securities will be deemed to have represented, agreed and acknowledged that:

- it is a "qualified institutional buyer" (a "QIB") as defined in Rule 144A under the Securities Act and that it is acquiring the Offered Shares for its own account or for one or more accounts of a QIB, as to each of which it exercises sole investment discretion, for investment purposes and not with a view to any distribution or for resale in connection with, the distribution thereof in whole or in part, in the United States and that it has full power to make the acknowledgements, warranties, representations and agreements herein on behalf of each such account;
- it is an institution which (a) invests in or purchases securities similar to the Offered Shares in the normal course of its business and (b) has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the Offered Shares. In addition, it and any accounts for which it is acting, is able to bear the economic risk, and sustain a complete loss, of such investment in the Offered Shares;
- the Offered Shares are being offered in transaction not involving any public offering in the United States within the meaning of the Securities Act and have not been and will not be registered under the Securities Act or with any state or other jurisdiction of the United States, nor approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority;
- it may not reoffer, resell, pledge or otherwise transfer the Offered Shares except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act;
- the Offered Shares offered and sold in the United States are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and, so long as the Offered Shares are "restricted securities", it will not deposit the Offered Shares into any unrestricted depositary receipt facility maintained by any depositary bank in respect of the Company's ordinary shares;
- to the extent that Offered Shares are delivered in certificated form, they will bear a legend as described above under "Potential Purchasers Outside the United States";
- it (a) has consulted its own independent advisers or otherwise has satisfied itself concerning, without limitation, the effects of United States federal, state and local income tax laws and foreign tax laws generally and the Securities Act and (b) has received all information that it believes is necessary or appropriate in order to make an investment decision in respect of the Company and the Offered Shares;

- it is not purchasing any Offered Shares as a result of any form of general solicitation or general advertising within the meaning of Rule 502(c) of Regulation D under the Securities Act or directed selling efforts as defined in Regulation S under the Securities Act.
- it will not distribute, forward, transfer or otherwise transmit this Prospectus, or any other presentational or other materials concerning the Offering in or into the United States (including electronic copies thereof) to any person, and it has not distributed, forwarded, transferred or otherwise transmitted any such materials to any person; and
- the Company, the Joint Bookrunners, the subscribers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Any person in the United States wishing to purchase Offered Shares must execute and deliver to the Company and the Joint Bookrunners an investor letter in the form set forth in Annex A to this Prospectus to the effect that such person is a QIB and satisfies certain other requirements.

(This page is left blank intentionally.)

18 INDEX TO FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS AND BELGIAN GAAP

(This page is left blank intentionally.)

1 INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012, 2011 AND 2010 AND FOR THE YEARS THEN ENDED UNDER IFRS

We report on the consolidated financial statements as of 31 December 2012, 2011 and 2010 and the years then ended of Cardio3 BioSciences SA incorporated in the Prospectus, which is issued in view of its initial public offering (the "Prospectus"). These consolidated financial statements have been prepared for inclusion in the Prospectus and are set forth in sections 2 and 3 of the F-pages of the Prospectus (see page F-3 to F-42). This report is required by item 20.1 of Annex I of Commission Regulation (EC) No. 809/2004 of 29 April 2004 and is given for the purpose of complying with that paragraph and for no other purpose.

Unqualified opinion on the consolidated financial statements with an emphasis of matter paragraph

We have audited the consolidated financial statements of Cardio3 BioSciences SA and its subsidiary (collectively referred to as "The Group)" for the years ended as of 31 December 2012, 2011 and 2010, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use by the European Union. These consolidated financial statements comprise the consolidated financial statement of financial position as of 31 December 2012, respectively 31 December 2011 and 31 December 2010 and the consolidated statement of comprehensive income, statements of changes in equity and cash flows for the years then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows as of 31 December 2012 total assets of € 12,485.03 thousand (2011 : € 13,812.85 thousand; 2010 : € 17,495.00 thousand) and the consolidated statement of comprehensive income shows a loss for the year ended 31 December 2012, attributable to the Group, of € 13,524.25 thousand (2011 : loss of € 9,354.58 ; 2010 : loss of € 6,711.08 thousand).

Responsibility of the Board of Directors for the preparation and fair presentation of the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the independent auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors ("Institut des Réviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we have considered 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. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the Group and the presentation of the consolidated financial statements, taken as a whole. Finally, we have obtained from the Board of

Directors and the Group's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements as of 31 December 2012, respectively 31 December 2011 and 31 December 2010 and for the years then ended give a true and fair view of the Group's financial position as at 31 December 2012, 31 December 2011 and 31 December 2010 and of the results of its operations and its cash flows in accordance with IFRS as adopted for use by the European Union.

Without qualifying our opinion, we draw attention to Note 3.2.1 of the consolidated financial statements in which the Group discloses its assumptions of going concern. These assumptions are based on increases of capital, including through cash as described in note 3.29 ("Events after the balance sheet date") as well as the Group's plan to successfully complete an Initial Public Offering, or can obtain an equivalent amount via access to other financial sources or adapts its current strategy and market plans. No adjustments have been recorded in relation to the valuation and the presentation of certain balance sheet items that otherwise would be required if the Group would not be able anymore to continue its activities.

Brussels, 12 June 2013

Ernst & Young Reviseurs d'Entreprises SCCRL

represented by

Danny Wuyts

Partner

2 CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2012, 2011 AND 2010

2.1 *Consolidated statement of financial position*

(€'000 audited)		As of 31 December		
	Notes	**2012**	**2011**	**2010**
NON-CURRENT ASSETS		**10,148.41**	**10,162.82**	**11,019.40**
Intangible assets	3.6	9,614.76	9,624.69	10,205.45
Property, Plant and Equipment	3.7	383.12	355.47	592.30
Other non-current assets		150.53	182.66	221.65
CURRENT ASSETS		**2,336.62**	**3,650.03**	**6,475.60**
Trade and Other Receivables	3.8	442.84	1,013.15	1,987.83
Advances receivable	3.9	-	654.10	360.18
Other current assets		248.75	231.40	300.70
Cash and cash equivalents	3.10	1,645.03	1,751.38	3,826.89
TOTAL ASSETS		**12,485.03**	**13,812.85**	**17,495.00**
EQUITY		**(2,259.89)**	**3,743.33**	**8,690.37**
Share Capital	3.11	9,974.51	9,974.51	28,899.98
Convertible loan	3.11	11,406.35	4,036.10	-
Share-based payments	3.12	1,006.11	855.33	483.89
Retained loss		(24,646.86)	(11,122.61)	(20,693.50)
NON-CURRENT LIABILITIES		**11,265.92**	**7,963.40**	**6,562.87**
Finance leases	3.13	108.89	116.26	242.87
Advances repayable	3.14	11,157.03	7,847.14	6,320.00
Other non-current liabilities		-	-	-
CURRENT LIABILITIES		**3,479.00**	**2,106.12**	**2,241.76**
Finance leases	3.13	160.49	189.84	290.97
Advances repayable	3.14	684.66	70.00	-
Trade payables	3.15	1,770.31	1,086.26	1,286.55
Other current liabilities	3.15	807.23	698.85	604.50
Current tax liabilities		56.31	61.17	59.74
TOTAL EQUITY AND LIABILITIES		**12,485.03**	**13,812.85**	**17,495.00**

2.2 *Consolidated statement of comprehensive income*

(€'000 audited)	Notes	For the year ended 31 December 2012	2011	2010
Revenue		54.00	-	1,515.96
Manufacturing expenses	3.17	(2,185.90)	(1,958.57)	(1,798.89)
Clinical, Quality & Regulatory expenses	3.18	(3,605.14)	(1,733.99)	(1,466.90)
Research and Development expenses	3.19	(3,400.82)	(4,135.67)	(4,905.25)
General administrative expenses	3.20	(1,881.60)	(2,584.31)	(2,055.64)
Other operating income	3.22	2,092.28	2,706.23	2,294.31
Other operating expenses	3.22,3.14	(3,974.56)	(1,597.14)	-
Operating profit (Loss) – EBIT		**(12,901.74)**	**(9,303.45)**	**(6,416.41)**
Financial income	3.24	19.17	17.37	20.77
Financial expenses	3.24	(641.68)	(68.50)	(315.44)
Profit (Loss) before taxes		**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Income taxes	3.16	-	-	-
Profit (Loss) for the period [1]		**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Net loss attributable to Equity Holders [2]		**(13,524.25)**	**(9,354.58)**	**(6,711.08)**
Basic and diluted loss per share (in €) [3]	3.25	(11.17)	(7.73)	(7.20)

[1] As there is no other Comprehensive Income, profit/loss for the period equals total comprehensive income.
[2] For 2012, 2011 and 2010, loss is fully attributable to equity holders of the Company as the Company does not have any non-controlling interests.
[3] As the Company is suffering operating losses, warrants and the convertible loan 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.

2.3 *Consolidated statement of changes in equity*

(€'000 audited)	Share capital (Note 3.11)	Convertible loan	Share-based payments	Retained loss	Total Equity
Balance as of 01 January 2010	**16,799.17**	**3,000.00**	**310.00**	**(13,982.42)**	**6,126.75**
Capital increase in cash	3,480.49				3,480.49
Exercise of warrants	276.01				276.01
Interest accrued on convertible loans		255.52			255.52
Contribution in kind convertible loan C	3,255.52	(3,255.52)			-
Contribution in kind convertible loan D	2,018.88				2,018.88
Contribution in kind Mayo payable	3,069.91				3,069.91
Share-based payments			173.89		173.89
Loss of the year				(6,711.08)	(6,711.08)
Balance as of 31 December 2010	**28,899.98**	**-**	**483.89**	**(20,693.50)**	**8,690.37**
Capital reduction	(18,925.47)			18,925.47	-
Issuance of convertible loan		4,036.10			4,036.10
Share-based payments			371.44		371.44
Loss of the year				(9,354.58)	(9,354.58)
Balance as of 31 December 2011	**9,974.51**	**4,036.10**	**855.33**	**(11,122.61)**	**3,743.33**
Issuance of convertible loan		6,788.66			6,778.66
Interest accrued on convertible loans		591.59			591.59
Share-based payments			150.78		150.78
Loss of the year				(13,524.25)	(13,524.25)
Balance as of 31 December 2012	**9,974.51**	**11,406.35**	**1,006.11**	**(24,646.86)**	**(2,259.89)**

2.4 *Consolidated statement of Cash flow*

(€'000 audited)		For the year ended 31 December		
	Notes	**2012**	**2011**	**2010**
Net Profit/(Loss) for the period attributable to Equity Holders		(13,524.25)	(9,354.58)	(6,711.08)
Non-cash adjustments				
Depreciation of Property, Plant & Equipment	3.7	266.99	346.22	390.21
Amortisation of Intangible Assets	3.6	626.82	597.91	498.00
Interests on convertible loans		591.59	-	264.75
Advances received - previously derecognized		3,944.56	1,597.14	-
Mayo Non-cash contribution		-	-	725.50
Share-based payments	3.12	150.78	371.44	173.89
Change in working capital				
Trade receivables, other receivables		(1,180.88)	(1,085.50)	(3,934.32)
Trade payables, other payable and accruals		787.55	(104.51)	268.83
Net cash (used)/from in operations		**(8,336.84)**	**(7,631.88)**	**(8,324.22)**
Acquisitions of Property, Plant & Equipment	3.7	(40.08)	(23.77)	(45.02)
Acquisitions of Intangible assets	3.6	(616.88)	(17.15)	(15.50)
Net cash used in investing activities		**(656.96)**	**(40.92)**	**(60.52)**
Repayments of finance leases		(291.27)	(313.36)	(260.82)
Proceeds from issuance of shares and exercise of warrants	3.11	-	-	3,756.50
Proceeds from advances and subsidies	3.14	2,170.07	2,124.55	3,274.36
Proceeds from convertible loans		7,028.65	3,786.10	2,010.00
Repayment of advances		(20.00)	-	-
Net cash from financing activities		**8,887.45**	**5,597.29**	**8,780.04**
Net cash and cash equivalents at beginning of the period		**1,751.38**	**3,826.89**	**3,431.59**
Change in net cash and cash equivalents		(106.35)	(2,075.51)	395.30
Net cash and cash equivalents at the end of the period		**1,645.03**	**1,751.38**	**3,826.89**

3 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1 *General information*

The Company 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).

Cardio3 BioSciences is a Belgian biotechnology company 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 curative therapies based on a unique technology.

3.2 *Summary of significant accounting policies*

All important accounting policies used for preparing the consolidated financial statements are explained here below.

3.2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis except for financial liabilities as well as certain monetary items in foreign currencies that are measured at faire value. The consolidated financial statements have been approved for issue by the Company's Board of Directors on 11 June 2013.

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

Statement of compliance

On a voluntary basis, the consolidated financial statements of the Company have been prepared for the first time for the year ended 31 December 2012 (the transition date being 1 January 2010) in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU).

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with generally accepted accounting practice in Belgium (Belgian GAAP).

As required by Belgian Company Law, the Company will continue to prepare its financial statements in accordance with Belgian accounting laws and regulations (collectively "Belgian GAAP"), which is the Company's primary accounting framework. The Company will prepare the required reconciliations and descriptions of differences between Belgian GAAP and IFRS on the Company's equity and its net income for each interim and year-end reporting periods. The Company has a subsidiary, incorporated in the United States of America but it is not required to prepare consolidated financial information for any of the periods stated under Belgian GAAP.

The Company has, also on a voluntary basis, opted to present in this Prospectus, historical financial information covering its business over a period of three calendar years (2010, 2011 and 2012), reinforcing the fact that it is not a start-up company within the meaning of the Prospectus Directive. A company can be considered a start-up company within the meaning of the Prospectus Directive when it has been operating its business for less than three years. The fact that the Company has been incorporated on 24 July 2007 (i.e. more than three calendar years prior to the date of this Prospectus), as well as the fact that its business was, prior to the incorporation of the Company, already carried on via another company (Cardio3 SA) since 2004, form the basis for the assessment that the Company should not be considered as a "start-up company". The presentation, on a voluntary basis, of historical financial information over a three year period should be viewed in this light as well.

Note 3.30 explains the principal adjustments made by the Company in restating its Belgian GAAP statement of financial position and statement of comprehensive income for the years ended 31 December 2012, 31 December 2011 and 31 December 2010.

The preparation of the consolidated financial statements in accordance with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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 3.4.

Going concern

The Company is pursuing a strategy to develop certain products and obtain approval from the authorities to commercialise those products. The Company initiated end of 2012 the International Phase III clinical trial for its C-Cure product candidate. Management has prepared detailed budgets and cash flow forecasts for the following years. These forecasts reflect the strategy of the Company and include significant expenses and cash outflows in relation to the development and (pre-)clinical trials of selected research programmes and products candidates.

The Company intends and has taken already several actions to launch an Initial Public Offering and listing on NYSE Euronext Brussels and NYSE Euronext Paris in the second quarter of 2013 with minimum proceeds which have been set at an aggregate amount of €17 million. The proceeds will be used, after the costs and expenses payable by the Company related to the Offering have been paid, to advance its C-Cure product candidate into the International and US Phase III Trials, and continue pre-clinical development and potentially start clinical development of selected product candidates.

On 31 May 2013, the Company closed its fourth financing round. The Round D financing amounts in total to €19,013,401.36. The convertible loans E, F, G and H previously recorded as quasi equity were contributed in kind for a total amount of €12,013,681.96 and the share capital and issue premium were increased by an amount of €6,999,719.40 through a contribution in cash brought by existing shareholders of the Company as further detailed in section 14.4 "Share capital and shares".

In case the Company would not be able to successfully complete its Initial Public Offering or would not be able to raise the equivalent of the minimum amount of €17 million via a private placement, the Company can adjust its current strategy and market plans by reducing significantly its operating expenses in order to ensure continuity over the next 12 months as of the date of the authorisation of these financial statements.

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

Standards issued but not yet effective

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements which the Company believes are applicable to the Company are listed below.

- IFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities — Amendments to IFRS 7, effective 1 January 2013
- IFRS 9 Financial Instruments: Classification and Measurement, effective 1 January 2015
- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1, effective 1 January 2013
- IAS 19 Employee Benefits (Revised), effective 1 January 2013
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective 1 January 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, effective 1 January 2014
- Annual Improvements May 2012, effective on or after 1 January 2013

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements which the Company believes are not applicable to the Company are listed below:

- IFRS 1 Government Loans – Amendments to IFRS 1, effective 1 January 2013
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine, effective 1 January 2013
- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, effective 1 January 2014
- IFRS 11 Joint Arrangements, effective 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014
- IFRS 13 Fair Value Measurement, effective 1 January 2013

3.2.2 **Consolidation**

The Company has a subsidiary, incorporated in the United States of America with a share capital of $10,000. Cardio3 Inc is a dormant company with no operational activities and showing a net loss for the year ended 31 December 2012 and 31 December 2011 of respectively $3,292 and $5,799.

3.2.3 **Foreign currency translation**

The items in the consolidated financial statements are presented in Euro, the functional currency of the Company.

Foreign currency transactions (USD only) 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 statement of comprehensive income.

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.

3.2.4 **Income**

The Company's current incoming cash flows are primarily generated from Regional government ("Walloon Region" or "Region") recoverable cash advances and subsidies.

Since inception, the Company has been awarded non-dilutive financial support from the Walloon Region (the "Region") totalling €18,208,283. The support has been granted in the form of recoverable cash advances ("RCAs") for an amount of €16,232,642 (of which €14,389,103 has been effectively paid out to the Company as per 31 December 2012) and subsidies for an amount of €1,975,641 (of which €1,487,819 has been effectively paid out to the Company as per 31 December 2012).

RCAs are dedicated to support specific development programmes. 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 Company receives funds from the Region based on statements of expenses.

Upon receipt, these advances are accounted for as government grants because they are intended to compensate the research and development expenses as defined in the different contracts.

At the end of the research phase, the Company should within a period of six months decide whether or not to exploit the results of the research programme (decision phase). The exploitation phase has a duration of 10 years. In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable and at that moment a liability is recognised. The reimbursements of

the RCAs to the Walloon Region consist of two elements, *i.e.*, turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum).

Such refundable advances are accounted for as a zero-interest loan for which the interest benefit is considered a government grant. Accordingly, when estimating the liability, the Company (i) determines its best-estimate of the period during which it will benefit from the advance and (ii) determines the amount of the liability as the difference between the nominal amount of the loan and its discounted value using a market rate for a liability with similar risk profile to the Company. The interest expense resulting from the remeasurement of the liability at each reporting date using the effective interest rate method is presented on the same line as the interest income resulting from the amortisation of the government grant recorded in the statement of comprehensive income.

In case the Company decides not to exploit (or not to continue to exploit) the results under an RCA, then such RCA does not become refundable (respectively is no longer refundable as of the calendar year after such decision), and the rights related to such results must be transferred to the Region. In such case, Cardio3 BioSciences will also have to grant (or cause to be granted) an exclusive licence to the Region to the relevant Mayo patents, resulting in the derecognition of the intangible asset. Also, in case Cardio3 BioSciences would decide to renounce to its rights to patents which may result from the research, title to such patents will need to be transferred to the Region.

3.2.5 Intangible assets

Intangible assets acquired separately, 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. Indication of impairment is related to the value of the patent demonstrated by the pre-clinical and clinical result of the technology. 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 statement of comprehensive income 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 statement of comprehensive income 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 Company 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 Company 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.

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 of May 2012, the development costs of C-Cath$_{ez}$ are capitalized as the defined milestone criteria above have been met.

Licences

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 of 20 years. Amortisation is calculated on a straight-line basis over this useful life.

3.2.6 **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 statement of comprehensive income 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
- Furniture: 3 to 10 years
- Leasehold improvements: 3 to 10 years (based on duration of leased office building)

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 statement of comprehensive income 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.

3.2.7 **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 Company 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 statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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 statement of comprehensive income on a straight line basis over the lease term.

The company 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.

3.2.8 Impairment of non-financial assets

The Company 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 Company 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 Company 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 Company has two cash-generating units which consist of the development and commercialization activities on its two products, C-Cath$_{ez}$ and C-Cure. Indicators of impairment used by the Company are the pre-clinical and clinical results obtained with the technology.

