biotalys
reinventing food protection

# Annual report 2022

# biotalys

We transform food protection with unique protein-based biocontrol solutions, shaping the future of sustainable and safe food supply.

# Introduction

Dear shareholders,

This document contains the consolidated annual report (the "Consolidated Report") of Biotalys NV (the "Company") and its subsidiary, Biotalys Inc. (together referred to as the "Group" or "Biotalys") drafted in accordance with article 3:32 of the Belgian Code on Companies and Associations (the "BCCA") in respect of the accounting year ended 31 December 2022. This document also contains the statutory report of the Company in accordance with article 3:6 BCCA (see part "Financial Statements" – chapter "Statutory Report of Biotalys NV in respect of the accounting year 2022 in accordance with article 3:6 of the Belgian Code on Companies and Associations"). The Consolidated Report covers the entire document except for the chapter dedicated to the statutory report. Both reports have been approved by the board of directors of the Company and are dated 21 March 2023.

According to the European Single Electronic Format issuers on EU regulated markets are required to prepare their annual financial reports in an electronic reporting format with the intention to make reporting easier for issuers and to facilitate accessibility, analysis, and comparability of annual financial reports. This annual report was prepared both in XHTML format (using the Inline XBRL technology, which allows XBRL tagged data) as well as an easily downloadable or printable PDF format. In case of difference in interpretation, the formal XBRL version shall prevail.

The annual reports contain all required information as per the BCCA. The annual reports have been prepared in Dutch and a translation in English is also available. Only the Dutch version is binding, in case of a conflict between the Dutch and English version, the Dutch version will prevail.

An electronic version of the annual reports is available at https://www.biotalys.com/investors/financial-information.

## Forward-looking statements

The annual reports contain "forward-looking statements" within the meaning of the securities laws of certain jurisdictions, In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words "believes," "estimates," "anticipates," "expects," "intends," "may," "will," "plans," "continue," "ongoing," "potential," "predict," "project," "target," "seek" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements appear in a number of places throughout the annual reports. Forward-looking statements include statements regarding the Company's intentions, beliefs or current expectations concerning, among other things, its results of operations, prospects, growth, strategies and dividend policy and the industry in which it operates. In particular, certain statements are made in the annual reports regarding the Company's estimates of future growth.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Investors should not place undue reliance on these forward-looking statements. Any forward-looking statements are made only as of the day of the annual reports and the Company does not intend, and does not assume any obligation, to update forward-looking statements set forth in the annual reports, unless required by law. Many factors may cause the results of operations, financial condition, liquidity and the development of the industries in which the Company competes to differ materially from those expressed or implied by the forward-looking statements contained in the annual reports. These risks described under part "Legal and Financial Information" – chapter "Description of the principal risks associated with the activities of the Company" are not exhaustive. New risks can emerge from time to time, and it is not possible for the Company to predict all such risks, nor can it assess the impact of all such risks on the business or the extent to which any risks, or combination of risks and other factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not rely on forward-looking statements as a prediction of actual results.

# Reinventing food protection

Our mission is to transform food protection with unique protein-based biocontrol solutions, shaping the future of sustainable and safe food supply.

We develop products to offer farmers reliableand cost-effective tools to prevent crop loss while extending post-harvest protection and reducing food waste.

Based on our groundbreaking technology platform, we are developing a unique pipeline of effective and safe products with novel modes of action, addressing key crop pests and diseases across the whole food value chain.

Biotalys was founded in 2013 as a spin-off from the VIB (Flanders Institute for Biotechnology) and is listed on Euronext Brussels since July 2021.
The Company is based in the biotech cluster in Ghent (Belgium) and has a subsidiary in Research Triangle Park (North Carolina, United States).

**SAFER FOOD,
BETTER PLANET.**

# Vision, company culture & values

The sustainability of our planet is our highest priority to secure the well-being of our families and future generations. With transformative innovation, we strive to provide safe and sustainable alternatives to protect our food, ensure productivity and quality while preserving our environment, our soils and our health.

As a frontrunner in agricultural innovation, we aim to create choice and value for the growers, the food industry and society. Through excellence in execution, we forge our growth and deliver value for our Company, our employees, our shareholders and customers.

The foundation of our ambition comes from the expertise, diversity and passion of our team as well as from the alliances we forge with global partners. Our distinctive power is the solid science of our unique technology platform, which is rooted in nature to deliver high performing biological products. We learn and grow each step of the way. Our collaborative mindset allows us to design today the solutions for the future of a sustainable food production.

**Teamwork**

**Innovation with Impact**

**Accountability**

**Passion**

**Well-being**

# 10 years Biotalys

## 2013

– Biotalys was founded as a spin-off from the VIB and was hosted in the Ghent VIB Biotechnology Incubator

– Series A financing (EUR 5 million) to which, among others, Gimv NV, PMV NV, VIB, Agri Investment Fund CVBA, Biovest NV, Madeli Participaties B.V. and Qbic participated

## 2015

– Start BioFun-1 project, leading to the development of Biotalys' first biofungicide Evoca™

"Originally, we wanted to use antibodies to develop new formulations to improve the performance of existing crop protection products. Besides this main activity, we also had a 'Friday afternoon' project, where we selected antibodies that would not only adhere to a fungus, but would also kill fungi. And so it happened, which ultimately led to a key focus area of Biotalys today."

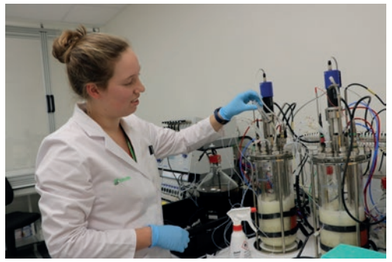
**— Marnix Peferoen - Founder and former CEO of Biotalys**

## 2016-2017

– Series B financing (EUR 11 million) adding K&E BV and Sofinnova Partners

## 2017

– Start of extensive field trial programs in the U.S., EU, Japan and South Africa to develop its first product Evoca



## 2019-2020

– Series C financing (EUR 45.1 million) adding Ackermans & van Haaren NV and Novalis LifeSciences

– Biotalys incorporated its U.S. subsidiary Biotalys, Inc. to prepare for the market entry of Evoca, to support the product development activities and to establish business and corporate relationships

"We believe that Biotalys' strong underlying technology can provide an effective solution to the major challenges within the agricultural sector. For Agri Investment Fund, the investment in Biotalys has great added value for its own goals: to contribute to a stronger and more reliable agriculture with a view to a reliable income for the farmer."

**— Patrik Haesen - CEO Agri Investment Fund**

## 2019

– Biotalys demonstrated with its CMO partner the ability to scale up the production of AGROBODY™ proteins to 35,000 L

# 10 years Biotalys

## 2020

– Biotalys won the “Crop Protection Solution of the Year” and the “Overall Food Quality Solution of the Year” awards in the inaugural AgTech Breakthrough Awards program

– Biotalys filed for EPA registration in the U.S. of Evoca

## 2021

– Biotalys moved to its new R&D facilities and headquarters to fully support its growth and technology expansion activities

– Biotalys filed for EU registration of Evoca

– Biotalys made its Initial Public Offering (IPO) on Euronext Brussels (EUR 52.8 million)

## 2022

– Biotalys was awarded a multi-year grant by the Gates Foundation to develop new biological solutions for cowpeas and other legumes

– Biotalys entered into a partnership with Biobest

## 2022

– Biotalys conluded various manufacturing partnerships (Olon, Kwizda and Novozymes)

– New FRAC code for Evoca

## 2022

– Biotalys won the “World BioProtection Award” for Evoca

## 2022-...

– Significant progress in protein expression


“Biotalys was based on VIB’s strength in disruptive research, technological development and entrepreneurship. We believe that Biotalys will be a real pioneer in the field of sustainable crop protection products with respect for people and the environment. And we are very proud of that!”

**— Jérôme Van Biervliet - Managing Director VIB**


“Increasing the production efficiency of the bioactive ingredient in its first product Evoca will have significant positive ramifications for the Company. This will allow us to offer our product to a broader range of crops and geographies.”

**— Adrian Percy - Chairman of Biotalys’ Scientific Advisory Committee**

# Letter to the Shareholders from Chairman Simon Moroney

Dear shareholder,

The year 2022 was one of solid progress for Biotalys. Highlighted by advances in the development of our lead product candidate Evoca, the Company took important steps forward in executing its strategy to develop novel biocontrols for a sustainable and safe food supply. The year was challenging for our industry: the war in Ukraine impacted global food supplies and producers intensified their use of existing chemical fertilizers and crop-protection agents. While understandable, these stopgap measures only prolong the environmental challenges created by current agricultural methods.

At Biotalys, we understand that today's farming and crop growing methods stress our environment. We believe that the future will look very different, and that the agricultural industry will be transformed by a shift to safer and more effective pest control agents. Our Company's purpose is to be a leader in this transformation by developing and applying technologies for the generation of pesticides based on naturally-occurring proteins, to the benefit of growers, consumers, and ultimately, society as a whole.

## One step closer to the market

In 2022 we made major progress with our lead product Evoca. The first biofungicide of its kind in the industry, Evoca has been neither easy nor cheap to produce. Through a combination of outstanding work by our scientists and effective partnerships, we achieved substantial improvements in production yield, a crucial step towards making Evoca a commercially attractive product.

The innovative technology platform that Biotalys is refining and applying to develop new products is a core asset of the Company. Another asset is our people. In 2022 we strengthened the Company's executive committee, with the appointment of Carlo Boutton. Carlo brings a broad understanding of our technologies, and his expertise will be invaluable as we continue to build our portfolio of product candidates.

The Biotalys share price was relatively stable during 2022, outperforming virtually all relevant indices. This is noteworthy at a time when the share prices of many companies that have recently gone public have suffered. As is often the case with companies of our size, liquidity is limited. Nonetheless, we see widespread interest in the Biotalys story and support for our stock.

> "Biotalys is well-positioned to be a leader in our industry, with a promising product candidate in Evoca, a powerful technology platform, and a great team."
>
> — Simon Moroney, Chairman

## Looking Ahead

Looking to 2023, our main goal for the year is to secure regulatory approval for Evoca in the United States. Assuming such approval is secured, we will conduct a market calibration exercise to put the product into the hands of growers across the U.S. and gather their feedback. This will be a critical step in commercializing Evoca and in our life-cycle management of the product and its successors.

We will continue to work on other product candidates to build our portfolio beyond Evoca. In parallel, we are engaging with potential partners in the industry to explore ways of working together. Partnerships may offer an attractive means of expanding the application of our technologies to other targets as well as maximizing the commercial opportunities for our proprietary product candidates.

## Together on a great mission

Everyone who works at Biotalys is driven by the importance of our mission and understands that our Company's purpose is closely aligned with the needs of society. We are guided by a vision of a future in which farming will use products for crop protection that are safer and more effective than those available today. Biotalys can play a major role in this transformation and we are determined to do everything we can to make it happen.

The Company is well-positioned to be a leader in our industry, with a promising product candidate in Evoca, a powerful technology platform, and a great team.

I would like to thank you, our shareholders, for your ongoing support as we work to create a better future for all.

Simon Moroney
Chairman of the Board of Directors



# Key facts

### Based in the Ghent biotech cluster

HQ and laboratories in Ghent, Belgium, with a key subsidiary in RTP, North Carolina, U.S.

### Versatile product pipeline

Broad and diversified pipeline in biofungicides, bio-insecticides and biobactericides.

### Significant market potential

Addressable market potential of $ 4.8 billion through the various product programs.

### First product Evoca™

Biotalys' first biofungicide, submitted for registration to regulatory authorities and expected to enter the U.S. market in 2023.

### AGROBODY Foundry™

Proprietary technology platform built to develop unique protein-based biocontrol solutions for growers worldwide.

### Spin-off from the VIB

Company established in 2013 as a spin-off from the Flanders Institute for Biotechnology.

### Strong patent portfolio

Strong IP position with close to 20 patent families related to the AGROBODY™ technology and pipeline.

### Highly qualified team

75 team members from 13 nationalities.

# Highlights of 2022

## JAN

### Breakthrough in protein expression

The strain engineering and manufacturing teams of Biotalys achieve a breakthrough in production capabilities for the active protein of Evoca™ in the yeast Pichia pastoris. This breakthrough has the potential to transform Evoca from a market calibration tool into a commercial product of competitive efficacy and cost to growers by 2026.

### Partnership with Olon

Biotalys enters into a long-term strategic partnership with Olon for the manufacturing of Biotalys' protein-based biocontrols. Relying on its leading expertise in microbial fermentation, Olon will manufacture Biotalys' biocontrols beginning with Evoca.

### Partnership with Kwizda Agro

Biotalys signs an agreement with Kwizda Agro, an established crop protection manufacturer and provider of tolling services for the agricultural industry, to act as the formulator of its biocontrol products. Kwizda Agro will formulate the liquid active ingredient into water-soluble granules that form the customer's end product.

## MAR

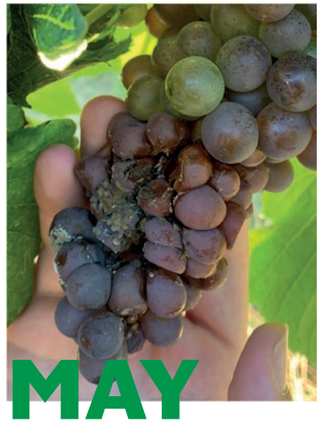
### Appointment of Carlo Boutton as Chief Scientific Officer

The Company appoints Dr. Carlo Boutton as its new CSO. Dr. Boutton brings more than 20 years of antibody and biochemistry leadership to his new executive role at Biotalys. He will lead the team's continued scientific research to further develop the novel AGROBODY Foundry™ technology platform, preparing Biotalys' pipeline for expansion and commercial availability.

## APR

### New Board member Michiel van Lookeren Campagne

Biotalys appoints Dr. Michiel van Lookeren Campagne to its Board of Directors. With decades of experience driving scientific advances for the agricultural industry, he brings valuable perspectives to the Board in support of the Company's efforts to make protein-based biocontrols a standard part of the crop and food protection toolkit in the years ahead.



## MAY

### New key finding in grapes

Field trials with Evoca in the US showed that, when applied at the flowering stage in a Botrytis control program in grapes, the product consistently outperformed a leading chemical fungicide. This demonstrates Evoca's potential as a pivotal tool to fight Botrytis.

### New FRAC code for Evoca™

The Fungicide Resistance Action Committee (FRAC) grants an entirely new class for the active ingredient of our first biofungicide, Evoca. This new classification, granted by a highly-reputed international panel of renowned technical experts, demonstrates to growers that Evoca will be a new tool that complements existing biological and conventional crop protection solutions to fight the fungal diseases Botrytis and powdery mildew.

### World BioProtection Award for Evoca™

Evoca wins the World BioProtection Award 2022 for Best Biofungicide Product. The award was granted at the World BioProtection Summit taking place in Birmingham (UK), based on the innovative character, scientific value and market potential of the product.

## JUN

### Partnership with Novozymes

The partnership with Biotalys provides that Novozymes will use its expertise, intellectual property rights and know-how to explore additional routes for the upscaling and production of the bioactive protein of Evoca, with the option of a possible commercial collaboration for a future generation of the product.

## SEP

### Employee visit to Evoca™ greenhouse trials

Our employees visit the greenhouses of our partner Botany in The Netherlands. It offers them a great opportunity to see the performance of Evoca on tomatoes, strawberries and cucumbers and to discuss and exchange thoughts with growers and distributors of fruit and vegetable production.

# Highlights of 2022


## OCT

### Bill & Melinda Gates Foundation visit to Biotalys HQ

Vipula Shukla, Senior Program Officer for Agriculture at the Bill & Melinda Gates Foundation, visits the Biotalys Ghent office and labs. She gives an inspiring presentation on the work and strategy of the Foundation in agriculture globally. Our team provides her with more background on our activities in the BioFun-7 program as well as our AGROBODY Foundry platform and capabilities.

### Identification of new ways to scale Evoca more cost-efficiently

Our partner Novozymes uncovers new ways to scale production and efficiency that could help Biotalys drive a broader commercial reach for Evoca, both in the U.S. and EU fruits and vegetables markets, as well as in additional geographies, crops and diseases. These results may help reduce the time to develop a commercially attractive version of Evoca.

## DEC

### Establishment of a Scientific Advisory Committee

Biotalys establishes a Scientific Advisory Committee (SAC) to support the Company's continued growth, accelerate product pipeline efforts and deepen scientific partnership initiatives. The SAC brings together leading scientists and industry experts that will meet regularly to provide scientific and industry-specific direction on initiatives tied to their scientific domain, including the research and development platform, fungicides, bactericides, and insecticides.

# Company highlights and activities

01

# Shaping the future of sustainable and safe food supply

## Global food supply strained

Population growth and climate change are putting societies around the world under pressure. The past year, geopolitical conflicts and natural disasters further significantly endangered global food supplies.

### Food insecurity on the rise

Today, 345 million people in 82 countries struggle to put food on the table, up from 135 million in 53 countries before Covid-19. Put simply: in just two years the number of people facing acute food insecurity has doubled. Terrible events as the Russian war in Ukraine, the pandemic, and exceptional drought have formed a perfect storm causing high food, energy and fertilizer prices, preventing even more people from feeding themselves decently.[1]

The UN goal of eliminating all hunger from the world by 2030 thus seems more remote than ever. With only seven years left, action is imperative. More sustainable agriculture and biological alternatives for food and crop protection are critically needed.

### Climate change is on top of the world's agenda

Climate change is a worldwide priority for policymakers, industry stakeholders, and society. At COP27, held in Egypt in November 2022, countries reaffirmed their ambition to limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels. They also reiterated their commitment to cut greenhouse gas emissions to global net zero by mid-century. With extreme climate events becoming the norm, COP27 participants stressed the urgency of protecting communities by adapting to their devastating effects.[2]

Agriculture plays a crucial part in saving both livelihoods and lives. At COP27, countries set out a 12-month action plan to speed decarbonization in five key areas including agriculture. The goals include a faster shift to sustainable agriculture, boosting food security for billions of people.[3] With food production already causing 26% of global greenhouse gas emissions[4] and the world's population swelling, farming needs breakthrough innovations to reduce its environmental and societal impact while improving food safety and quality.

## Global food loss and waste

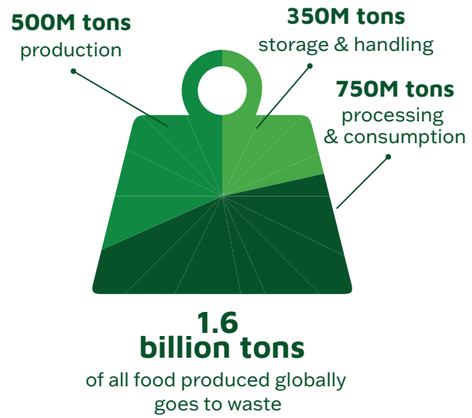
Our planet faces many threats to longevity. The growing population is expected to need over 50% more food by 2050, which would require more farmland amounting to nearly twice the size of India and cause a 275% above-target contribution to agriculture's greenhouse gas emissions.[5] Yet in the midst of this population explosion, an estimated 30% of all food produced still goes to waste along the food value chain.

The food loss is so dramatic that official agencies are throwing all available resources into halting it. In its Sustainable Development Goals [6], the United Nations targets cutting per capita global food waste in half at the retail and consumer levels and reducing food losses in production and supply chains, including post-harvest, by 2030. This ambitious timetable underscores the global urgency of the food waste issue.

The European Commission committed to this UN target in its "Farm to Fork Strategy".[7] It pledged to set a baseline and proposed legally binding targets to reduce food loss and waste across the European Union.

However, about half of the food losses happens during production (in the field) and the first steps of handling and storing (post-harvest), before the food is processed or reaches consumers.[8] For fresh produce such as fruits and vegetables, the proportion is even higher. A broad range of pesticides is being employed in the production, storage and handling of fresh produce to protect it against spoilage (fungal diseases) and insects. But to what end?

The answer is not more chemicals. At Biotalys, we believe it is vital to identify and develop novel and safe food protection technologies that can be applied in innovative and differentiated ways to boost the global food system's efficiency and sustainability.




source: The Boston Consulting Group, "Tackling the 1.6b ton food loss and waste crisis", 2018

## Consumers demand safe, healthier, more nutritious food

Consumers are also gaining market power. They are increasingly questioning the use of conventional chemical crop protection products, their potential effect on human health and biodiversity, and their accumulation in the ecosystem.

This concern has spurred them to demand access to healthy and safe food that is free from pesticide residues and produced with minimal impact on the environment. It has also led many large, global food retailers to impose these standards on their supply chains. While these actions hold out the promise of safer alternatives, they also put additional pressure on growers to deliver high-quality/low pesticide food. Luckily, technological advances and innovators like Biotalys are ready to offer new tools and solutions to answer these intensifying consumer demands and mitigate the pressure on growers globally.

**50%**

**Our global population is expected to need over 50% more food by 2050**

## Regulatory evolutions

Over the past two decades, many developed countries have acted to lower the risks and hazards caused by conventional chemical pesticides, leading to a sharp rise in their development and registration costs.

The regulatory landscape's evolution is particularly significant in the EU, which has banned or severely limited the use of some highly toxic or endocrine-disrupting pesticides and applied strict regulatory standards to pesticide residues. The European Commission's recent "Farm to Fork" strategy to reduce the overall use and risk of conventional chemical pesticides by 50% by 2030[13] increases the need for alternative, environmentally responsible, and more efficient solutions and thus favors the accelerated growth of the biocontrol segment.

In the United States, the 1996 Food Quality Protection Act mandated the Environmental Protection Agency (EPA) to retrospectively review all insecticides applying more stringent safety criteria. The EPA's specific fast-track regulations created for biocontrol products promote the development of sustainable alternatives to existing chemical pesticides.

# Opportunities in food and crop protection

## Protecting food

Food protection helps growers and distributors meet a growing population's demand for food. Any material or mixture that can prevent, destroy, repel, or mitigate a pest can be called a food protection product or pesticide, but they are certainly not all created equal.

While Biotalys has a stake in both pre- and post-harvest protection, the rest of the market is split between protecting crops while they're being produced (treatment of seeds, in the field, pre-harvest) and post-harvest processing and storage (including packaging and handling of fresh or processed food before it reaches retail) (see figure below).