3.2.9 Cash and short-term deposits

Cash and short-term deposits 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.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

3.2.10 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets

include cash and short-term deposits, advances received, trade and other receivables and loan and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and trade receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets 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 statement of comprehensive income in finance costs.

Trade receivables mainly relate to recharges of certain expenses to other companies. 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.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Advances receivable

Please refer to note 3.2.4.

3.2.11 **Impairment of financial assets**

The Company 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 Company 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 Company 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 finance costs in the income statement.

3.2.12 **Financial liabilities**

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. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

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

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 expense when the

liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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 statement of comprehensive income.

Advances repayable

Please refer to note 3.2.4.

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 statement of comprehensive income.

3.2.13 **Provisions**

Provisions are recognised when the Company 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 Company 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 statement of financial position 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.

3.2.14 **Employee benefits**

Defined contribution plan

The Company operates a pension plan which requires contributions to be made to the Company's group insurance. All employees have access to this scheme. It is a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company 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. The pension contributions paid by the Company are expensed when due.

Share-based payment transactions

Certain employees, management members and Board of Directors members of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees 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 3.12. The cost of equity-settled transactions 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 Company's best estimate of the number of equity instruments that will ultimately vest.

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

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.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately in the statement of comprehensive income. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 3.25).

3.2.15 **Taxes**

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those used in Belgium. As the Company is reporting a net loss no corporate tax has been paid.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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, 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 except for the two cases expressed above.

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 the same taxable entity and the same taxation authority.

3.2.16 **Earnings 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 debt. Potentially ordinary shares should be treated as dilutive, when and only when their conversion to ordinary shares would decrease the net profit per share.

3.3 ***Risk Management***

Financial risk factors

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

Foreign exchange risk – The Company may be exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. So far, because of the materiality of the exposure, the Company did not enter into any currency hedging arrangements.

Liquidity risk

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

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

The Company is exposed to liabilities and contingent liabilities as a result of the RCA's it has received from the Walloon Government. Out of the RCAs contracted as of the date of this Prospectus, €14.4 million has been effectively paid out as per 31 December 2012.

In 2013, the Company will have to make exploitation decisions on two RCAs (Agreements n°6548 and 6633), with a potential recognition of an additional liability of €1.7 million. In 2014, the Company will have to make an exploitation decision on the remaining RCA's (Agreement 6646 and 5951) with a potential recognition of an additional liability of €2.7 million.

Capital risk management

The Company'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.

3.4 *Critical accounting estimates and judgments*

Judgments

The preparation of the Company'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. However, 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Advances received from the Walloon Region: recognition of a liability

The Company receives recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Company. Upon receipt, these advances are accounted for as government grants and incurred research and development costs are offset against the advances received. The advances received only become 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 Company should, within a period of six months, decide whether or not to exploit the results of the research programmes ('decision phase'). In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable to the Walloon Region and at that moment, a liability is recognised.

Development costs

Development costs are capitalised in accordance with the accounting policy described in Note 3.2.5. Initial capitalisation of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model (completion of Phase III clinical trial for each product). In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As of May 2012, the development costs of C-Cath$_{ez}$ are capitalized as the defined milestone criteria above have been met.

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 3.16.

Convertible loan

In December 2011, May 2012, October 2012 and December 2012, the Company issued loans to be reimbursed only in shares of the Company. The Company examined all terms of these convertible loans to determine the appropriate classification of such loans at inception: based on information available to the Company at such date, the appropriate classification of these loans is equity. Further details are contained in Note 3.11.

Leases

The Company has entered into various leases. For certain leases, the Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as finance leases. Further details are contained in Note 3.13.

Estimates and assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions at each reporting dates that affect the reported amounts of revenues, expenses, assets and liabilities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date such that the carrying amounts of assets and liabilities could differ significantly from the estimates from future periods, are discussed below:

Share-based payment transactions

The Company 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 3.12.

Useful life of Mayo Clinic technology licence

The Company estimated the useful life of this licensed technology to 20 years, based on legal and economic factors that influence this useful life.

To determine the useful life, the Company has considered the terms of the "Technology Licence Agreement". Should the useful life estimated be shorter than 20 years, the yearly annual amortisation expense would increase.

3.5 *Operating segment information*

The Company does not distinguish different segments because of the non-materiality of the revenues generated by $Cath_{ez}$. Therefore, the Company itself is considered as a single reportable segment.

Its non-current assets are all located in its country of domicile, i.e. Belgium.

3.6 *Intangible assets*

(€'000)	Development costs	Patents & Licences	Software	Total
Cost:				
As of 1 January 2010	-	9,500.00	9.29	9,509.29
Additions	-	2,344.44	15.50	2,359.94
As of 31 December 2010	**-**	**11,844.44**	**24.79**	**11,869.23**
Additions	-	-	17.15	17.15
As of 31 December 2011	**-**	**11,844.44**	**41.94**	**11,886.38**
Additions	549.29	-	67.59	616.88
As of 31 December 2012	**549.29**	**11,844.44**	**109.53**	**12,503.26**
Amortisation and impairment:				
As of 1 January 2010	-	(1,159.52)	(6.26)	(1,165.78)
Amortisation	-	(494.54)	(3.46)	(498.00)
As of 31 December 2010	**-**	**(1,654.06)**	**(9.72)**	**(1,663.78)**
Amortisation	-	(592.22)	(5.69)	(597.91)
As of 31 December 2011	**-**	**(2,246.28)**	**(15.41)**	**(2,261.69)**
Amortisation	(21.54)	(592.22)	(13.05)	(626.82)

(€'000)	Development costs	Patents & Licences	Software	Total
Impairment	-	-	-	-
As of 31 December 2012	**(21.54)**	**(2,838.50)**	**(28.46)**	**(2,888.50)**
Net book value				
As of 31 December 2012	**527.75**	**9,005.94**	**81.07**	**9,614.76**
As of 31 December 2011	**-**	**9,598.16**	**26.53**	**9,624.69**
As of 31 December 2010	**-**	**10,190.38**	**15.07**	**10,205.45**

Intangible assets primarily relate to a licence, granted in August 2007 by Mayo Clinic (for an amount of €9,500,000) upon the Company's inception and an extension to the licensed field of use, granted on 29 October 2010 for a total amount of €2,344,413. The licence and its extension are amortised straight line over a period of 20 years. Management has not identified any impairment indicators in relation to this intangible asset, especially because it constitutes the pillar on which the Company bases its research.

All C-Cure related research and development costs, not eligible for capitalisation, have been recognised as research and development expenses. Since May 2012 and the CE marking of C-Cath$_{ez}$, the development costs of C-Cath$_{ez}$ are capitalized and depreciated over 17 years, the estimate residual intellectual property protection as of the CE marking.

3.7 *Property, plant and equipment*

(€'000)	**Equipment**	**Furnitures**	**Leasehold**	**Total**
Cost:				
As of 1 January 2010	541.49	156.18	555.72	1,253.39
Additions	403.97	21.21	8.80	433.98
Disposals	-	-13.53	-28.25	-41.78
Transfer	-	-	-	-
Exchange adjustment	-	-	-	-
As of 31 December 2010	**945.46**	**163.86**	**536.27**	**1,645.59**
As of 1 January 2011	**945.46**	**163.86**	**536.27**	**1,645.59**
Additions	99.45	2.73	7.20	109.39
Disposals	-	-	-	-
Transfer	-	-	-	-
Exchange adjustment	-	-	-	-
As of 31 December 2011	**1,044.91**	**166.59**	**543.47**	**1,754.97**
As of 1 January 2012	**1,044.91**	**166.59**	**543.47**	**1,754.97**
Additions	294.64	-	-	294.64
Disposals	-	-	-	-
Transfer	-	-	-	-

(€'000)	Equipment	Furnitures	Leasehold	Total
Exchange adjustment	-	-	-	-
As of 31 December 2012	**1,339.55**	**166.59**	**543.47**	**2,049.61**
Depreciation and impairment:				
As of 1 January 2010	(307.49)	(84.33)	(313.04)	(704.86)
Depreciation charge of the year	(201.58)	(51.98)	(136.65)	(390.21)
Impairment	-	-	-	-
Disposals	-	13.53	28.25)	41.78
Exchange adjustment	-	-	-	-
As of 31 December 2010	**(509.07)**	**(122.78)**	**(421.44)**	**(1,053.29)**
As of 1 January 2011	**(509.07)**	**(122.78)**	**(421.44)**	**(1,053.29)**
Depreciation charge of the year	(209.46)	(30.57)	(106.18)	(346.21)
Impairment	-	-	-	-
Disposals	-	-	-	-
Exchange adjustment	-	-	-	-
As of 31 December 2011	**(718.53)**	**(153.35)**	**(527.62)**	**(1,399.50)**
As of 1 January 2012	**(718.53)**	**(153.35)**	**(527.62)**	**(1,399.50)**
Depreciation charge of the year	(255.29)	(6.72)	(4.98)	(266.99)
Impairment	-	-	-	-
Disposals	-	-	-	-
Exchange adjustment	-	-	-	-
As of 31 December 2012	**(973.82)**	**(160.07)**	**(532.60)**	**(1,666.49)**
Net book value				
As of 31 December 2012	**365.73**	**6.52**	**10.87**	**383.12**
As of 31 December 2011	**326.38**	**13.24**	**15.85**	**355.47**
As of 31 December 2010	**436.39**	**41.08**	**114.83**	**592.30**

Property, Plant and Equipment is mainly composed of office furniture, leasehold improvements, and laboratory machinery and equipment. Leasehold improvements are depreciated over the duration of the office building lease. Laboratory equipment is depreciated over 3 to 5 years.

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 2012 was €320,657 (31 December 2011 was €303,792 and 31 December 2010 was €474,901). The carrying value corresponds to the net asset value of the leases at the end of period and includes the purchase option price.

3.8 *Trade receivable and other current assets*

(€'000)	As of 31 December		
	2012	**2011**	**2010**
Trade receivable			
Trade receivable	216.79	173.90	1,658.00
Total	216.79	173.90	1,658.00
Other receivables			
VAT receivable	137.85	154.89	152.82
Other receivables	88.20	684.36	177.01
Total	226.05	839.25	329.83
Total Receivables and Other receivables	**442.84**	**1,013.15**	**1,987.83**

Trade receivables mainly relate to recharges of certain expenses to other companies and credit notes to receive. End of 2010, the outstanding amount of account receivables was mainly composed of a receivable on the Mayo Clinic which was fully paid up in April 2011. Impairment of such receivables are assessed on an individually basis at the end of each accounting year.

As per 31 December 2012, 31 December 2011 and 31 December 2010, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currency and no impairments were recorded.

3.9 *Advances receivable*

(€'000)	As of 31 December		
	2012	**2011**	**2010**
Recoverable cash advances			
Walloon Region recoverable cash advances	-	654.10	360.18
Total	-	654.10	360.18

Amounts recorded as recoverable cash advances in the current assets correspond to amounts due by the Walloon Region on several contracts. Amounts are registered as current assets when statements of expenses are approved by the Walloon Region and when the payment process is initiated and communicated to the Company.

3.10 *Cash and cash equivalents*

(€'000)	As of 31 December		
	2012	**2011**	**2010**
Cash at bank and on hand	1,645.03	1,751.38	3,826.89
Total	1,645.03	1,751.38	3,826.89

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods between one day and three months, depending on the immediate cash requirements of the Company. Interest is calculated at the respective short-term deposit rates. There is no outstanding short term deposit at the end of each reporting period.

3.11 *Share Capital & convertible loans*

The number of shares issued is expressed in units.

	As of 31 December		
	2012	**2011**	**2010**
Class A shares			
Number of issued and outstanding shares	671,107	671,107	671,107
Share Capital (€'000)	3,300	3,300	9,563
Class B shares			
Number of issued and outstanding shares	539,411	539,411	539,411
Share Capital (€'000)	6,674	6,674	19,337
Total number of issued and outstanding shares	**1,210,518**	**1,210,518**	**1,210,518**
Total share capital (€'000)	**9,974**	**9,974**	**28,900**

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.

As of 31 December 2012 all shares issued have been fully paid.

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

The total number of shares issued and outstanding as of 31 December 2012 totals 1,210,518. The Company has issued two different categories of shares, the class A shares being ordinary registered shares, and the class B shares being preferred registered shares. The Articles of Association attach a liquidation and liquidity event preference to the class B shares. Pursuant to the decision of the Extraordinary Shareholders Meeting of 11 June 2013 and subject to the completion of the Offering, all existing classes of shares of the Company will be converted into ordinary shares. Preferred shares will be converted at a 1 for 1 ratio and subsequently.

Convertible loans

On 9 December 2011, certain shareholders of the Company participated to a €4,024,700 convertible loan (loan E). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €38.39 per share.

On 14 May 2012, certain shareholders of the Company participated to a €1,994,570 convertible loan (loan F). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €38.39 per share.

On 2 October 2012, certain shareholders of the Company participated to a €2,784,083 convertible loan (loan G). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €4.52 per share.

On 21 December 2012, certain shareholders of the Company participated to a €2,250,000 convertible loan (loan H) of which 250,000 was paid out in early 2013. The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €30.71 per share.

As of 31 December 2011 and 2012, the interests accrued on the convertible loans amount to respectively €11,400 and €602,995.

All subscribers of the Loan E, F, G and H received anti-dilutive warrants to protect their shares issued at the occasion of the Round C (third financing round) and their shares that will be issued at the shareholders meeting of the Company that occured on 6 May 2013 against future dilution that would come before the availability of the first read-out of the primary endpoint of the C-Cure Phase III clinical trial.

3.12 *Share based payments*

Warrants issued on 26 September 2008

On 26 September 2008, the Extraordinary Shareholder's Meeting issued 90,000 warrants. Of these 90,000 Warrants, 50,000 were offered and accepted, 30,835 Warrants lapsed and 19,165 Warrants are outstanding on the date hereof.

For the beneficiaries of the warrants issued in September 2008, the warrants are vested in equal tranches over a period of three years. The warrants become 100% vested after the third anniversary of the issuance and will be settled in ordinary shares of the Company upon exercise

The warrants can only be exercised when vested and as from the beginning of the fourth calendar year following the year in which the warrants have been granted (thus starting on 1January 2012). All non-vested warrants are forfeited at the time of the termination of the contractual agreement (employee contract or consultant agreement). The exercise price amounts to €22.44. Warrants not exercised within 6 years after issue become null and void.

Warrants issued on 5 May 2010

At the Extraordinary Shareholders Meeting of 5 May 2010, a plan of 50,000 warrants was approved. Of these 50,000 Warrants (15,000 Warrants A, 5,000 Warrants B and 30,000 Warrants C), 12,710 Warrants A were accepted but none are outstanding on the date hereof, 5,000 Warrants B were accepted and are still outstanding on the date hereof, and 21,700 Warrants C were accepted and 3,798 Warrants C are still outstanding on the date hereof

12,300 *Warrants A* were exercised on 29 October 2010.

Warrants B are immediately vested. The exercise price amounts to €35.36. Warrants not exercised within 6 years after issue become null and void.

The 30,000 *warrants C* have the same characteristics as the 50,000 warrants granted on 26 September 2008.

Each warrant C 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, upon concurring opinion of the Company's Statutory Auditor.

Warrants issued on 29 October 2010

At the Extraordinary Shareholders Meeting of 29 October 2010, a plan of 79,500 warrants was approved. The Board of Directors was allowed to issue a total of 79,500 warrants to be offered to Company's employees, management team and independent directors. Out of the 79,500 warrants offered, 61,050 warrants were accepted by the beneficiaries and 7,632 Warrants are outstanding on the date hereof.

The warrants issued in October 2010 have a vesting period of three years and become exercisable at the end of the third calendar year following the issuance date, thus starting on 1 January 2014. The exercise price amounts to €35.36. 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			
	26 September 2008	05 May 2010 (warrants B)	05 May 2010 (warrants C)	29 October 2010
Number of warrants issued	90,000	5,000	30,000	79,500
Number of warrants granted	50,000	5,000	21,700	61,050
Number of warrants not vested as of 31 December 2012	-	-	4,334	15,177
Value of shares	22.44	22.44	22.44	35.36
Exercise price (in €)	22.44	35.36	22.44	35.36
Expected dividend yield	-	-	-	-
Expected share value volatility (*)	35.60%	35.60%	35.60%	35.60%
Risk-free interest rate	4.56%	3.31%	3.31%	3.21%
Expected duration	4.5	4.5	4.5	6.5
Fair value (in €)	9.60	5.72	9.05	9.00
Weighted average remaining contractual life	1.75	3.42	3.42	7.83

	26 September 2008	05 May 2010 (Warrants B)	05 May 2010 (Warrants C)	29 October 2010	Total Number	Average exercise price (in €)
Outstanding as of 1 January 2012 (**)	**41,665**	**5,000**	**17,032**	**52,850**	**116,547**	**28.85**
Granted	-	-	-	-	-	-
Forfeited	-	-	234	1,668	1,902	33.77
Exercised	-	-	-	-	-	-
Expired	-	-	-	-	-	-
At 31 December 2012						
Outstanding	41,665	5,000	16,798	51,182	114,645	28.77
Non-vested	-	-	4,334	15,117	19,451	32.48
Exercisable	-	-	-	-	-	-

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

(**) 12,300 Warrants A issued on 5 May 2010 were exercised on 29 October 2010 and are therefore not included in the table here above.

The warrants are accounted for as equity-settled share-based payment transaction. The total expense recognised in the statement of comprehensive income for the outstanding warrants totals €1,006,109.29 at year end 2012. The expense is presented in General and Administrative Expenses.

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, upon concurring opinion of the Company's statutory auditor.

Please refer to note 3.29 "Events after the balance sheet date" for the issuance of warrants in 2013.

On 21 March 2012, the Extraordinary Shareholders Meeting of the Company issued 70 anti-dilution warrants to the benefit of the Loan E lenders. Such warrants aim to protect the shares of the lenders issued at the occasion of the Round C in October 2010 (and to be issued at the conversion of the Loan E) against future dilutive financing round until the read-out of the primary endpoint of the International C-Cure Phase III Trial. Once the read-out is available and disclosed, the 70 warrants will lapse.

3.13 *Finance lease*

The maturity of the finance lease is detailed as follows:

(€'000)	As of December 31		
	2012	**2011**	**2010**
Within one year	160.49	189.84	290.97
After one year but not more than five years	108.89	116.26	242.87
More than five years	-	-	-
Total	**269.38**	**306.10**	**533.84**

3.14 *Advances repayable*

The amounts detailed below represent the current and non-current present value and the interest free benefit calculated on the recoverable cash advances as of closing dates of the relevant periods. By the end of 2008, after obtaining positive pre-clinical data on its lead product C-Cure, the Company decided to further develop C-Cure and enter into clinical phase. The contractual conditions with the Walloon Region (#5160 dated December 2005) were met and triggered the recognition of a liability for €2,920,000 in 2008.

Conditions of the second agreement (#5731 dated December 2007) were met in December 2009 and triggered the recognition of a second liability for €3,400,000 in 2009.

In 2011 and 2012, the Company communicated to the Region its decision to exploit the outcome of the agreements respectively 5914 and 5915 for the year 2011 and 6003, 6230 and 6363 for the year 2012, which triggered the recognition of liabilities of respectively €1,597,135 and €3,924,560.

(€'000)	As of December 31		
	2012	**2011**	**2010**
Present value of advances	9,313.57	6,340.66	4,769.84
Interest free benefit part of the advance	1,843.46	1,506.48	1,550.16
Total non-current Advance Repayable	**11,157.03**	**7,847.14**	**6,320.00**
Current Advance Repayable	**684.66**	**70.00**	**-**
Total at 31 December	**11,841.69**	**7,917.14**	**6,320.00**

The amounts recorded under 'Current Advance Repayable' correspond to the contractual turnover-independent amounts to be repaid to the Region in the 12 month period.

Those advances were previously recognized in the income statement. Reference is made to the table in note 3.26 which shows the year for which amounts under those agreements have been received and initially derecognized in the statement of comprehensive income as other operation income.

Repayment of €20,000 was made for the first time in 2012. No repayment has been made in 2011 and 2010. A description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances can be found in section 3.26.

Fair value (including interest free benefit part of the advance) equals approximately the carrying amount of the advances.

Interest free benefit is calculated using the relevant interest rate (source: OLO "Obligations Linéraires") for the estimated duration of reimbursement, a risk premium of 3% in 2012, 2011 and 2010.

3.15 *Trade payables and other current liabilities*

(€'000)	As of 31 December		
	2012	2011	2010
Total Trade payable	**1,770.31**	**1,086.26**	**1,286.55**
Other current liabilities			
Social security	173.76	161.74	82.14
Payroll accruals	415.37	379.54	358.16
Other current liabilities	218.10	157.57	164.20
Total other current liabilities	**807.23**	**698.85**	**604.50**

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.

3.16 *Deferred taxes*

No numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2012, 31 December 2011 and 31 December 2010 have been presented considering the loss of the years.

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Net loss carried forward	**(38,284.74)**	**(35,414.81)**	**(26,068.17)**
Opening temporary differences	**(1,678.22)**	**(1,458.03)**	**(2,855.09)**
Amortization of intangibles	940.87	1,776.67	1,501.81
Recoverable cash advances	(3,024.56)	(1,597.14)	-
Capitalization of development costs	(9,101.06)	-	-
Share based payments	(150.78)	(371.44)	(173.89)
Other timing differences	(36.17)	(28.28)	69.14
Total temporary differences of the period	**(11,371.71)**	**(220.19)**	**1,397.06**
Accumulated temporary differences	**(13,049.92)**	**(1,678.22)**	**(1,458.03)**
Total IFRS tax losses carried forward and			
Deductible temporary difference (net)	**(51,334.66)**	**(37,093.03)**	**(27,526.20)**
Unrecognised deferred tax assets	**17,448.65**	**12,607.92**	**9,356.16**

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

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Notional interest	**(1,860.53)**	**(1,860.53)**	**(1,469.33)**

The Company has a history of losses and significant uncertainty exists surrounding the Company's ability to realise taxable profits in the near future. Therefore, the Company did not recognise any

deferred tax assets in respect of these losses, unless sufficient taxable temporary differences were available.

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

3.17 *Manufacturing expenses*

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Employee expenses	794.51	973.37	990.65
Contractor fees	206.48	207.65	170.95
Pilot Plan consulting fees	285.44	265.26	266.18
Raw materials	719.84	332.44	200.92
Rent & utilities	77.53	88.66	76.98
Other manufacturing costs	102.10	91.19	93.21
Total Manufacturing expenses	**2,185.90**	**1,958.57**	**1,798.89**

3.18 *Clinical, quality and regulatory expenses*

(€'000)	**For the year ended 31 December**		
	2012	**2011**	**2010**
Employee expenses	1,545.09	740.62	635.99
Materials	-	-	0.05
Study cost	1,393.32	441.83	425.13
IP filing & maintenance fees	290.15	242.74	243.90
Travel & living	154.97	93.86	79.82
Consulting fees	203.60	198.21	55.10
Other costs	18.01	16.73	26.91
Total Clinical, quality and regulatory expenses	**3,605.14**	**1,733.99**	**1,466.90**

3.19 *Research and development expenses*

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Employee expenses	843.50	936.17	962.35
Mayo research Project	440.77	9.11	767.48
Pre-clinical studies	618.96	764.65	1,400.35
Delivery systems	1,017.82	1,263.39	769.70
Other costs	60.26	76.84	109.82
R&D consultant fees	74.99	71.38	7.34
Capitalization C-Cath$_{ez}$ development costs	(549.29)	-	-
Subtotal	**2,507.01**	**3,191.54**	**4,017.04**
Depreciation and amortization	893.81	944.13	888,21
Total Research and development expenses	**3,400.82**	**4,135.67**	**4.905,25**

3.20 *General and administration*

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Employee expenses	773.19	686.87	747.01
Share-based payment	150.78	371.44	173.89
Rent	297.52	307.43	251.31
Communication & Marketing	79.42	125.53	210.17
Consulting fees	324.02	868.68	482.93
Travel & Living	164.32	165.72	83.90
Other	92.34	58.63	106.44
Total General and administration	**1,881.60**	**2,584.31**	**2,055.64**

3.21 *Employee benefit expenses*

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Salaries, wages and bonuses	2,055.65	1,883.21	2,013.24
Executive Management team compensation	865.67	576.06	434.03
Other Management Team compensation	92.94	71.70	58.80
Share based payments	150.78	371.44	173.89
Social security	744.68	659.16	677.66
Group insurance	138.64	127.22	119.64
Hospitalisation insurance	24.72	20.38	18.03
Other benefit expenses	33.99	-0.70	14.60
Total Employee expenses	**4,107.07**	**3,708.47**	**3,509.89**

Headcount	For the year ended 31 December		
	2012	**2011**	**2010**
Manufacturing	14	14	13
Clinical	18	14	13
Research & Development	12	13	14
General and administrative staff	6	7	7
Total Headcount	**50**	**48**	**47**

3.22 *Other operating income and expenses*

The Company receives subsidies and recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Company. Upon receipt, these subsidies and advances are accounted for as government grants and booked as other operating income.

The advances received only become 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 Company should, within a period of six months, decide whether or not to exploit the results of the research programmes ('decision phase'). In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable to the Walloon Region and at that moment, a liability is recognised and an equivalent other expenses is accounted for.

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Recoverable cash advances (RCA)	1,786.18	1,857.91	1,877.21
Subsidies	306.10	848.32	417.10
Total Operating Income	**2,092.28**	**2,706.23**	**2,294.31**
RCA recognized as liability	**3,974.56**	**1,597,14**	**-**

At year end 2011, the advances related to the agreements number 5914 and 5914 were recognized as liabilities. At year end 2012, the advances related to the agreements number 6003, 6230 and 6363 were recognized as liabilities.

Since inception, the Company has been awarded non-dilutive financial support from the Walloon Region (the "Region") totalling €18,208,283. The support has been granted in the form of (i) recoverable cash advances ("RCAs") for an amount of €16,232,642 (of which €14,389,103 has been effectively paid out to the Company as per 31 December 2012) and (ii) subsidies for an amount of €1,975,641 (of which €1,487,819 has been effectively paid out to the Company as per 31 December 2012).

3.23 *Operating leases*

The Company 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 Company by entering into these leases.

Operating lease expenses amounts to €569,489 in 2012, €494,947 in 2011 and €494,052 in 2010.

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

(€'000)	As of 31 December		
	2012	**2011**	**2010**
Within one year	460.55	484.73	635.09
After one year but no more than five years	1,218.05	902.04	1,270.40
More than five years	-	-	136.20
Total Operating leases	**1,678.60**	**1,386.77**	**2,041.69**

3.24 *Finance income and expense*

(€'000)	For the year ended 31 December		
	2012	**2011**	**2010**
Interest shareholders loan	591.59	-	264.75
Interest finance leases	10.87	15.87	20.90
Interest on overdrafts and other finance costs	24.99	17.43	9.11
Exchange Differences	14.23	35.20	20.68
Finance expenses	**641.68**	**68.50**	**315.44**
Interest income bank account	3.46	15.52	16.39
Exchange Differences	12.97		
Other	2.74	1.85	4.38
Finance income	**19.17**	**17.37**	**20.77**

3.25 *Earnings per share*

The earnings per share are calculated by dividing net result of the period by the weighted average number of ordinary shares outstanding during the period. Warrants and the convertible loan have an anti-dilutive effect. As the Company is suffering operating losses, there is no difference between the basic and the diluted earnings per share.

(€'000)	As of 31 December		
	2012	**2011**	**2010**
Loss of the year attributable to Equity Holders	(13,524.25)	(9,354.58)	(6,711.08)
Weighted average number of shares outstanding	1,210,518	1,210,518	931,552
Earnings per share (non-fully diluted)	**(11.17)**	**(7.73)**	**(7.20)**

3.26 *Contingent assets and liabilities*

Recoverable cash advances received from the Walloon Region

As per 31 December 2012, the Company has received a total of €14,389,103 in recoverable cash advances out of a total contractual amount of €16,232,642. Taking into account the unused amounts of the terminated contracts, the residual amount to receive out of the existing contracts amounts to €1,816,725 and should be received over 2013 and 2014 depending on the progress of the different programmes partially funded by the Region.

(in €)		**Amounts received for the years ended 31 December**					**Amounts yet to receive**	
Contract number	**Contractual amount**	**Previous years**	**2010**	**2011**	**2012**	**Total**	**2013**	**2014 and beyond**
5160	2,920,000	2,920,000	-	-	-	2,920,000	-	
5731	3,400,000	3,400,000	-	-	-	3,400,000	-	
5914	700,000	588,455	41,545	-	57,135	687,135	-	
5915	910,000	557,189	191,686	70,125	91,000	910,000	-	
5951	1,470,000	536,001	330,230	-	-	866,231	-	603,769
6003	1,729,200	864,600	501,629	63,921	285,101	1,715,251	-	
6230	1,083,442	-	812,127	171,315	100,000	1,083,442	-	
6363	1,140,000	-	-	570,000	449,610	1,019,610	120,390	
6548	660,000	-	-	330,000	87,434	417,434	242,566	
6633	1,020,000	-	-	-	920,000	920,000	100,000	
6646	1,200,000	-	-	-	450,000	450,000	250,000	500,000
Total	**16,232,642**	**8,866,245**	**1,877,217**	**1,205,361**	**2,440,280**	**14,389,103**	**712,956**	**1,103,769**

As described in notes 3.2.4 and 3.2.14, the advances are recognised in other operating income as they are received.

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;
- turnover-independent reimbursements, turnover-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;
- turnover-dependent reimbursements payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year;

- the amount of turnover-independent reimbursement and turnover-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;
- turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- turnover-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 turnover-independent reimbursement and turnover-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.
- turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- in case of bankruptcy, the research results obtained by the Company under 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%	5.00%	Consolidated with 5731	N/A	Consolidated with 5731
5731	01/05/08-31/10/09	70%	5.00%	250 in 2013 and 500 each year after	N/A	10% with a minimum of 210/Y
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
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%	0.02%	From 35 to 86 starting in 2013 until 30% of advance is reached	Starting on 01/05/11	N/A
6230	01/01/10-31/03/12	60%	0.05%	From 22 to 54 starting in 2013 until 30% of advance is reached	Starting on 01/04/12	N/A
6363	01/03/10-30/06/12	60%	0.02%	From 20 to 50 starting in 2013 until 30% of advance is reached	Starting on 01/07/12	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

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)						
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

In 2013, the Company will have to make exploitation decisions on two RCAs (Agreements n°6548 and 6633), with a potential recognition of an additional liability of €1.7 million. In 2014, the Company will have to make an exploitation decision on the remaining RCA's (Agreement 6646 and 5951) with a potential recognition of an additional liability of €2.7 million.

3.27 *Commitments*

3.27.1 **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 entitled to;

Directed research grants

For the years 2012-2014, the Company has committed to directed research funding (which aimed at assisting the Company in, e.g. moving towards commercialisation and/or to further develop existing or new product candidates) of $500,000 per year. Any results of this research will automatically fall under the Mayo Licence.

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 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.

3.27.2 **Biological Manufacturing Services SA**

On 20 April 2009, certain shareholders of Cardio3 BioSciences participated in the capital increase of Biological Manufacturing Services SA (BMS) for purposes of the outfitting and servicing out of laboratory spaces (to be GMP certified) to the Company. The lab spaces are located in the building where the Company has it offices. On 21 December 2009, the Company entered into a 3 year agreement with BMS regarding the rent of clean rooms (approximately 200 m^2), by BMS to the Company, until December 2012, against a fixed daily consideration to be paid by the Company to BMS of €500. This agreement

was renewed in December 2012. For their investment in BMS, the BMS shareholders received a number of warrants in the Company *pro rata* to their shareholding in BMS (reference is made to section 14.5 "Warrants"). The original term sheet in respect of the capital increase of BMS (to which the Company was a party) also contained an agreement in principle in respect of a put and call option mechanism between the BMS shareholders and the Company in respect of the shares of BMS. Based on this term sheet, a put and call agreement was entered into on 9 December 2011 between the BMS shareholders and the Company.

On 31 May 2013, it was agreed by the Company and all BMS shareholders to waive the right to such put and call option mechanism in the event that the Company would become a listed company. In consideration for such waiver, a number of amendments to the original service agreement were agreed by the Company and BMS.

- First, the term of the agreement with BMS regarding the rent of clean rooms will become a fixed-term agreement until 30 September 2017.
- Second, the Company will extend the scope of the current service agreement with BMS to the GMP laboratory spaces that are available (100 m^2 until 30 September 2017), at a price per m^2 that is comparable to the fee currently paid by the Company for the GMP laboratory spaces it rents from BMS.
- Thirdly, in the event that BMS would purchase the building in which both the Company's offices and GMP laboratory spaces are currently located, the Company will:
- enter into a 9-year fixed-term lease agreement starting at the building purchase date in respect of the entirety of the administrative space presently occupied (ground and first floor) at an annual fee which guarantees a one percent yield additional to the yield used in the all-in purchase price paid for those premises calculated on a portion of such all-in purchase price *pro rata* to the portion of the available surface actually occupied by the administrative spaces leased by the Company;
- replace the current service agreement between BMS and the Company with a 9 year fixed term service agreement between both companies starting at the same date as the new lease contract described in the previous paragraph at the same terms and conditions as the current service agreement;
- Finally, a right of first refusal, with a term of five years, renewable in common agreement, was granted to BMS to act as the developer for any future production facilities the Company would wish to develop. Such right shall take the form of a right for BMS to match offers received from other developers, and, in the event its offer matches the best offer received by the Company from a third party, to be considered as the preferred partner to act as the developer of the project.

3.28 *Related-party transactions*

3.28.1 **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		
	2012	2011	2010
Number of Management Members	3	4	4

(€'000)	For the years ended 31 December		
	2012	**2011**	**2010**
Short term employee benefits[1]	-	121.50	299.24
Post employee benefits	-	29.41	25.93
Share-based compensation	79.21	189.77	97.86
Other employment costs[2]	-	4.41	15.08
Management fees	669.48	614.57	610.12
Total benefits	**748.69**	**959.66**	**1,048.23**

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

	As of 31 December		
	2012	**2011**	**2010**
Number of warrants granted	-	-	45,525
Number of warrants lapsed	-	8,334	-
Departure of EMT member	-	4,166	-
Cumulative outstanding warrants	60,225	60,225	72,725
Exercised warrants	-	-	
Outstanding payables (in '000€)	54.98	67.57	11.76
Shares owned	41,815	41,815	41,815

3.28.2 **Transactions with non-executive directors**

	For the year ended 31 December		
(€'000)	**2012**	**2011**	**2010**
Share-based compensation	20.25	48.52	20.72
Management fees	-	-	-
Total benefits	**-**	**-**	**-**

	As of 31 December		
Number of warrants granted	-	-	5,000
Number of warrants lapsed	-	-	-
Number of exercised warrants	-	-	-
Cumulative outstanding warrants	15,400	15,400	15,400
Outstanding payables (in '000€)	-	-	-
Shares owned	79,884	79,884	79,884

3.28.3 **Transactions with shareholders**

	For the years ended 31 December		
(€'000)	**2012**	**2011**	**2010**
Rent	195.26	186.70	182.00
Patent costs[1]	603.28	597.02	506.01
Scientific collaboration	385.59	-	408.87
Other	-	-	-
Total	**1,184.13**	**783.72**	**1,096.88**

[1] Relate to Mayo Licence maintenance and patent attorney fees

	As of 31 December		
(€'000)	**2012**	**2011**	**2010**
Outstanding payables	**158.29**	**50.86**	**27.44**

3.29 *Events after the balance sheet date*

On 31 January 2013, the Extraordinary Shareholders Meeting issued a total of 140,000 Personnel Warrants (as defined infra in Note 3.12). 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 will be vested at 31 December 2013 subject to the completion by the Company of financing rounds (dilutive or non-dilutive) totalling a minimum of €25 million at an average pre-money valuation of €45 million. The warrants attributed to the Executive Management Team could be exercised as from 1 January 2014 until 31 January 2023.

The pool of 20,000 warrants could be allocated amongst certain beneficiaries upon decision of the Board of Directors of the Company. The 20,000 warrants were not granted at the date of this Prospectus and therefore lapsed.

The Extraordinary Shareholders Meeting also issued a total of 140 anti-dilution warrants to the benefit of the Loan F, G and H lenders. Such warrants aim to protect the shares of the lenders issued at the occasion of the Round C in October 2010 (and to be issued at the conversion of the Loan F, G and H) against future dilutive financing round until the read-out of the primary endpoint of the International C-Cure Phase III Trial. Once the read-out is available and disclosed, the 140 warrants will lapse.

Warrants issued on 6 May 2013

At the Extraordinary Shareholders Meeting of 6 May 2013, 253,150 warrants were granted. Such total of 253,150 warrants were offered to Company's employees, management team and independent directors.

The 253,150 new 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.

Fourth financing round

On 31 May 2013, the Company closed its fourth financing round. The Round D financing amounts in total to €19,013,401.36. The convertible loans E, F, G and H previously recorded as quasi equity were contributed in kind for a total amount of €12,013,681.96 and the share capital and issue premium were increased by an amount of €6,999,719.40 through a contribution in cash brought by existing shareholders of the Company as further detailed in section 14.4 "Share capital and shares".

Recoverable cash advances

In April 2013, the Company communicated to the Region its decision to exploit the outcome of the 6633, which will trigger the recognition of a liability of €1,020,000 in the 30 June 2013 interim financial statements of the Company.

3.30 *First adoption of IFRS*

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRSs effective for December 2012 year-ends.

The Company has applied the following exemptions:

- Items of property, plant and equipment were carried in the statement of financial position prepared in accordance with Belgian GAAP on the basis of their acquisition price. The Company has elected to regard values as deemed fair value cost at the date of transition.
- The Company has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all these arrangements as of the date of transition.