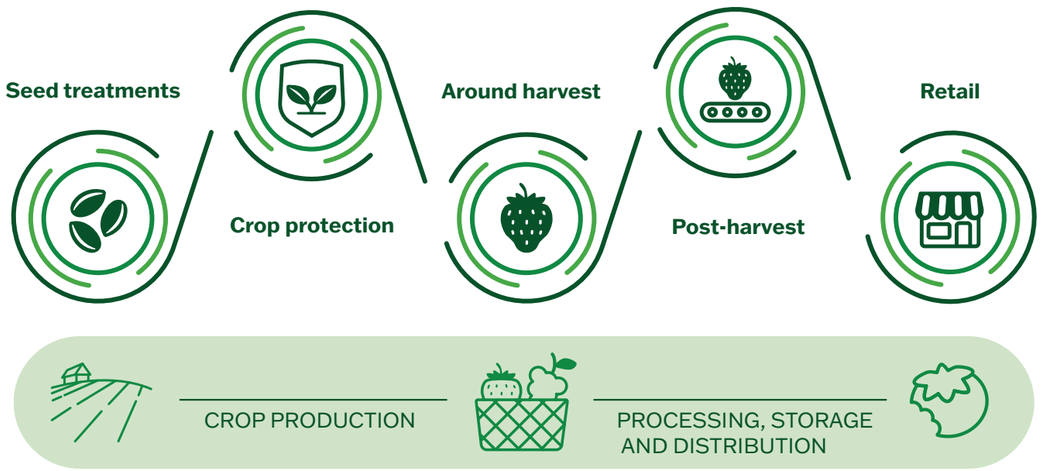
Crop protection is by far the largest market with more than $60 billion in annual sales, with the burgeoning post-harvest segment representing some $1.5 billion. Biotalys believes that novel biocontrol products, alongside regulatory evolution and consumer demand, can further expand the post-harvest protection market opportunities.

## The biological food and crop protection market is growing

Over the last decade, consumers demanding healthy and safe food, stricter regulations, and growers' need for flexibility have driven growth in the biological food and crop protection market to over 15% annually, significantly outpacing conventional chemical crop protection.[9]

We expect growers to increasingly incorporate biocontrol products into their farming practices, especially in their Integrated Pest Management (IPM) programs that rotate a variety of crop protection products with different modes of action. This allows optimized diversity of applications and greater flexibility of operations, while substantially lowering the chemical input load. It also yields higher-quality products with less chemical residue, thus better meeting the demands of consumers, retailers, and regulators and giving growers sustainable value from their products.

If technological advances spur the development of new biological food protection products displaying performance and consistency equal to conventional chemical ones, market growth in the biological sector could accelerate even faster. Biological products also yield efficiency gains for growers, since some conventional chemicals require re-entry intervals of multiple days for treated areas in order to protect humans and animals against poisoning.




Compared to conventional chemical food protectants, the key advantages of biocontrols for the industry, growers and consumers are that they

- limit chemical load and chemical residues, thus lowering agriculture's environmental impact and raising product quality;
- increase flexibility for growers to expand IPM programs, providing new tools for resistance management and safe and flexible working conditions for field workers;
- help safeguard conventional products by avoiding rapid resistance buildup and allowing longer life cycle management for the chemical industry;
- shrink agriculture inputs' carbon footprint through straightforward production of biocontrols compared to the multi-step synthesis of conventional chemical crop protection products; and
- generally benefit from fast-track regulatory studies, allowing a faster go-to-market approach.

## Opportunities in post-harvest protection

According to the FAO[10], 14% of all food is lost from production before reaching the retail level. A further 17 percent of our food ends up being wasted in retail and by consumers, particularly in households. For fresh fruits and vegetables, the estimate is 44% lost or wasted (along the full food value chain, including pre-harvest) before reaching the consumer.[11]

Limited conventional chemical or biological solutions are available, so this market segment could greatly benefit from our AGROBODY™ technology to complement current practices safely and sustainably. The use of safe, effective, and eco-friendly products also enhances the potential to boost the value of post-harvest protection in the next decade since these allow new applications in crops. Safety concerns increasingly exert pressure on conventional chemical products as residue from treatments moves closer to the end consumers.

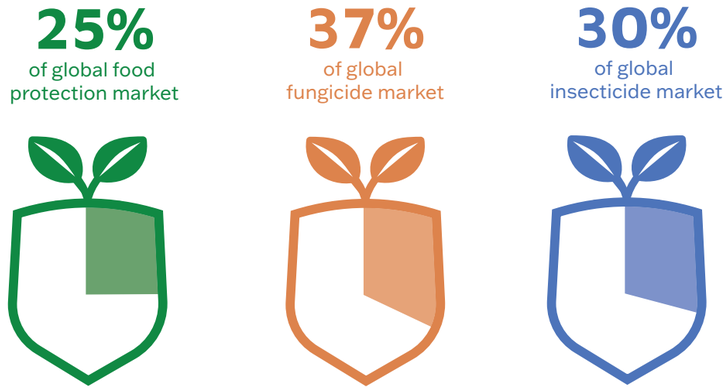
## Fruits and vegetables: a main target market

Fruits and vegetables ("F&V"), one of our main targets, account for 25% of the total food protection market and represent 37% of the global market for fungicides and 30% for insecticides.[12]

Given the high value of the crops they protect, products in this segment are priced higher than row crops. The combined high value and high relevance of F&V make this a critical focus area for innovative companies in crop protection.

F&V will also drive the evolution of sustainable practices in the short to medium term given the industry's close connection to the consumer (compared to commodities like corn or soy, which are largely consumed by animals).

**The share of fruit & vegetables in the global food protection market**




source: Mordor Intelligence - F&V crop protection market (2020) - https://www.mordorintelligence.com/industry-reports/global-crop-protection-chemicals-pesticides-market-industry

## Our goal: to offer transformative solutions

Using our proprietary technology, the AGROBODY Foundry™ platform, we aim to develop products that help reduce agriculture's environmental footprint, optimize the use of natural resources, and give consumers healthy and safe choices.

We are confident that our product candidates will continue to demonstrate a biological-like clean safety profile, due to their intrinsic rapid biodegradability, while providing conventional chemical-like performance and consistency when used as per label recommendation in an IPM program. This addresses a key shortcoming of most biological food protection products that are typically less consistent and effective than conventional chemical ones.[14]

We also believe our proprietary technology platform can identify novel modes of action at competitive costs in an industry where conventional chemical innovation has slowed substantially over the last decade and where biological products do not usually offer a clear and single mode of action.

Finally, we expect to produce our product candidates at scale through fermentation with chemical-like quality control and reach manufacturing efficiency to compete in most food protection markets in the long term.

# A clear strategy to create sustainable value

We aim to completely reinvent food protection to drive a safe, sustainable food supply. As a platform-based biocontrol leader, we are committed to developing our end-to-end capabilities in discovery, development, and commercialization. To fully cultivate the potential of our proprietary AGROBODY Foundry™ platform, we intend to:

## Continue leveraging our platform and technology to sharpen our competitive edge.

We are strengthening our technical capability to offer differentiated and effective biocontrol products at different stages of the food value chain. By steadily expanding our IP portfolio and building capacity in protein-based biocontrol products with a talented team and cutting-edge technology, we intend to gain a competitive edge that others will struggle to emulate.

## Obtain first registration for our protein-based biofungicide Evoca™ in the U.S. and EU and use it to pave the way for future pipeline products.

We filed for EPA registration of our first AGROBODY™ protein-based biofungicide Evoca™ in December 2020, and for EU registration in March 2021. Once registered, Evoca will first enter the U.S. market to introduce key agricultural segments to our AGROBODY technology. This will create trust and demonstrate the main differentiating features of our AGROBODY biocontrols.

In the last years, we have made a lot of progress in our capabilities for yeast based production. This significant advance in our production capabilities will allow us to transform Evoca from a market calibration tool into a commercial product of competitive efficacy and cost to growers by 2026. We intend to leverage this significant improvement and the efficient method of producing AGROBODY bioactives to substantially expand our IP portfolio.

## Selectively leverage our AGROBODY Foundry™ platform to secure strategic collaborations and create additional value.

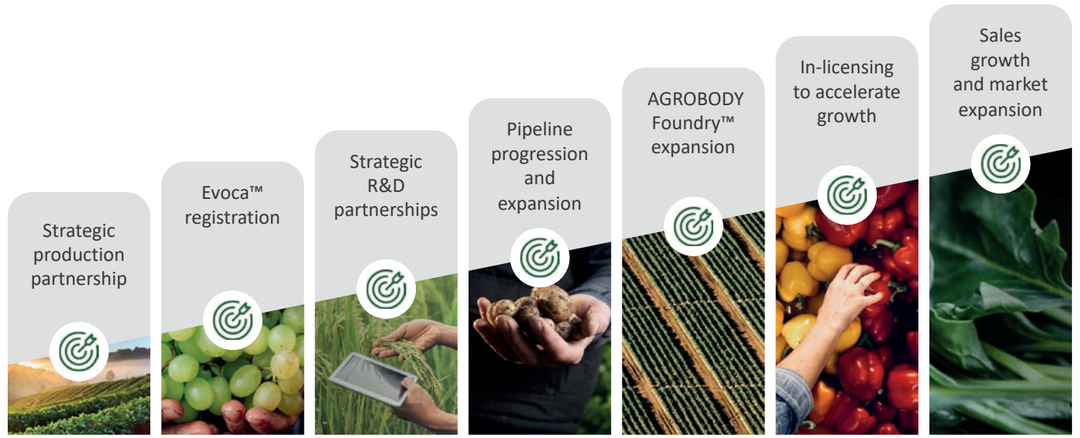
Building on the launch of Evoca, we intend to selectively partner with major agricultural and food industry players. This will deploy and validate our AGROBODY Foundry platform beyond our internal programs and leverage its unique features in industry-wide efforts to develop more sustainable products for food and crop protection. We intend to establish such partnerships where the market potential and conditions create value beyond what we could generate with our fully-owned programs.

## Expand our AGROBODY Foundry™ platform potential in adjacent markets to create resilience.

We want to penetrate markets beyond crop protection that are less commoditized, such as post-harvest protection and turf and ornamentals. Diversifying our market reach will allow us to create long-term financial resilience and fully leverage the differentiating value of our product candidates along the food value chain.

## Use selective partnerships and in-licensing of technology to complement capabilities, create scale, and enhance value.

Beyond partnerships, Biotalys will consider opportunities for strategic transactions that could strengthen our AGROBODY Foundry platform, broaden our market access and product pipeline, and accelerate revenue generation.




Value creation designed through pipeline advancement, strategic key partnerships & commercial growth

#INTERVIEW

# “2023 is shaping up to be an exciting year for Biotalys”

On the heels of a productive and successful 2022, this year Biotalys has its sights set on new milestones. CEO Patrice Sellès takes stock of the past year and looks confidently to the future. One critical juncture will be the registration and launch of Evoca in the United States. “The whole team is eagerly waiting to show our firstborn baby to the outside world,” he says.

> “2022 marked the start of our transformation from a pure R&D company to a commercial organisation.”
>
> — Patrice Sellès , CEO

Biotalys entered last year with high ambitions, and Patrice Sellès looks back on its achievements with satisfaction. “2022 was a challenging year for any public company, so I’m glad we were able to maintain the support of our shareholders. In part this was because we delivered strong messages and positive news throughout the year”, Sellès begins.

## Great scientific progress

“In terms of science, it was a fantastic year for us with progress in three key areas”, Sellès says. “First was Evoca, which continued to perform well in field trials and moved closer to reaching the hands of customers. For us, 2022 marked the start of our transformation from a pure R&D company to a commercial organisation with the customer in mind in everything we do. Second, the progress made on our pipeline, both internally and with partners like the Bill & Melinda Gates Foundation, was a highlight. Finally, our team’s ability to produce complex proteins for the agriculture market at scale and at lower costs was a major achievement”, he continues.

“We were also able to hire some amazing new colleagues and a diverse team that brought new perspectives and ideas to the organization. This has really helped us to grow and advance faster.”

## Strategic partnerships for manufacturing at scale

Biotalys also created key partnerships last year. “Our Company’s strength is in discovery and development, so we wanted to leverage partnerships for manufacturing at scale”, Sellès explains. “Olon is a key player in fermentation and is working with us to increase production of Evoca. The product is made as a liquid but we want to sell it to growers in granules. That’s where Kwizda comes in to formulate Evoca. Both partnerships have been immensely helpful in preparing the commercialization of Evoca.”

“In 2022 we also signed an agreement with Novozymes, the world’s largest producer of enzymes. They successfully showed they could produce Evoca using a different microorganism than we do. Novozymes works with enzymes while we work with proteins, making this a very complementary partnership”, says Sellès. “It has been successful so far and we will now look further at how to develop it in 2023.”

## Biology with real potential to replace chemistry

Good news also came from the field over the past year, where Evoca continued to post positive results, especially on grapes. “Grapes are one of our key crops and a valuable one for positioning a product like Evoca. During the season, growers apply

#INTERVIEW

different sprays at various stages to avoid creating resistance and ensure that no diseases are formed on the grapes. Currently, the biocontrols sold to growers are mostly used at the end of the season because growers want to be sure there are no chemical residues on their grapes. Otherwise, they won't be accepted by retailers like the big supermarkets", Sellès explains.

"We have demonstrated that Evoca can replace the very first chemical fungicide applied during the season and can even outperform traditional chemistry. This is a game-changer for the biocontrol industry, as we can position biocontrols in places where they could not be used before", he proudly continues. "Evoca has the potential to achieve what other biocontrols couldn't , and the team is excited to make this technology commercially accessible to growers."

## Growers' first date with Evoca

Growers will get their first look at Evoca during this year's planned market calibration in the United States. "Its purpose is two-fold. First, we want to bring the product directly to the growers for the first time so they can use it to protect their crops and share their experiences with us. Second, we want to create demand and make sure the growers are satisfied with the product and ask for more, which will help us understand their needs better and support the development of a commercial version of the product by 2026", Sellès explains.

If all continues as planned, we expect the regulatory approval in the U.S. to come this year. Sellès and his team eagerly work towards the big moment. "Our team is doing an excellent job producing and preparing large quantities of Evoca for packaging and shipment. Once we receive the official number for the label on the package, we can start shipping the product to the U.S.", Sellès foresees. "We cannot wait to show our firstborn to the world."

## "Sustainability is in our DNA"

Besides Evoca's registration, the Company has other exciting plans for the year ahead. "Our first priority is to continue to grow and advance our pipeline. We aim to initiate new programs and attract new partners to help us expand our reach. Additionally, we plan to further validate our technology in both the crop protection segment and the entire food value chain", Sellès says. "Building up our team is another key focus for us this year, which we will do by recruiting selected key personnel. At the same time, we will further develop our ESG strategy to become a leader in this field", he adds.

"Additionally, 2023 will be about supporting the growth of the organization and creating value for our shareholders." What makes Biotalys attractive? Sellès is very clear: "For investors concerned about impact, Biotalys is an interesting company to consider. We are at a mature point in our growth, and we expect to reach several key milestones in the coming months and years that will establish our foundation as a sustainable company. The story of Biotalys is about making a difference with a strong purpose. So I think we have much to offer to current and future investors."

## Ten years down the road

Finally, Sellès takes a look into his crystal ball. With Biotalys celebrating its tenth birthday this year, he makes a prediction. "Without losing our current focus on Europe and the U.S., I hope we can expand our work into different regions around the world. Latin America could be an important region for us as it exports much of the fresh food and vegetables we consume. We also have specific ambitions for Asia and Africa, particularly in partnership with the Gates Foundation", Sellès says.

"In ten years, I envision Biotalys as much bigger than today in terms of both valuation and people", he continues. "We have the potential to be a key player in biological solutions in agriculture, delivering not just products but also full solutions to growers. This is the direction in which the Company is moving, and I believe that with the support of the entire team we can meet our goals."

> "We are at a mature point in our growth, and we expect to reach several key milestones in the coming months and years that will establish our foundation as a sustainable company."
>
> — Patrice Sellès , CEO

02

# Science, pipeline and products

## Our strengths

Protein-based biocontrols that offer safer and cleaner alternatives to chemical pesticides.

Distinct advantages over existing biologicals, combining chemical-like performance in an IPM framework with the clean safety profile of biologicals leaving no chemical residues and protecting biodiversity.

Antibody-based technology, validated in human therapeutics and animal health, now developed for sustainable agriculture.

From idea to market faster and at considerably lower development cost than chemicals.

First product registration dossier submitted to EU and U.S. authorities.

Addressing the growing challenges faced by farmers as well as the changing needs of retail, consumers and regulatory authorities.

Diversified pipeline with combined potential market of $4.8bn, focusing on major pests and diseases in high-value crops.

Exploring selective strategic collaborations and partnerships to leverage the technology platform and product candidates.

Clear and flexible commercialization strategy, with expected introduction of first product as market calibration tool in 2023.

Strong IP position, with close to 20 patent families related to the AGROBODY™ technology and pipeline.

Experienced science team with a strong track record in AgTech & biotech.

# Protein-based biocontrols

At Biotalys, we develop novel alternative solutions to protect crops against plant pests and diseases while keeping the environment, farmers and consumers safe. The products we are developing are based on biodegradable proteins, and leave no chemical residues in the soil or on the crops we eat.

## Next generation products for crop protection

Proteins are the most common and diverse group of biological substances and are central compounds necessary for life. They are made from amino acids: building blocks required by all living organisms, from plants to microbes to mammals.

Due to their small size and specific structure and properties, our AGROBODY™ proteins are ideal to develop the next generation of innovative biocontrol products. They have multiple advantages making them a highly effective alternative to conventional chemical products. At the same time, they safeguard the health of both our food and our environment.

## Advantages of our protein-based biocontrols

### PRODUCED BY FERMENTATION

Our AGROBODY proteins are produced in simple micro-organisms such as yeast followed by simple filtration steps, thus limiting energy use and waste from their production.

### SUBJECT TO CONTINUOUS QUALITY CONTROL

We can identify the content and purity of the product candidate at any point in time.

### DESIGNED FOR APPLICATION LIKE A CONVENTIONAL CHEMICAL FOOD PROTECTION PRODUCT

Growers or industry professionals will be able to use our biocontrols as an alternative without the need to change farm equipment or adapt distribution channels for specific temperature conditions, unlike certain microbial biocontrol products that require a more controlled environment.

### DESIGNED TO BE EASILY INTRODUCED IN GROWERS' IPM PROGRAMS

Our product candidates are developed as alternatives to existing conventional chemical food protection products or to improve resistance management.

### DEVELOPED TO BE AS EFFECTIVE AND CONSISTENT AS CONVENTIONAL CHEMICAL FOOD PROTECTION PRODUCTS

Our protein-based biocontrols are developed to be as effective as conventional products when used in an IPM program, but as harmless as microbial food protection products.

### SAFE FOR GROWERS AND CONSUMERS

The safety of our biocontrols is expected to allow rapid re-entry in the field and short pre-harvest intervals (to be further defined by the U.S./EU regulatory approval).

### NATURALLY BIODEGRADABLE IN THE ENVIRONMENT

The stability of our AGROBODY proteins is finetuned during our R&D process to assure their maximum efficacy before they naturally degrade into their amino acid building blocks (potentially a source of nutrients for plants and microorganisms), while remaining stable in their original formulated state.

### SPECIFIC TO THE TARGET DISEASES OR PESTS

The mode of action and spectrum of activity can be tuned during the R&D process to avoid undesired impact on beneficial organisms and the ecosystem.

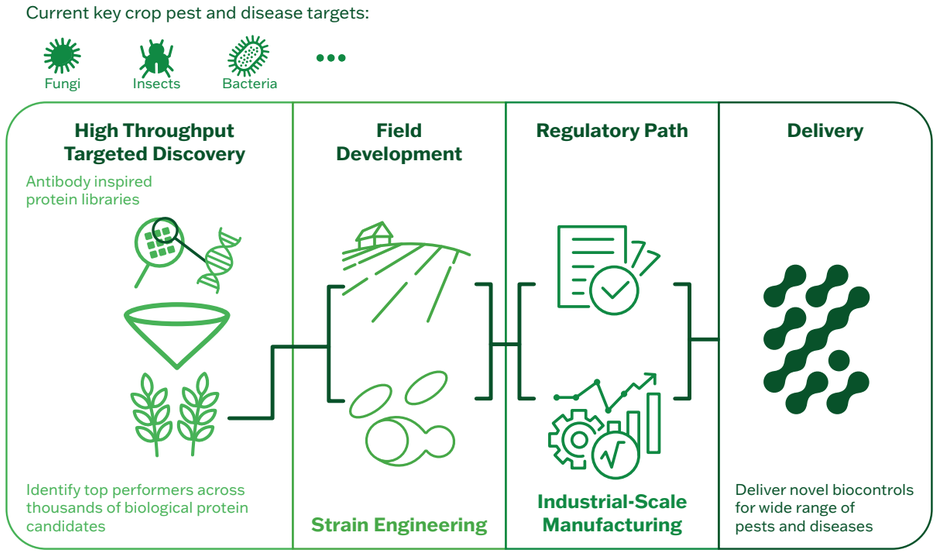
# Our technology: AGROBODY Foundry™

Our unique groundbreaking, proprietary technology platform has been developed to rapidly generate innovative protein-based crop protection products that are highly effective and that safeguard the health of both our food and our environment.

## The AGROBODY Foundry™ platform

The AGROBODY Foundry™ platform is unique and scalable, allowing the development of protein-based biocontrols to target multiple indications. It builds on a well-validated R&D framework that has already shown its effectiveness in drug development for human and animal use.

Our AGROBODY™ biocontrols are manufactured through a proprietary industrial-scale bioprocess that enables the development of biofungicides, bio-insecticides and biobactericides with novel modes of action. These unique mechanisms lower the likelihood of a target organism developing resistance compared to widely used conventional chemical food protection products.