Company reconciliation of equity as of 1 January 2010 (date of transition to IFRS)	**As of December 31, 2009**		
(€'000)	**Local GAAP**	**Restatements**	**IFRS**
NON-CURRENT ASSETS	**5,574.09**	**3,476.27**	**9,050.36**
Intangible assets	4,867.24	3,476.27	8,343.51
Property, Plant and Equipment	548.52	-	548.52
Other non-current assets	158.33	-	158.33
CURRENT ASSETS	5,311.05	172.61	5,483.66
Trade and Other Receivables	295.48	-	295.48
Recoverable cash advances	1,482.19	-	1,482.19
Other current assets	101.79	172.61	274.40
Cash and cash equivalents	3,431.59	-	3,431.59
TOTAL ASSETS	10,885.14	3,648.88	14,534.02
EQUITY	5,981.84	144.91	6,126.75
Share Capital	16,799.17	-	16,799.17
Convertible loan	-	3,000.00	3,000.00
Share-based payment		310.00	310.00
Retained loss	(10,817.33)	(3,165.09)	(13,892.42)
NON-CURRENT LIABILITIES	205.77	6,320.00	6,525.77
Finance leases	205.77	-	205.77
Advances repayables	-	6,320.00	6,320.00
CURRENT LIABILITIES	4,697.63	(2,816.03)	1,881.50
Finance leases	199.93	-	199.93
Trade payables	831.55	72.63	904.18
Other current liabilities	3,554.71	(2,888.66)	666.05
Current tax liabilities	111.34	-	111.34
TOTAL EQUITY AND LIABILITIES	**10,885.14**	**3,648.88**	**14,534.02**

Company reconciliation of equity as of 31 December 2010	As of December 31, 2010		
(€'000)	**Local GAAP**	**Restatements**	**IFRS**
NON-CURRENT ASSETS	**6,041.32**	**4,978.08**	**11,019.40**
Intangible assets	5,227.37	4,978.08	10,205.45
Property, Plant and Equipment	592.30	-	592.30
Other non-current assets	221.65	-	221.65
CURRENT ASSETS	6,266.68	208.91	6,475.60
Trade and Other Receivables	1,987.82	-	1,987.82
Recoverable cash advances	360.18	-	360.18
Other current assets	91.79	208.91	300.70
Cash and cash equivalents	3,826.89	-	3,826.89
TOTAL ASSETS	12,308.00	5,186.99	17,495.00
EQUITY	9,974.50	(1,284.15)	(8,690.37)
Share Capital	28,899.98	-	28,899.98
Share-based payments	-	483.89	483.89
Retained loss	(18,925.46)	(1,768.04)	(20,693.50)
NON-CURRENT LIABILITIES	242.87	6,320.00	6,525.77
Finance leases	242.87	-	242.87
Advances repayable	-	6,320.00	6,320.00
CURRENT LIABILITIES	2,090.62	151.14	2,241.76
Finance leases	290.97	-	290.97
Trade payables	1,286.55	-	1,286.55
Other current liabilities	453.36	151.14	604.50
Current tax liabilities	59.74	-	59.74
TOTAL EQUITY AND LIABILITIES	**12,308.00**	**5,186.99**	**17,495.00**

Company reconciliation of statement of comprehensive income for the year ended 31 December 2010	As of December 31, 2010		
(€'000)	**Local GAAP**	**Restatements**	**IFRS**
Revenues	1,515.96	-	1,515.96
Manufacturing expenses	(1,798.89)	-	(1,798.89)
Clinical, RA & QA expenses	(1,466.90)	-	(1,466.90)
Research and Development expenses	(6,424.98)	1,519.73	(4,905.25)
General and administrative expenses	(1,932.97)	(122.67)	(2,055.64)
Other operating (income)	2,294.31	-	2,294.31
Operating profit (Loss) - EBIT	**7,813.47**	**1,397.06**	**(6,416.41)**
Financial (income)	20.77	-	20.77
Financial expenses	(315.44)	-	(315.44)
Profit (Loss) before taxes	**(8,108.14)**	**1,397.06**	**(6,711.08)**
Current Income taxes	-	-	-
Deferred income taxes	-	-	-
Profit (Loss) for the period	**(8,108.14)**	**1,397.06**	**(6,711.08)**
Net loss attributable to Equity Holders	**(8,108.14)**	**1,397.06**	**(6,711.08)**

(€'000)	As of 31 December					
	2012		**2011**		**2010**	
	Equity	**Net Loss**	**Equity**	**Net Loss**	**Equity**	**Net Loss**
BE GAAP	**(1,312.43)**	**(2,152.55)**	**840.11**	**(9,134.39)**	**9,974.51**	**(8,108.14)**
Amortisation on patents [1]	7,695.62	940.87	6,754.75	1,776.67	4,978.08	1,501.81
Advances Walloon Region [2]	(10,941.69)	(3,024.56)	(7,917.14)	(1,597.14)	(6,320.00)	-
Share-based payments [3]	-	(150.78)	-	(371.44)	-	(173.89)
Convertible loan [4]	11,406.35	-	4,036.10	-	-	-
Capitalisation of Development costs [5]	(9,101.06)	(9,101.06)	-	-	-	-
Other	(6.68)	(36.17)	29.51	(28.28)	57.78	69.14
IFRS	**(2,259.89)**	**(13,524.25)**	**3,743.33**	**(9,354.58)**	**8,690.37**	**(6,711.08)**

[1] Amortisation of Mayo Licence under Belgian GAAP is being amortised over a maximum period of 5 years. Under IFRS, patents, licence agreements and acquired technologies are amortised over the shorter of the useful life and the minimum term of the licence agreement of the life of the patent. This has extended the amortisation of the Mayo Licence as compared to Belgian GAAP.

[2] The adjustment relates to two advances received from the Walloon Region where the Company estimates that the advances meet the condition for reimbursement and as such it recognises a liability. A corresponding loss is recognised in the statement of comprehensive income. The liability is not yet recognised under Belgian GAAP.

[3] Fair values of warrants granted are recognised in the statement of comprehensive income and in equity over the vesting period. This expense is not recognised under Belgian GAAP.

[4] The convertible loans are presented as equity under IFRS, whereas in Belgian GAAP, these loans are presented as financial liabilities.

[5] The C-Cure development costs are capitalised in BE GAAP since 2012 whereas in IFRS, it can only be capitalised after positive outcome of the Phase III Clinical Trial. The development costs of C-Cath$_{ez}$ are capitalised in BE GAAP since 2012 whereas in IFRS these costs are capitalized from the date of CE marking onwards.

4 INDEPENDENT AUDITOR'S REPORT ON THE REVIEW OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2013 AND FOR THE 3-MONTH PERIOD THEN ENDED UNDER IFRS

Introduction

We have reviewed the interim condensed consolidated financial statements of Cardio3 BioSciences SA and its subsidiary (collectively referred to as "The Group)" as of 31 March 2013 and the related interim condensed consolidated statements of income, statement of changes in equity and cash flows for the three month period then ended, and explanatory notes which show a consolidated statement of financial position of € 10,653.68 thousand and a consolidated loss for the three month period of € 2,724.53 thousand. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Financial Reporting Standard IAS 34 Interim Financial Reporting ("IAS 34") as adopted for use in the European Union. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

We conducted our review ("revue limitée/beperkt nazicht" as defined by the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren") in accordance with the recommendation of the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" and in accordance with the International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" applicable to review engagements. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the auditing standards of the "Institut des Reviseurs d'Entreprises/Instituut van de Bedrijfsrevisoren" and International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements do not present fairly, in all material respects the financial position of the Group as of 31 March 2013, and of its financial performance and its cash flows for the three month period then ended in accordance with IAS 34.

Additionally, we draw attention to Note 6.2 of the interim condensed consolidated financial statements in which the Group discloses its assumptions of going concern. These assumptions are based on increases of capital, including through cash as described in note 6.29 ("Events after the statement of financial position date") as well as the Group's plan to successfully complete an Initial Public Offering, or can obtain an equivalent amount via access to other financial sources or adapt its current strategy and market plans. No adjustments have been recorded to the valuation and the presentation of certain balance sheet items that otherwise would be required if the Group would not be able anymore to continue its activities.

Brussels, 12 June 2013

Ernst & Young Reviseurs d'Entreprises SCCRL

represented by

Danny Wuyts, Partner

(This page is left blank intentionally.)

5 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF 31 MARCH 2013 UNDER IFRS AND FOR THE 3-MONTHS PERIOD THEN ENDED

5.1 *Condensed consolidated statement of financial position*

(€'000)	Notes	As of 31 March 2013 (reviewed)	As of 31 December 2012 (audited)
NON-CURRENT ASSETS		**10,059.87**	**10,148.41**
Intangible assets	6.7	9,596.89	9,614.76
Property, Plant and Equipment	6.8	326.67	383.12
Other non-current assets		136.31	150.53
CURRENT ASSETS		**593.81**	**2,336.62**
Trade and Other Receivables	6.9	280.78	442.84
Advances receivable		-	-
Other current assets		202.76	248.75
Cash and cash equivalents	6.10	110.27	1,645.03
TOTAL ASSETS		**10,653.68**	**12,485.03**
EQUITY		**(4,436.20)**	**(2,259.89)**
Share Capital	6.11	9,974.51	9,974.51
Convertible loan	6.11	11,916.94	11,406.35
Share-based payments	6.12	1,043.74	1,006.11
Retained loss		(27,371.39)	(24,646.86)
NON-CURRENT LIABILITIES		**11,280.32**	**11,265.92**
Finance leases	6.13	108.28	108.89
Advances repayable	6.14	11,172.04	11,157.03
CURRENT LIABILITIES		**3,809.56**	**3,479.00**
Finance leases		108.36	160.49
Advances repayable		654.66	684.66
Trade payables	6.15	1,833.22	1,770.31
Other current liabilities		1,213.32	807.23
Current tax liabilities		-	56.31
TOTAL EQUITY AND LIABILITIES		**10,653.68**	**12,485.03**

5.2 *Condensed consolidated statement of comprehensive income*

(€'000)	Notes	For the 3 months period ended 31 March 2013 (reviewed)	2012 (unaudited)
Revenue		**-**	**-**
Manufacturing expenses	6.17	(601.65)	(625.75)
Clinical, Quality & Regulatory expenses	6.18	(961.76)	(993.97)
Research and Development expenses	6.19	(539.08)	(1,253.53)
General administrative expenses	6.20	(468.20)	(499.07)
Other operating income	6.22	115.44	873.14
Other operating expenses		-	(1,729.20)
Operating profit (Loss) – EBIT		**(2,455.25)**	**(4,228.38)**
Financial income	6.24	0.04	0.05
Financial expenses	6.24	(269.32)	(122.41)
Profit (Loss) before taxes		**(2,724.53)**	**(4,350.74)**
Income taxes		-	-
Profit (Loss) for the period [1,2]		(2,724.53)	(4,350.74)
Basic and diluted loss per share (in €) [3]	6.25	**(2.25)**	**(3.59)**

[1] The net loss for the period equals the net loss attributable to equity holders as the Company does not have any non-controlling interest;
[2] As there is no other comprehensive income, net loss for the period equals total comprehensive income.
[3] As the Company is suffering operating losses, warrants and the convertible loan 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.

5.3 *Condensed consolidated statement of changes in shareholder's equity*

(€'000)	Note	Share capital	Convertible Loans	Share-based payments	Retained loss	Total Equity
Balance as of 1 January 2012		**9,974.51**	**4,036.10**	**855.33**	**(11,122.61)**	**3,743.33**
Interests on convertible loans		-	112.96			112.96
Share-based payments				37.69		37.69
Loss of the period					(4,350.74)	(4,350.74)
Balance as of 31 Mars 2012 (unaudited)		**9,974.51**	**4,149.06**	**893.02**	**(15,473.35)**	**(456.76)**
Balance as of 1 January 2013		**9,974.51**	**11,406.35**	**1,006.11**	**(24,646.86)**	**(2,259.89)**
Proceeds from convertible loans			250.00			250.00
Interests on convertible loans			260.59			260.59
Shares Based payments	6.8			37.63		37.63
Loss of the period					(2,724.53)	(2,724.53)
Balance as of 31 March 2013		**9,974.51**	**11,916.94**	**1,043.74**	**(27,371.39)**	**(4,436.20)**

5.4 *Condensed consolidated statement of cash flow*

(€'000)	Notes	For the 3 months period ended 31 March 2013 (reviewed)	2012 (unaudited)
Net Profit/(loss) for the period		(2,724.53)	(4,350.74)
Non-cash adjustments			
Depreciation of Property, Plant & Equipment	6.8	64.58	57.18
Amortisation of Intangible Assets	6.7	161.15	149.77
Interests on convertible loans		260.59	112.96
Advances received – previously derecognized	6.22	-	1,729.20
Share-based payments	6.12	37.63	37.69
Change in working capital			
Trade receivables, other receivables		116.02	(695.01)
Trade payables, other payable and accruals		427.67	903.10
Net cash (used)/from in operations		**(1,656.89)**	**(2,055.85)**
Cash flows from investing activities			
Acquisitions of Property, Plant & Equipment	6.8	(8.13)	(5.35)
Acquisitions of Intangible assets	6.7	(143.27)	(11.03)
Net cash used in investing activities		**(151.40)**	**(16.38)**
Cash flows from financing activities			
Repayments of finance leases		(52.73)	(48.83)
Proceeds from convertible loans	6.11	250.00	-
Proceeds from advances and subsidies	6.26	106.26	1,486.60
Repayment of advances		(30.00)	-
Net cash used in financing activities		**273.53**	**1,437.77**
Change in net cash and cash equivalents		**(1,534.76)**	**(634.46)**
Net cash and cash equivalents at beginning of the period		**1,645.03**	**1,751.38**
Net cash and cash equivalents at the end of the period		**110.27**	**1,116.92**

6 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6.1 *Corporate Information*

The Company 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 Belin12, B-1435 Mont-Saint-Guibert, Belgium (company number 0891.118.115).

Cardio3 BioSciences is a Belgian biotechnology company 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 curative therapies based on a unique technology.

6.2 *Basis of preparation*

The interim condensed consolidated financial statements have been prepared on a historical cost basis except for financial liabilities as well as certain monetary items in foreign currencies that are measured at fair value. The condensed consolidated interim financial statements have been approved for issue by the Company's Board of Directors 11 June 2013.

The condensed consolidated interim financial statements are presented in Euros and all values are rounded to the nearest thousand (€000) except when otherwise indicated.

Statement of compliance

On a voluntary basis, the condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU).

For all periods up to and including the year ended 31 December 2012, the Company prepared its financial statements in accordance with generally accepted accounting practice in Belgium (Belgian GAAP).

As required by Belgian Company Law, the Company will continue to prepare its financial statements in accordance with Belgian accounting laws and regulations (collectively "Belgian GAAP"), which is the Company's primary accounting framework. The Company will prepare the required reconciliations and descriptions of differences between Belgian GAAP and IFRS on the Company's equity and its net income for each interim and year-end reporting period.

The preparation of the interim condensed consolidated financial statements in accordance with IFRS as adopted in the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company'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 6.5.

Going concern

The Company is pursuing a strategy to develop certain products and obtain approval from the authorities to commercialise those products. The Company initiated end of 2012 the International Phase III clinical trial for its C-Cure product candidate. Management has prepared detailed budgets and cash flow forecasts for the following years. These forecasts reflect the strategy of the Company and include significant expenses and cash outflows in relation to the development and (pre-)clinical trials of selected research programmes and products candidates.

The Company intends and has taken already several actions to launch an Initial Public Offering and listing on NYSE Euronext Brussels and NYSE Euronext Paris in the second quarter of 2013 with minimum proceeds which have been set at an aggregate amount of €17 million. The proceeds will be used, after the costs and expenses payable by the Company related to the Offering have been paid, to advance its

C-Cure product candidate into the International and US Phase III Trials, and continue pre-clinical development and potentially start clinical development of selected product candidates.

On 31 May 2013, the Company closed its fourth financing round. The Round D financing amounts in total to €19,013,401.36. The convertible loans E, F, G and H previously recorded as quasi equity were contributed in kind for a total amount of €12,013,681.96 and the share capital and issue premium were increased by an amount of €6,999,719.40 through a contribution in cash brought by existing shareholders of the Company as further detailed in section 14.4 "Share capital and shares".

In case the Company would not be able to successfully complete its Initial Public Offering or would not be able to raise the equivalent of the minimum amount of €17 million via a private placement, the Company can adjust its current strategy and market plans by reducing significantly its operating expenses in order to ensure continuity over the next 12 months as of the date of the authorisation of these financial statements.

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

Standards issued but not yet effective

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's consolidated financial statements which the Company believes are applicable to the Company are listed below.

- IFRS 9 Financial Instruments: Classification and Measurement, effective 1 January 2015
- IAS 28 Investments in Associates and Joint Ventures (as revised in 2011), effective 1 January 2014
- IAS 32 Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32, effective 1 January 2014

New or amended standards and interpretations issued but not yet effective up to the date of issuance of the Company's financial statements which the Company believes are not applicable to the Company are listed below:

- IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements, effective 1 January 2014
- IFRS 11 Joint Arrangements, effective 1 January 2014
- IFRS 12 Disclosure of Interests in Other Entities, effective 1 January 2014

6.3 *Significant accounting policies*

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretation as of 1 January 2013, noted below:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IAS 1 Clarification of the requirement for comparative information (Amendment)
- IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)
- IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)
- IAS 19 Employee Benefits (Revised 2011) (IAS 19R)
- IFRS 1 Government Loans – Amendments to IFRS 1
- IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities - Amendments to IFRS 7
- IFRS 13 Fair Value Measurement
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

The adoption of these changes and new interpretation did not have an impact on the financial position, performance or disclosures in the condensed consolidated financial statements.

The Company has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

6.3.1 Consolidation

The Company has a subsidiary, incorporated in the United States of America with a share capital of $10,000. Cardio3 Inc is a dormant company with no operational activities and showing a net loss for the year ended 31 December 2012 and 31 December 2011 of respectively $3,292 and $5,799. There is no material change in results, financial position and activities as of 31 March 2013 compared to 31 December 2012.

6.3.2 Foreign currency translation

The items in the financial statements are presented in EUR, the functional currency of the Company.

Foreign currency transactions (USD only) are translated into functional currency using the applicable exchange rate on the transactions 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 statement of comprehensive income.

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.

6.3.3 Income

The Company's current incoming cash flows are primarily generated from Regional government ("Walloon Region" or "Region") recoverable cash advances and subsidies.

Since inception, the Company has been awarded non-dilutive financial support from the Walloon Region (the "Region") totalling €18,208,283. The support has been granted in the form of recoverable cash advances ("RCAs") for an amount of €16,232,642 (of which €14,495,359 has been effectively paid out to the Company as per 31 March 2013) and subsidies for an amount of €1,975,641 (of which €1,487,819 has been effectively paid out to the Company as per 31 March 2013).

RCAs are dedicated to support specific development programmes. 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 Company receives funds from the Region based on statements of expenses.

Upon receipt, these advances are accounted for as government grants because they are intended to compensate the research and development expenses as defined in the different contracts.

At the end of the research phase, the Company should within a period of six months decide whether or not to exploit the results of the research programme (decision phase). The exploitation phase has a duration of 10 years. In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable and at that moment a liability is recognised. The reimbursements of the RCAs to the Walloon Region consist of two elements, *i.e.*, turnover-dependent reimbursements (a percentage of turnover) and turnover-independent reimbursements (an annual lump-sum).

Such refundable advances are accounted for as a zero-interest loan for which the interest benefit is considered a government grant. Accordingly, when estimating the liability, the Company (i) determines its best-estimate of the period during which it will benefit from the advance and (ii) determines the

amount of the liability as the difference between the nominal amount of the loan and its discounted value using a market rate for a liability with similar risk profile to the Company. The interest expense resulting from the remeasurement of the liability at each reporting date using the effective interest rate method is presented on the same line as the interest income resulting from the amortisation of the government grant recorded in the statement of comprehensive income.

In case the Company decides not to exploit (or not to continue to exploit) the results under an RCA, then such RCA does not become refundable (respectively is no longer refundable as of the calendar year after such decision), and the rights related to such results must be transferred to the Region. In such case, Cardio3 BioSciences will also have to grant (or cause to be granted) an exclusive licence to the Region to the relevant Mayo patents, resulting in the derecognition of the intangible asset. Also, in case Cardio3 BioSciences would decide to renounce to its rights to patents which may result from the research, title to such patents will need to be transferred to the Region.

6.3.4 Intangible assets

Intangible assets acquired separately, 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. Indication of impairment is related to the value of the patent demonstrated by the pre-clinical and clinical result of the technology. 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 statement of comprehensive income 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 statement of comprehensive income 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 Company 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 Company 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.

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 of May 2012, the development costs of C-Cath$_{ez}$ are capitalized as the defined milestone criteria above have been met.

Licences

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 of 20 years. Amortisation is calculated on a straight-line basis over this useful life.

6.3.5 **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 statement of comprehensive income 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
- Furniture: 3 to 10 years
- Leasehold improvements: 3 to 10 years (based on duration of leased office building)

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 statement of comprehensive income 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.

6.3.6 **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 Company 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 statement of comprehensive income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company 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 statement of comprehensive income on a straight line basis over the lease term.

The company 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.

6.3.7 Impairment of non-financial assets

The Company 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 Company 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 Company 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 Company has two cash-generating units which consist of the development and commercialization activities on its two products, C-Cath$_{ez}$ and C-Cure. Indicators of impairment used by the Company are the pre-clinical and clinical results obtained with the technology.

6.3.8 Cash and short-term deposits

Cash and short-term deposits 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.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

6.3.9 Financial assets

Initial recognition and measurement

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company's financial assets include cash and short-term deposits, advances received, trade and other receivables and loan and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and trade receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets 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 statement of comprehensive income in finance costs.

Trade receivables mainly relate to recharges of certain expenses to other companies. 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.

Derecognition

A financial asset is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Advances receivable

Please refer to note 6.3.3.

6.3.10 **Impairment of financial assets**

The Company 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 Company 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 Company 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 finance costs in the income statement.

6.3.11 **Financial liabilities**

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. The Company's financial liabilities include trade and other payables, bank overdrafts and loans and borrowings.

Subsequent measurement

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

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 expense when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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 statement of comprehensive income.

Advances repayable

Please refer to note 6.3.3.

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive income.

6.3.12 **Provisions**

Provisions are recognised when the Company 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 Company 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 statement of financial position 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.