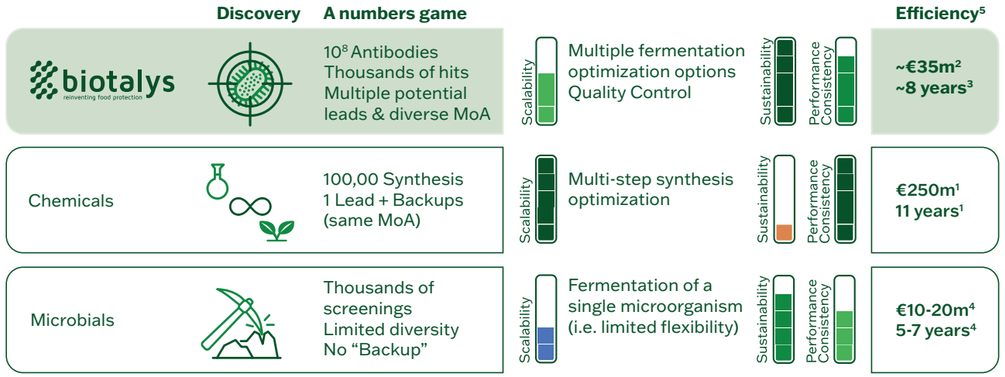

## A targeted and automated approach combines the best of both worlds

Our targeted and automated approach during the discovery and development phase, in combination with a straightforward regulatory pathway, allows novel biocontrols to be developed three years faster and at a markedly lower cost than the generation of chemical active ingredients.

Conventional chemical and microbial R&D platforms often require intensive scouting and screening in the research phases across large numbers of possible new leads to find candidates that are effective against specific insects, fungi or microbes. Our AGROBODY Foundry platform, in contrast, offers the advantage of generating AGROBODY proteins directly from the selected target insect, fungus or microbe.

AGROBODY proteins are designed to act against a given target through the immunization of llamas, offering the potential of one-step provision of a broad range of active proteins with different modes of action.

Unlike many microbials, AGROBODY biocontrols are comparatively easy to manufacture: they are encoded by a single gene and are efficiently produced in microbial production hosts such as bacteria and yeast. Compared to the multi-step chemical synthesis for conventional chemical pesticides, the one-step fermentation is an effective, carbon-efficient approach to obtaining food and crop protection solutions.




Note(s): 1. Phillips McDougall Ag Industry Overview (April 2020); 2. Based on Biotalys analysis on targeted markets; 3. Based on current Biotalys stage gate plan, may vary per program; 4. An analysis of the biopesticide market now and where it is going, Outlooks on Pest Management (October 2015) and Biotalys internal estimates; 5. Approximative time and costs

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# “The biggest assets of Biotalys? The platform and the people.”

In May 2022, Dr. Carlo Boutton joined the ranks of Biotalys as Chief Scientific Officer. With more than 20 years of experience in antibody and biochemistry innovation, Boutton looks forward to building on the AGROBODY™ platform and adding new research programs to the pipeline. For this he can count on a diverse and international team of committed scientists.

Carlo Boutton made the move in May 2022 from Sanofi, where his work included further developing the company’s Nanobody platform and scope. “Sanofi’s Nanobody and Biotalys’ AGROBODY platform work on the same principle: the former are used for life science applications, the latter for agro-solutions,” he says. “I went through the entire validation process of the Nanobody technology, from concept to market launch. At Biotalys, I now get the chance to apply this experience and the lessons learned for an entirely different pipeline of products,” Boutton says in explaining his switch. “Furthermore, I enjoy using my expertise in the agribusiness sector. I grew up in a small village in Flanders, among tractors, animals, potato and hop fields. So I have a particular affinity with our target group.”

## People, platform, pipeline

Boutton is clear about his main goals as CSO: build the team, optimize the platform, and expand the pipeline. “For me, it’s all about the three Ps: people, platform, pipeline. We currently have a lot of expertise in fungi, which is one reason we are focusing strongly on biofungicides. Of course, it is also the most logical step after the results we achieved with Evoca™. But in the future we also want to provide proof of concept in breadth, so also more for bacteria and insects. Our platform is multi-deployable, so in principle we should be able to handle any possible plant disease or pest. The platform is our biggest asset, along with the people who work with it every day,” he says.

Boutton leads a team of about 30 scientists from different disciplines. “It’s a good mix of plant pathologists, molecular biologists, cell biologists, protein engineers and so on. Our different backgrounds ensure that we constantly challenge each other. That open-discussion culture only makes us better as scientists and helps us make the platform more mature,” Boutton explains. “Moreover, the entire team is imbued with the same mission: building a sustainable future for agriculture and our planet. This applies to everyone working at Biotalys, by the way. Everyone believes in our core values and is willing to play a pioneering role in this. When we hire someone, it’s essential that they fit into the company’s culture.”

> “Our platform is multi-purpose: we should be able to tackle any possible plant disease or pest.”
>
> — Carlo Boutton, Chief Scientific Officer

## Great progress in R&D

The past year saw many exciting developments on the scientific front. For example, the partnership with Novozymes. “Novozymes has a lot of experience in protein production. They set up a feasibility study for us, showing they could also effectively produce our product Evoca. So from a technical-scientific point of view, this partnership can be very important. But it also says something about the value of Biotalys as a company. The fact that a global player like Novozymes wants to partner with us gives us a certain kind of credibility,” Boutton says elatedly. “We have also made much progress in the various programs in our pipeline. For example, our BioFun-7 program, sponsored by the Bill & Melinda

Gates Foundation, has really taken off in 2022. Among other things, we have brought numerous isolates of the one fungus to do infection tests with. The fungus causes major problems in Africa but is known to be very difficult to grow in a lab environment."

On the research side, Boutton wants to launch further projects aimed at strengthening the pipeline. In development, he sees registering Evoca and scaling it up as key short-term goals. "As a farmer, if you need to spray a field of several hectares you quickly need several kilos of product. Chemical pesticides are rather cheap, so it's our task to be able to offer our product at a commercially interesting price. Therefore, we need to make our production process as affordable and efficient as possible," he explains.

## Fostering a change in mentality

Boutton also sees a challenge for big agribusinesses and growers, but one he enjoys taking on. "We are constantly in conversation with potential partners from the Big Ag industry, many of whom have years of experience in chemical pesticides. Initially we often still speak a different language, but we gradually notice a kind of mind shift at those big companies," Boutton says optimistically. "As a pioneer, we feel it is our task to help bring about that change in mentality. Furthermore, we see that more and more chemical pesticides are being banned by authorities such as the European Commission so growers fear they will have fewer products available to put together their pest control schemes. It is up to us to convince them, and also the people who advise them, that there are effective biological alternatives."

That's also why the expected registration of Evoca will be such an opportunity for the Company and sector. "The regulatory authorities are now examining our file. Approval is crucial, not only because our first product will receive the green light, but also because the regulatory framework for future products will become clear. In 2022 the FRAC, which classifies fungicide resistance, decided to create a new FRAC class for Evoca because its new mode of action means it is not yet subject to resistance. Growers can therefore use the product as an additional tool to fight mold and prevent resistance," Boutton adds.

> "What struck me when I started at Biotalys was that everyone here is imbued with the same mission and values. All of our employees want to play a pioneering role and build a sustainable future with their expertise."
>
> — Carlo Boutton, Chief Scientific Officer



# Our R&D process

Our AGROBODY Foundry™ technology platform is built to create a new generation of protein-based biocontrols that effectively and selectively target pests and pathogens with novel modes of action.

## Discovery

Our teams start the discovery phase, by selecting and analyzing the target of interest. Based on that assessment, science plans are outlined. A new project can be started internally or in collaboration with a relevant industry partner.

In the next stage, the Lead Generation phase, the teams prepare tools and reagents from the selected target to start immunization as identified in the project plan. This is followed by the generation of AGROBODY™ libraries and the selection and screening of a panel of AGROBODY proteins. The most promising hits are further characterized in the Lead Characterization phase at which we look at *in vitro* functionality.

The last phase is testing the top performers, in *on planta* bioactivity experiments. In parallel the AGROBODY lead candidates are assessed upon early development parameters and productivity at the research level to meet the requirements for viable commercial manufacturing.

## Development

During the second phase of our R&D process, the biocontrol product candidates are developed into market-tuned products. The activity of the AGROBODY candidates is validated in field trials which are set up in different environments and on a variety of crops. The results of these field trials, which typically span multiple years, are crucial for the submission of registration dossiers in target countries.

Parallel product development work includes internal and external engagements to strengthen our IP position, preparing the regulatory filing (with regulators and third parties), planning the distribution/supply chain, and ensuring the timing of market introduction.

## Strain engineering

Our teams apply a multi-expression system approach to develop the most robust and efficient micro-organisms for the expression of our current and future product candidates. We are optimizing our *Pichia pastoris* expression platform, as well as developing an expression platform with filamentous fungi strains (filamentous fungi are broadly used in the biotech industry for fermenting large quantities of proteins and enzymes). The strain engineering strategy and implementation are built on in-house expertise, validated and augmented by external resources for feasibility testing.

## Manufacturing, bio-fermentation and formulation

Our product candidates are manufactured by microbial fermentation and formulation at an industrial scale, by leading contract development and manufacturing organizations which we have partnered with.

Our current manufacturing partner Olon Group has superior expertise in microbial fermentation. This process, an industry standard, is well-controlled and validated. It is one of the most eco-friendly and sustainable technologies.

## Automation

Our technology platform is highly automated to shorten the time required to identify potential candidates compared to manual methods and boost the platform's reliability and efficiency. It also increases our capacity and allows to run multiple projects in parallel.

To bring our process activities to the next level, we have invested in the implementation of three state-of-the-art, customized robotic systems. These systems are used throughout the research cycle of the Company, from the early stage in the discovery of the AGROBODY protein towards the optimization of the AGROBODY protein production process. The implementation of these robotic systems not only increases the quality of generated data, but allows us to significantly increase the complexity and number of activities (so called "High-Throughput") by providing a superior alternative for many labour intensive and error prone manual processes.

Further downstream, the fermentation media are processed by micro- and ultrafiltration into a technical intermediate. The active ingredient is then formulated into a crop protection product that fits growers' practices and needs for convenience on the field. It forms the last step of a biocontrol's production process before packaging and shipping to the customer. In 2022, we signed an agreement with Kwizda Agro, an established crop protection manufacturer and provider of tolling services for the agricultural industry, to act as the formulator of our biocontrol products. Kwizda Agro formulates the liquid active ingredient into water-soluble granules that form the customer's end product. It also packages the products for distribution.

In 2022, we also initiated a new partnership with Novozymes, a world leader in biotech solutions, to explore additional routes for the scale-up and production of the bioactive protein of Evoca.

## Field trials

All product development and product positioning trials are outsourced to third-party contract research organisations (CROs) accredited and authorized to conduct trials with products under development. They apply standard farming practices recognized by the industry and the regulators.

Field trials are conducted to drive product development and confirm efficacy in relevant commercial settings, with the ultimate goal of providing growers with a return on investment in yield and/or commercial value of their final produces without compromising the environment and the overall biodiversity.

In later development stages, trials are equally set up to meet regulatory data requirements. This includes crop advisors, university extension specialists, crop reference institutes, and candidate commercial partners.

## Scientific Advisory Committee to support global expansion

End of 2022, we established a Scientific Advisory Committee (SAC) to sustain company growth, accelerate product pipeline work, and deepen scientific partnerships. We also announced the appointments of Dr. Claude Bensoussan, Dr. Hans-Jürgen Rosslenbroich, and Dr. Ioannis Stergiopoulos to the SAC. Their expertise will supplement that of the four prominent industry leaders already advising Biotalys: Dr. Adrian Percy (appointed SAC Chairman), Dr. Jacqui Campbell, Dr. Daniel Joo, and Dr. Franz-Josef Placke.

While actively building toward global commercialization, we are tapping the industry's best scientific minds to broaden our innovation and direct our product development. The SAC links up leading scientists with industry experts to pursue safer, more sustainable solutions to better protect crops from field to plate.

Closely aligned with the Biotalys executive team and scientists, SAC members will guide scientific and industry-specific initiatives in their respective domains including R&D, fungicides, bactericides, and insecticides.

# Dr. Hans-Jürgen Rosslenbroich on...

## ...the newly created Scientific Advisory Committee:

"In my opinion, the new SAC will provide an excellent platform for the assigned experts from all areas to discuss new findings and their impact on the whole discovery and development process. Besides that, it will also support Biotalys' R&D team in defining the best and most efficient ways to deliver marketable products that are attractive to growers."

## ...his role on the Committee:

"My expertise lies in field development of selected development candidates, and determining their strengths and weaknesses. I also have extensive experience in developing unique selling points, preparing registration dossiers, and providing evidence-based marketing arguments with the aim of positioning new products in spray programs and the market in general, as well as in the life cycle management of existing products."

## ...his contribution to the future growth and success of Biotalys:

"From my professional expertise, I would like to work towards establishing a new segment in protein-based crop protection. An ambitious goal, indeed, but Evoca is an excellent starting point. It is extremely important for me to keep the growers' perspective and needs in mind and develop products that deliver value for them, but also for all other stakeholders. This will ultimately be the key to success, and for this I am happy to work closely with the experts at Biotalys."

*Previously Head of Disease Management in Agronomic Development for Bayer Crop Science, Dr. Rosslenbroich has a long history of disease* management *product development, both biologicals and chemicals. On the SAC, his exceptional expertise in plant pathogens and disease-crop biology will drive the development and positioning of fungicides for disease control and safeguarding plant health. Dr. Rosslenbroich has in the past also been providing advice on Evoca, including its mode of action, field trial data analysis, and plant compatibility.*

# Product pipeline

Our team's R&D efforts and our AGROBODY™ technology have created a pipeline of multiple product candidates. These can address critical market segments in the food and crop protection market where existing products are scarce or threatened by an evolving regulatory landscape.

## Biofungicides

Our development program is first focusing on fungicides, especially on providing innovative solutions for the high-value fruits and vegetables market. This is one of the most valuable segments, representing more than $6 billion in value of the global fungicide market worth some $16 billion. It is also the most affected by food loss and waste and involves serious consumer and regulatory concerns about the presence of chemical residues.

These first programs are designed to offer novel biocontrol tools to address Botrytis and powdery mildew, devastating fungal diseases that affect high-value crops like strawberries, tomatoes, cucurbits and grapes. We seek to achieve validation and credibility from the market calibration of Evoca™, our first biofungicide submitted for regulatory approval, and to fully expand the technology in a growing range of crops.

In view of the breakthrough in protein expression in 2022, Biotalys has decided to adapt its pipeline to consolidate its efforts in biofungicides on capturing market share as rapidly as possible with the next generation of Evoca. Therefore, the next generation of Evoca (containing the same protein bioactive, with optimized manufacturing and formulation) is expected to enter both the US and the EU markets by 2026, subject to regulatory approval.

BioFun-6 will expand the market size of Evoca. The program is progressing according to plan with encouraging results in the lab over the past year. The Company expects to move this candidate product into the development stage by end of 2023, on track to bring a differentiating offer to fruit and vegetables growers by 2028.

Our BioFun-2 and BioFun-4 programs address major diseases in row crops and specialty crops such as cereals (leaf spots) and potatoes and vines (oomycetes). Leaf spots, common fungal crop diseases causing sizable yield loss, are mostly treated with conventional chemical fungicide classes. Over the last decade, increasing resistance has been observed in multiple crops, and regulatory scrutiny of conventional chemical solutions has risen. While Biotalys is exploring early-stage partnerships for these programs, the Company has recently initiated BioFun-4 by developing the project plan and target product profile, in collaboration with key opinion leaders including members of the newly established SAC.

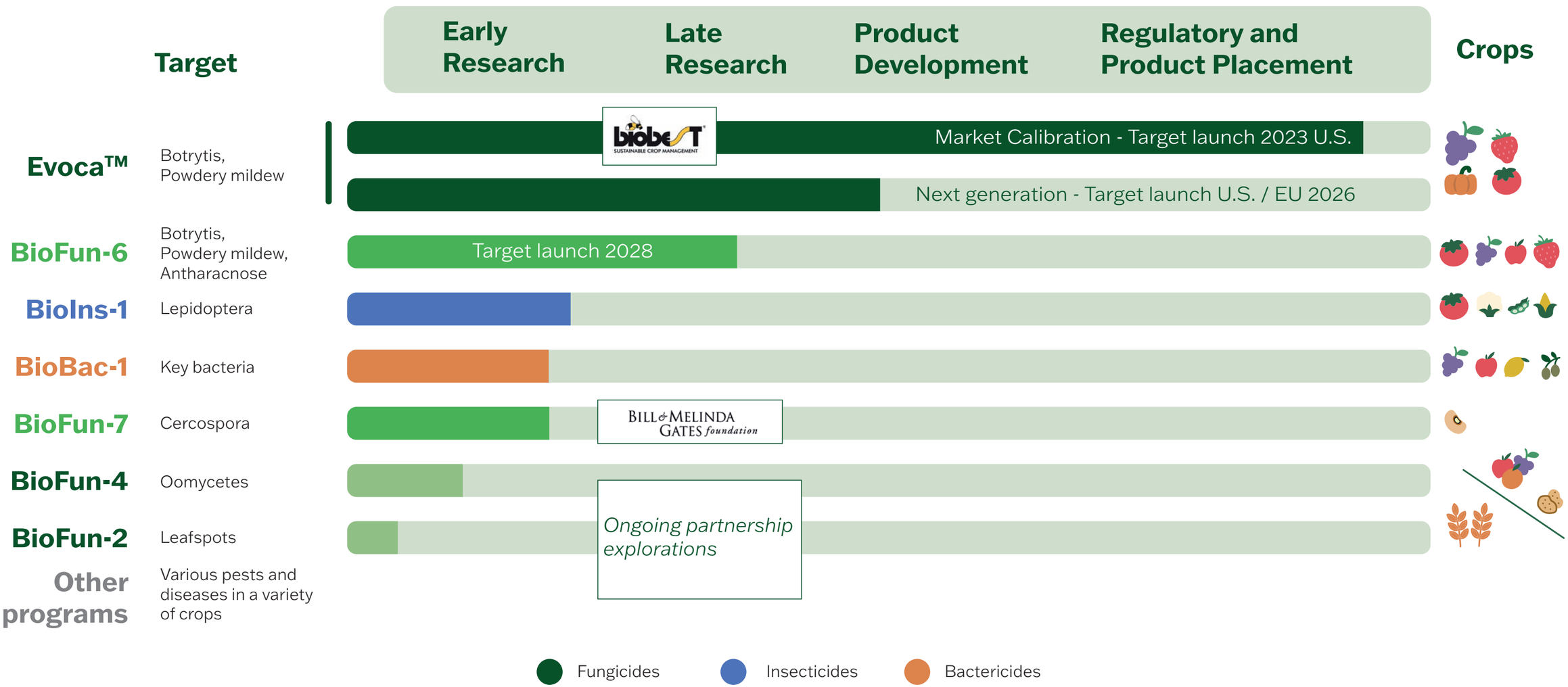
In 2022, we initiated our research into novel biofungicides to control *Cercospora canescens*, the causative agent of leaf spot disease. This is a devastating disease of cowpea and other legumes that can slash smallholder growers' output by up to 40%. Our Company received a 4-year grant of $5.98 million (€5.14 million) in total from the Bill & Melinda Gates Foundation to sponsor this research. The goal is to achieve, by the end of 2025, a proof-of-concept of effective protection of the cowpea crop from leaf spot by an AGROBODY bioactive with potential cross-efficacy against other leaf spot diseases for broader commercial application across different crops. This program is labeled BioFun-7 in our pipeline.

## Bio-insecticides and biobactericides

Our R&D team is also continuing its work on insecticides (BioIns-1 – targeting Lepidoptera for diverse field crops and vegetables), and on bactericides (BioBac-1 – targeting multiple key bacteria in fruits and vegetables).

These programs are expected to further demonstrate the broad technology potential of our AGROBODY Foundry™ platform and to address unmet needs in both the insecticide market and the "orphan" bactericide space.

# Innovative pipeline of protein-based biocontrols



# Evoca™, our first biofungicide

## New tool to fight Botrytis and powdery mildew

The first protein-based biocontrol in our pipeline, Evoca™, is a biofungicide designed to give fruit and vegetable growers a new rotation partner in integrated pest management (IPM) programs. It helps control diseases such as Botrytis (fruit rot) and powdery mildew, thereby reducing dependency on chemical pesticides that leave residues in harvested produce. In addition, the product offers a distinctive new tool to manage pathogen resistance development.

Resistance management against Botrytis and powdery mildew is growing more complex as certain chemical classes are banned and resistant strains emerge, especially in the case of Botrytis on strawberries and grapes.[15] Under wet conditions at flowering, up to 80% of the crop can be infested by Botrytis spores, causing huge losses and quality issues for the growers.

Evoca is a biofungicide with contact activity for preventive control of these fungal diseases. It offers farmers a new mode of action for resistance management and can replace traditional chemical pesticides in their IPM programs.

Our ongoing trial program and independent field trials confirm that Evoca consistently performs as well as established market leaders when used in IPM programs. It is comparable to conventional controls in convenience, storability and reliability.

The product enhances safety for workers, consumers, and the environment. Applying Evoca instead of conventional chemical fungicides in IPMs greatly reduces chemical residue in the harvested fruit, while maintaining yield and fruit quality.

| Category | Biocontrol Fungicide |
|---|---|
| Diseases | Botrytis cinerea and Powdery mildew |
| Crops | Grapes, Strawberry, Tomato, Cucurbit (greenhouse) |
| Mode of Action | New mode of action for use in IPM programs to replace traditional chemistries |
| Activity | Contact activity for preventive control |
| Formulation | Water Soluble Granules |
| Submitted dose rate | 500 g a.i./ha |
| Expected Registration Timelines | |
| U.S. | 2023 |
| EU | 2025 |

## New FRAC code for Evoca™

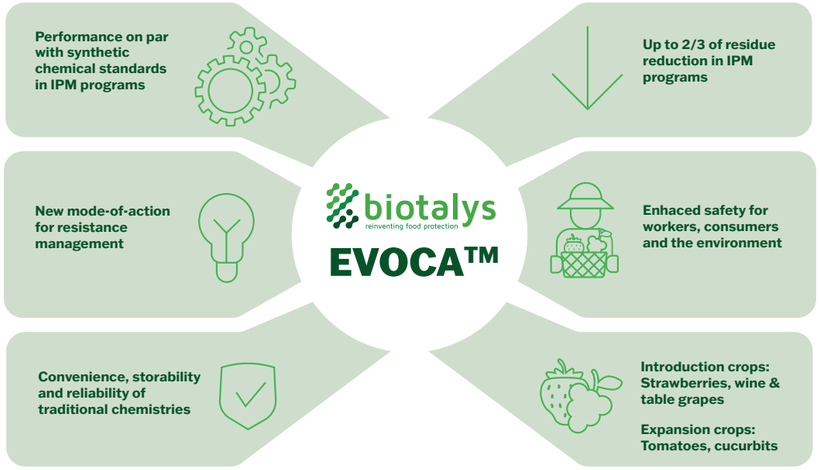
In May 2022, The Fungicide Resistance Action Committee (FRAC) granted an entirely new class for the active ingredient of Evoca. Defined as a polypeptide in the 2022 FRAC Code List (under F10), the bioactive in Evoca earned a new classification after providing in-depth scientific evidence supporting its features as a novel mode of action. This new mode of action targets membrane integrity of the fungal pathogen, differentiating the bioactive from existing chemicals, microbials and plant extracts while offering a unique new tool to manage pathogen resistance development.

This new classification, granted by a highly-reputed international panel of renowned technical experts, demonstrates to growers that Evoca will be a new tool that complements existing biological and conventional crop protection solutions to fight the fungal diseases of Botrytis and powdery mildew.

## Field trial program

Evoca has been tested since 2017 in over 600 field trials in ten countries over multiple seasons under different environmental conditions. It has been tested on tomato, strawberry, grape and cucurbit crops against Botrytis and powdery mildew, to compare its performance to conventional chemical and biological crop protection products. For this ongoing global testing program we partner with renowned specialized independent contract research organizations (CROs), such as Botany Group (see the interview with Peter Korsten of Botany Group).

The results from these trials confirm that Evoca is an excellent new tool for growers and an ideal partner in IPM programs. Besides the product's performance, regulators are also evaluating the safety of Evoca for humans and the environment. Evoca has raised no toxicological red flags in the different toxicological studies, and confirmation of its safety profile will be part of the approval to be provided by regulators in the U.S. and the EU.



## Field trial program since 2017

**+ 600 FIELD TRIALS**

**CROPS**

- **Tomato**
- **Strawberries**
- **Grapes**
- **Cucurbits**

**DISEASES**

- **Botrytis**
- **Powdery mildew**

**COUNTRIES:**

**U.S.**
California, Florida, Georgia, New York, Oregon, Washington

**EU**
Belgium, France, Germany, Italy, the Netherlands, Poland, Spain

South Africa

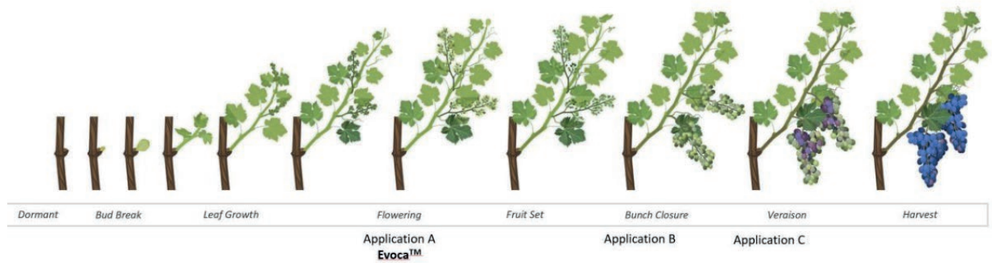
Japan

## Highly successful trials in grapes

An extensive program of field trials in grapes across vineyards in diverse climates throughout California and New York showed that Evoca provided excellent preventative control of Botrytis bunch rot in grapevines. The efficacy trials assessed applications for wine/table grapes at flowering, bunch closure, and veraison (respectively applications A, B, and C in the image below). When substituted for a leading chemical fungicide at the flowering stage in a commercial "gold standard" chemical fungicide rotation, Evoca provided significantly more control of Botrytis in grapes at harvest. The Evoca program suppressed the severity of bunch rot symptoms by on average 73% when compared to untreated bunches, versus only 54% for the rotation program with only chemical fungicides. This demonstrates Evoca's potential as a pivotal tool to fight Botrytis, a costly and often devastating fungal disease.

Building on these findings, we have already progressed with additional trials to also explore at-flowering sprays within IPM programs in berries, cucurbits and tomatoes.

In addition, we have demonstrated that wine grape juice quality, vinification or wine characteristics exhibited no differences for Evoca-treated vineyards when compared to non-Evoca-treated vineyards. Samples from Chardonnay, Pinot Gris, Pinot Noir, and Merlot vineyards treated with Evoca at various stages of the grape lifecycle were subjected to nearly 50 different analytical laboratory analyses in accordance with industry standards. These results were jointly reviewed and validated by the Manager of Technical, Environmental, and International Affairs and the Analytical Lab Manager of a major California wine producer, thus demonstrating our ability to offer the wine industry an innovative new solution that protects vineyards while ensuring the quality of the fresh produce and derivatives.




# “Evoca™ is much more effective than what we are used to from other biological agents”

Since 2017, Biotalys has partnered with Botany Group on trials for strawberries, cucumbers, and tomatoes. The Dutch CRO focuses on testing with biological products and is well-placed to assess the quality of Evoca™. “At first we were somewhat cautious about its effectiveness, as the expectation for biological products was still very low at the time”, explains Peter Korsten, founder and CEO of Botany Group. “But Biotalys exceeded our expectations in no time.”

Botany Group was involved in developing Evoca almost from the beginning. “In the early years we mainly investigated whether the basic product was effective and safe. Our focus from the start was on tomatoes, cucumbers, and strawberries”, recalls Peter Korsten. “Then we set up trials to complete the registration files. Now we are in the implementation phase, simulating how the product will be integrated into the growers’ IPM programs in practice. These tests are designed to demonstrate its effectiveness and application to potential distributors and growers.”

## Competing with chemicals

About three-quarters of the products tested by Botany Group are biological in origin. The CRO also conducts trials for developing pure chemical agents. “Chemical crop protection products are ninety percent effective. With biological agents we see an effectiveness of between twenty and sixty percent”, Korsten reports. Even so, he says Evoca can compete with chemicals. “Evoca easily goes above that sixty percent and is very effective compared to other green agents. In addition, the application method is similar to what we know from chemical crop protection. We apply the product two or three times at one-week intervals and then the crop is clean again. Because of its good solubility, the product is also very easy to use”, Korsten says in summarizing the key findings with Evoca.

## Safe for plant, grower, and consumer

Korsten says Evoca can definitely compete with chemical crop protection in effectiveness and application. The added edge is that it’s remarkably safe. “I think neither consumers nor growers have an interest in continuing to use only chemicals. Green products have only advantages, both for the consumer who doesn’t want chemical residues on his food and for the grower who must apply the agent to the plant”, he says.

“Growers are dealing with a consumer market that wants less crop protection on their vegetables and fruits. In addition, more and more chemicals are ending up on the list with banned substances. So the need for alternatives that growers can include in their IPM programs is high”, Korsten explains.

## Sharing knowledge for a sustainable future

How can we continue farming with the restrictions imposed on us by governments, the market and society? This question lives with many growers, and companies like Biotalys and Botany Group want to address it together. “We are a textbook example of how a product developer and a CRO can collaborate. From the start, we’ve been able to talk very openly with each other about the benefits and limitations of the product. With other clients we sometimes see some hesitation in sharing knowledge, but Biotalys has always been very transparent. And that has ultimately led to the development of a stronger product. Together, we are building towards a sustainable future, also in horticulture”, Korsten concludes.

> “Evoca™ can definitely compete with chemical crop protection in effectiveness and application.”
>
> — Peter Korsten, CEO of Botany Group

## World BioProtection Award 2022 for Best Biofungicide Product

In May 2022, Evoca won the World BioProtection Award 2022 for Best Biofungicide Product. The award was granted at the World BioProtection Summit taking place in Birmingham (UK).

The World BioProtection Awards recognize outstanding achievements in the field of biopesticides and their impact on crop protection. Evoca was praised for its innovative character, scientific value and market potential.

## Filing and registration process

The regulatory path for our AGROBODY™ biocontrol product candidates has been clarified through extensive pre-submission meetings with the competent authorities in the United States and the European Union. We worked with regulatory consulting firms to perform a data gap analysis and discussed this with the Environmental Protection Agency (EPA) in the U.S. and the European Food Safety Authority (EFSA) and the Dutch Board for the Authorisation of Plant Protection Products and Biocides (Ctgb), the Member State rapporteur in the EU.

In December 2020 we submitted Evoca to the EPA for approval. Our submission passed both the completeness check and the preliminary technical screening. The evaluation process has proceeded in 2022 and Biotalys was able to answer all questions received by the EPA within the set time frame. We expect to receive EPA approval for Evoca in 2023. In April 2021, we also submitted for approval in California since this state performs its own in-depth review.

In Europe, the registration dossier for the active substance of Evoca was submitted for approval in March 2021. We received confirmation from the EFSA and Ctgb that the dossier is admissible for review.

## Evoca™ market calibration

When we submitted the registration dossier for Evoca to the EPA in December 2020, our manufacturing process was much less advanced than today. Based on the production costs at that time, we decided to develop the first generation of Evoca as a market calibration tool for high-value fruits and vegetables such as strawberries and grapes.

This product is planned to introduce key agricultural sectors in the U.S. market to the benefits of protein-based products derived from our AGROBODY Foundry™. This is aimed to gain the trust of farmers and to demonstrate our product's key distinguishing features to pave the way for the next generation of Evoca and other product candidates. We also want to generate demand. If growers are satisfied with Evoca, they will want similar products in the future. Based on the growers' feedback on Evoca, we want to gain insight into the products they need. The aim is to gather as much information as possible to further develop our pipeline.

For the market calibration, we are collaborating with Biobest, a global leader in biocontrol and pollination in covered crops reaching growers in over 65 countries. Biobest will exclusively distribute Evoca in the U.S. for all crops and applications. This partnership will promote our product's exposure to the market and encourage farmers to adopt our unique technology. One of Biobest's great strengths is that they are in very close contact with growers worldwide. Once Evoca has received EPA registration, Biobest will approach growers in the U.S. to include the product in their pest control schedule and afterward also provide us with the growers' feedback.

## Next generation of Evoca™ creates commercial potential by 2026

In 2022, our scientists have developed multiple proprietary yeast strains increasing the production efficiency of the bioactive ingredient of Evoca by 50 to 70% in only one year. In previous years, our strain-engineering team already achieved a more than 500% production increase using our expression toolbox, an unprecedented achievement for the active protein of Evoca in *Pichia pastoris*.

This significant advance in our production capabilities will allow us to drastically reduce production costs, paving the way for Evoca to be transformed from a market calibration tool into a commercial product of competitive efficacy and cost to growers by 2026.

In June 2022, we also closed a partnership with Novozymes, a world leader in biotech solutions, to expand opportunities for Evoca. Since then, the Company has explored additional routes for the upscaling and production of the bioactive protein of Evoca by using production hosts additional to those currently used by our own science team. In October 2022, Novozymes obtained proof of concept for a new manufacturing process that offers potentially significant cost of goods and scaling advantages. This broadens the commercial potential of Evoca as a novel biofungicide, both in the preliminary U.S. and EU fruits and vegetables markets currently in the commercialization plan, as well as in additional geographies, crops and diseases.

In the next phase of our partnership with Novozymes, we will explore strategic supply and commercialization agreements for the future generation of Evoca.

03

# Sustainability and ESG

# Protecting food, protecting our future

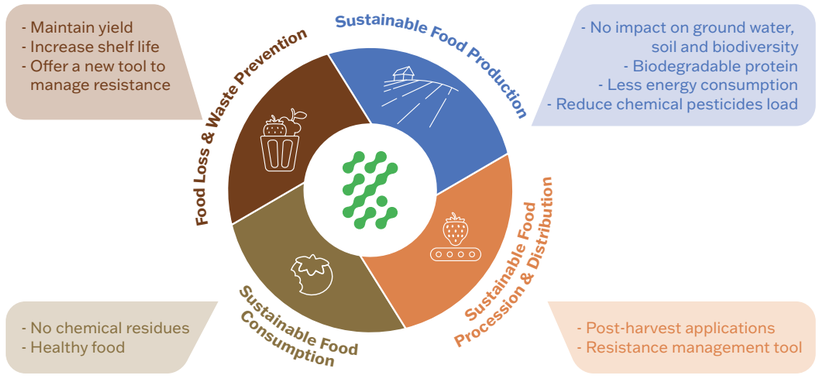
Food loss accounts for 8%[16] of global greenhouse gas emissions, while consumers need safer, healthier and more nutritious food with far fewer chemical residues. Transformative technologies must help the agricultural industry satisfy future food demand. Our unique proprietary AGROBODY Foundry™ technology is designed to meet these needs.

Biotalys' activities fit well into the sustainability agenda of governments worldwide. Regulatory developments in Europe, the United States and other jurisdictions, are restricting the use of chemical pesticides while promoting the use of environmentally friendly solutions.

## We operate at the heart of the EU Farm to Fork Strategy

The European Commission has put forward its Farm to Fork Strategy[17] as part of the European Green Deal to make food systems fair, healthy and environmentally friendly. The Strategy sets a baseline and proposes legally binding targets to lessen food loss and waste in the European Union.

Our operations put us at the heart of this Farm to Fork Strategy. Our biocontrols are protein-based and by nature biodegradable. They have no harmful impact on groundwater, soil and biodiversity, and are designed to be applied as a conventional pesticide. We seek to offer growers a new tool to manage resistance, maintain yield, and increase their crops' shelf life. They don't need to change farm equipment or adapt distribution channels for specific temperature conditions. Our AGROBODY™ biocontrols can be easily introduced in farmers' IPM programs, and leave no chemical residues on crops and thus on the food we consume every day.



## Multi-year grant by the Bill & Melinda Gates Foundation

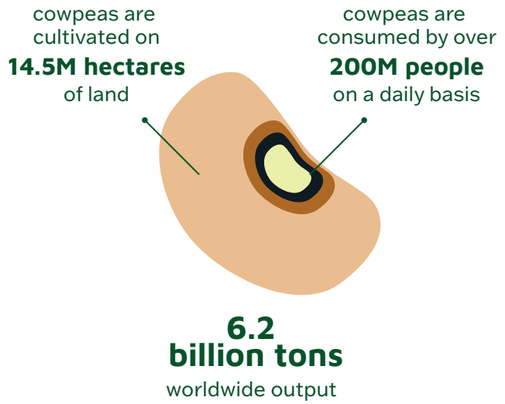
In 2022, we initiated our research into novel biofungicides to control *Cercospora canescens*, the causative agent of leaf spot disease. This is a devastating disease of cowpea and other legumes that can slash smallholder growers' output by up to 40%. Our Company received a 4-year grant of $5.98 million (€5.14 million) in total from the Bill & Melinda Gates Foundation to sponsor this research.

Cowpeas – often called "black-eyed peas"[18] after one of their subspecies – are a subsistence crop, often intercropped with sorghum, maize and pearl millet. They provide millions of farmers in Africa and developing countries, many of them women, an affordable source of proteins. Estimates are that cowpeas are cultivated on 14.5 million hectares of land, have a worldwide output of 6.2 million tons, and are consumed by over 200 million people on a daily basis.[19]

In the framework of this research program, we set up a collaboration with CSIRO, Australia's national science agency, to analyze the disease genome. We are also working on infection tests in our own lab. In October 2022, Vipula Shukla, Senior Program Officer for Agriculture at the Bill & Melinda Gates Foundation visited the Biotalys headquarters in Ghent. She gave an inspiring presentation on the work and strategy of the Foundation in agriculture globally. At the same time, the Biotalys team was able to explain the activities in our BioFun-7 program as well as our AGROBODY Foundry platform and capabilities.

The goal is to achieve, by the end of 2025, a proof-of-concept of effective protection of the cowpea crop from leaf spot by an AGROBODY bioactive with potential cross-efficacy against other *Cercospora* diseases (such as *C. beticola*) for broader commercial application across different crops.

This project seeks to give the most vulnerable growers innovative, affordable tools to protect their crop yield and quality while maintaining soil health and biodiversity. This will enhance the lives and health of millions of smallholder farmers, generating an important economical and societal benefit.




source: Kebede & Bekeko, (Cogent Food & Agriculture (2020), 6) and Food and Agriculture Organisation (http://www.fao.org/3/au994e/au994e.pdf).

## Ecofriendly production by fermentation, supported by reliable partners

Our AGROBODY biocontrols are manufactured in an environmentally friendly way. They are efficiently produced by fermentation in microbial production hosts such as bacteria and yeast, followed by filtration steps. This effective, carbon-efficient method of producing biocontrols limits energy use and waste from production.

In January 2022, our Company signed a long-term partnership with the Olon Group to produce protein-based biocontrols. This world-class contract manufacturing organization (CMO) has valuable expertise in microbial fermentation, one of the most eco-friendly and sustainable technologies for appreciably lowering production's overall environmental impact. Olon will both handle the large-scale fermentation process of the biocontrols developed by Biotalys in its laboratories in Ghent and purify them into a technical intermediate.

This intermediate will then be formulated by Kwizda Agro, a reliable manufacturing partner that has assisted Biotalys in developing its first biofungicide Evoca™. Formulation turns an active ingredient into a crop protection product that can be applied to a crop. It's the last step in producing a biocontrol before packaging and shipment to the customer. Kwizda Agro will formulate the liquid active ingredient of our biocontrols into water-soluble granules as the customer's end product. It will also package our products.

Kwizda Agro's state-of-the-art formulation facility in Austria is continuously upgraded to the highest standards of sustainability, health and safety, and quality management. This confirms our attachment to sustainability in every step of production.

In 2022, we also initiated a new partnership with Novozymes, a world leader in biotech solutions, to explore additional routes for the scale-up and production of the bioactive protein of Evoca. Biotalys is also working on a deeper partnership with Novozymes to explore strategic supply and commercialization agreements for the future generation of Evoca.

# Our ESG strategy

## Focus on 4 key areas linked to the UN Sustainable Development Goals

At Biotalys, sustainability is at the heart of our commitment to a safer and healthier food supply and a better planet. To further develop and implement our ESG strategy, the Company organized a multi-stakeholder survey in the course of 2022. The survey topics related to Biotalys' mission and values as well as our ambition within the Food and Ag industry. Based on the outcome of the survey, we defined four key areas on which we want to focus as a company now and in the future: Food waste and loss, Environmental product impact, Human capital and Innovation management. In 2023, we will further develop our ESG strategy in depth by defining and measuring specific metrics.

We linked our four ESG priorities to the UN Sustainable Development Goals (SDGs). These SDGs were adopted by all UN Member States in 2015 as a universal call to action to end poverty, protect the planet, and improve the lives and prospects of all people globally.[20]

**Environmental, social, and governance (ESG) criteria are a set of standards for a company's behavior used by investors to screen potential investments and by other organisations to rate performance on these criteria.**

- **E.** Environmental criteria consider how a company safeguards the environment, including policies addressing climate change.
- **S.** Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates.
- **G.** Governance deals with a company's leadership, remuneration, audits, internal controls, and shareholder rights.


### FOOD WASTE AND LOSS

Each year, an estimated one-third of all food produced ends up rotting in the bins of consumers and retailers or spoiling due to poor transportation and harvesting practices. The United Nations wants, by 2030, to halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.[21] The Biotalys AGROBODY Foundry platform is designed to enhance the global food supply chain's efficiency and sustainability by identifying and developing innovative, safe food protection products both for pre- and post-harvest protection purposes.

A third of the world's food is wasted, yet 821 million people are undernourished. Greater agricultural productivity and sustainable food production are crucial to easing the threat of hunger. By 2030, the UN therefore aims to: ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and output; help maintain ecosystems; strengthen adaptability to climate change, extreme weather, drought, flooding, and other disasters; and progressively improve land and soil quality.[22] In addition, the production of sufficient and healthy food contributes to good health and wellbeing of both consumers and growers.[23] The UN Food and Agriculture Organization also urges countries to help smallholder farmers increase food output.

Each of our pipeline products contributes to protecting crops and food, thereby aiming to reduce food waste and hunger while ensuring healthy lives. The BioFun-7 program, for example, aims to develop protein-based biofungicides that can control leaf spot disease, a devastating disease of cowpea and other legumes that can cut smallholder growers' output by up to 40%. This program is supported by a multi-year grant from the Bill & Melinda Gates Foundation.


### ENVIRONMENTAL PRODUCT IMPACT

The UN is also advocating, among other things, the environmentally sound management of chemicals and all wastes throughout their life cycle, consistent with agreed international frameworks, and a significant reduction of their release into the air, water and soil to minimize their harmful impacts on human health and the environment. The protein-based biocontrols we are developing are produced in a more environmentally friendly way and are a safe and healthy alternative to conventional chemical crop protection products. This also helps to reduce chemical residues in our soils and on our food.

Another UN priority is an urgent and significant action to stem the degradation of natural habitats, halt the loss of biodiversity, and, by 2030, protect and prevent the extinction of threatened species.[24] Our AGROBODY biocontrols are based on proteins. These are biodegradable by nature and are fine-tuned in our R&D for maximum efficacy before they naturally degrade into their amino acid building blocks. They are a potential source of nutrients for plants and micro-organisms, while remaining stable in their original formulated state. Our products hereby help protect the ecosystem.

## HUMAN CAPITAL

By 2030, the UN wants to substantially increase the number of people who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.[25]

At Biotalys, we want to attract and retain talent. We believe it is important to invest in our people. We want our people to thrive and receive training and support as needed. For example, we are working on support for our team leads, who often have to guide young people in their first steps into the work field. We also make efforts to protect the work-life balance of our employees.

Human capital is also about equality, diversity and inclusion. One of the UN goals is to end all forms of discrimination against women and girls and to ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making.[26] Biotalys is building a diverse team in all senses of the word at all levels, including at the decision-making level.

## INNOVATION MANAGEMENT

Innovation is at the core of what we do as a company. By bringing innovative biological solutions to the growers we contribute to the UN goal of making industries more innovative and sustainable, hereby increasing the adoption of clean and environmentally sound technologies in agriculture.[27]

Innovation management is also about bringing innovation in a structured way. In 2022, for instance, we set up a Science Advisory Committee, which brings together various key industry experts who can advise our teams. We are also reviewing several of our working methods to make improvements where necessary. An example of this is the recent optimization of our stage gate process for product innovation.

#INTERVIEW

# “ESG is part of our identity”

Last year, Biotalys outlined its ESG strategy. The concept approved by the Board of Directors is now being fleshed out with concrete goals and metrics. Eva Van Hende, Head of Regulatory and Sustainability, is one of the project leaders. “But initiatives are also coming from the workplace to make the Company more sustainable,” she says proudly.