6.3.13 **Employee benefits**

Defined contribution plan

The Company operates a pension plan which requires contributions to be made to the Company's group insurance. All employees have access to this scheme. It is a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company 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. The pension contributions paid by the Company are expensed when due.

Share-based payment transactions

Certain employees, management members, Board of Directors members of the Company and third parties receive remuneration in the form of share-based payment transactions, whereby employees or non-employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees 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 6.12. The cost of equity-settled transactions 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 Company's best estimate of the number of equity instruments that will ultimately vest.

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

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.

Where an equity-settled award is cancelled, it is treated as if it vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately in the statement of comprehensive income. This includes any award where non-vesting conditions within the control of either the Company or the employee are not met. 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in Note 6.25).

6.3.14 **Taxes**

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those used in Belgium. As the Company is reporting a net loss no corporate tax has been paid.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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, 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 except for the two cases expressed above.

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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 the same taxable entity and the same taxation authority.

6.3.15 **Earning 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 debt. Potentially ordinary shares should be treated as dilutive, when and only when their conversion to ordinary shares would decrease the net profit per share.

6.4 *Risk Management*

Financial risk factors

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

Foreign exchange risk – The Company may be exposed to foreign exchange risk as certain collaborations or supply agreements of raw materials are denominated in USD. So far, because of the materiality of the exposure, the Company did not enter into any currency hedging arrangements.

Liquidity risk

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

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

The Company is exposed to liabilities and contingent liabilities as a result of the RCA's it has received from the Walloon Government. Out of the eight RCAs contracted as of the date of this Prospectus, €14.5 million has been effectively paid out as per 31 March 2013.

In 2013, the Company will have to make exploitation decisions on two RCAs (Agreements n°6548 and 6633), with a potential recognition of an additional liability of €1.7 million. In 2014, the Company will have to make an exploitation decision on the remaining RCA's (Agreements 6646 and 5951) with a potential recognition of an additional liability of €2.7 million.

Capital risk management

The Company'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.

6.5 *Critical accounting estimates and judgments*

Judgments

The preparation of the Company'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. However, 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 Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the financial statements:

Advances received from the Walloon Region: recognition of a liability

The Company receives recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Company. Upon receipt, these advances are accounted for as government grants and incurred research and development costs are offset against the advances received. The advances received only become 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 Company should, within a period of six months, decide whether or not to exploit the results of the research programmes ('decision phase'). In the event the Company decides to exploit the results under an RCA, the relevant RCA becomes refundable to the Walloon Region and at that moment, a liability is recognised.

Development costs

Development costs are capitalised in accordance with the accounting policy described in Note 6.3.4. Initial capitalisation of costs is based on management's judgment that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model (completion of Phase III clinical trial for each product). In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. As of May 2012 and the CE marking of C-Cath$_{ez}$, the development costs of C-Cath$_{ez}$ are capitalized as the defined milestone criteria above have been met

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 6.16.

Convertible loan

In December 2011, May 2012, October 2012 and December 2012, the Company issued loans to be reimbursed only in shares of the Company. The Company examined all terms of these convertible loans to determine the appropriate classification of such loans at inception: based on information available to the Company at such date, the appropriate classification of these loans is equity. Further details are contained in Note 6.11.

Leases

The Company has entered into various leases. For certain leases, the Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as finance leases. Further details are contained in Note 6.13.

Estimates and assumptions

The preparation of the Company's financial statements requires management to make estimates and assumptions at each reporting dates that affect the reported amounts of revenues, expenses, assets and liabilities.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date such that the carrying amounts of assets and liabilities could differ significantly from the estimates from future periods, are discussed below:

Share-based payment transactions

The Company 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 6.12.

Useful life of Mayo Clinic technology licence

The Company estimated the useful life of this licensed technology to 20 years, based on legal and economic factors that influence this useful life.

To determine the useful life, the Company has considered the terms of the "Technology Licence Agreement". Should the useful life estimated be shorter than 20 years, the yearly annual amortisation expense would increase.

6.6 *Operating segment information*

The Company does not distinguish different segments because of the non materiality of the revenues generated by C-Cath$_{ez}$. Therefore, the Company itself is considered as a single reportable segment. Therefore, the Company itself is considered as a single reportable segment.

6.7 *Intangibles assets*

(€'000)	Development costs	Patents & Licences	Software	Total
Cost:				
As of 1 January 2012	-	11,844.44	41.95	11,886.39
Additions	-	-	11.03	11.03
As of 31 March 2012	**-**	**11,844.44**	**52.98**	**11,897.42**
As of 1 January 2013	549.29	11,844.44	109.55	12,503.28
Additions	143.27	-	-	143.27
As of 31 March 2013	**692.56**	**11,844.44**	**109.55**	**12,646.55**
Amortisation and impairment:				
As of 1 January 2012	-	(2,246.28)	(15.41)	(2,261.69)
Amortisation	-	(148.06)	(1.71)	(149.77)
Impairment	-	-	-	-
As of 31 March 2012	**-**	**(2,394.34)**	**(17.12)**	**(2,411.46)**
As of 1 January 2013	(21.54)	(2,838.50)	(28.47)	(2,888.51)
Amortisation	(8.08)	(148.06)	(5.01)	(161.15)
Impairment	-	-	-	-
As of 31 March 2013	(29.62)	(2,986.56)	(33.48)	(3,049.66)
Net book value				
As of 31 March 2013	**662.94**	**8,857.88**	**76.07**	**9,596.89**
As of 31 March 2012	**-**	**9,450.10**	**35,86**	**9,485.96**

Intangible assets primarily relate to a licence, granted in August 2007 by Mayo Clinic (for €9,500,000), upon the Company's inception and an extension to the license field of use, granted on 29 October 2010 for a total amount of €2,344,413. The licence and its extension are amortised straight line over a period of 20 years. Management has not identified any impairment indicators in relation to this intangible asset, especially because it constitutes the pillar on which the Company bases its research.

All C-Cure related research and development costs, not eligible for capitalisation, have been recognised as research and development expenses. Since May 2012 and the CE marking of C-Cath$_{ez}$, the development costs of C-Cath$_{ez}$ are capitalized and depreciated over 17 years, the estimate residual intellectual property protection as of the CE marking.

6.8 *Property, Plant and Equipment*

(€'000)	Equipment	Furniture	Leasehold	Total
Cost:				
As of 1 January 2012	**1,044.92**	**166.59**	**543.46**	**1,754.97**
Additions	33.39	-	-	**33.37**
Disposals	-	-	-	**-**
Transfer	-	-	-	**-**
Exchange adjustment	-	-	-	**-**
As of 31 March 2012	**1,078.31**	**166.59**	**543.46**	**1,788.34**
As of 1 January 2013	**1,339.56**	**166.59**	**543.46**	**2,049.61**
Additions	8.13	-	-	**8.13**
Disposals	-	-	-	**-**
Transfer	-	-	-	**-**
Exchange adjustment	-	-	-	**-**
As of 31 March 2013	**1,347.69**	**166.59**	**543.46**	**2,057.74**
Depreciation and impairment:				
As of 1 January 2012	**(718.53)**	**(153.35)**	**(527.63)**	**(1,399.51)**
Depreciation charge of the year (unaudited)	**(53.49)**	**(1.78)**	**(1.91)**	**(57.18)**
Impairment	-	-	-	**-**
Disposals	-	-	-	**-**
Exchange adjustment	-	-	-	**-**
As of 31 March 2012	**(772.02)**	**(155.13)**	**(529.54)**	**(1,456.69)**
As of 1 January 2013	**(973.82)**	**(160.07)**	**(532.60)**	**(1,666.49)**
Depreciation charge of the year (unaudited)	(62.36)	(1.61)	(0.61)	**(64.58)**
Impairment	-	-	-	**-**
Disposals	-	-	-	**-**
Exchange adjustment	-	-	-	**-**
As of 31 March 2013	**(1,036.18)**	**(161.68)**	**(533.21)**	**(1,731.07)**
Net book value				
As of 31 March 2013	**311.51**	**4.92**	**10.25**	**326.67**
As of 31 March 2012	**306.27**	**11.46**	**13.92**	**331.67**

Property, plant and equipment is mainly composed of office furniture, leasehold improvements, and laboratory machinery and equipment. Leasehold improvements are depreciated over the duration of the office building lease. Laboratory equipment is depreciated over three to five years.

Finance leases

Lease contracts considered as finance lease relate to some contracts with financial institutions and to laboratory and office equipments. All finance leases have a maturity of three years and were initiated between March 2008 and March 2013. 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 as of 31 March 2013 amounts to €263,229 (was €320,657 as of 31 December 2012). The carrying value corresponds to the net asset value of the leases at the end of the reporting periods and includes the purchase option price.

6.9 *Trade Receivable and other current assets*

(€'000)	As of	
	31 March 2013	**31 December 2012**
Trade receivable		
Trade receivable	117.55	216.79
Total	**117.55**	**216.79**
Other receivables		
VAT receivable	118.12	137.85
Other receivables	45.11	88.20
Total	163.23	226.05
Total Trade and Other receivables	**280.78**	**442.84**

Trade receivables mainly relate to recharges of certain expenses to other companies. Impairment of such receivables are assessed on an individually basis.

As of 31 March 2013 and 31 December 2012, no receivable was overdue. There were no carrying amounts for trade and other receivables denominated in foreign currency and no impairments were recorded.

6.10 *Cash and cash equivalents*

(€'000)	As of	
	31 March 2013	**31 December 2012**
Cash at bank and on hand	110.27	1,645.03
Total	**110.27**	**1,645.03**

Cash at banks earn interest at floating rates based on daily bank deposit rates. Short-term deposits are made for periods between one day and three months, depending on the immediate cash requirements of the Company. Interest is calculated at the respective short-term deposit rates. There is no outstanding short term deposit as per 31 March 2013.

6.11 *Share Capital and convertible loans*

The number of shares issued is expressed in units

	As of	
	31 March 2013	**31 December 2012**
Class A shares		
Number of issued and outstanding shares	671,107	671,107
Share Capital (€'000)	3,300	3,300
Class B shares		
Number of issued and outstanding shares	539,411	539,411
Share Capital (€'000)	6,674	6,674
Total number of issued and outstanding shares	**1,218,518**	**1,218,518**
Total share capital (€'000)	**9,974**	**9,974**

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;
- 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 share 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.

As of 31 December 2012 all shares issued have been fully paid.

Category	Transaction date	Description	# of shares	Par value (in €)
Class A shares	July 24, 2007	Company incorporation	409,375	0.15
Class A shares	August 31, 2007	Contribution in kind (upfront fee Mayo Licence)	261,732	36.30
Class B shares	December 23, 2008	Capital increase (Round B)	137,150	35.36
Class B shares	December 23, 2008	Contribution in kind (Loan B)	67,502	35.36
Class B shares	October 28, 2010	Contribution in cash	21,000	22.44
Class B shares	October 28, 2010	Contribution in kind (Loan C)	92,068	35.36
Class B shares	October 28, 2010	Contribution in kind (Loan D)	57,095	35.36
Class B shares	October 28, 2010	Contribution in cash	73,793	35.36
Class B shares	October 28, 2010	Exercise of warrants	12,300	22.44
Class B shares	October 28, 2010	Contribution in kind (Mayo receivable)	69,455	44.20
Class B shares	October 28, 2010	Contribution in cash	9,048	44.20

The total number of shares issued and outstanding as of 31 March 2013 totals 1,210,518. The Company has issued two different categories of shares, the Class A Shares being ordinary registered shares, and the Class B Shares being preferred registered shares. The Articles of Association attach a liquidation

and liquidity event preference to the Class B Shares. Pursuant to the decision of the Extraordinary Shareholders Meeting of 11 June 2013 and subject to the completion of the Offering, all existing classes of shares of the Company will be converted into ordinary shares. Preferred shares will be converted at a 1 for 1 ratio and subsequently.

On 21 March 2012, the Extraordinary Shareholders Meeting of the Company issued 70 anti-dilution warrants to the benefit of the Loan E lenders. Such warrants aim to protect the shares of the lenders issued at the occasion of the Round C in October 2010 (and to be issued at the conversion of the Loan E) against future dilutive financing round until the read-out of the primary endpoint of the International C-Cure Phase III Trial. Once the read-out is available and disclosed, the 70 warrants will lapse.

On 31 January 2013, the Extraordinary Shareholders Meeting issued a total of 140 anti-dilution warrants to the benefit of the Loan F, G and H lenders. Such warrants aim to protect the shares of the lenders issued at the occasion of the Round C in October 2010 (and to be issued at the conversion of the Loan F, G and H) against future dilutive financing round until the read-out of the primary endpoint of the International C-Cure Phase III Trial. Once the read-out is available and disclosed, the 140 warrants will lapse.

Convertible loans

On 9 December 2011, certain shareholders of the Company participated to a €4,024,700 convertible loan (loan E). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €38.39 per share.

On 14 May 2012, certain shareholders of the Company participated to a €1,994,570 convertible loan (loan F). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €38.39 per share.

On 2 October 2012, certain shareholders of the Company participated to a €2,784,083 convertible loan (loan G). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €4.52 per share.

On 21 December 2012, certain shareholders of the Company participated to a €2,250,000 convertible loan (loan H). The loan and 10% on annual basis interest have been converted in equity on 6 May 2013 at the occasion of the closing of the fourth financing round. The conversion price was €30.71 per share.

As of 31 March 2012 and 2013, the interests accrued on the convertible loans amount to respectively €124,358 and €863,592.

All subscribers of the Loan E, F, G and H received anti-dilutive warrants to protect their shares issued at the occasion of the Round C (third financing round) and their shares that will be issued at the EGM of the Company that occured on 6 May 2013 against future dilution that would come before the availability of the first read-out of the primary endpoint of the C-Cure Phase III clinical trial.

6.12 *Share-based payments and other equity instruments*

Warrants issued on 31 January 2013

On 31 January 2013, the Extraordinary Shareholders Meeting issued a total of 140,000 warrants (as defined infra in Note 3.12). 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 will be vested at 31 December 2013 subject to the completion by the Company of financing rounds (dilutive or non-dilutive) totalling a minimum of €25 million at an average pre-money valuation of €45 million. The warrants attributed to the Executive Management Team could be exercised as from 1 January 2014 until 31 January 2023.

The pool of 20,000 warrants could be allocated amongst certain beneficiaries upon decision of the Board of Directors of the Company. The 20,000 warrants were not granted at the date of this Prospectus and therefore lapsed.

The warrants issued can be summarized as follows and are further discussed below the tables:

(in units)	Warrants issued on				
	26 Sep 2008	**5 May 2010 (Warrants B)**	**5 May 2010 (Warrants C)**	**29 Oct 2010**	**31 Jan 2013**
Number of warrants issued	90,000	5,000	30,000	79,500	140,000
Number of warrants granted	50,000	5,000	21,700	61,050	120,000
Number of warrants not vested as of 31 March 2013	13,333	-	21,700	61,050	120,000
Value of shares	22.44	22.44	22.44	35.36	4.52
Exercise price (in €)	22.44	35.36	22.44	35.36	4.52
Expected dividend yield	-	-	-	-	
Expected share value volatility (*)	35.60%	35.60%	35.60%	35.60%	35.60%
Risk-free interest rate	4.56%	3.31%	3.31%	3.21%	2.31%
Expected duration	4.5	4.5	4.5	6.5	6.5
Fair value (in €)	9.60	5.72	9.05	9.00	2.22
Weighted average remaining contractual life	1.50	3.17	3.17	7.58	9.83

	26 Sep 2008	**05 May 2010 (Warrants B)**	**05 May 2010 (Warrants C)**	**29 Oct 2010**	**31 Jan 2013**	**Total Number**	**Average exercise price (in €)**
Outstanding as of 31 Dec 2012	**41,665**	**5,000**	**16,798**	**51,182**	**0**	**114,645**	**28.77**
Granted	-	-	-	-	120,000	120,000	4.52
Forfeited	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-
Expired	-	-	-	-	-	-	-
As of 31 Mar 2013							
Outstanding	41,665	5,000	16,798	51,182	120,000	234,645	16.37
Non-vested	-	-	-	15,117	120,000	135,117	7.97
Exercisable	-	-	-			-	-

The warrants are accounted for as equity-settled share-based payment transaction. The total expense recognised in the statement of comprehensive income for the outstanding warrants totals €37,626 for the 3-month period ended 31 March 2013 (€37,695 for the 3-month period ended 31 March 2012 - unaudited). The expense is presented in General and Administrative Expenses.

The fair value of the warrants has been determined at grant date based on the Black-Scholes formula.

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, upon concurring opinion of the Company's statutory auditor.

6.13 *Finance Leases*

The maturity of the finance lease is detailed as follows:

(€'000)	As of	
	31 March 2013	**31 December 2012**
Within one year	108.36	160.49
After one year but not more than five years	108.28	108.89
More than five years	-	-
Total	**216.64**	**269.38**

6.14 *Advances repayable*

The amounts detailed below represent the present value and the interest free benefit calculated on the recoverable cash advances as of closing dates of the relevant periods. No additional liability was recorded during the first quarter 2013.

(€'000)	As of	
	31 March 2013	**31 December 2012**
Present value of advances	9,328.57	9,313.57
Interest free benefit part of the advance	1,843.47	1,843.46
Total non-current advance repayable	**11,172.04**	**11,157.03**
Current Advance repayable	**654.66**	**684.66**
Total end of the period	**11,826.70**	**11,841.69**

Those advances were previously recognized in the income statement. Reference is made to the table in note 6.26 which shows the year for which amounts under those agreements have been received and initially derecognised in the statement of comprehensive income as other operating income.

First repayments on Agreements 5914 and 5915 started in 2012. A description of the specific characteristics of those recoverable cash advances including repayment schedule and information on other outstanding advances can be found in section 6.26.

Fair value (including interest free benefit part of the advance) equals approximately the carrying amount of the advances.

Interest free benefit is calculated using the relevant interest rate (source: OLO "Obligations Linéraires") for the estimated duration of reimbursement, and a risk premium of 3% in 2012.

6.15 *Trade payables and other current liabilities*

(€'000)	As of	
	31 March 2013	**31 December 2012**
Trade payable		
Trade payable	1,833.22	1,770.31
Other current liabilities		
Social security	363.98	173.76
Payroll accruals	695.94	415.37
Other current liabilities	153.40	218.10
Total other current liabilities	**1,213.32**	**807.23**

Trade payables 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 advances.

6.16 *Deferred taxes*

No numerical reconciliation between tax expense and the product of accounting profit multiplied by the applicable tax rate for the 3-month period ended 31 March 2013 have been presented considering the loss of the period.

(€'000)	For the period ended	
	31 March 2013	**31 December 2012**
Net loss carried forward	(39,040.03)	**(38,284.74)**
Opening temporary difference	**(13,049.92)**	**(1,678.22)**
Amortization of intangibles	(30.83)	940.87
Recoverable cash advances	-	(3,024.56)
Capitalization of development costs	49.98	(9,101.06)
Share based payments	(37.63)	(150.78)
Other timing differences	-	(36.17)
Total timing differences of the period	**(18.48)**	**(11,371.71)**
Accumulated timing differences	**(13,068.40)**	**(13,049.92)**
Total IFRS tax losses carried forward and		
Deductible temporary difference (net)	**(52,108.43)**	**(51,334.66)**
Unrecognised deferred tax assets	**17,711.65**	**17,448.65**

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

(€'000)	For the period ended	
	31 March 2013	**31 December 2012**
Notional interest	(1,860.53)	(1,860.53)

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

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

6.17 *Manufacturing expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Employee expenses	208.00	221.36
Consulting fees	55.89	78.78
Pilot Plan consulting fees	74.92	71.23
Raw materials	225.04	204.36
Rent & utilities	18.78	30.23
Other manufacturing costs	19.02	19.79
Total Manufacturing expenses	**601.65**	**625.75**

6.18 *Clinical, Quality and Regulatory expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Employee expenses	416.00	401.47
Study cost	364.32	414.79
IP filing & maintenance fees	59.98	77.58
Travel & living	50.69	27.22
Consulting fees	56.76	69.65
Other costs	14.01	3.26
Total Clinical, Quality and Regulatory expenses	**961.76**	**993.97**

6.19 *Research and development expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Employee expenses	225.13	225.94
Mayo research Project	0.00	404.49
Pre-clinical studies	64.11	38.08
Delivery systems	0.00	336.51
Other costs	13.07	20.22
R&D consultant fees	11.05	21,35
Subtotal	313.36	1,046.59
Depreciation and amortization	225.72	206.94
Total Research and development expenses	**539.08**	**1,253.53**

The increase in the pre-clinical studies is mainly related to the process development and the feasibility trials conducted on the C3BS-GQR-1 and C3BS-AQR-1 programmes.

6.20 *General and administrative expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Employee expenses	199.89	184.23
Share-based payment	37.63	37.69
Rent	70.96	64.39
Communication & Marketing	11.83	20.72
Consulting fees	68.98	130.90
Travel & Living	41.50	38.38
Other	37.41	22.75
Total General and administration expenses	**468.20**	**499.07**

6.21 *Employee benefit expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Salaries, wages and bonuses	580.18	660.02
Executive Management team compensation	226.75	193.28
Other Management team compensation	46.55	47.37
Share based payments	37.63	37.69
Social security	153.81	97.42
Group insurance	36.47	29.67
Hospitalisation insurance	5.19	5.99
Other benefit expenses	0.07	-0.75
Total Employee benefit expenses	**1,086.65**	**1,070.69**

Headcount	For the 3 months period ended 31 March	
	2013	**2012**
(In units)		(unaudited)
Manufacturing	14	16
Clinical	16	19
Research & Development	12	13
General and administrative staff	6	6
Total Headcount	**48**	**54**

6.22 *Other operating income and expenses*

The Company receives subsidies and recoverable cash advances from the Walloon Region in order to compensate the research and development costs incurred by the Company. Upon receipt, these subsidies and advances are accounted for as government grants and booked as other operating income.

The advances received only become 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 Company should, within a period of six months, decide whether or not to exploit the results of the research programmes ('decision phase'). In the event the Company

decides to exploit the results under an RCA, the relevant RCA becomes refundable to the Walloon Region and at that moment, a liability is recognised and an equivalent other expenses is accounted for.

(€'000)	For the 3 months period ended 31 March	
	2013	**2012**
Recoverable cash advances (RCA)	106.26	832.50
Subsidies	9.18	40.64
Total Operating Income	**115.44**	**873.14**
RCA recognized as liability	**-**	**(1,729.20)**

As of 31 March 2012, the advance related to the agreement number 6003 was recognized as liability.

Since inception, the Company has been awarded non-dilutive financial support from the Walloon Region (the "Region") totalling €18,208,283. The support has been granted in the form of (i) recoverable cash advances ("RCAs") for an amount of €16,232,642 (of which €14,495,360 has been effectively paid out to the Company as per 31 March 2013) and (ii) subsidies for an amount of €1,975,641 (of which €1,487,819 has been effectively paid out to the Company as per 31 March 2013).

6.23 *Operating leases*

Operating lease expenses amount to €122,995 for the 3-months period ended 31 March 2013 (€121,705 in 2012 - unaudited).

Future minimum rentals payable under non-cancellable operating leases as of 31 March 2013 and 31 March 2012 are detailed as follows:

(€'000)	As of	
	31 March 2013	**31 December 2012**
Within one year	482.66	460.55
After one year but no more than five years	1,252.07	1,218.05
More than five years	-	-
Total	**1,734.73**	**1,678.60**

6.24 *Finance income and expenses*

(€'000)	For the 3 months period ended 31 March	
	2013	**2012 (unaudited)**
Interest convertible loans	260.59	112.96
Interest finance leases	2.10	2.71
Interest on overdrafts and other finance costs	4.09	4.50
Exchange Differences	2.54	2.24
Finance expenses	**269.32**	**122.41**
Interest income bank account	-	-
Other	0.04	0.05
Finance income	**0.04**	**0.05**

6.25 *Earnings per share*

The earnings per share are calculated by dividing net result of the period by the weighted average number of ordinary shares outstanding during the period. Warrants and the convertible loan have an anti-dilutive effect. As the Company is suffering operating losses, there is no difference between the basic and the diluted earnings per share.

(in €)	For the 3 months period ended 31 March	
	2013	2012 (unaudited)
Loss of the year attributable to Equity Holders	(2,724.53)	(4,350.74)
Weighted average number of shares outstanding	1,210,518	1,210,518
Basic and diluted loss per share (in €)	(2.25)	(3.59)

6.26 *Contingent assets and liabilities*

Cash advances received from the Walloon Region

As per 31 March 2013, the Company has received a total of €14,495,359 in recoverable cash advances out of a total contractual amount of €16,232,642. Taking into account the unused amounts of the terminated contracts, the residual amount to receive out of the existing contracts amounts to €1,696,335 and should be received over 2013 and 2014 depending on the progress of the different programmes partially funded by the Region.

(in €)

Contract number	Contractual amount	Until 31 December 2012	3 Months period ending 31 March 2013	Total	Amounts yet to receive	
					2013	2014 and beyond
5160	2,920,000	2,920,000		2,920,000	-	
5731	3,400,000	3,400,000		3,400,000	-	
5914	700,000	687,135		687,135	-	
5915	910,000	910,000		910,000	-	
5951	1,470,000	866,231		866,231	-	603,769
6003	1,729,200	1,715,251		1,715,251	-	
6230	1,083,442	1,083,442		1,082,442	-	
6363	1,140,000	1,019,610	106,256	1,125,866	-	
6548	660,000	417,434	-	417,434	242,566	
6633	1,020,000	920,000	-	920,000	100,000	
6646	1,200,000	450,000	-	450,000	250,000	500,000
Total	16,232,642	14,389,103	106,256	14,495,359	592,566	1,103,769

As described in notes 6.3.3 and 6.15 the advances are recognised in other operating income as they are received.

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;
- turnover-independent reimbursements, turnover-dependent reimbursements, and amounts due in case of an outlicensing agreement or a sale to a third party, are, in the aggregate, capped (except for interests) at 100% of the principal amount paid out by the Region;

- turnover-dependent reimbursements payable in any given year can be set-off against turnover-independent reimbursements already paid out during that year;
- the amount of turnover-independent reimbursement and turnover-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;
- turnover-independent reimbursements represent in the aggregate 30% of the principal amount;
- turnover-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 turnover-independent reimbursement and turnover-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.
- turnover-independent reimbursements and turnover-dependent reimbursements are, in the aggregate (including the accrued interests), capped at 200% of the principal amount paid out by the Region;
- in case of bankruptcy, the research results obtained by the Company under 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	Interest rate accrual	Amounts due in case of licensing (per year) resp. sale
(€'000)						
5160	01/05/05-30/04/08	70%	5.00%	Consolidated with 5731	N/A	Consolidated with 5731
5731	01/05/08-31/10/09	70%	5.00%	250 in 2013 and 500 each year after	N/A	10% with a minimum of 210/Y
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
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%	0.02%	From 35 to 86 starting in 2013 until 30% of advance is reached	Starting on 01/05/11	N/A
6230	01/01/10-31/03/12	60%	0.05%	From 22 to 54 starting in 2013 until 30% of advance is reached	Starting on 01/04/12	N/A

Contract number	Research phase	Percentage of total project costs	Turnover-dependent reimbursement	Turnover-independent	Interest rate accrual	Amounts due in case of licensing (per year) resp. sale
(€'000)						
6363	01/03/10-30/06/12	60%	0.02%	From 20 to 50 starting in 2013 until 30% of advance is reached	Starting on 01/07/12	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

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.

In 2013, the Company will have to make exploitation decisions on two RCAs (Agreements n°6548 and 6633), with a potential recognition of an additional liability of €1.7 million. In 2014, the Company will have to make an exploitation decision on the remaining RCA (Agreements 6646 & 5951) with a potential recognition of an additional liability of €2.7 million.

6.27 *Commitments*

6.27.1 **Mayo Foundation for Medical Education and Research**

Pursuant to the terms of the second amendment of the licence agreement dated 18 October 2010, the Company is entitled to;

Directed research grants

For the years 2012-2014, the Company has committed to directed research funding (which is aimed at assisting the Company in, e.g. moving towards commercialisation and/or to further develop existing or new product candidates) of $500,000 per year. Any results of this research will automatically fall under the Mayo Licence.

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 licence 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.

6.27.2 **Biological Manufacturing Services SA**

On 20 April 2009, certain shareholders of Cardio3 BioSciences participated in the capital increase of Biological Manufacturing Services SA (BMS) for purposes of the outfitting and servicing out of laboratory spaces (to be GMP certified) to the Company. The lab spaces are located in the building where the Company has it offices. On 21 December 2009, the Company entered into a 3 year agreement with BMS regarding the rent of clean rooms (approximately 200 m^2), by BMS to the Company, until December 2012, against a fixed daily consideration to be paid by the Company to BMS of €500. This agreement was renewed in December 2012. For their investment in BMS, the BMS shareholders received a number of warrants in the Company *pro rata* to their shareholding in BMS (reference is made to section 14.5 "Warrants"). The original term sheet in respect of the capital increase of BMS (to which the Company was a party) also contained an agreement in principle in respect of a put and call option mechanism between the BMS shareholders and the Company in respect of the shares of BMS. Based on this term sheet, a put and call agreement was entered into on 9 December 2011 between the BMS shareholders and the Company.

On 31 May 2013, it was agreed by the Company and all BMS shareholders to waive the right to such put and call option mechanism in the event that the Company would become a listed company. In consideration for such waiver, a number of amendments to the original service agreement were agreed by the Company and BMS.

- First, the term of the agreement with BMS regarding the rent of clean rooms will become a fixed-term agreement until 30 September 2017.
- Second, the Company will extend the scope of the current service agreement with BMS to the GMP laboratory spaces that are available (100 m^2 until 30 September 2017), at a price per m^2 that is comparable to the fee currently paid by the Company for the GMP laboratory spaces it rents from BMS.
- Thirdly, in the event that BMS would purchase the building in which both the Company's offices and GMP laboratory spaces are currently located, the Company will:
- enter into a 9-year fixed-term lease agreement starting at the building purchase date in respect of the entirety of the administrative space presently occupied (ground and first floor) at an annual fee which guarantees a one percent yield additional to the yield used in the all-in purchase price paid for those premises calculated on a portion of such all-in purchase price *pro rata* to the portion of the available surface actually occupied by the administrative spaces leased by the Company;
- replace the current service agreement between BMS and the Company with a 9 year fixed term service agreement between both companies starting at the same date as the new lease contract described in the previous paragraph at the same terms and conditions as the current service agreement;
- Finally, a right of first refusal, with a term of five years, renewable in common agreement, was granted to BMS to act as the developer for any future production facilities the Company would wish to develop. Such right shall take the form of a right for BMS to match offers received from other developers, and, in the event its offer matches the best offer received by the Company from a third party, to be considered as the preferred partner to act as the developer of the project.

6.28 *Related-party transactions*

6.28.1 **Remuneration of key management**

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

(In units)	**As of 31 March**	
	2013	**2012** (unaudited)
Number of management members	3	4

(€'000)	**For the 3 months period ended 31 March**	
	2013	**2012** (unaudited)
Short term employee benefits [1]	-	-
Post employee benefits	-	-
Share-based compensation	26.68	19.58
Other employment costs [2]	-	-
Management fees	162.92	193.42
Total benefits	**189.60**	**213.00**

[1] Includes salaries, social security, bonuses and lunch vouchers
[2] Such as company cars

(In units)	**As of 31 March**	
	2013	**2012** (unaudited)
Number of warrants granted	120,000	-
Number of warrants lapsed	-	-
Cumulative outstanding warrants	180,225	60,225
Exercised warrants	-	-
Outstanding payables (in '000€)	40.57	80.41
Shares owned	41,815	41,815

6.28.2 **Transactions with non-executive directors**

(€'000)	For the 3 months period ended 31 March	
	2013	**2012 (unaudited)**
Share-based compensation	2.28	5.01
Management fees	-	-
Total benefits	**2.28**	**5.01**

In units	**As of 31 March**	
	2013	**2012** (unaudited)
Number of warrants granted	-	-
Number of warrants lapsed	-	-
Number of exercised warrants	-	-
Cumulative outstanding warrants	15,400	15,400
Outstanding payables (in '000€)	-	-
Shares owned	79,884	79,884

6.28.3 **Transactions with shareholders**

(€'000)	For the 3 months period ended 31 March	
	2013	**2012** (unaudited)
Rent	48.71	48.55
Patent costs [1]	-	-
Scientific collaboration	-	-
Other	-	-
Total	48.71	48.55

[1] Relate to Mayo licence amortization patent attorney fees

(€'000)	**As of 31 March**	
	2013	**2012** (unaudited)
Outstanding payables	163.81	101.16

6.28.4 Transactions with other related parties

At 31 March 2013, the Company had no outstanding receivable on other related parties.

6.29 *Events after the statement of financial position date*

Warrants issued on 6 May 2013

At the Extraordinary Shareholders Meeting of 6 May 2013, 253,150 warrants were granted. Such total of 253,150 warrants were offered to Company's employees, management team and independent directors.

The 253,150 new 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.

Fourth financing round

On 31 May 2013, the Company closed its fourth financing round. The Round D financing amounts in total to €19,013,401.36. The convertible loans E, F, G and H previously recorded as quasi equity were contributed in kind for a total amount of €12,013,681.96 and the share capital and issue premium were increased by an amount of €6,999,719.40 through a contribution in cash brought by existing shareholders of the Company as further detailed in section 14.4 "Share capital and shares".

Recoverable cash advances

In April 2013, the Company communicated to the Region its decision to exploit the outcome of the agreements 6633, which will trigger the recognition of liabilities of €1,020,000 in the 30 June 2013 interim financial statements of the Company.

6.30 *Transition to IFRS*

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRSs effective for March 2012 period-end and December 2012 year-ends.

The Company has applied the following exemptions:

- Items of property, plant and equipment were carried in the statement of financial position prepared in accordance with Belgian GAAP on the basis of their acquisition price. The Company has elected to regard values as deemed fair value cost at the date of transition.
- The Company has applied the transitional provision in IFRIC 4 Determining Whether an Arrangement Contains a Lease and has assessed all these arrangements as of the date of transition.

	As of 31 March 2013 (reviewed)		As of 31 December 2012 (audited)		As of 31 March 2012 (unaudited)		As of 31 December 2011 (audited)	
(€'000)	**Equity**	**Net Loss**	**Equity**	**Net Loss**	**Equity**	**Net Loss**	**Equity**	**Net Loss**
BE GAAP	**(4,018.48)**	**(2,706.05)**	**(1,312.43)**	**(2,152.55)**	**(2,171.52)**	**(3,011.63)**	**840.11**	**(9,134.39)**
Amortisation on patents [1]	7,664.79	(30.83)	7,695.62	940.87	7,198.92	444.17	6,754.75	1,776.67
Advances Walloon Region [2]	(10,941.69)	-	(10,941.69)	(3,024.56)	(9,646.34)	(1,729.20)	(7,917.14)	(1,597.14)
Share-based payments [3]	-	(37.63)	-	(150.78)	-	(37.69)	-	(371.44)
Convertible loan [4]	11,916.94	-	11,406.35	-	4,149.06	-	4,036.10	-
Capitalization of development costs	(9,051.08)	49.98	(9,101.06)	(9,101.06)	-	-	-	-
Other	(6.68)	-	(6.68)	(36.17)	13.12	(16.38)	29.51	(28.28)
IFRS	**(4,436.20)**	**(2,724.53)**	**(2,259.89)**	**(13,524.25)**	**(456.76)**	**(4,350.74)**	**3,743.33**	**(9,354.58)**

[1] Amortisation of the Mayo Licence under Belgian GAAP is being amortised over a maximum period of 5 years. Under IFRS, patents, licence agreements and acquired technologies are amortised over the shorter of the useful life and the minimum term of the licence agreement of the life of the patent. This has extended the amortisation of the Mayo Licence as compared to Belgian GAAP.

[2] The adjustment relates to two advances received from the Walloon Region where the Company estimates that the advances meet the condition for reimbursement and as such it recognises a liability. A corresponding loss is recognised in the statement of comprehensive income. The liability is not yet recognised under Belgian GAAP.

[3] Fair value of warrants granted is recognised in the statement of comprehensive income and in equity over the vesting period. This expense is not recognised under Belgian GAAP.

[4] The convertible loans are presented as equity under IFRS, whereas in Belgian GAAP, these loans are presented as financial liabilities.

(This page is left blank intentionally.)

7 STATUTORY ACCOUNTS AS OF 31 DECEMBER 2012 AND 2011 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 2012 (including comparative information as of and for the year ended 31 December 2011). 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 6 May 2013 and the statutory auditor has issued an unqualified audit opinion with an emphasis of matter paragraph 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*).

7.1 *Balance Sheet*

(in €)	2012	2011
ASSETS		
FIXED ASSETS	**11,553,849**	**3,408,075**
II. Intangible fixed assets	**11,020,202**	**2,869,947**
III. Tangible fixed assets	**383,118**	**355,467**
Land and buildings	-	-
Installations machinery and equipment	37,204	11,253
Furniture and vehicles	14,396	27,104
Leasing and similar rights	320,657	303,792
Other fixed assets	10,861	13,318
IV. Financial fixed assets	**150,529**	**182,661**
CURRENT ASSETS	**2,192,160**	**3,469,381**
VI. Stocks and contracts in progress		
Goods purchase for resale	**-**	-
VII. Amounts receivable within one year	**442,837**	**1,667,247**
Trade debtors	216,790	173,900
Others amounts receivable	226,047	1,493,347
IX. Cash at bank and in hand	**1,645,026**	**1,751,375**
X. Deferred charges and accrued income	**104,297**	**50,759**
TOTAL ASSETS	**13,746,009**	**6,877,456**
CAPITAL AND RESERVES	**(1,312,432)**	**840,114**
I. Capital	**9,974,507**	**9,974,507**
Issued capital	9,974,507	9,974,507
Uncalled capital (-)	**-**	-
V. Accumulated profits (losses)	**(11,286,939)**	**(9,134,393)**
PROVISIONS AND DEFERRED TAXES	**-**	**-**
VII.A. Provisions for liabilities and charges	**-**	-
CREDITORS	**15,058,441**	**6,037,342**
VIII. Amounts payable after more than one year	**12,327,734**	**116,258**
Financial debts	921,387	116,258
Credit institutions; leasing and other similar obligations	108,887	116,258
Other financial loans	812,500	-
Other debts	11,406,347	-
IX. Amounts payable within one year	**2,730,496**	**5,920,757**
Current portion of amounts payable after one year	247,991	189,839
Trade debts	1,770,307	1,086,261
Suppliers	1,770,307	1,086,261
Taxes; remunerations and social security costs	645,439	602,442
Taxes	56,312	61,168
Remunerations and social security costs	589,127	541,274
Other amounts payable	66,760	4,042,215
X. Accrued charges and deferred income	**211**	**327**
TOTAL LIABILITIES	**13,746,009**	**6,877,456**

7.2 *Income statement*

(in €)	2012	2011
Operating income	**12,657,941**	**2,883,513**
Turnover	54,000	26,392
Capitalization of development costs	9,696,660	-
Other operating income	2,907,281	2,856,581
Operating charges	**(14,098,856)**	**(11,966,099)**
Direct Material	(866,758)	(605,144)
Services and other goods	(6,683,332)	(5,797,852)
Remuneration; social security and pensions	(3,713,360)	(2,838,731)
Depreciation of and other amounts written off formations expenses; intangible and tangible fixed assets (-)	(1,880,992)	(2,720,795)
Provisions for liabilities and charges (appropriations -; use and write-backs (+)	-	-
Other operating charges (-)	(954,514)	(3,577)
Operating profit (loss)	**(1,440,915)**	**(9,082,586)**
Financial income	**6,204**	**17,373**
Income from current assets	3,462	15,519
Other financial income	2,742	1,854
Financial charges (-)	**(714,992)**	**(68,910)**
Interest on financial debts	602,464	15,869
Other financial charges	112,528	53,041
Profit (loss) on ordinary activities before taxes (-)	**(2,149,703)**	**(9,134,123)**
Extraordinary income	**1**	**0**
Other extraordinary income	1	0
Extraordinary charges (-)	**(2,844)**	**(271)**
Other extraordinary charges	(2,844)	(271)
Profit (Loss) for the period before taxes (-)	**(2,152,546)**	**(9,134,394)**
Income taxes (-) (+)	**-**	**-**
Profit for the period (+)	**-**	**-**
Profit (loss) for the period available for appropriation	**(2,152,546)**	**(9,134,394)**