For Eva Van Hende, who’s been with Biotalys since March 2022, sustainability is a way of life. “From a young age I have been concerned with nature and the climate, hence my studies in bio-engineering,” she says. “Being able to work on sustainability at Biotalys was an added bonus for me to start here. Moreover, agriculture is close to my heart. Food is priority number one in the world and will remain so in the future. A more sustainable agriculture is therefore essential.”

## Next step in sustainability

The core focus of Biotalys is already centered on sustainability. “Nearly thirty percent of our food is lost during production and at the consumer’s home. We want to develop products that prevent food waste and leave no chemical residues on the crops and in the soil. By working with proteins that are biodegradable, we automatically meet these conditions,” Van Hende explains.

In elaborating its ESG strategy, Biotalys is now taking the next step. “Together with our key stakeholders, we have determined a number of topics that set us apart. We are already scoring well on some fronts, such as diversity in the workplace, but some elements can definitely be improved. By naming them now, we express our ambition to take action,” Van Hende clarifies. “Together with my colleagues, we will now attach concrete figures to these objectives for the three pillars of Environment, Social and Governance. And we will then present them to our Board of Directors.”

Biotalys’ leading investors are often required to do non-financial reporting and have long been requesting ESG-related information. “We obviously want to show our investors that we are rightfully part of their portfolio, but that is certainly not our only reason. We are not developing a strategy because we have to, but simply because it is part of who we are. We would like to be a pioneer in the ESG story and pave the way for the entire sector,” Van Hende explains.

## Colleagues with impact

Management and the Board thus strongly support elevating Biotalys’ profile on sustainability. Van Hende sees this as crucial. But equally important to her is the commitment of the employees themselves. “Last spring I organized a sustainability brainstorm, from which five working groups emerged,” she says enthusiastically. “Each group works on a particular theme, such as mobility, well-being at work, or sustainability in the lab. With the leaders within each team, we meet monthly and discuss each other’s ideas. The intention was for each team to launch one proposal in 2022, but everyone already came up with several plans,” says a proud Van Hende, who herself leads the mobility working group.

Van Hende says such commitment is not coincidental. “You notice that people who work here are very involved with sustainability and the environment. We have quite a few vegetarians in the ranks and many people bike to work.” But the Company itself also deserves credit. “Recently, electric charging stations and an additional bike storage came. Moreover, the management encourages us to be innovative with sustainability and to take our own initiatives. Even as an individual, you have the feeling you can really make a difference,” she concludes.

> “We would like to be a pioneer in the ESG story and pave the way for the entire sector.”
>
> — Eva Van Hende,
> Head of Regulatory and Sustainability

04

# Working at Biotalys

# Our people: skilled & passionate

Our industry experts, renowned scientists, and passionate professionals strive each day toward a shared goal: to deliver transformative solutions for sustainable food protection.

## A diverse team

The science and lab teams are the beating heart of our Company and are driving the progress in our development programs. It's a diverse group of talented scientists with broad experience and an analytical mindset that contributes to shaping our business strategies. They have enabled the Company to reach various major milestones this past year, together with our business colleagues and under the guidance of the executive team supported by the various staff functions.

## Headquarters with state-of-the-art sustainable laboratories

Since 2021, our team has been working in modern headquarters in Ghent with state-of-the art laboratories. The premises have 1,800 square meters of laboratory and technical space plus 800 square meters of office space. This is home to our R&D operations and most of our management and staff functions. The new office conforms to our environmental values, allowing us to deliver operational and energy efficiencies through modern sustainable applications and technologies.

**75** team members

**36** average age

**13** nationalities

♂ 60%
♀ 40%
men/ women

HQ and laboratories in Ghent, Belgium

CBO and field development team in North-Carolina and California, U.S.

## Company culture and values

The sustainability of our planet is our highest priority to secure the well-being of our families and future generations. We strive to provide safe and sustainable alternatives to protect our food and ensure productivity and quality while preserving our environment, our soils, and our health. Through excellence in execution, we forge our growth and deliver value for our Company, our employees, our shareholders, and our customers.

Our dynamic and entrepreneurial Company culture is reflected in our values: Teamwork, Accountability, Well-being, Innovation with Impact, and Passion.


### TEAMWORK

We seek strong collective outcomes by leveraging our diversity and expertise. We work together to understand and integrate different points of view to achieve superior results. We respect each other and create an atmosphere of trust and urgency. We ensure each person feels safe to express their opinion. We learn from each other, challenge and support colleagues and deal respectfully with any difference.

### ACCOUNTABILITY

We take action to reach the goals and objectives set ahead of time, asking for help when needed and escalating any difficulties. We show commitment to the agreed vision, strategy and goals and embrace decisions made. We frequently monitor progress of the achievement of our objectives and what we've learned along the way.

### WELL-BEING

We participate in creating a supportive work environment that fosters trust and healthy interpersonal boundaries. We act with authenticity and consistency, looking out for each other. We provide opportunities for connection and actively contribute to building an inclusive workplace.

### INNOVATION WITH IMPACT

We cultivate curiosity and explore new ideas before deciding the course of action. We question, challenge and manage ambiguity and certainty. We balance out-of-the-box thinking with scientific rigor, focusing on impact for our customers and for Biotalys' value. We value ideas for their potential, leaving our ego and bias aside.

### PASSION

We are connected by the vision and mission of our Company. We stay connected to ourselves and to what drives us and inspires us. With our knowledge and enthusiasm, we inspire others to act. We embody the Company values on a daily basis and work towards realizing the Company vision. We stand for Biotalys' mission in our external contact and are the ambassadors of our values.

## Sustainability initiatives

While Biotalys as a company has developed an ESG strategy in the course of 2022, initiatives and ideas of how we can do things more sustainably also came from the employees themselves. Our newly appointed Sustainability Manager organized a sustainability brainstorm which led to the establishment of five working groups: sustainability in the lab, green environment, green mobility, wellbeing, and re-use/re-cycle. The five working groups meet once a month to discuss and implement various ideas into concrete actions.

In the month of October, for instance, we launched a call to our employees to come to work by bike. For each ride cycled, Biotalys sponsored an amount to Bike for Life. With the money that was collected Bike for Life supports "a bike for everyone" so persons who can't afford a bicycle receive one or can use a shared bike. Bike for Life also supports companies in their bicycle-friendly personnel policy, checks the quality of cycling routes, and helps governments to make the right investments.

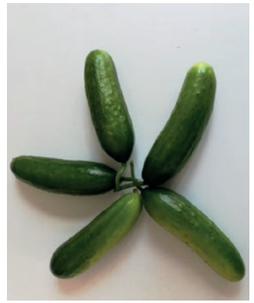

Other concrete ideas include replacing single-use plastics with reusable glassware in the lab, sorting organic waste in the kitchen, printing on recycled paper, reusing ice packs after transport, and introducing 50-minute meetings so people can build in breaks in between different meetings.

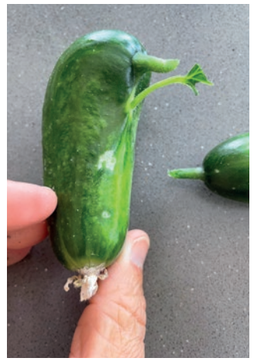
## "well.com"

Our company values also guide the activities of our in-house social committee "well.com", which has representatives from all divisions. The committee played a crucial part in our contribution to the community. For the second year in a row, this group of volunteers organized a food fundraiser to support the local food banks. During the end-of-year period, our colleagues donated 54 kg of food – doubled by the Company to 108 kg – to the local Federation of Food Banks (Voedselbanken).

We also enjoy sharing lunch together. Every month, there is a dedicated Lunch at Work event where colleagues can bring home-made dishes to the office to share during lunch hour.

Other activities this year included a fantastic Summer BBQ, a cold Ice Cream break, a festive quiz, a Secret Santa event and regular After Work Drinks.





## Cucumber growing contest

All employees could also participate in a cucumber growing contest. Each employee received a bag of cucumber seeds and some fertile soil to grow these. Awards were handed out for those with the biggest plant, the highest plant, the heaviest cucumber and the funniest shape.

## Biotalys Field Tour

In September, our employees visited the greenhouses of our research partner Botany in The Netherlands. It offered them a great opportunity to see the performance of Evoca™ on tomatoes, strawberries and cucumbers and to discuss and exchange thoughts with growers and distributors of fruit and vegetable production.

#INTERVIEW

# Team in the spotlight

Meet Aleksandar, Alrik, Anton, Deniz, Nancy, Philip, Simon, and Yentil. Together they form Biotalys' Strain Engineering team. Their passion for molecular biology and a green vision for the future brought them together in Biotalys' labs. The team's work contributed significantly to increasing the Company's capabilities for a sustainable production of biocontrols.

"At Strain Engineering, we design and optimize microorganisms to program them as cell factories for the production of our AGROBODY bioactives at large-scale. We identify the "winners": the hosts with the highest yield, purity, and functional activity", team lead Nancy explains. "This will allow us to bring our products to the market, in a short time frame, and at the lowest possible cost."

## Contributing to a sustainable future in a scientifically challenging environment

Each of the team members had their own reasons for joining Biotalys. "I always wanted to work in a start-up or early-stage company", says Yentil, who started as an intern before joining the team permanently. "The unique technology platform that Biotalys uses really attracted me", explains Aleksandar. "I have always been fascinated by the possibilities of nanobodies and wanted to learn more about this topic", adds Philip.

But some things apply to everyone. For instance, they all share a passion for molecular biology. "During my studies in industrial engineering and my thesis, I became really interested in molecular biology. My job here makes it possible to develop my interest further", says Simon. "For me, Biotalys is a perfect match, partly because the work challenges me scientifically and partly because of the Company's sustainable mission," Nancy explains. All team members believe one hundred percent in Biotalys' sustainable mission. "I wanted to contribute to the revolutionizing platform of the Company for the generation of an environmentally friendly product to protect crops", agrees Philip.

## Diversity as an asset

One of Biotalys' strengths is undoubtedly its diverse and international team of scientists. With team members from Belgium, Mexico, Turkey, and the Netherlands, the Strain Engineering team is the best proof of this. And that has its advantages above all. "Being in a diverse team gives you the opportunity to come in contact with different cultures and different ways of thinking", says Aleksandar. "Our diversity is our strength. We complete each other with our different perspectives and talents. This allows us to have fruitful scientific discussions and makes us great at problem-solving", Deniz adds.

The team is also quite diverse in terms of gender and age. "Next to a mix between men and women, we also have a combination of young research associates with more experienced team leaders. I'm probably twice the age of the youngest team member", jokes Alrik, Biotalys' Head of Strain Development. "I like the enthusiasm and high motivation of the young team that exactly knows what it wants to do. It is a high-speed train that we guide to the right destination." Nancy agrees: "Our researchers have a lot of energy, they want to learn and improve things. Their motivation really helps us to reach our goals."

## Breakthrough in protein expression as the result of good teamwork

When we ask the team about their main achievement in recent years, they are unanimous. "When we showed we could increase the production levels beyond what we thought possible, by using our own engineering toolbox", says Anton, who has now been working in the team for three years. Alrik praises the good cooperation of the team to reach this milestone. "We made a very large step in production titers, providing trust that we will reach the required levels for a commercially relevant process. This achievement was the result of the combined effort of a multidisciplinary team", he proudly looks back.

> "Our diversity is our strength. We complete each other with our different perspectives and talents."
>
> — Deniz Güver Malat, Research Associate Strain Engineering Pichia pastoris team

# Investor and shareholder information


# The shares in 2022

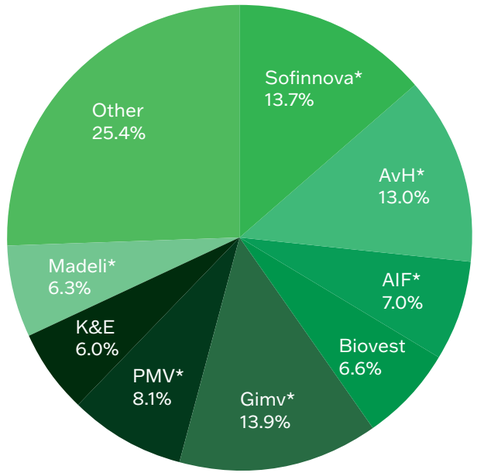
BTLS
LISTED
EURONEXT

The shares of Biotalys NV are traded since 2 July 2021 on the regulated Euronext Brussels under the symbol ‘BTLS’.

At 31 December 2022, the share capital of the Company was brought to €44,547,917.34 represented by 30,949,454 ordinary shares.


# Major shareholders

Biotalys’ shareholding consists of institutional and retail investors, both international and local. At the date of this annual report and based on the received transparency declarations, the shareholder structure was as follows:




Notes:

AIF:
Agri Investment Fund CVBA

AvH:
Ackermans & van Haaren NV

Gimv:
Gimv NV, Adviesbeheer Gimv Venture Capital 2010 NV and Biotech Fonds Vlaanderen NV

Madeli:
Madeli Participaties BV

PMV:
ParticipatieMaatschappij Vlaanderen NV (PMV NV). PMV holds 100% of the shares in Biotech Fonds Vlaanderen NV which on its turn holds 8,31% of the shares in Biotalys. This participation however is managed by Gimv NV.

Sofinnova:
Sofinnova Partners S.A.S.

# Analyst coverage

There are three analysts actively covering Biotalys:

- KBC Securities – Guy Sips
- Berenberg – Sebastian Bray
- Kepler Cheuvreux – Christian Faitz

# 2022 Investor and stakeholder events

Biotalys implemented an ambitious program to engage with actual and potential investors on the Company's mission and activities. During the course of the year 2022, Biotalys reached out to investors at the following events:

## February

### SCALE-UP OF THE YEAR AWARD NIGHT

Biotalys was nominated as a finalist for the Scale-up of the Year award of the Flemish Government. The award night took place in Brussels, in a joint organization by EY and BNP Paribas Fortis.

## March

### FINANCIAL RESULTS WEBCAST & CONFERENCE CALL

The Biotalys management hosted a webcast and conference call following the publication of its consolidated results for the full year 2021.

### BERENBERG EU OPPORTUNITIES CONFERENCE

Biotalys' management presented to investors at the Berenberg EU Opportunities Conference 2022 held in London.

### WORLD AGRITECH SUMMIT

The Biotalys management attended the World AgriTech Summit 2022 in San Francisco (U.S.).

### INVESTOR PRESENTATIONS WITH KEPLER CHEUVREUX

Biotalys' CEO, CFO and Head of Investor Relations met with institutional investors during a roadshow organized by Kepler Cheuvreux.

## April

### VFB ANNUAL INVESTOR HAPPENING

Biotalys' CEO gave a presentation at the investor happening organized by the Flemish Investor Association (VFB) in Antwerp (Belgium). The Company was also present with a booth.

## May

### BIOTALYS SHAREHOLDERS CLUB

The first gathering of the Biotalys Shareholders Club was held at the Company's headquarters in Ghent (Belgium).

### WEBCAST CANACCORD - TRANSFORMING THE FOOD SYSTEM

Canaccord Genuity (U.S.) organized a webcast on the transformation of the food system, also covering Biotalys.

### KNOWLEDGE FOR GROWTH

Biotalys' Head of IR moderated a panel on agrotech at the Knowledge for Growth Conference organized by FlandersBio in Ghent (Belgium).


## June

### KEPLER CHEUVREUX PAN EUROPEAN ESG CONFERENCE

Biotalys' CEO and CFO presented the Company at the Digital Pan European ESG Conference organized by Kepler Cheuvreux.

### KBC SECURITIES NEW HORIZON CONFERENCE

Biotalys participated in the New Horizon Investor Conference of KBC Securities, taking place in London.

### INVESTOR ROADSHOW

Biotalys' CEO, CFO and Head of IR held various meetings with institutional investors. MC Services moderated the sessions.

## August

### CANACCORD GENUITY GROWTH CONFERENCE

Biotalys' CEO and CFO participated at the Growth Conference in Boston (U.S.) organized by Canaccord Genuity. They had a group presentation and 1-2-1 meetings with investors.

### PUBLICATION OF HY 2022 RESULTS AND BUSINESS UPDATE

Biotalys published its half-year results for 2022 and provided a business update. The Company's management also held a webcast.

## September

### FOOD & CHEMICALS CONFERENCE

Biotalys participated at the Food & Chemicals Conference in London, organized by Berenberg.

### AUTUMN INVESTOR CONFERENCE

Biotalys' management participated at the Autumn Investor Conference in Paris organized by Kepler Cheuvreux / Belfius.

### L'INVESTISSEUR ON TOUR

Biotalys' CEO Patrice Sellès spoke to investors at the Investisseur on Tour event in Kinepolis Braine-L'Alleud, an event organized by L'Echo and De Tijd (Trustmedia).

### KBC SECURITIES SUSTAINABILITY CONFERENCE

Biotalys' management spoke with investors at the Sustainability Conference organized by KBC Securities (virtual).

## October

### INVESTOR ROADSHOW

The Biotalys management participated in a digital investor roadshow organized by IR consultancy MC Services.

### ANNUAL BIOCONTROL INDUSTRY MEETING

Biotalys' management participated at the ABIM 2022 conference in Basel.

### VFB SOIRÉE

Biotalys' management presented the Company at a webinar organized by the Flemish Retail Investor Association (VFB).

## November

### NORTH CAROLINA AGRICULTURE INVESTOR CONFERENCE

Biotalys' CEO Patrice Sellès spoke at the agricultural investor conference in RTP, North Carolina.

### GLOBAL AGRIFOOD FORUM

Biotalys' management participated in the Global AgriFood Forum 2022 organized by Kepler Cheuvreux (virtual event).

### VOKA VISIT TO BIOTALYS

A delegation of VOKA members visited the Biotalys HQ in Ghent (Belgium).

### GERMAN INVESTOR CONFERENCE

Biotalys' management participated at the Deutsches Eigenkapitalforum (EKF) in Frankfurt, Germany.

## December

### AGRIFOOD TECH INNOVATIONS FORUM

Biotalys' management spoke with investors at the AgriFood Tech Innovations Forum (virtual) organized by Canaccord Genuity.

### FINANCE AVENUE

Biotalys' management gave a workshop to investors and was present with a booth at Finance Avenue in Brussels.

### BIOTALYS SHAREHOLDERS CLUB

Biotalys hosted its Winter Shareholders Club at its headquarters in Ghent (Belgium). CFO Wim Ottevaere and Head of IR Toon Musschoot welcomed shareholders at the site.

### BIOCONTROL & BIOMES CONFERENCE

Luc Maertens, COO of Biotalys, presented the Company and its technology at the Informa Biocontrol & Biomes Conference in Madrid (Spain).

# Corporate governance

# 1. Reference code

The Company applies the Belgian Code on Corporate Governance 2020 as its reference code. The Code can be consulted on the website of the Corporate Governance Committee (www.corporategovernancecommittee.be). The Committee published a third version of the Code on May 9, 2019, which replaces that of March 12, 2009, and became effective as of January 1, 2020.

The Company's governance deviates on some points from the principles set out in the Belgian Code on Corporate Governance . A discussion and explanation ("comply or explain") can be found below (Chapter 8 - Deviations from the Belgian Code on Corporate Governance).

More information on the Company's Governance can also be found in the Corporate Governance Charter on www.biotalys.com/investors/corporate-governance.

# 2. Board of Directors

## 2.1. Role

The Company is headed by a board ('Board') acting as a collegiate body. The Board's role is to pursue sustainable value creation by the Company, by setting the Company's strategy, putting in place effective, responsible and ethical leadership and monitoring the Company's performance.

The Board decides on the Company's medium and long-term strategy based on proposals from the Executive Committee ('ExCom') and determines the risk appetite of the Company in order to achieve its strategic objectives. The Board closely monitors the Company's performance and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. The Board supports the ExCom in the execution of its tasks and should be prepared to challenge the ExCom in a constructive manner when appropriate.

The Company has opted for a "one-tier" governance structure. As a result, the Board is the ultimate decision-making body and is authorised to carry out all actions that are necessary or useful to achieve the Company's purpose, except for the powers reserved to the shareholders at the shareholders meeting by law, or as specified in the articles of association of the Company ('Articles of Association'). At least once, every five years, the Board should review whether the chosen governance structure is still appropriate, and if not, it should propose a new governance structure to the shareholders' meeting. The Board currently intends to review the governance structure during the accounting year 2025 in order to propose (if applicable) a new governance structure to the shareholders meeting to be held in 2026.

## 2.2. Composition

On 31 December 2022, the Board is composed as follows (which composition did not change till the date of this annual report):

| Name | Age | Position | Start of initial term | Start of current term | End of term (*) |
|---|---|---|---|---|---|
| **Simon E. Moroney (Chairperson) (**)** | 63 | Independent director<br>Chair | 2021 | 2021 | 2025 |
| **Patrice Sellès** | 51 | Executive director<br>Chief executive officer | 2019 | 2021 | 2025 |
| **Johan Cardoen** | 64 | Independent director | 2013 | 2021 | 2025 |
| **Markus Heldt (***)** | 64 | Independent director | 2021 | 2021 | 2025 |
| **Catherine Moukheibir (****)** | 62 | Independent director | 2021 | 2021 | 2025 |
| **Pieter Bevernage** | 54 | Non-executive director | 2019 | 2021 | 2025 |
| **Patrick Van Beneden** | 60 | Non-executive director | 2013 | 2021 | 2025 |
| **Michiel M. VanLookeren Campagne (*****)** | 63 | Independent director | 2022 | 2022 | 2026 |

(*) The term of the mandates of each Director will expire immediately after the annual general shareholders' meeting held in the calendar year indicated.

(**) With effect from 16 April 2021

(***) With effect from 5 July 2021

(****) With effect from 18 June 2021

(*****) With effect from 1 June 2022

Mr. Simon Moroney, Mr. Johan Cardoen, Mr. Markus Heldt, Mr. Michiel M. van Lookeren Campagne and Mrs. Catherine Moukheibir meet the criteria as independent director of the Belgian Code on Corporate Governance.

**Simon E. Moroney, Independent director and Chair**

Simon E. Moroney has over 30 years of industry leadership and research experience. From 1992 to 2019, he was co-founder and CEO of MorphoSys AG, a leading biotechnology Company focused on the treatment of cancer and auto-immune diseases, and currently sits on the board of Novartis AG as a non-executive director. Simon E. Moroney has been recognized and awarded with the German Cross of the Order of Merit for his work and contribution to the biotechnology industry. He holds a D. Phil in Chemistry from the University of Oxford, United Kingdom, and has held positions in the Department of Pharmacology at the University of Cambridge, as Assistant Professor in the Chemistry Department, University of British Columbia and as Associate and Lecturer in the Chemistry Department of the ETH Zurich.