7.3 *Notes*

Statement of intangibles assets

(in €)	2012	2011
Acquisition value at the end of the preceding period	11,886,385	11,869,231
Movements during the period		
Acquisitions, included produced fixed assets	9,764,260	17,155
Acquisition value at the end of the period	21,650,645	11,886,386
Depreciation and amounts written down at end of the preceding period	9,016,439	6,641,860
Movements during the period		
Recorded	1,614,004	2,374,579
Depreciation and amounts written down at the end of the period	10,630,443	9,016,439
Net book value at the end of the period	11,020,202	2,869,947

Statement of tangible fixed assets

(in €)	2012	2011
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	460,289	170,254
Movements during the period		
Acquisitions, included produced fixed assets	35,190	290,035
Acquisition value at the end of the period	495,479	460,289
Depreciation and amounts written down at end of the preceding period	449,036	126,285
Movements during the period		
Recorded	9,239	57,177
Depreciation and amounts written down at end of the period	458,275	322,751
Net book value at the end of the period	37,204	11,253
FURNITURE AND VEHICLES		

(in €)	2012	2011
Acquisition value at the end of the preceding period	452,689	195,906
Movements during the period		
Acquisitions, included produced fixed assets	4,894	256,783
Acquisition value at the end of the period	457,583	452,689
Depreciation and amounts written down at end of the preceding period	425,586	130,255
Movements during the period		
Recorded	17,602	295,329
Depreciation and amounts written down at end of the period	443,187	425,586
Net book value at the end of the period	14,396	27,103
LEASING AND OTHER SIMILAR RIGHTS		
Acquisition value at the end of the preceding period	614,420	1,059,055
Movements during the period		
Acquisitions, included produced fixed assets	254,555	85,621
Sale, transfer and withdraw	-	530,256
Acquisition value at the end of the period	868,975	614,420
Depreciation and amounts written down at end of the preceding period	310,628	584,154
Movements during the period		
Recorded	237,690	(273,526)
Depreciation and amounts written down at end of the period	548,318	310,628
Net book value at the end of the period	320,657	303,792
Whereof:		
Land and buildings		
Installation, machinery & equipment	320,657	303,792
Furniture and vehicles	-	-
OTHER TANGIBLE ASSETS		
Acquisition value at the end of the preceding period	43,338	36,133
Movements during the period	-	7,205
Acquisitions, included produced fixed assets		
Acquisition value at the end of the period	43,338	43,338
Depreciation and amounts written down at end of the preceding period	30,018	28,357
Movements during the period		
Recorded	2,459	1,662
Depreciation and amounts written down at end of the period	32,477	30,018
Net book value at the end of the period	10,861	13,319

Other investments and deposits

(in €)	2012	2011
Other Investments and deposits		
Acquisition value at the end of the preceding period	182,661	221,653
Movements during the period		
Additions	42,000	90,808
Reimbursments (-)	74,132	129,800
Net book value at the end of the period	150,529	182,661

Statement of capital 2012

(in €)	Amounts	Number of shares
Issued capital	9,974,507	
Structure of the capital		
Different categories of shares		
Registered	9,974,507	1,210,518
Bearer		-
	Uncalled capital	Called, but unpaid amount
Unpaid capital		Xxxxxxxxxxxxxx
Uncalled capital		
Capital called, but unpaid	Xxxxxxxxxxxxxx	
Shareholders having yet to pay up in full	Xxxxx	

Statement of capital 2011

(in €)	Amounts	Number of shares
Issued capital	9,974,507	
Structure of the capital		
Different categories of shares		
Registered	9,974,507	1,210,518
Bearer		-

Statement of amounts payable

(in €)	2012	2011
Analysis by current position of amounts initially payable after more than one year		
Current portion of amounts initially payable after more than one year	11,406,348	116,258
Amounts payable expiring over five year	-	-
Analysis by current position of amounts initially payable after more than one year		
Leasing charges and similar	160,491	188,839
Other debts (loans)	87,500	-
Tax, wage and social amounts payable		
Taxes		
Non expired taxes payable	56,312	61,168
Remuneration and social security		
Other amounts payable related to remuneration and social security	589,127	541,274

Operating results

(in €)	2012	2011
Other operating income		
Subsidies and recoverable cash advance received from the Walloon Region	2,099,492	2,728,050
Operating charges		
Employees recorded in the personnel register		
Total number at the closing date	46	44
Average number of employees calculated in full-time equivalents	47.5	43.7
Number of actual worked hours	81,522	72,867
Personnel costs		
Remuneration and direct social benefits	2,556,837	2,291,669
Employer's social security contributions	843,409	282,790
Employer's premiums for extra statutory insurances		
Other personnel costs (+)/(-)	149,654	116,680
Pensions	163,360	147,592
Provisions for risks and charges		
Addition		-
Use of and withdrawal	-	-
Other operating charges		
Taxes related to operations	4,514	3,577
Other charges	950,000	-
Hired temporary staff and persons placed at the enterprise's disposal		
Total number at the closing date	-	
Average number calculated as full-time equivalents	0.7	
Number of actual worked hours	245	
Charges to the enterprise	10,512	

Financial results

(in €)	**2012**	**2011**
Interest charges	602,463	15,869
Valuation allowance on current assets	-	-
Other financial charges	112,528	53,041

Income tax

(in €)	2012	2011
Status of deferred taxes		
Accumulated tax losses deductible from future taxable profits	38,284,739	35,972,861

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

(in €)	2012	2011
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)	1,993,576	1,006,577
By the enterprise	1,448,557	399,287
Amounts retained on behalf of third parties		
Payroll withholding taxes	895,031	801,707

Financial relationship with auditors

(in €)	2012	2011
Auditor's fees	19,000	19,000
Fees for exceptional services or special missions executed in the company by people who are linked to		
Other Auditor's missions	3,500	127,440

7.4 *Summary of valuation rules*

Valuation rules are determined by the Board of Directors in accordance with Chapter II of the Royal Decree of 8 October1976 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.

(This page is left blank intentionally.)

Annex A - Definitions

Additional Shares	The existing shares in the Company covered by the Over-allotment Option.
Allocation Date	The date on which the Offer Price will be determined and the Offered Shares will be allocated to investors who have duly applied for them, and which is expected to be 4 July 2013.
AMF	The French *Autorité des Marchés Financiers*.
Annual Shareholders Meeting	The Ordinary Shareholders Meeting of the Company.
Belgian Company Code - BCC	The Belgian Act of 7 May 1999 containing the companies code (*Code des sociétés*).
Belgian GAAP	Belgian Generally Accepted Accounting Principles which is the applicable legal accounting framework in Belgium.
Biological Manufacturing Services	Biological Manufacturing Services SA was funded in April 2009 by a number of Cardio3 BioSciences shareholders in order to finance the construction of the pilot plant to be used by the Company to produce its clinical lots.
Board of Directors	The Board of Directors of the Company.
Business day	Any day, other than a Saturday or Sunday, on which banks are generally open for general business in Brussels.
Cardio3 BioSciences, the Company or Issuer	Cardio3 BioSciences, a limited liability company (*société anonyme*) incorporated under Belgian law, having its registered office at Rue Edouard Belin 12, B-1435 Mont-Saint-Guibert (Belgium) and registered with the Belgian register for legal entities under the number 0891.118.115 (RPR/RPM Nivelles).
CEO	Chief Executive Officer.
CFO	Chief Financial Officer.
CGC	Belgian Corporate Governance Code as issued on 9 December 2004 by the Belgian Corporate Governance Committee and as amended on 12 March 2009.
Closing Date	The date on which the first capital increase associated with the Offering will be established by two directors of the Company acting jointly before a notary in Belgium. The Closing Date is expected to be on or about 9 July 2013.
Dealing Code	The Company's dealing code as adopted by the Board, and which is available on the Company's website.
Directive 2004/109/EC	Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC.
DRD	Dividend received deduction regime.
DRD Conditions	As set forth in section 6 “Dividends”
EEA	European Economic Area.
EMA	European Medicines Agency.
EU	European Union.

Euro or €	The official currency which is in use in Belgium.
Executive Management Team	A team consisting of the "Chief Executive Officer" (CEO, who is the chairman of the Executive Management Team), the "Chief Financial Officer" (CFO), and the "Vice President Research and Development", and which is responsible for the daily operations of the Company.
FDA	US Food and Drug Administration.
FSMA	Belgian Financial Services and Markets Authority
IFRS	International Financial Reporting Standards as adopted for use by the European Union.
Increase Option	The option to increase the amount of new shares by up to 15%, as described in section 5.2 "Terms and conditions of the Offering".
IRB	Institutional Review Board. The IRB is a committee that has been formally designated to approve, monitor, and review biomedical and behavioral research involving humans with the aim to protect the rights and welfare of the research subjects
Institutional Investor	Qualified and/or institutional investors under applicable laws of the relevant jurisdiction (including QIBs) other than Retail Investors.
Global Coordinator	Kempen & Co N.V.
Joint Bookrunners	Kempen & Co and Invest Securities S.A.
Leading Person	(i) Executive director, (ii) daily managers and (iii) members of the Executive Management Team (as defined in Article 96, §3 in fine of the Belgian Company Code, i.e., a committee in which the general governance of the Company is discussed, but which is not an executive committee (*Comité de direction*) within the meaning of Article 524bis of the Belgian Company Code).
Listing Date	The date on which the Company's shares shall be admitted to conditional trading on NYSE Euronext Brussels and NYSE Euronext Paris. The Listing Date is expected to be on 5 July 2013.
Mayo Clinic	Mayo Foundation for Medical Education and Research
Mayo Licence	The Company's current relationship with Mayo Clinic is essentially based on the Technology License Agreement dated 4 June 2007, as amended on 1 July 2008 (the "First Amendment") and 18 October 2010 (the "Second Amendment").
Member State	A Member State of the European Union.
New Shares	The new shares initially offered in the Offering and the new shares offered as a result of the possible exercise of the Increase Option.
Nomination and Remuneration Committee	The nomination and remuneration committee of the Company installed by the Board of Directors.
NYSE Euronext Brussels	the regulated market operated by Euronext Brussels SA/NV
NYSE Euronext Paris	the regulated market operated by Euronext Paris SA
Offer Price	The single price in Euro at which the Offered Shares shall be purchased and which shall be determined as set out in section 5.1 "Information related to the capital increase".
Offer Price Range	The price range of the shares as disclosed in the Offering
Offered Shares	The New Shares together with the Additional Shares.
Offering	A public offering in Belgium and France to Retail Investors and a private

	placement (i) in the United States only to a limited number of "qualified institutional buyers" (as defined in Rule 144A under the Securities Act) ("QIBs") in transactions exempt from or not subject to the registration requirements of the Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S under the Securities Act ("Regulation S") to qualified investors, and, with respect to the EEA, pursuant to an exemption under the Prospectus Directive where implemented by the relevant EEA Member State.
Offering Period	The period during which the Offering will be open for subscription as described in section 5.2 "Terms and conditions of the Offering".
Over-allotment Option	The option to be granted to the Global Coordinator as described in section 5.5 "Over-allotment and stabilisation".
Patent Subsidies	Subsidies related to patent contracts 920547, 920548, 920549, 920550, 920551, 920552, 920553, 920588, 1120131, 1120132, 1120133 and 1120135
PMV	PMV-TINA Comm.VA, a subsidiary of Participatiemaatschappij Vlaanderen NV, a Flemish public investment institution.
Prospectus	This document, as well as any amendments and supplement to it.
Prospectus Directive	Directive 2003/71/EC together with any relevant implementing measure in each Relevant Member State (as amended from time to time).
QIBs	"Qualified institutional buyers" as defined in Rule 144A under the Securities Act.
R&D	Research and development.
Region	The Walloon Region.
Regulation D	Regulation D under the Securities Act.
Regulation S	Regulation S under the Securities Act.
Relevant Member State	Each Member State of the EEA which has implemented the Prospectus Directive.
Retail Investor	An investor defined as (i) an individual person residing in Belgium or a legal entity having its registered office in Belgium that applies for Offered Shares in an aggregate amount of €100,000 or less or (ii) an individual person residing in France or a legal entity having its registered office in France, in each case that applies for Offered Shares through the centralisation system of NYSE Euronext Brussels.
Securities Act	The United States Securities Act of 1933, as amended.
Selling Agent	Portzamparc Société de Bourse S.A.
SMEs	Small and medium enterprises.
Sofipôle	Sofipôle, an affiliate of SRIW Techno SA.
Stabilisation Period	The period of 30 calendar days from the Listing Date.
Statutory Auditor	Ernst & Young Reviseur d'Entreprises SCCRL, a civil company having the form of a co-operative company with limited liability organised and existing under the laws of Belgium, with registered office at De Kleetlaan 2, B-1831 Diegem, Belgium, represented by Daniel Wuyts.
Underwriting Agreement	The Underwriting Agreement expected to be entered into between the Company and the Global Coordinator and the Joint Bookrunners on or about 4 July 2013 in connection with the Offering.
Warrants	Warrants issued by the Company as described in 14.5 "Warrants".

Annex B - Glossary

Allogeneic cells	Cells of a type that is from the same specicies but genetically distinct – from a different donor as the recipient.
Acute Myocardial Infarction (AMI)	Commonly known as a heart attack, is the interruption of blood supply to part of the heart, causing some heart cells to die. This is most commonly due to occlusion (blockage) of a coronary artery following the rupture of an atherosclerotic plaque, which is an unstable collection of lipids (like cholesterol) and white blood cells (especially macrophages) in the wall of an artery. The resulting ischemia (restriction in blood supply) and oxygen shortage, if left untreated for a sufficient period of time, can cause damage or death (infarction) of heart muscle tissue (myocardium).
Autologous cells	Cells that are from the same donor as the recipient.
BLA	Biologics Licence Application. A BLA is a request for permission to introduce, or deliver for introduction, a biologic product into interstate commerce (21 CFR 601.2). The BLA is regulated under 21 CFR 600 – 680.
Cardiac Progenitor Cells (CPCs)	A cardioprogenitor cell is a cellular phenotype with the capacity to yield myocardial tissue and blood vessels upon differentiation.
Cardiac Resynchronisation Therapy (CRT)	A CRT is a type of pacemaker (a medical device which uses electrical impulses, delivered by electrodes contacting the heart muscles, to regulate the beating of the heart) that can pace both the septal and lateral walls of the left ventricle.
Cardiac Stem Cells (CSCs)	Cells that can give rise to all of the major cell types in the human heart.
Cardiogenic cocktail	A mixture of growth factors, cytokines and small molecules that have the capacity to drive Cardiopoiesis.
Cardiogenesis	Development of the heart in the embryo.
Cardiopoiesis	Process to drives stem cells towards the cardiac lineage
Cardiopoietic Cells (CPCs)	Cells that are precursors of fully differentiated cardiac muscle cells. In the lab, CPCs can be generated from stem cells by culture in the presence of a specific cocktail of cardiotrophic factors discovered at the Mayo Clinic.
Cardiovascular Disease (CVD)	A group of disorders of the heart and blood vessels which includes: - Coronary heart disease - Cerebrovascular disease - Peripheral arterial disease - Rheumatic heart disease - Congenital heart disease - Deep vein thrombosis and pulmonary embolism
Consistency lots	Lots produced to document evidence that the process, operated within established parameters, can perform effectively and reproducibly to manufacture a product meeting its predetermined specifications and quality attributes.
Coronary Artery Disease (CAD) - also known as Coronary	A condition in which atherosclerotic plaque builds up inside the coronary arteries. Plaque is made up of fat, cholesterol, calcium and other substances found in the blood. This can cause angina (chest pain or discomfort) or a heart attack (when the blood flow to an area of the

Heart Disease (CHD)	heart muscle is completely blocked, preventing oxygen-rich blood from reaching that area and causing it to die).
Cryopreservation	Cryopreservation is a process where cells or whole tissues are preserved by cooling to low sub-zero temperatures. At these low temperatures, any biological activity, including the biochemical reactions that would lead to cell death, is effectively stopped.
Embryonic Stem Cells (ESCs)	Stem cells derived from the undifferentiated inner mass cells of a human embryo. Embryonic stem cells are pluripotent, meaning they are able to grow (i.e. differentiate) into all derivatives of the three primary germ layers: ectoderm, endoderm and mesoderm.
Ex vivo (experiments)	Experimentation done in or on tissue outside the organism with minimal alteration of natural conditions;
Formulation	Formulation is the vehicle and the form in which an active compound is delivered in the body.
Good Manufacturing Practices (GMP)	GMP is part of a quality system covering the manufacture and testing of active pharmaceutical products. GMPs are guidelines that outline the aspects of production and testing that can impact the quality of a product.
Heart Failure (HF)	Heart Failure is a condition in which the heart has been damaged and cannot pump enough blood to meet the body's metabolic needs. HF can be of ischemic or non-ischemic origin: - Ischemic Origin (Coronary Artery Disease) - Non-ischemic Origin - Hypertension: high blood pressure; - Other conditions such as heart valve disease, congenital heart defect, endocarditis (infection of the heart valves) and/or myocarditis (infection of the heart muscle). The failing heart keeps working but not as efficiently as it should. HF patients cannot exercise because they become short of breath and tired. In the most severe forms, even slight exercises like walking a short distance are impossible.
Human MSCs	MSCs (see definition below) of human origin.
Immunodeficient rodents	A lineage of rodents (like rats or mice) that are genetically modified to omit some components of the immune system (the system that defends against disease and foreign agents).
Implantable Cardioverter Defibrillator (ICD)	Small battery-powered electrical impulse generator which is implanted in patients who are at risk of sudden cardiac death due to ventricular fibrillation and ventricular tachycardia.
Induced Pluripotent Stems Cells (IPS)	IPSs are pluripotent cells derived from differentiated cells by forcing the expression of key pluripotency genes.
Left Ventricular Assist Device (LVAD)	A LVAD is a mechanical circulatory device that is used to partially or completely replace the function of a failing heart.
Left Ventricular Ejection Fraction (LVEF)	The fraction of blood pumped out of the left ventricle with each heart beat.
In vivo (experiments)	Experiments done in animal living systems.
In vitro (experiment)	Experiments done outside animal living systems.
Mesenchymal Stem	Cells located in many tissues serving to repair the organs and tissues.

Cells (MSCs)	These cells are found in organs like bone marrow, adipose tissue, liver, and pancreas.
Multipotent Stem Cells	Cells that have the potential to give rise to cells from multiple, but a limited number of lineages; i.e. multipotent stem cells can differentiate into a number of cells, but only those of a closely related family of cells.
Neovasculogenesis	Development of new blood vessels.
New York Heart Association (NYHA) Class	The NYHA Functional Classification provides a simple way of classifying the extent of heart failure. Divides patients in one of four categories based on the extend of the disease during physical activity; the limitations/symptoms are related to normal breathing and varying degrees in shortness of breath and/or angina pain.
Paracrine	Paracrine signalling is a form of cell signalling in which the target cell is near ("para" = near) the signal-releasing cell.
Proteomics analysis	Proteomics is the large-scale study of proteins, particularly their structures and functions
RVOT	Right ventricular outflow tract
Secretome	The set of proteins secreted by a cell, a tissue or an organism.
Stem cells	Stem cells are primal cells. Stem cells retain the ability to renew themselves by division and can differentiate into a diverse range of specialised cell types. Stem cells can be found in adult tissues (adult stem cells), embryos (embryonic stem cells or ESCs) or umbilical cord blood.
Supra-Ventricular Tachycardia	A supra-ventricular tachycardia is a tachycardia, or fast heart rhythm, that originates above the ventricles of the heart (mostly in the atriums).
Systolic dysfunction	Impairment of the contractile function of the heart.
Ventricular Tachycardia (VT)	A ventricular tachycardia is a tachycardia, or fast heart rhythm, that originates in one of the ventricles of the heart.
Ventricular fibrillation (VF)	Ventricular fibrillation is a condition in which there is uncoordinated contraction of the cardiac muscle of the ventricles in the heart.

(This page is left blank intentionally.)

Annex C - Form of QIB representation letter

Letterhead of QIB

[DATE]

A signed copy of this letter must be returned to [NAME AND FAX/EMAIL DETAILS OF PERSON TO RECEIVE SIGNED LETTERS] by no later than [DATE/TIME DETAILS].

Cardio3 Biosciences S.A.
Attention of Patrick Jeanmart, CFO
Axis Parc, Rue Edouard Belin 12
1435 Mont-Saint-Guibert, Belgium

Kempen & Co. N.V.
Attention of Tim-Patrick Limmer
Beethovenstraat 300
1077 WZ Amsterdam, The Netherlands
Fax: +31 2 034 88 504
Email: tim-patrick.limmer@kempen.com

Invest Securities S.A.
Attention of Hervé du Villard
Boulevard Haussmann 73
75008 Paris, France
Fax: +33 1 44 88 77 90
Email: hduvillard@invest-securities.com

[U.S. broker-dealer affiliates if relevant - *TBD*]

Re: Placing of Ordinary Shares in Cardio3 Biosciences SA (the "**Placing**")

Ladies and Gentlemen:

We refer to the proposed placing of new ordinary shares (the "**Shares**") in Cardio3 Biosciences SA, a company (*société anonyme*) organized under the laws of Belgium (the "**Company**") being made by the

Company through Kempen & Co. N.V. and Invest Securities S.A. (together, the "**Managers**"), as described in an English-language prospectus dated 19 June 2013 (the "**Prospectus**").

We have reviewed the representations, warranties, agreements and acknowledgements contained in this investor letter, and consulted with counsel as appropriate, and we hereby confirm to the Company and the Managers that we are a "qualified institutional buyer", and meet all of the other conditions set forth below, and that we have requested a copy of the Prospectus solely for the purpose of considering the purchase of Shares described in the Prospectus.

In connection with the foregoing, we represent, warrant, agree and acknowledge on our own behalf and on behalf of any account for which we are or may be acting, as described below, that:

- We are, and at the time of any purchase by us of any Shares, we will be, a "qualified institutional buyer" (a "**QIB**") within the meaning of Rule 144A ("**Rule 144A**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**").
- As to any Shares that we may purchase, we are acting solely for our own account, or for one or more accounts that are QIBs for which we are acting as a duly authorized fiduciary or agent, with sole investment discretion with respect thereto. In accordance with paragraph 15 below, for each account that is a QIB, we have full power and authority to make (and do hereby make) the representations, warranties, agreements and acknowledgements herein.
- We understand and acknowledge, on our own behalf and for any accounts of one or more other QIBs for which we are acting, that (i) the Shares are not being offered in transactions involving any public offering in the United States and (ii) none of the Shares will be registered under the Securities Act or with any state or other jurisdiction of the United States.
- We, and any accounts of one or more other QIBs for which we are acting, are purchasing the Shares solely for investment purposes and not with a view to any resale or distribution of the same within the meaning of the U.S. securities laws, or any other disposition in violation of the Securities Act, subject to the understanding that the disposition of our property shall at all times be and remain within our control.
- We, and each other QIB (if any) for whose account we are purchasing Shares, invest in or purchase securities similar to the Shares in the normal course of business, have such knowledge and experience in financial and business matters that we are capable of evaluating the merits and risks of purchasing the Shares, and are able to bear the economic risk of an investment in the Shares for an indefinite period of time, including sustaining a complete loss of our investment.
- We are responsible for and have conducted our own investigation with respect to the Company and the Shares. Prior to making our investment decision, we will read a copy of the Prospectus, including any documents incorporated by reference therein. We understand that the Prospectus has been prepared in accordance with Belgian format, style and content, which differs from U.S. format, style and content. In particular, but without limitation, the financial information contained in the Prospectus has been prepared in accordance with Belgian GAAP and International Financial Reporting Standards, and thus may not be comparable to financial statements of U.S. companies prepared in accordance with U.S. generally accepted accounting principles. We understand that the Prospectus and any other offering material is furnished to us on a strictly confidential and personal basis and that it is not to be reproduced, retransmitted or otherwise redistributed, in whole or in part, under any circumstances; we have kept and will keep all such materials strictly confidential. We have had access to such financial and other information concerning the Company as we have deemed necessary in connection with making our own investment decision to purchase the Shares.

- We acknowledge that, in addition to the Prospectus, the Company may be required to publish certain information in accordance with the rules, regulations and practices applicable to companies listed on the regulated markets of NYSE Euronext Brussels and NYSE Euronext Paris (the "**Exchange Information**"), and we have access to (without undue difficulty) and will review the Exchange Act Information prior to making any investment decision.
- In making an investment decision to purchase the Shares, (a) we are relying only on the Prospectus and other publicly available information or information made available to us by the Company, and not on any information or representation given by the Managers, or any of their respective affiliates or other persons acting on their behalf, (b) none of the Managers, or any of their respective affiliates or other persons acting on their behalf, has made or will make any representations or warranties with respect to the Company, the Shares or the Placing or the accuracy, completeness or adequacy of the Exchange Information or any other publicly available information or information made available to us by the Company including the Prospectus, (c) we will not rely on any statements made by the Managers, or any of their respective affiliates or other persons acting on their behalf, orally or in writing, to the contrary, (d) we may not rely, and have not relied, on any investigation that the Managers, or any of their respective affiliates or other persons acting on their behalf, may have conducted with respect to the Shares or the Company, and (e) we will not hold the Managers, or any of their respective affiliates or other persons acting on their behalf, responsible for any misstatements in or omissions from any publicly available information concerning the Company or the Shares, including the Exchange Information, or other information made available to us by the Company including the Prospectus. Other than this letter, we have not requested the Managers, or any of their respective affiliates or other persons acting on their behalf, to provide us with any other information.
- The Shares have not been and will not be registered under the Securities Act or with any state or other jurisdiction of the United States, the Shares are being sold to us in accordance with Rule 144A or another available exemption from the registration requirements of the Securities Act and the seller of the shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.
- We are not purchasing the Shares as a result of (i) any general solicitation or general advertising within the meaning of Rule 502 under the Securities Act, or (ii) directed selling efforts as defined in Regulation S under the Securities Act.
- We will not rely on financial or other information supplied to us by any person, other than the information contained in the Prospectus and the Exchange Information, including in particular in any research reports or other information supplied by a Manager or any of their affiliates, or any other person. Furthermore, neither Manager nor any other third party has made any representation, express or implied, with respect to the accuracy, completeness or adequacy of any financial or other information concerning the Company or the Shares contained in the Prospectus.
- We have made our own assessment concerning the relevant tax, legal, currency and other economic considerations, relevant to our investment in the Shares. In particular, we understand that there may be certain consequences under United States and other tax laws resulting from an investment in the Shares and we have made such investigation and have consulted such tax and other advisors with respect thereto as we deem appropriate.

- We understand that the Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred by us for our own account or for the account of any other QIB for which we are acting except (i) pursuant to an effective registration statement under the Securities Act, (ii) to a person we or any person acting on our behalf reasonably believe is a QIB in a transaction meeting the requirements of Rule 144A, (iii) in an "offshore transaction" in accordance with Rule 903 or Rule 904 under Regulation S under the Securities Act or (iv) pursuant to an exemption from registration under the Securities Act including as provided by Rule 144 thereunder (if available), and, in each case, in accordance with any applicable securities laws of any state or other jurisdiction of the United States. We understand that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for resales of the Shares. Notwithstanding anything to the contrary in the foregoing, the Shares may not be deposited into any unrestricted depositary receipt facility in respect of shares established or maintained by a depositary bank.
- We agree to notify any transferee to whom we subsequently offer, sell, pledge or otherwise transfer any of the Shares pursuant to Rule 144A of the restrictions on transfer set forth in this letter.
- We confirm that, to the extent we may purchase Shares for the account of one or more other persons: (i) we have been duly authorized to sign this letter and make the representations, warranties, agreements and acknowledgements set forth herein on behalf of each such person and (ii) the provisions of this letter constitute legal, valid and binding obligations of us and any other person for whose account we are acting.
- The foregoing acknowledgements, representations, warranties and agreements are required in connection with the U.S. and other securities laws, and the Company, each Manager, and their respective affiliates and others, including any U.S. broker dealer acting on behalf of the Managers, are entitled to and will rely upon the truth and accuracy of the foregoing representations, warranties, agreements and acknowledgements contained herein, and we irrevocably authorize such persons to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding, dispute or official enquiry relating to the matters covered hereby.
- If we receive any of the Shares and have failed to return an executed copy of this letter to the Company and the Managers, we will be deemed to have made for the benefit of the Company and the Managers, their respective affiliates and others, all of the foregoing representations, warranties, agreements and acknowledgements.
- We understand that this letter is not a confirmation of a sale of Shares or the terms thereof and that any such confirmation will be sent to us separately.

This letter shall be governed by, and construed in accordance with, the laws of the State of New York.

Sincerely,

Name of QIB:_____

By:

Title:

Annex D - References

1. Dickstein, K., et al., *ESC guidelines for the diagnosis and treatment of acute and chronic heart failure 2008: the Task Force for the diagnosis and treatment of acute and chronic heart failure 2008 of the European Society of Cardiology. Developed in collaboration with the Heart Failure Association of the ESC (HFA) and endorsed by the European Society of Intensive Care Medicine (ESICM).* Eur J Heart Fail, 2008. **10**(10): p. 933-89.
2. McMurray, J.J. and M.A. Pfeffer, *Heart failure.* Lancet, 2005. **365**(9474): p. 1877-89.
3. US Census Bureau, *Countries and Areas Ranked by Population:2013*.
4. World Health Organization, *World Health Report*. 2009.
5. *He J, O.L., Bazzano LA, Vupputuri S, Loria C, Whelton PK., Risk Factors for Congestive Heart Failure in US Men and Women: NHANES I Epidemiologic Follow-up Study.* Arch Intern Med., 2001. **161(7)**: p. 996-1002.
6. United States Department of, H., C. Human Services. Centers for Disease, and S. Prevention. National Center for Health, *National Hospital Discharge Survey, 2007*. 2010, Inter-university Consortium for Political and Social Research (ICPSR) [distributor].
7. Tunstall-Pedoe, H., et al., *Contribution of trends in survival and coronary-event rates to changes in coronary heart disease mortality: 10-year results from 37 WHO MONICA project populations. Monitoring trends and determinants in cardiovascular disease.* Lancet, 1999. **353**(9164): p. 1547-57.
8. Boyd, P.A., M. Haeusler, and I. Barisic, *EUROCAT Report 9: Surveillance of congenital anomalies in Europe 1980-2008.* Birth Defects Res A Clin Mol Teratol, 2011. **91 Suppl 1**: p. S1.
9. Dolk, H., *EUROCAT: 25 years of European surveillance of congenital anomalies.* Arch Dis Child Fetal Neonatal Ed, 2005. **90**(5): p. F355-8.
10. Garne, E., et al., *EUROCAT website data on prenatal detection rates of congenital anomalies.* J Med Screen, 2010. **17**(2): p. 97-8.
11. Khoshnood, B., et al., *Paper 2: EUROCAT public health indicators for congenital anomalies in Europe.* Birth Defects Res A Clin Mol Teratol, 2011. **91 Suppl 1**: p. S16-22.
12. Lechat, M.F. and H. Dolk, *Registries of congenital anomalies: EUROCAT.* Environ Health Perspect, 1993. **101 Suppl 2**: p. 153-7.
13. Behfar, A., et al., *Guided cardiopoiesis enhances therapeutic benefit of bone marrow human mesenchymal stem cells in chronic myocardial infarction.* J Am Coll Cardiol, 2010. **56**(9): p. 721-34.
14. Marban, E. and K. Malliaras, *Boot camp for mesenchymal stem cells.* J Am Coll Cardiol, 2010. **56**(9): p. 735-7.
15. Bartunek, J., et al., *Cardiopoietic stem cell therapy in heart failure The C-CURE multicenter randomized trial with lineage-specified biologics.* J Am Coll Cardiol, 2013.
16. Murry, C.E., N.J. Palpant, and W.R. Maclellan, *Cardiopoietry in Motion: Primed Mesenchymal Stem Cells for Ischemic Cardiomyopathy.* J Am Coll Cardiol, 2013.
17. Products, C.F.P.M., ***Note for Guidance on Clinical Investigation of Medicinal Products for the Treatment of Cardiac Failure***, H.M.E. Unit, Editor. 1999.
18. Sheehan, F.H., et al., *Early recovery of left ventricular function after thrombolytic therapy for acute myocardial infarction: an important determinant of survival.* J Am Coll Cardiol, 1988. **12**(2): p. 289-300.

19. Simoons, M.L., et al., *Early thrombolysis in acute myocardial infarction: limitation of infarct size and improved survival.* J Am Coll Cardiol, 1986. **7**(4): p. 717-28.

20. White, H.D., *Angioplasty in acute myocardial infarction.* Aust N Z J Med, 1987. **17**(2): p. 189-91.

21. Buja, L.M., *Myocardial ischemia and reperfusion injury.* Cardiovasc Pathol, 2005. **14**(4): p. 170-5.

22. Dhalla, N.S., et al., *Potential role and mechanisms of subcellular remodeling in cardiac dysfunction due to ischemic heart disease.* J Cardiovasc Med (Hagerstown), 2007. **8**(4): p. 238-50.

23. Piper, H.M., K. Meuter, and C. Schafer, *Cellular mechanisms of ischemia-reperfusion injury.* Ann Thorac Surg, 2003. **75**(2): p. S644-8.

24. Hausenloy, D.J. and D.M. Yellon, *Clinical translation of cardioprotective strategies : report and recommendations of the Hatter Institute 5th International Workshop on Cardioprotection.* Basic Res Cardiol, 2008. **103**(5): p. 493-500.

25. Logue, S.E., et al., *Ischemia/reperfusion injury at the intersection with cell death.* J Mol Cell Cardiol, 2005. **38**(1): p. 21-33.

26. Ovize, M., et al., *Postconditioning and protection from reperfusion injury: where do we stand? Position paper from the Working Group of Cellular Biology of the Heart of the European Society of Cardiology.* Cardiovasc Res, 2010. **87**(3): p. 406-23.

27. Kuppusamy, P. and J.L. Zweier, *Characterization of free radical generation by xanthine oxidase. Evidence for hydroxyl radical generation.* J Biol Chem, 1989. **264**(17): p. 9880-4.

28. Zweier, J.L., J.T. Flaherty, and M.L. Weisfeldt, *Direct measurement of free radical generation following reperfusion of ischemic myocardium.* Proc Natl Acad Sci U S A, 1987. **84**(5): p. 1404-7.

29. Zweier, J.L. and M.A. Talukder, *The role of oxidants and free radicals in reperfusion injury.* Cardiovasc Res, 2006. **70**(2): p. 181-90.

30. Francischetti, I., et al., *Leukocytes and the inflammatory response in ischemia-reperfusion injury.* Rev Bras Cir Cardiovasc, 2010. **25**(4): p. 575-84.

31. Zhang, S., et al., *Extraction, chemical analysis of Angelica sinensis polysaccharides and antioxidant activity of the polysaccharides in ischemia-reperfusion rats.* Int J Biol Macromol, 2010. **47**(4): p. 546-50.

32. Ji, H., et al., *Programmed death-1/B7-H1 negative costimulation protects mouse liver against ischemia and reperfusion injury.* Hepatology, 2010. **52**(4): p. 1380-9.

33. Satoh, S., et al., *Glomerular endothelium exhibits enhanced expression of costimulatory adhesion molecules, CD80 and CD86, by warm ischemia/reperfusion injury in rats.* Lab Invest, 2002. **82**(9): p. 1209-17.

34. Mewton, N., et al., *Determination of the myocardial area at risk with pre- versus post-reperfusion imaging techniques in the pig model.* Basic Res Cardiol, 2011. **106**(6): p. 1247-57.

35. Piot, C., et al., *Effect of cyclosporine on reperfusion injury in acute myocardial infarction.* N Engl J Med, 2008. **359**(5): p. 473-81.

36. Go, A.S., et al., *Heart Disease and Stroke Statisticsâ€"2013 Update: A Report From the American Heart Association.* Circulation, 2013. **127**(1): p. e6-e245.

37. *Stewart S, J.A., Buchau S, McGuire A, Capewell S, McMurry J., The current cost of heart failure to the National Health Services in the UK.* Eur. J. Heart Fail., 2002. **4(3)**: p. 361-371.

38. Neubauer, S., *The failing heart--an engine out of fuel.* N Engl J Med, 2007. **356**(11): p. 1140-51.

39. Abdel-Latif, A., et al., *Adult bone marrow-derived cells for cardiac repair: a systematic review and meta-analysis.* Arch Intern Med, 2007. **167**(10): p. 989-97.

40. Dimmeler, S. and A. Leri, *Aging and disease as modifiers of efficacy of cell therapy.* Circ Res, 2008. **102**(11): p. 1319-30.

41. Dube, M.P., et al., *Design and rationale of a genetic cohort study on congenital cardiac disease: experiences from a multi-institutional platform in Quebec.* Cardiol Young, 2011. **21**(6): p. 654-64.

42. Kalfa, D., et al., *Cryopreserved homograft in the Ross procedure: outcomes and prognostic factors.* J Heart Valve Dis, 2011. **20**(5): p. 571-81.

43. Kalfa, D., et al., *How to choose the best available homograft to reconstruct the right ventricular outflow tract.* J Thorac Cardiovasc Surg, 2011. **142**(4): p. 950-3.

44. Kalfa, D.M., et al., *Pulmonary position cryopreserved homograft in non-Ross patients: how to improve the results?* Eur J Cardiothorac Surg, 2012. **42**(6): p. 981-7.

45. Thomas, D.B., C.M. Smith, and J.M. Sumpster, *The proliferation of transplanted haematopoietic cells derived from bone marrow and fetal liver.* J Anat, 1976. **122**(Pt 1): p. 15-22.

46. Martin P, H.R., Turner A, *The Commercial Development of Cell Therapy.*

47. Behfar, A., et al., *Guided stem cell cardiopoiesis: discovery and translation.* J Mol Cell Cardiol, 2008. **45**(4): p. 523-9.

48. Behfar, A., et al., *Cardiopoietic programming of embryonic stem cells for tumor-free heart repair.* J Exp Med, 2007. **204**(2): p. 405-20.

49. Liechty, K.W., et al., *Human mesenchymal stem cells engraft and demonstrate site-specific differentiation after in utero transplantation in sheep.* Nat Med, 2000. **6**(11): p. 1282-6.

50. Cai, L., et al., *IFATS collection: Human adipose tissue-derived stem cells induce angiogenesis and nerve sprouting following myocardial infarction, in conjunction with potent preservation of cardiac function.* Stem Cells, 2009. **27**(1): p. 230-7.

51. Behfar, A. and A. Terzic, *Derivation of a cardiopoietic population from human mesenchymal stem cells yields cardiac progeny.* Nat Clin Pract Cardiovasc Med, 2006. **3 Suppl 1**: p. S78-82.

52. Hakuno, D., et al., *Bone marrow-derived regenerated cardiomyocytes (CMG Cells) express functional adrenergic and muscarinic receptors.* Circulation, 2002. **105**(3): p. 380-6.

53. Koninckx, R., et al., *Human bone marrow stem cells co-cultured with neonatal rat cardiomyocytes display limited cardiomyogenic plasticity.* Cytotherapy, 2009. **11**(6): p. 778-92.

54. Harrison, J.J., et al., *Azacytidine-induced tumorigenesis of CHEF/18 cells: correlated DNA methylation and chromosome changes.* Proc Natl Acad Sci U S A, 1983. **80**(21): p. 6606-10.

55. Hunt, S.A., et al., *2009 Focused update incorporated into the ACC/AHA 2005 Guidelines for the Diagnosis and Management of Heart Failure in Adults A Report of the American College of Cardiology Foundation/American Heart Association Task Force on Practice Guidelines Developed in Collaboration With the International Society for Heart and Lung Transplantation.* J Am Coll Cardiol, 2009. **53**(15): p. e1-e90.