**Patrice Sellès, Executive director and Chief executive officer**

Patrice Sellès has over 20 years of experience in the Ag and Food Tech Industry. Prior to joining Biotalys in July 2019, he held a number of leadership roles at Syngenta AG, including developing the science and technology strategy as well as deploying a technology acquisition team to establish strategic partnerships and licensing agreements in crop protection, biologicals and biotechnology. Prior to that, he was an investment manager at Life Science Partners Bioventures in Cambridge (MA, USA). Patrice Sellès started his career in scientific management roles in various industries bringing chemical ingredients from early stage discovery to development and scale-up. He is a chemical engineer and holds a PhD in organic chemistry from the University Pierre et Marie Curie, Paris, France.

**Johan Cardoen, Independent director**

Johan Cardoen has over 30 years of experience in the biotech sector, in particular in the AgTech sector. He was managing director of VIB until 1 July 2020, where he was responsible for the innovation and business team. He represented VIB on the boards of directors of various life science and AgTech companies, and currently continues to do so at Aphea.Bio NV. He is currently also the chairperson of Meiogenix SA and member of the board of directors and remuneration committee of Complix NV. Johan Cardoen started his career at Plant Genetic Systems and subsequently AgrEvo Hoechst Schering GmbH and Aventis CropScience (now Bayer CropScience) where he was responsible for all biotech related technology acquisitions. In 1999, Johan Cardoen joined CropDesign NV (acquired by BASF SE) as Vice President Technology Alliances and IP and subsequently Business Development and became CEO in 2004. Johan Cardoen holds a Master's degree in biological sciences, a PhD in Biology and a Postgraduate degree in business management from KU Leuven, Belgium.

**Markus Heldt, Independent director**

Markus Heldt has over 40 years of experience in the agricultural industry. He has worked for BASF SE between 2000 and 2019, where he served as Group Vice President of the Agricultural Products and Fine Chemicals division in São Paulo, Latin America, and as Group Vice President for Crop Protection in North America in Research Triangle Park, North Carolina. Between 2009 and 2019, Markus Heldt was President of BASF SE's Agricultural Solutions division, leading the acquisition of certain businesses and assets from Bayer AG in 2018. Prior to joining BASF SE, Markus Heldt held positions at Cyanamid Agrar GmbH & Co KG, Shell International Ltd and Celamerck GmbH & Co KG. He commenced his career as commercial apprentice and management trainee at Boehringer Ingelheim GmbH.

**Catherine Moukheibir, Independent director**

Catherine Moukheibir has a long leadership career in the biopharmaceutical industry, as well as a deep background in international finance. She most recently served as chief executive officer of MedDay Pharmaceuticals SA. She was also the chair of the board of directors of MedDay Pharmaceuticals SA from 2016 to 2021. Prior to that, Catherine Moukheibir served as the senior advisor for finance and a member of the executive board of directors at Innate Pharma SA from 2011 to 2016, and as the chief financial officer for Movetis NV from 2008 to 2010. Catherine Moukheibir previously served as the director of capital markets for Zeltia Group S.A. from 2001 to 2007. She currently serves on the board of directors of OxfordBiomedica plc, DNA Script SAS, Noema Pharma AG, CMR Surgical Ltd, Asceneuron SA and Ironwood Pharmaceuticals, Inc. She also held past directorships on the boards of directors of Ablynx NV, Cerenis Therapeutics SA, Creabilis S.A., GenKyoTex S.A., Kymab Group Limited, Orphazyme A/S and Zealand Pharma A/S. Catherine Moukheibir has an M.A. in economics and an M.B.A. from Yale University.

**Michiel M. van Lookeren Campagne, Independent director**

Michiel M. van Lookeren Campagne has more than three decades of experience driving scientific advances for the agricultural industry in leadership positions around the globe. Most recently, he served as the Director Agriculture & Food for CSIRO, Australia's national science agency. At Syngenta, he was Head of Seeds Research, based in Research Triangle Park, North Carolina. At Bayer CropScience, he headed the research for its BioScience business out of Ghent. Prior to that, he held scientific research roles at Wageningen University & Research Centre (WUR). Michiel M. van Lookeren Campagne earned his PhD in Developmental Biology from Leiden University in the Netherlands. Prior to his career in agriculture, he served as an Assistant Professor and Associate Research Scientist at the College of Physicians and Surgeons of Columbia University, New York.

**Pieter Bevernage, Non-executive director**

Pieter Bevernage is member of the executive committee and general counsel of Ackermans & van Haaren NV with extensive experience in the management of listed companies, corporate governance, M&A, remuneration policy and compliance. Prior to joining Ackermans & van Haaren in 1995, he practiced M&A, corporate and financial law at the law firm Loeff Claeys Verbeke (now Allen & Overy). Pieter Bevernage is also a member of the board of directors of AvH Growth Capital NV, Biolectric Group NV and Green Offshore NV. Pieter Bevernage holds a Master's degree in Law from the KU Leuven, Belgium and a LLM (Master of Laws) from the University of Chicago Law School, USA.

**Patrick Van Beneden, Non-executive director**

Patrick Van Beneden has over 35 years of experience in venture capital investments in the life sciences and AgTech sector. He was a partner at Gimv NV from 1985 to 2020 and currently acts as consultant to Gimv NV. Patrick Van Beneden is currently a member of the board of directors and audit committee of The Foundry Innovation and Research 1, Ltd. (Fire1). He has also been a member of the board of directors of Innogenetics NV (acquired by Solvay SA), Crucell NV (acquired by Johnson & Johnson), Hypnion (acquired by Eli Lilly and Company LLY), CropDesign NV (acquired by BASF SE), Astex Technology Limited (now subsidiary of Otsuka Pharmaceutical Co. Ltd) , Ablynx NV (acquired by Sanofi SA), Onward Inc. and JenaValve Technology Inc., as well as Complix NV and flanders.bio vzw. Patrick Van Beneden has a Master's degree in financial sciences from Vlekho, Belgium.

By January 2027, at least one third of the members of the Board should be from a different gender than the other members. The current Board does not yet meet that requirement. See Chapter 9 - Diversity.

## 2.3. Activity Report of the Board

During 2022, twelve meetings of the Board were held. The table below sets out the attendance to the meetings of the Board for each director.

| Name | Attendance |
|---|---|
| **Simon E. Moroney** | 12 out of 12 meetings |
| **Patrice Sellès** | 11 out of 12 meetings |
| **Johan Cardoen** | 11 out of 12 meetings |
| **Markus Heldt** | 12 out of 12 meetings |
| **Catherine Moukheibir** | 9 out of 12 meetings |
| **Pieter Bevernage** | 11 out of 12 meetings |
| **Patrick Van Beneden** | 12 out of 12 meetings |
| **Michiel M. van Lookeren Campagne (*)** | 8 out of 8 meetings |

(*) Michiel M. van Lookeren Campagne was nominated as a director with effect on 1 June 2022 and attended to all board meetings since then.

In 2022, the Board met in relation to the preparation of the annual and extraordinary general meetings in April and December (in particular in relation to the application of the "alarm bell" procedure of article 7:228 of the Code of Companies and Associations).

Furthermore, the Board met around the budget for the current financial year, monitored the Company's results and the development of the activities on the basis of reports prepared by the ExCom and discussed the recommendations of the advisory committees. The Board also paid ample attention to the strategy for the coming years, the progress made in the various pipeline programs, the Agrobody Foundry™ platform, the progress of the regulatory submissions regarding Evoca™, the impact of the COVID-19 crisis on the Company, human relation matters and business development matters.

Members of the ExCom as well as third party advisors regularly attend meetings of the Board on invitation of the Board for specific topics.

# 3. Committees of the Board of Directors

The Board has established two board committees which are responsible for assisting the Board and making recommendations in specific fields: (a) the audit committee (in accordance with article 7:99 of the BCCA and provisions 4.10 and following of the Belgian Code on Corporate Governance) and (b) the nomination and remuneration committee (in accordance with article 7:100 of the BCCA and provisions 4.17 and following and 4.19 and following of the Belgian Code on Corporate Governance). The terms of reference of these board committees are primarily set out in the Corporate Governance Charter.

## Audit Committee

The audit committee consists of at least three directors. Pursuant to article 7:99 of the BCCA, all members of the audit committee must be non-executive directors, and at least one member must be independent within the meaning of provision above of the Belgian Code on Corporate Governance. The chairperson of the audit committee is to be appointed by the members of the audit committee.

The following directors are the members of the audit committee: Catherine Moukheibir (chairperson), Markus Heldt and Pieter Bevernage. With respect to the independence and the expertise in accounting of one member of the audit committee, reference is made to the biography of Catherine Moukheibir (see section 2.2 Composition). Mrs. Catherine Moukheibir also meets the criteria of an independent director.

The members of the audit committee must have sufficient financial expertise to fulfil their role effectively and the members need to have collective expertise in the activities of the Company, and at least one member of the audit committee must have the necessary competence in accounting and auditing. According to the Board, the members of the audit committee satisfy this requirement, as evidenced by the different senior management and director mandates that they have held in the past and currently hold.

Pursuant to article 7:99 of the BCCA, the role of the audit committee is at least to:

- inform the Board of the result of the audit of the financial statements and the manner in which the audit has contributed to the integrity of the financial reporting and the role that the audit committee has played in that process;
- monitor the financial reporting process, and to make recommendations or proposals to ensure the integrity of the process;
- monitor the effectiveness of the internal control and risk management systems, and the Company's internal audit process and its effectiveness;
- monitor the audit of the financial statements, including the follow-up questions and recommendations by the statutory auditor;
- assess and monitor the independence of the statutory auditor, in particular with respect to the appropriateness of the provision of additional services to the Company. More specifically, the audit committee analyzes, together with the statutory auditor, the threats for the statutory auditor's independence and the security measures taken to limit these threats, when the total amount of fees exceeds the criteria specified in article 4 §3 of Regulation (EU) No 537/2014; and
- make recommendations to the Board on the selection, appointment and remuneration of the statutory auditor of the Company in accordance with article 16 §2 of Regulation (EU) No 537/2014.

The audit committee shall meet sufficiently regularly to execute its duties effectively, with a minimum of four meetings a year or at the request of at least two of its members.

| Name | Attendance |
|---|---|
| **Catherine Moukheibir** | 4 out of 4 meetings |
| **Markus Heldt** | 4 out of 4 meetings |
| **Pieter Bevernage** | 4 out of 4 meetings |

## 3.1. Nomination and remuneration committee

The nomination and remuneration committee consists of at least three directors. Pursuant to article 7:100 of the BCCA and the Belgian Code on Corporate Governance, (i) all members of the nomination and remuneration committee are non-executive directors, (ii) the nomination and remuneration committee consists of a majority of independent directors and (iii) the nomination and remuneration committee is chaired by the chairperson of the Board or another non-executive director appointed by the committee.

The following directors are the members of the nomination and remuneration committee: Simon E. Moroney (chairperson), Johan Cardoen, Patrick Van Beneden and Michiel M. van Lookeren Campagne.

Pursuant to article 7:100 of the BCCA, the nomination and remuneration committee must have the necessary expertise in terms of remuneration policy, which is evidenced by the experience and previous roles of its current members. Also, the chief executive officer participates in the meetings of the nomination and remuneration committee in an advisory capacity each time the remuneration of another member of the ExCom is being discussed.

Furthermore, the role of the nomination and remuneration committee is at least to make recommendations to the Board with regard to the remuneration and appointment of directors and members of the ExCom and, in particular, to:

Pursuant to its function as remuneration committee:

- make proposals to the Board on the remuneration policy of directors, the persons in charge of the management, and the persons in charge of the daily management, as well as, where applicable, the resulting proposals that the Board must submit to the general shareholders' meeting;
- make proposals to the Board on the individual remuneration of the directors, the other persons in charge of the management, and the persons in charge of day-to-day management, including variable remuneration and long-term performance premiums, whether or not tied to shares, in the form of stock options or other financial instruments, and of severance payments, and where applicable, the resulting proposals that the Board must submit to the general shareholders' meeting;
- prepare the remuneration report; and
- explain the remuneration report at the annual general shareholders' meeting.

Pursuant to its function as nomination committee:

- make recommendations to the Board with regard to the appointment of directors and members of the executive management;
- make recommendations to the Board in relation to the assignment of responsibilities to the executives;
- prepare plans for the orderly succession of board members;
- lead the re-appointment process of board members;
- ensure that sufficient and regular attention is paid to the succession of executives;
- ensure that appropriate talent development programs and programs to promote diversity in leadership are in place.

The nomination and remuneration committee shall meet sufficiently regularly to execute its duties effectively, with a minimum of four meetings a year or at the request of at least two of its members.

| Name | Attendance |
|---|---|
| **Simon E. Moroney** | 5 out of 5 meetings |
| **Johan Cardoen** | 5 out of 5 meetings |
| **Patrick Van Beneden** | 5 out of 5 meetings |
| **Michiel M. van Lookeren Campagne (*)** | 2 out of 2 meetings |

(*) Michiel M. van Lookeren Campagne was nominated as a director with effect on 1 June 2022 and attended all nomination and remuneration committee meetings since then.

# 4. Executive Management

## 4.1. Role and composition of the Executive Committee

The members of the ExCom are nominated and dismissed by the Board. Only the CEO is entrusted with the day-to-day management of the Company with the other members of the Excom in support. The ExCom is essentially tasked with discussing the general management of the Company, and prepares the decisions to be taken by the Board.

| Name | Function | Start of Term |
|---|---|---|
| **Patrice Sellès** | Chief executive officer | 2019 |
| **Wim Ottevaere (*)** | Chief financial officer | 2020 |
| **Patrick McDonnell** | Chief business officer | 2021 |
| **Luc Maertens** | Chief operating officer | 2019 |
| **Carlo Boutton (**)** | Chief scientific officer | 2022 |

(*) Acting via WIOT BV

(**) Since 3 May 2022

**Patrice Sellès, Chief executive officer**

Patrice Sellès has over 20 years of experience in the Ag and Food Tech Industry across various countries, including the USA and Switzerland. Prior to joining the Company in July 2019, he held a number of leadership roles at Syngenta, including developing the science and technology strategy as well as deploying a technology acquisition team to establish strategic partnerships and licensing agreements in Crop Protection, Biologicals and Biotechnology. Prior to that, he was an investment manager at Life Science Partners Bioventures in Cambridge (MA, USA) where he led multiple investment deals in the Food and Ag Tech ecosystem and joined the Board of three portfolio companies. Patrice started his career in scientific management roles in various industries bringing chemical ingredients from early stage discovery to development and scale-up. He is a chemical engineer and received his PhD in organic chemistry from the University Pierre et Marie Curie, Paris, France.

**Wim Ottevaere, Chief financial officer**

Wim Ottevaere has over 40 years of experience in strategic financial roles especially for multiple biotech companies across various markets. He was the chief financial officer of Ablynx NV until September 2018. From 1992 until joining Ablynx NV in 2006, Wim Ottevaere was chief financial officer of Innogenetics NV. From 1990 until 1992, he served as Finance Director of Vanhout, a subsidiary of the Besix group, a large construction enterprise in Belgium. From 1978 until 1989, Wim Ottevaere held various positions in finance and administration within the Dossche group. Since he left Ablynx NV, he has been consultant for several biotech companies. He is currently a member of the Board and chairperson of the audit committee of Sequana Medical NV . Wim Ottevaere holds a Master's degree in Business Economics from the University of Antwerp, Belgium. Wim Ottevaere will be succeeded by Douglas Minder on 1 July 2023 and will take up an advisory role as of then.

**Patrick McDonnell, Chief business officer**

Patrick McDonnell joined Biotalys in October 2021 from BASF, where he worked as Global Lead Business Development for Agricultural Products. He brings more than 30 years of experience in sourcing and implementing innovative solutions to agriculture, within various legacy companies of BASF, Bayer and Syngenta. He is an expert in go-to-market strategies and has launched many fungicides, insecticides and herbicides in different sales and marketing roles. Over time, Patrick has developed an expertise in biosolutions for greenhouses, in crops as diverse as mushrooms and citrus. Recently, he has been pioneering digital solutions in the global pest control industry, one of the key innovations aimed at helping growers to apply more targeted crop protection products to make agriculture more sustainable. Previously, Patrick set up his own plant nursery business where he established strong relations with growers and suppliers and experienced first hand what the needs of the agricultural community are to protect their crops against pests and diseases. Patrick studied at John Carroll University, Cleveland, Ohio, where h e received a Degree in Biology and Chemistry.

**Luc Maertens, Chief operating officer**

Luc Maertens has over 20 years of experience in the agricultural industry with expertise in strategy development and implementation, operations management, and activities ranging from research through to regulatory approval and market entry. Prior to joining Biotalys in 2017 as chief executive officer, and being appointed chief operating officer in July 2019, he was head of Syngenta AG's Ghent Innovation Center, and headed the RNAi-based Biocontrol R&D Platform globally. Before that, he was a member of the executive team at Devgen NV where he held various positions in science, regulatory affairs and operations management within the divisions of Crop Protection, Seeds and Biotechnology for the European, Asian and African markets. He started his career at VIB in the Department of Medical Protein Research of the Faculty of Medicine at the University of Ghent, Belgium. Luc Maertens holds a Master's degree in biomedical sciences from the University of Brussels (VUB), Belgium.

**Carlo Boutton, Chief scientific officer**

Carlo Boutton has a career of more than 20 years in the pharma and biotech industry and joined Biotalys in May 2022. From 2007 to 2022, he was at Ablynx where he was instrumental in building the Nanobody® platform from concept to patient validation. Upon the acquisition of Ablynx by Sanofi in 2018, he remained loyal to the Nanobody platform, partly at Sanofi's request, and was promoted at Sanofi to global head of innovation for biologics-based medicines. In this position, he led research teams in France, Germany, Belgium and the USA. Carlo began his professional career at Algonomics, a small biotech focused on bioinformatics and computational biology. Then, from 2003 to 2007, he was an active scientist at Tibotec, a subsidiary of Johnson & Johnson, where he supported several HIV and HCV research projects through structure-based drug design. Carlo holds a PhD in physical chemistry from the Catholic University of Leuven. He also earned several certificates in innovation management at the Cranfield School of Management and Applied Computer Science at VIVES college.

## 4.2. Activity report

The ExCom meets on a weekly basis and discusses items related to human resources, strategy, R&D developments, business development and finance.

# 5. Scientific Advisory Committee

The Board has installed a Scientific Advisory Committee (previously Scientific Advisory Board) to provide strategic scientific and technology advice and guidance to the Company on the following matters, with a view to position the Company optimally to develop and execute its global business strategy and achieve its growth objectives:

- improving the efficiency and efficacy of the research and development programs;
- defining next-generation product and technology development programs, including providing ideas and concepts for new product and technology areas;
- analysing critically the key results of the lead programs;
- providing access to specialized network of experts to drive innovation rate; and
- providing strategic direction on regulatory matters.

The Scientific Advisory Committee is not an official Board committee and meets at least twice a year. It provides feedback to the Board on the discussions with the Group, including recommendation to the Board related to scientific and technological progress. In addition, individual feedback from members of the Scientific Advisory Committee is obtained in an ad-hoc manner to address specific matters. There will be at least one meeting per year between the Board of Directors and the chair of the Scientific Advisory Committee.

The members of the Scientific Advisory Committee may, but do not have to be, members of the Board.

The following persons are members of the Scientific Advisory Committee: Adrian Percy (acting through Nomad Technology Consulting LLC), Jacqui Campbell, Daniel Joo, Franz-Joseph Placke, Claude Bensoussan (acting through BioAdvice SARL), Hans-Jürgen Rosslenbroich and Joannis Stergiopoulos.

The following paragraphs contain brief biographies of each of the members of the SAC, or in the case of legal entities, their permanent representatives:

**Adrian Percy, Chairman of the SAC**
Adrian Percy has more than 25 years of experience in the agricultural industry. He currently serves as the executive director of the North Carolina Plant Sciences Initiative, a research and innovation effort that is poised to solve some of the world's grandest agricultural issues. Previously he was the CTO of UPL Ltd and the head of research and development for the Crop Science division of Bayer as part of their executive committee. Adrian is a toxicologist by training and received his PhD in biochemistry from the University of Birmingham.

**Jacqui Campbell, Member of the SAC**
Jacqui Campbell is a senior executive and has over 28 years of experience in the global agriculture industry. During her tenure with Syngenta she has held leadership positions across R&D, production and supply chain and has deep experience in scaling technology from an idea in the lab to both commercial production and product in the field. She is currently responsible in Syngenta for assessing novel technologies and business opportunities across the Agtech landscape and is an executive member of the Syngenta Corporate Venture Fund Committee.

**Daniel Joo, Member of the SAC**
Daniel Joo is currently Vice President of Biology at Oerth Bio. He brings 20+ years of expertise in both wet lab and dry lab sciences that are critical to innovation in emerging technology. Utilizing both approaches as the Director of Informatics, he led genomics and bioinformatics efforts at AgraQuest, a biopesticide Company, which was acquired by Bayer in 2012. Within Bayer, he held various strategic positions in Traits and Biologics, focused on the identification and improvement of novel traits or microbes for controlling weeds, pests and diseases. Prior to joining Oerth, Daniel was the Head of Microbiome Discovery at BASF. He also has 10 years of experience working for start-up biotech companies in human therapeutics. Daniel received both his B.A in Biology and B.A.S. in Computer Science at the University of Pennsylvania. He received his Ph.D. in Molecular and Cell Biology from the University of California at Berkeley and conducted his postdoctoral fellowship at UCSF.

**Franz-Josef Placke, Member of the SAC**
Franz-Josef Placke works as a self-employed Technology Advisor for Life Sciences and he is currently also Chair of the Advisory Board for Rottendorf Pharma. FranzJosef is retired from Bayer AG where he held senior management positions with global responsibility in R&D as well as in production for more than 15 years. He was responsible for product development, product safety and regulatory affairs in Bayer CropScience and for product supply and product quality in Bayer Animal Health and the Pharma division. He is passionate about sustainable agriculture and believes in new technologies to improve and secure agricultural productivity and farmer's income while minimizing the environmental impact. Equally important is for him

the societal acceptance of technologies and the trust in science. Franz-Josef received his PhD in natural science from University of Würzburg (Institute for Pharmacy). He is a pharmacist by training and studied at University of Marburg.

**Dr. Claude Bensoussan, Member of the SAC**

As industrial biotechnology expert, Dr. Bensoussan currently serves as CEO of BioAdvice, which provides consulting services for leaders in the bioprocess and biotechnology communities. With a PhD. in molecular pharmaco-chemistry, he brings decades of operational experience across the pharmaceutical and chemical industries to his role on the SAC, where he will provide counsel on industrial-scale protein manufacturing. Dr. Bensoussan has driven the development and industrialization of numerous bioprocesses spanning the pharmaceutical, agrochemical, cosmetics, and nutraceuticals arenas. A highly acclaimed author, he is an active advisor to the biotechnology community.

**Dr. Hans-Jürgen Rosslenbroich, Member of the SAC**

Previously serving as the Head of Disease Management in Agronomic Development for Bayer Crop Science, Dr. Rosslenbroich has a long history of disease management product development, both biologicals and chemicals. He brings exceptional expertise in plant pathogens and disease-crop biology to his role on the SAC to drive the development and positioning of fungicides for disease control and safeguarding plant health. In the recent past, Dr. Rosslenbroich has been providing advice to Biotalys on Evoca – Biotalys' first biofungicide – including its mode of action, field trial data analysis and plant compatibility questions.

**Dr. Ioannis Stergiopoulos, Member of the SAC**

As Associate Professor at the University of California, Davis (UC Davis), focused on genetics, genomics, and evolution of plant-microbe interactions, Dr. Stergiopoulos has dedicated his career to understanding microbial virulence and multidrug resistance mechanisms in fungal plant pathogens, and to translating this knowledge into effective intervention strategies for disease control. In his role on the Biotalys SAC, he will bring a unique perspective on the molecular mechanisms governing fungal pathogenesis on plants and resistance to antifungal agents. In his research, Dr. Stergiopoulos follows a systems biology-based approach that integrates comparative and functional genomics, with molecular evolutionary analyses, and practical field work. Prior to joining UC Davis, Dr. Stergiopoulos was appointed as a post-doctoral fellow at Vanderbilt University (Department of Biological Sciences) and at Wageningen University (Department of Plant Pathology), where he had earned his PhD.

# 6. Conflicts of interest

Directors are required to arrange their personal and business affairs so as to avoid conflicts of interest with the Company. Any director with a conflicting interest on any matter before the Board will be required to bring it to the attention of his or her fellow directors. If the conflict is a direct or indirect conflict of a financial nature falling within the meaning of Article 7:96 of the BCCA, the relevant director shall also bring it to the attention of the statutory auditor and take no part in any deliberations or voting related thereto. If the conflict does not fall within the scope of Article 7:96 of the BCCA, the Board shall, under the lead of the Chairperson, decide which procedure needs to be followed to protect the interests of the Company and the shareholders, as the case may be. Finally, the Board should act in such a manner that a conflict of interests, or the appearance of such a conflict, is avoided. In the possible case of a conflict of interests, the Board should, under the lead of its Chairperson, decide which procedure it will follow to protect the interests of the Company and all its shareholders. In 2022 and up to 20 March 2023, certain directors declared a conflict of interest. The following declarations were made in that respect:

- The minutes of the meeting of the Board dated 18 January 2022 contain the following:

"Prior to the deliberation and vote by the Board, Patrice Sellès declared a conflict of interest within the meaning of article 7:96 of the Companies and Associations Code (WVV) with regard to item 8 of the agenda (Performance of the Company/ExCom and proposals for remuneration) as he is one of the beneficiaries of the remuneration submitted for decision.

Furthermore, the following directors: Johan Cardoen, Simon Moroney, Catherine Moukheibir and Markus Heldt, insofar as necessary or applicable, reported a conflict of interest in the sense of section 7:96 WVV with regard to item 7 of the agenda (Feedback from the remuneration and nomination committee (including remuneration of independent directors)) as they are the potential beneficiaries of the remuneration submitted for decision. It should be noted that the procedure of article 7:96 WVV is followed on a voluntary basis and to the extent necessary or appropriate since the decision regarding this remuneration lies with the general meeting of shareholders and as such does not fall within the competence of the Board as provided for in article 7:96 WVV."

(...)

"The Board takes note of the fact that Simon Moroney, Catherine Moukheibir, Markus Heldt and Johan Cardoen voluntarily want to apply the conflict of interest procedure of section 7:96 WVV. In principle, the matter of remuneration of directors falls within the competence of the general meeting of shareholders, yet the aforementioned directors wish to exclude any discussion about a possible conflict, even if this conflict is not strictly legal.

The decision only concerns the proposal to the next general meeting of shareholders of an additional annual share component of the remuneration of independent directors.

The Board unanimously decided to propose to shareholders the approval of an additional annual share component to the remuneration of independent directors. This will be in the form of newly issued shares in respect of which the relevant directors will have an obligation to subscribe at a pre-set subscription price (independent of the value of the share at that time) ("share units" where each share unit represents the obligation of the relevant director to subscribe to one new share of the Company). The number of share units granted on an annual basis is as follows:

| | |
|---|---|
| **Simon Moroney** | 1500 |
| **Johan Cardoen** | 1250 |
| **Catherine Moukheibir** | 1250 |
| **Markus Heldt** | 1250 |

The new shares will be issued under the authorised capital of the Company. If the Company does not have authorised capital available, the Company reserves the right to deliver existing shares (if it can proceed to purchase its own shares under Company law) or to compensate them in cash.

The basic characteristics of the share units are as follows:

- The share units are not shares (i.e. they do not grant voting rights, preferential subscription rights or other membership rights to the holder);
- They are not transferable.
- Share units only vest over a three-year period as long as the director is still in office (1/3 each year after granting) except in the event of death or an exit (merger, sale, takeover bid) where immediate vesting applies.
- Share units that have not vested shall lapse.
- The vesting is not linked to any performance criteria and the remuneration in share units is therefore fixed remuneration.
- The underlying new shares will only be effectively issued after a period of three years from the grant of the share units but they will only become negotiable at the earliest after the lapse of (i) three years after the grant of the share units or (ii) one year after the termination of the mandate of the director concerned whichever is the latest.

The Board is of the opinion that granting a share component in the remuneration of independent directors is in the interest of the Company and, in particular, helps to align the interests of the directors with those of the Company. This is, by the way, a principle that is put forward in the Belgian Corporate Governance Code. Offering such compensation is also seen as necessary to attract independent directors of high calibre now and in the future, also in view of the international market in which the Company has to compete in that area.

The financial consequences for the Company of this additional share component are in principle very limited if new shares could be used as underlying shares of a share unit, which is the starting point. In particular, there would then be no cash-out for the Company except for the notarial deed costs when issuing the new shares, which can be estimated at EUR 3,000 to 4,000. The subscription price of the new shares will be rather low and rather symbolic as it concerns a remuneration element and should not be taken into account in this consideration. This subscription price will be determined at a later date. In the exceptional circumstance that the Company would not have the authorised capital to proceed with the issue of new shares and would have to buy back its own shares (if possible, under Company law) or to pay cash compensation, the cost will be equal to the number of shares to be compensated multiplied by the market price of the share at that time. Assuming a constant stock market price of, for example, €10, this amounts to a cash-out of EUR 52,500 annually in the event of an allocation of 5250 share units (as is currently proposed)."

(...)

"The Board notes the conflict of interest within the meaning of article 7:96 WVV that Patrice Sellès has with respect to the present decision to grant a bonus for 2021 and an increase in the base remuneration for 2022. This conflict of interest is triggered by the mere fact that Patrice Sellès is himself the beneficiary of the bonus/remuneration. With regard to the stated conflict of interest of Mr. Patrice Sellès under article 7:96 WVV, the Board is of the opinion that granting the performance bonus 2021 and the

increase in the base remuneration for 2022 to Mr. Patrice Sellès is justified and in line with the remuneration policy of the Company. The increase also brings the compensation of Patrice Sellès more in line with the market standard. The financial impact for the Company amounts to a cash-out of 81,000 EUR as bonus for 2021 and 25,000 EUR for 2022 (bringing the base salary (excluding bonus and equity related compensation) to 250,000 EUR) (all amounts are gross)."

- The minutes of the meeting of the Board dated 10 March 2022 contain the following:

"Prior to the deliberation and vote by the Board the following directors: Johan Cardoen, Simon Moroney, Catherine Moukheibir and Markus Heldt, insofar as necessary or applicable, reported a conflict of interest in the sense of section 7:96 WVV with regard to item 2 of the agenda (Discussion and approval of share-related remuneration for independent directors) as they are the potential beneficiaries of the remuneration submitted for decision. It should be noted that the procedure of article 7:96 WVV is followed on a voluntary basis and to the extent necessary or appropriate since the decision regarding this remuneration lies with the general meeting of shareholders and as such does not fall within the competence of the Board as provided for in article 7:96 WVV."

(…)

The Board takes note of the fact that Simon Moroney, Catherine Moukheibir, Markus Heldt and Johan Cardoen voluntarily want to apply the conflict of interest procedure of section 7:96 WVV. In principle, the matter of remuneration of directors falls within the competence of the general meeting of shareholders, yet the aforementioned directors wish to exclude any discussion about a possible conflict, even if this conflict is not strictly legal.

Patrick Van Beneden refers to the decision taken at the Board meeting on January 18, 2022. This decision still had to be completed by setting the subscription price per share to be issued in the context of the share-units. Furthermore, it is proposed to determine the number of share-units as of the financial year 2023 based on a formula starting from a fixed amount in order to avoid that, due to the evolution of the Company's share price, the share-related remuneration would be too high or too low compared to the fixed remuneration in cash.

The Board decides to submit to the shareholders the approval of an additional annual share-based remuneration to the remuneration of independent directors in accordance with the decision of the Board on January 18, 2022 supplemented and amended as follows:

- The Board decides to set the subscription price of the shares to be issued at one EUR per share.
- Further, the Board decides that the number of share-units proposed to be granted for 2022 is 1500 for the Chairman of the Board and 1250 for the other independent directors. From 2023, the number of share units to be granted will be calculated in the following manner:
    - For the Chairman of the Board: 10,500 divided by the average closing price of the Biotalys share on Euronext Brussels during the month of March of the year in question;
    - For other independent directors: 8750 divided by the average closing price of the Biotalys share on Euronext Brussels during the month of March of the year in question.

Fractions of shares are disregarded and not granted.

The Board is of the opinion that granting a share component in the remuneration of independent directors is in the interest of the Company and, in particular, helps to align the interests of the directors with those of the Company. This is, by the way, a principle that is put forward in the Belgian Corporate Governance Code. Offering such compensation is also seen as necessary to attract independent directors of high calibre now and in the future, also in view of the international market in which the Company has to compete in that area.

The financial consequences for the Company of this additional share component are in principle very limited if new shares could be used as underlying shares of a share unit, which is the starting point. In particular, there would then be no cash-out for the Company except for the notarial deed costs when issuing the new shares, which can be estimated at EUR 3,000 to 4,000. The subscription price of the new shares is rather law and symbolic i.e. one EUR as it concerns a remuneration element. In the exceptional circumstance that the Company would not have the authorised capital to proceed with the issue of new shares and would have to buy back its own shares (if possible, under Company law) or to pay cash compensation, the cost will be equal to the number of shares to be compensated multiplied by the market price of the share at that time. Assuming a constant stock market price of, for example, €10, this amounts to a cash-out of EUR 52 500 annually in the event of an allocation of 5250 share units (assuming that the number of allocated share-units remains stable compared to 2022)."

- The minutes of the meeting of the Board dated 26 January 2023 contain the following:

« Prior to the deliberation and vote by the Board, Patrice Sellès declared a conflict of interest within the meaning of article 7:96 of the Companies and Associations Code (WVV) with regard to item 5 of the agenda (Performance of the Company/ExCom and proposals for remuneration) as he is one of the beneficiaries of the remuneration submitted for decision »

(…)

“The Board notes the conflict of interest within the meaning of article 7:96 WVV that Patrice Sellès has with respect to the present decision to grant a bonus for 2022 . This conflict of interest is triggered by the mere fact that Patrice Sellès is himself the beneficiary of the bonus. With regard to the stated conflict of interest of Mr. Patrice Sellès under article 7:96 WVV, the Board is of the opinion that granting the performance bonus 2022 to Mr. Patrice Sellès is justified and in line with the remuneration policy of the Company. The financial impact for the Company amounts to a cash-out of 65,000 EUR as bonus for 2022 (gross).”

# 7. Related party transactions

Any proposed related party transaction or arrangement falling within the scope of Article 7:97 of the BCCA shall be submitted to a committee of three independent directors in accordance with such article and shall only be entered into after review by the committee. Even when transactions or arrangements do not fall within the scope of Article 7:97 of the BCCA, each director should, in particular, be attentive to conflicts of interests that may arise between the Company, its directors, its significant or controlling shareholder(s) and other shareholders.

In 2022, no related party transaction or arrangement within the scope of Article 7:97 of the BCCA were entered into and consequently no announcements were made pursuant to article 7:97§4/1 of the BCCA of related party transactions. No material limitations were imposed or prolonged by a shareholder that would fall within the scope of article 7:97 § 6 of the BCCA.

# 8. Deviations from the Belgian Code on Corporate Governance

The Company will apply the ten corporate governance principles contained in the Belgian Code on Corporate Governance and will comply with the corporate governance provisions set forth in the Belgian Code on Corporate Governance, except in relation to the following:

- In deviation of provision 3.19 of the Belgian Code on Corporate Governance, no Company secretary has been appointed on the date of the report. This deviation is explained by the size of the Company. The Company currently relies on the assistance of an external legal advisor to assist in its corporate governance matters. The Board will continuously assess the need for the appointment of an in-house Company secretary in the future in order to align its corporate governance with the provisions of the Belgian Code on Corporate Governance.

- In deviation of provision 4.14 of the Belgian Code on Corporate Governance, no independent internal audit function has been established. This deviation is explained by the size of the Company. The audit committee will regularly assess the need for the creation of an independent internal audit function and, where appropriate, will call upon external persons to conduct specific internal audit assignments and will inform the Board of their outcome.

- In deviation of provision 7.6 of the Belgian Code on Corporate Governance, the non-executive non-independent members of the Board do not receive part of their remuneration in the form of shares. This deviation is explained by the fact that the interests of these non-executive members of the Board are currently considered to be sufficiently oriented to the creation of long-term value for the Company. In respect of the independent directors, a number of share-units are issued to these directors in order to comply with provision 7.6 of the Belgian Code on Corporate Governance (see Remuneration Policy - section 9.1.3.1 - Independent Directors). It should be noted that the share-units are not entirely equivalent to a share (no voting rights, no preferential subscription rights or other membership rights), however, in the opinion of the Company, the share-units meet the objectives provided for in provision 7.6 of the Belgian Code on Corporate Governance.

- Pursuant to article 7:91 of the BCCA and provisions 7.6 and 7.11 of the Belgian Code on Corporate Governance, shares or options on Shares should not vest and be exercisable within three years as of the grant thereof. The Board has been explicitly authorized in the Articles of Association to deviate from this rule. This authorization is explained by the fact that this allows for more flexibility when structuring share-based awards. For example, it is customary for share incentive plans to provide for a vesting in several instalments over a well-defined period of time, instead of vesting after three years only. This is the case for the proposed share-units granted to the independent directors which vest on a yearly basis and is also the case for stock options granted under the Company's long term incentive plans. This is more in line with prevailing practice, while such share incentive plans and other remuneration and other practices provide for sufficient orientation of the beneficiaries to the creation of long-term value for the Company.

- In deviation of provision 7.9 of the Belgian Code on Corporate Governance, no minimum threshold of shares to be held by the members of the ExCom has yet been set. This deviation is explained by the fact that the interests of the members of the ExCom are currently considered to be sufficiently oriented to the creation of long-term value for the Company, also considering the fact that all of them hold ESOP warrants. Therefore, setting a minimum threshold of shares to be held by them is not deemed necessary. However, the Company intends to continuously review this in the future in order to align its corporate governance with the provisions of the Belgian Code on Corporate Governance.

- In accordance with provision 7.12 of the 2020 Code, the Board should include provisions that would enable the Company to recover variable remuneration paid, or withhold the payment of variable remuneration, and specify the circumstances in which it would be appropriate to do so, insofar as enforceable by law. The Company believes that this provision of the 2020 Code is not appropriate and adapted to take into account the realities of companies in the AgTech industry, including, notably, for management teams located in the United States. The share option plans set up by the Company do however contain bad leaver provisions that can result in the share options, whether vested or not, automatically and immediately becoming null and void. Notwithstanding the Company's position that share options are not to be qualified as variable remuneration, the Board is of the opinion that such bad leaver provisions sufficiently protect the Company's interests and that it is therefore currently not necessary to provide for additional contractual provisions that give the Company a contractual right to reclaim any (variable) remuneration from the members of the executive management. For that reason, there are no contractual provisions in place between the Company and the members of the executive management that give the Company a contractual right to reclaim from said executives any variable remuneration that would be awarded. This deviation is also explained by the fact that the Company considers there to be sufficient checks and balances for the calculation and payment of the variable remuneration.

# 9. Diversity

The Company is convinced of the positive influence of a diversity-based personnel policy, and is itself actively striving for a complementary composition of its Board, executive committee and staff (in terms of professional background and skills, as well as gender). The attraction, education and counselling of talented staff members with complementary knowledge and experience is a priority.

At the level of the Board, this is reflected in the Corporate Governance Charter (section 4.3.1) stating that the composition of the Board should take into account sufficient diversity of skills, background, age and gender. The three first selection criteria ensure the complementarity in terms of professional skills, knowledge and experience, while the fourth criterion sets a goal to consider candidates of different gender.

By January 2027, at least one third of the members of the Board should be from a different gender than the other members. The current Board has 1 female director (12.5%) and 7 male directors (87.5%), with a diversity of education and professional experience. The Board will continue to look to increase diversity at the level of the Board of Directors and the ExCom including through the use of headhunters and through its own network.

It is also a task of the Board to ensure that the members of the ExCom have diverse professional backgrounds with complementary skills. It is the aim of the Board that the long-term vision of the Company is supported by executives who actively promote the values of the Company and, in this sense, contribute to value creation. This translates, among other aspects, into a preference for providing talented staff members with career development options within the Company. All members of the ExCom have been appointed based on their personal merits.

The Company is building teams from qualified candidates regardless of their gender, race, religion or sexual orientation. A diverse team of different types of people, from different backgrounds and experiences helps us to be more innovative, creative and achieve better results. Our recruitment process is free from biases and is merit-based determining which candidates have the abilities, knowledge, and skills considered the most suitable for the job. We ensure our talent pool is diverse by sourcing candidates from a variety of places, by offering internships and connecting with different schools and universities and by encouraging our employees to refer their connections.

# 10. Remuneration Report

## 10.1. Introduction

This remuneration report was prepared in accordance with Article 3:6, §3 of the BCCA ("Remuneration Report").

In accordance with Article 7:89/1 of the BCCA, the remuneration committee has prepared the remuneration policy, which has been approved by the general meeting of April 15, 2022. The remuneration policy, which is included in its entirety in the annual report over the accounting year 2021 (see section 9.1 - Remuneration Policy of such consolidated annual report), will apply to the financial years 2022 through 2025. The Remuneration Report gives an overview of the remuneration as applied in the financial year 2022. This remuneration report should be read together with the remuneration policy.

On March 21, 2023, the nomination- and remuneration committee discussed the draft remuneration report, which constitutes a specific part of the Corporate Governance Statement in the annual report, and ensured that the draft report contains all the information required by law.

## 10.2. Board of Directors

### 10.2.1. OVERVIEW

During the financial year 2022 the remuneration of the current independent directors consisted of a fixed remuneration in cash and an equity linked remuneration in the form of share-units. Since this remuneration is not linked to the Company's or the director's performance, this remuneration needs to be considered as fixed remuneration. Non-independent non-executive directors did not receive a remuneration. Also the executive director, did not receive a remuneration on the basis of his directorship.

The table below sets out the remuneration of the directors in 2022

| Name | Remuneration | | | | | |
|---|---|---|---|---|---|---|
| | Chairperson | Director | Chairperson Audit Committee | Chairperson Nomination and Remuneration Committee | Share units | Total (*) |
| **Simon E. Moroney** | €75,000 | - | - | €10,000 | €3,777 | €88,777 |
| **Johan Cardoen (**)** | - | €81,909 | - | - | €3,147 | €85,056 |
| **Markus Heldt** | - | €55,000 | | - | €3,147 | €58,147 |
| **Catherine Moukheibir** | - | €55,000 | €10,000 | - | €3,147 | €68,147 |
| **Michiel M. van Lookeren Campagne** | - | €30,083 | - | - | €3,147 | €35,231 |
| **Pieter Bevernage** | - | Not remunerated | | | | |
| **Patrick Van Beneden** | - | Not remunerated | | | | |
| **Patrice Sellès** | - | Not remunerated as a director | | | | |

(*) The share-units are valued as the difference between the grant date market price and the subscription price of €1. The value is expensed in three tranches over the three year vesting period. The expense in 2022 is reflected in the table above.

(**) The general meeting of 15 April 2022 approved the payment of cash remuneration to Johan Cardoen for his role as an independent director in 2021 in the amount of €26,909, equivalent (on a pro rata basis) to the amounts received by the other independent directors. Combined with the remuneration for 2022 this results in €81,909.

Each non-executive director is entitled to reimbursement of costs incurred in connection with the performance of his or her duties as a director subject to appropriate substantiation thereof.

### 10.2.2. KEY FEATURES OF THE SHARE-UNITS

Share units are contractual undertakings to the Company as a result of which the directors concerned have an obligation to subscribe to new shares at a price of €1 per share (irrespective of the value of the shares at the time) (each share unit entails the obligation to subscribe to one new share of the Company). The number of share units granted to for 2022 is, 1,500 for the Chairman of the Board and 1,250 for the other independent directors. From 2023, the number of share units granted will be calculated in the following manner:

- For the Chairman of the Board: 10,500 divided by the average closing price of the Biotalys share on Euronext Brussels during the month of March of the relevant year;
- For other independent directors: 8,750 divided by the average closing price of Biotalys shares on Euronext Brussels during the month of March of the year in question;

Fractions of shares will not be granted.

The new shares will be issued applying the authorised capital of the Company. If no authorised capital should be available, the Company retains the right to deliver existing shares (if it is in a position to acquire its own shares in accordance with Company law) or to provide cash compensation (in particular, an amount equal to the closing price of the shares to be delivered as a result of the share units at the time the shares are to be delivered minus the subscription price of the shares (in particular €1 per share)).

The basic characteristics of share units are as follows:

- Share units are not shares or subscription rights (in particular, they have no voting rights, preference rights or other membership rights).
- They are not transferable.
- Share units vest over a period of three years and provided the director is still employed (1/3 each year after grant) except in the event of death, permanent disability[1] to perform the function or an exit of the Company[2] in which case all outstanding share units vest immediately.

1 "Permanent disability means : (i) the director is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months; or the director is determined to be totally disabled by the competent social security administration.

2 "Exit" means (i) a merger of the Company whereby the Company is not the surviving entity, (ii) a (partial) demerger of the Company whereby the Company ceases to exist (ii) a sale of all or substantially all of the assets of the Company, (iii) a public take-over bid on the Company resulting in a change of control over the Company or (iv) a liquidation ("vereffening").

- Share units that do not vest lapse.
- Vesting is not subject to performance criteria and the remuneration in share units is therefore fixed remuneration. The share units also create an obligation for the director to subscribe with other values it is not an option that still leaves to the director the discretion to exercise or not.
- The underlying shares will only be issued three years after the share units are granted.
- The underlying shares will only become transferable at the earliest, the later of (i) three years following the grant of share units to which they relate and (ii) one year following the termination of the mandate of the director as director of the Company provided that the underlying shares are transferable earlier in case of an exit. Furthermore, a transfer to the heirs of the director as a result of death of the director is allowed at any time.

## 10.3. Executive Committee

### 10.3.1. OVERVIEW

The remuneration of the members of the ExCom consist of (i) a fixed remuneration, (ii) variable remuneration in the form of a cash bonus determined depending on the overall Company's performance and individual performance, (iii) subscription rights to new shares ("ESOP Warrants") under the long term incentive plans of the Company ("ESOP Plans"), (iv) group/hospital insurances and other benefits.

The remuneration of the members of the Executive Committee is in line with the Company's remuneration policy. By creating a balanced mix between fixed and variable remuneration, as well as between short-term and long-term remuneration, the Company strives to create a focus not only on short-term operational performance but also on the longterm objective of creating sustainable value

The goals and objectives of the members of the Executive Committee determined to evaluate their variable remuneration have been established in order to support the Company's long-term performance as they focus on the key metrics to achieve such long-term performance.

The table below shows the remuneration received by Mr. Patrice Sellès (individually) and the other members of the ExCom (in aggregate) in respect of their mandates in 2022. It is reminded that only Mr. Patrice Sellès is entrusted with the day-to-day management of the Company.

The remuneration of Patrick McDonnell is paid by Biotalys Inc other than ESOP Warrants which are granted by Biotalys NV. Wim Ottevaere is acting through Wiot BV. Carlo Boutton was appointed as of 3 May 2022.

| | Chief executive officer (€) | Other members of the Executive Committee (€) |
|---|---|---|
| **Base salary** | 243,750 | 737,217 |
| **Other benefits** | 8,656 | 49,602 |
| **ESOP Warrants (*)** | 149,708 | 569,268 |
| **One-year variable remuneration** | 65,000 | 102,348 |
| **Pension plan** | 20,312 | 37,084 |
| **Severance (**)** | - | 27,174 |
| **Total Remuneration** | 487,427 | 1,522,693 |
| **Proportion of fixed remuneration in total remuneration (***)** | 87% | 93% |

(*) The ESOP Warrants that vested in 2022 were valued based on the Black & Scholes value as of the grant date.

(**) Concerns the part of the total severance pay paid in 2022 to the former Chief scientific officer who left the Company on 17 September 2021.

(***) Taking into account the ESOP Warrants vested in 2022 as fixed remuneration (as none are linked to performance criteria).

### 10.3.2. ESOP PLANS

**Overview**

In accordance with the remuneration policy ESOP Warrants may be granted on a yearly basis to the members of the ExCom and vesting thereof may be dependent on performance criteria. The table below provides an overview of the total number of ESOP Warrants for each member of the Executive Committee for the year ending 31 December 2022.

| Name | Main Conditions of the Plan | | | | | | Number of Share Options Granted and Vesting Status | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1. Plan | 2. Award Date | 3. End of Vesting Period | 4. Exercise Period | | 5. Exercise Price of the Option | 6. Cumulative Share Options Granted | 7. Vested prior to 2022 | 8. Vested during 2022 | 9. Unvested at year end |
| **Patrice Sellès** | ESOP 2020 (**) | 3/9/2020 | 3/31/2024 | 1/1/2024 | 10/15/2027 | € 1.2854 | 750,000 | 328,125 | 187,500 | 234,375 |
| | ESOP 2021 | 4/25/2022 | 4/30/2026 | 1/1/2026 | 4/15/2031 | € 7.1800 | 20,923 | - | - | 20,923 |
| | **Subtotal** | | | | | | **770,923** | **328,125** | **187,500** | **255,298** |
| **Luc Maertens** | ESOP 2017 (**) | 6/29/2017 | 6/30/2021 | 1/1/2021 | 4/15/2027 | € 0.820134 | 420,000 | 420,000 | - | - |
| | ESOP 2017 (**) | 6/21/2018 | 6/30/2022 | 1/1/2022 | 4/15/2027 | € 0.820134 | 100,000 | 87,500 | 12,500 | - |
| | ESOP 2021 | 4/25/2022 | 4/30/2026 | 1/1/2026 | 4/15/2031 | € 7.1800 | 8,137 | - | - | 8,137 |
| | **Subtotal** | | | | | | **528,137** | **507,500** | **12,500** | **8,137** |
| **Wim Ottevaere (*)** | ESOP 2020 (**) | 7/23/2020 | 6/30/2022 | 1/1/2024 | 10/15/2027 | € 1.2854 | 300,000 | 262,500 | 37,500 | - |
| | ESOP 2021 | 10/13/2021 | 10/31/2025 | 1/1/2025 | 4/15/2031 | € 6.6200 | 15,000 | - | 4,375 | 10,625 |
| | ESOP 2021 | 4/25/2022 | 4/30/2026 | 1/1/2026 | 4/15/2031 | € 7.1800 | 17,436 | - | - | 17,436 |
| | **Subtotal** | | | | | | **332,436** | **262,500** | **41,875** | **28,061** |
| **Patrick McDonnell** | ESOP 2021 | 10/13/2021 | 10/31/2025 | 1/1/2025 | 4/15/2031 | € 6.6200 | 125,000 | - | 36,458 | 88,542 |
| | ESOP 2021 | 4/25/2022 | 4/30/2026 | 1/1/2026 | 4/15/2031 | € 7.1800 | 10,461 | - | - | 10,461 |
| | **Subtotal** | | | | | | **135,461** | **-** | **36,458** | **99,003** |
| **Carlo Boutton** | ESOP 2021 | 5/3/2022 | 5/31/2022 | 1/1/2026 | 4/15/2031 | € 7.2300 | 125,000 | - | - | 125,000 |
| **Hilde Revets (former CSO)** | ESOP 2017 (**) | 6/21/2018 | 9/17/2021 | 1/1/2022 | 1/15/2022 | € 0.820134 | 39,583 | 39,583 | - | - |
| | ESOP 2020 (**) | 3/9/2020 | 9/17/2021 | 1/1/2024 | 1/15/2024 | € 1.2854 | 35,416 | 35,416 | - | - |
| | ESOP 2020 (**) | 10/5/2020 | 3/16/2022 | 1/1/2024 | 1/15/2024 | € 1.2854 | 25,000 | - | 25,000 | - |
| | **Subtotal** | | | | | | **99,999** | **74,999** | **25,000** | **-** |
| | **Total** | | | | | | **1,991,956** | **1,173,124** | **303,333** | **515,499** |

(*) Acting through Wiot BV

(**) Share options held/granted/vested under the ESOP 2017 and ESOP 2020 plans each convert into shares of the Company at a 2:1 ratio upon exercise.

### Key features of the ESOP Warrants

The key features of the various share option plans are largely the same, and can be summarized as follows:

**Grant:**

- ESOP 2017: Warrants could be granted to an employee, consultant or director of the Company.

- ESOP 2020/ESOP 2021: Warrants could be granted to an employee, consultant or director of the Company or an affiliated Company (including, as the case may be, persons acting as representatives of a Company with which the Company (or an affiliated Company) has entered into a consultancy agreement or which assumes a directorship in the Company (or an affiliated Company).

**Form of share options:**
Registered form.

**Transfer of share options:**
Unless under certain specific conditions (including transfer by the participant-legal entity to its manager), the Warrants are not transferable inter vivos once they have been granted.

**Number of shares to be issued upon exercise of share option:**

- ESOP 2017/ESOP 2020: Each Warrant can be exercised for one new profit certificate which convert into new shares of the Company at a 2:1 ratio.

- ESOP 2021: Each Warrant can be exercised for one new share of the Company. Consideration: Each Warrant is granted for free, i.e. no consideration is due upon the grant of the Warrants.

**Expiration:**

- The ESOP 2017 Warrants expire and cannot be exercised after ten years after the issue of the ESOP 2017 Warrants.

- The ESOP 2020 Warrants expire and cannot be exercised after 31 December 2027.

- The ESOP 2021 Warrants expire and cannot be exercised after ten years following their issuance or such shorter term as the Board may determine at the time of grant.

**Vesting:**
Warrants shall vest over a period of four years, whereby (i) 25% of the Warrants granted to and accepted by a participant shall be deemed definitively vested after one year of the date of the offer, (ii) the balance as from the end of the first month following the first anniversary of the offer, vest in equal monthly instalments.

ESOP 2020/ESOP 2021: The basic vesting scheme of the Warrants can be modified by the Board in a fully discretionary manner and it may also decide, at its sole discretion, to accelerate or otherwise modify a previously determined vesting schedule.

**Exercise:**
On the condition that the ESOP Warrants are vested, the ESOP Warrants can be exercised during the first fifteen days of each quarter and this at the earliest as from the beginning of the fourth calendar year following the calendar year in which the offer of the ESOP Warrants has taken place until the last quarter within the term of the ESOP Warrants, unless the Board decides otherwise in certain circumstances.

**Termination:**
As further set forth in the Warrant plan, in case of a termination of the relationship between the participant and the Company, the exercise period and/or vesting period of the Warrants and the validity of vested Warrants may vary depending on the circumstances under which the relationship between the participant and the Company is terminated (e.g. due to serious cause, breach of contract or bankruptcy or serious default, death, retirement, invalidity).

**Terms and conditions:**
The terms and conditions can be amended or supplemented per participant and are governed by the laws of Belgium.

## 10.4. Severance payment

No severance payments have been made in 2022 to members of the Executive Committee other than a part (€27,174) of the total severance payment to the former Chief scientific officer, who left the Company on 17 September 2021.

The Board further agreed that 25,000 of the previously granted 100,000 ESOP 2020 Warrants to the former Chief scientific officer would vest as of the end of the notice period, subject to certain conditions. These 25,000 ESOP 2020 Warrants have vested in 2022.

## 10.5. Use of right to reclaim

The Company does not have any right to reclaim variable remuneration, hence the Company did not use such right in 2022.

## 10.6. Derogations from the remuneration policy

During 2022 there were no deviations from the remuneration policy.

## 10.7. Evolution of the remuneration and the performance of the Company

As the Company only became a listed Company in 2021, the Company was not under an obligation to provide a Remuneration Report for the period prior to 2021. The Company does not have readily available the information related to previous financial years that is required to allow a comparison with previous financial years. Therefore, this remuneration report includes the information related to 2021 and 2022 only.

| | 2022 | % vs prior year | 2021 |
|---|---|---|---|
| **Evolution of the remuneration:** | | | |
| Directors and members of the Executive Committee | €2,345,478 | 14% | €2,054,478 |
| Employees (average) | 109,253 | 1% | 108,259 |
| **Performance of the Company:** | | | |
| Net loss for the period | (23,379) | -38% | (16,929) |
| Total Equity | 37,467 | -36% | 58,915 |
| Market capitalization at 31 December | 210,456,287 | -4% | 219,335,523 |

No remuneration was in place for the non-executive independent directors prior to the Company's Initial Public Offering of 2021. The remuneration is partially dependent on the fluctuation of the exchange rate of USD/EUR.

## 10.8. Yearly performance of the Company

With respect to 2022, the Company used a number of performance criteria that determined the variable cash bonus of the members of the executive committee.

These performance criteria  were broken down into four main areas: Financials, Operations, Business Development/Licensing and Human Capital. More detailed performance objectives included: strengthen the balance sheet of the Company, achieve approval of Evoca™, advance product portfolio according to stage-gate plan, reduce production costs for Evoca™, conclude an R&D collaboration agreement with a major player in the agtech field, initiation of market calibration with Evoca™ and increase the attractiveness of the Company as place to work.

Each of the four main areas of performance criteria were equally weighted at 25% and the (partial or over) achievement of the performance criteria was decided upon by the Board on proposal of the nomination and remuneration committee.

## 10.9. Yearly average remuneration of the employees of the Company

Average remuneration of employees on a full-time equivalent basis 2022 is €109,253.

## 10.10. Ratio highest and lowest remuneration

| | |
|---|---|
| **Highest remuneration to members of the ExCom** | €639,627 |
| **Lowest remuneration (in full time equivalent) of the employees** | €40,083 |
| **Ratio highest remuneration/lowest remuneration** | 15.96 |

# 11. Internal and External Audit Function

## 11.1. Internal audit function

As of the date of this report, there is not yet a dedicated internal audit function given the size of the Company. The Audit Committee will regularly assess the need for the creation of an independent internal audit function and, where appropriate, will call upon external persons to conduct specific internal audit assignments and will inform the Board of Directors of their outcome.

## 11.2. External audit function

The Company's statutory auditor is Deloitte Bedrijfsrevisoren BV, represented by Mr. The Company's statutory auditor is Deloitte Bedrijfsrevisoren BV, represented by Mr. Pieter-Jan Van Durme . The statutory auditor conducts the external audit of both the consolidated and statutory figures of Biotalys NV, and reports to the Board. The statutory auditor was appointed at the ordinary general meeting of 15 April 2022 for a three-year term, which expires at the ordinary general meeting of 2025. The Company expensed fees to the auditor of €65,000 (excluding VAT) in 2022 for the audit fee for statutory and consolidated financials.

# 12. Legal information

## 12.1. Capital structure

On 31 December 2022, the corporate capital of the Company amounted to €44,547,917.34 EUR, represented by 30,949,454 shares. Furthermore, 2,882,364 warrants were outstanding as of 31 December 2022 which are convertible into 1,791,304 shares after considering the 2:1 ratio applicable for the warrants issued before the reverse share split (in the framework of the IPO).

At the date of this annual report, the corporate capital of the Company amounts to €44,564,320.02 represented by 30,959,454 shares. Furthermore, 2,862,364 warrants were outstanding as of the date of this annual report which are convertible into 1,781,34 shares after considering the 2:1 ratio applicable for the warrants issued before the reverse share split.

In addition, as at 31 December 2022, a total of 6,500 share units are outstanding which may result in a total of 6,500 new shares in accordance with the terms of the share units. This number has not changed as at the date of this annual report. For 2023, additional share units will be entered into by the independent directors. The number of these will only be known after the end of March 2023 as it depends on the price evolution of the Biotalys share on Euronext Brussels.

In respect of the composition of the shareholder base on 31 December 2021 reference is made to Chapter “Investor and Shareholder Information - Major Shareholders”. The Company has not received any notification under article 74§7 of the law dated 1 April 2007 on public takeover bids.

## 12.2. Restrictions on transfer of financial instruments

Pursuant to Article 11 of the Royal Decree on Primary Market Practices dated 17 May 2007, any natural or legal person who, in the year preceding the first admission of shares to trading on a Belgian regulated market or on a Belgian multilateral trading facility, has acquired shares outside the framework of a public offer at a price lower than the price of the public offer made at the same time as the admission of the shares concerned to trading, may not transfer those shares for one year after such admission, except in the case of a transfer leading to an obligation to launch a takeover bid, or if the shares are contributed or transferred in the framework of a takeover bid. This prohibition is subject to certain exemptions as further clarified in the aforementioned article. The Company was first admitted to listing on Euronext Brussels on 2 July 2021.

There are no legal or statutory transfer restrictions that apply to the financial instruments of the Company, other than those applicable to ESOP Warrants (see chapter 10.3.2.2 – Key features of the ESOP Warrants).

The Company has no knowledge of the existence of any shareholders’ agreements between the shareholders restricting the transfer of financial instruments. Subject to a number of exceptions, the warrants under each of the ESOP Plans are not transferable (inter vivos).

## 12.3. Holders of financial instruments with particular voting rights and description of such rights

The Company has not issued any financial instruments with particular voting rights. Each share entitles the holder thereof to one vote subject to restrictions under Belgian law.

## 12.4. Description of the mechanism to control voting rights under applicable ESOP Plans

The ESOP Plan governing the ESOP 2020 Warrants provide that upon exercise of a warrant, the resulting beneficiary part or (upon conversion) share shall be certified and transferred to a Dutch “Stichting Administratiekantoor” if so requested by the Board. In view of the IPO, it is unlikely that the Board will request such certification.

## 12.5. Legal or statutory limitations regarding the exercise of the voting rights attached to shares

Each shareholder of the Company is entitled to one vote per share. Voting rights can be mainly suspended in relation to shares:

- which are not fully paid up, notwithstanding the request thereto of the Board of Directors of the Company;
- to which more than one person is entitled or on which more than one person has rights in rem ("zakelijke rechten") on, except in the event a single representative is appointed for the exercise of the voting right vis-à-vis the Company;
- which entitle their holder to voting rights above the threshold of 3%, 5%, 10%, 15%, 20% and any further 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 general shareholders' meeting, in the event that the relevant shareholder has not notified the Company and the FSMA at least 20 calendar days prior to the date of the general shareholders' meeting in accordance with the applicable rules on disclosure of major shareholdings; and
- of which the voting right was suspended by a competent court or the FSMA.

## 12.6. Shareholders agreement

On the date of this annual report the Company has no knowledge of the existence of any shareholders' agreements between the shareholders.

## 12.7. Rules relating to the nomination and replacement of directors and regarding the changes to the articles of association of the Company

**Changes to the articles of association**
In general, there is no attendance quorum requirement for a general shareholders' meeting and decisions are generally passed with a simple majority of the votes of the shares present or represented. However, capital increases (other than those decided by the Board of Directors pursuant to the authorized capital), decisions with respect to the Company's dissolution, mergers, demergers and certain other reorganizations 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 BCCA do not only require the presence or representation of at least 50% of the share capital of the Company but also a majority of at least 75% of the votes cast (whereby abstentions are not included in the numerator nor in the denominator). An amendment of the Company's corporate purpose requires the approval of at least 80% of the votes cast at a general shareholders' meeting (whereby abstentions are not included in the numerator nor in the denominator), which 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. In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second general shareholders' meeting may validly deliberate and decide regardless of the number of shares present or represented. The special majority requirements, however, remain applicable.

**Rules regarding the nomination and replacement of directors**
The appointment and renewal of all directors (i) is based on a recommendation of the nomination and remuneration committee, taking into account the rules regarding the composition of the Board that are set out in the BCCA and the Articles of Association, and (ii) is subject to approval by the shareholders' meeting deciding with a simple majority and with no presence requirement it being understood that the Board may temporarily fill a vacancy and nominate a director which needs to be confirmed at the next general meeting. The Board has in place nomination procedures and objective selection criteria for executive and non-executive Board members. The directors may be natural persons or legal entities but need not be shareholders. Whenever a legal entity is appointed as a director, it must appoint an individual as its permanent representative, who will carry out the office of director in the name and on behalf of that legal entity. In their capacity as board members, board members may not be subject to an employment agreement with the Company. Each director individually should have skills, knowledge and experience that are complementary to the need of the Company, and should bring to the Board an inquisitive and objective perspective that enables him or her, if needed, to challenge management. When dealing with a new appointment, the Chairperson of the Board and the chairperson of the nomination and remuneration committee must ensure that, before considering the candidate, the Board has received sufficient information such as the candidate's curriculum vitae, an assessment of the candidate based on the candidate's initial review, a list of the positions the candidate currently holds, and, if applicable, the necessary information for assessing the candidate's independence. The nomination and remuneration committee leads the nomination process and recommends suitable candidates to the Board. The Board is responsible for proposing members for nomination to the Shareholders' Meeting. Any proposal for the appointment of a director to the Shareholders' Meeting shall be accompanied by a recommendation from the Board, based on the advice of the nomination and remuneration committee. It shall be accompanied by the relevant information on the candidate's professional qualifications together with a list of the positions the candidate already holds.

## 12.8. Authority of the Board regarding the issue of shares or the buy-in of own shares

**Issue of financial instruments under the authorised capital**
On 18 June 2021, the Company's general shareholders' meeting authorized, the Board to increase the share capital of the Company within the framework of the authorized capital with a maximum of €79,953,137.91. On the date of this report, the Board has not yet used that authority. However, as a result of the capital reduction decided by the extraordinary general meeting held on 27 December 2022, this power is legally limited to the amount of the capital namely €44,564,320.02. The Board proposes to renew the authorised capital at the extraordinary meeting on 25 April 2023 with an amount equal to the level of the corporate capital at that date.

The Company's general shareholders' meeting decided that the Board, when exercising its powers under the authorized capital, will be authorized to restrict or cancel the statutory preferential subscription rights of the shareholders (within the meaning of article 7:188 and following of the BCCA). This authorization includes the restriction or suppression of preferential subscription rights for the benefit of one or more specific persons (whether or not employees of the Company or its subsidiaries). The authorization is valid for a term of five years as from the date of the publication of the authorization in the Annexes to the Belgian State Gazette (Belgisch Staatsblad) which occurred on 9 July 2021. In principle, from the date of the FSMA's notification to the Company of a public takeover bid on the financial instruments of the Company, the authorization of the Board to increase the share capital in cash or in kind, while limiting or cancelling the preferential subscription right, is suspended. However, on 18 June 2021, the Company's general shareholders' meeting expressly authorized the Board to increase the Company's capital after the FSMA's notification. This authorization is valid for a term of three years as from 18 June 2021.

**Buy-in of own shares**
The general meeting has not granted an authority to the Board with respect to the buy-in of own shares. The Company has the possibility provided for in article 7:215§1 BCCA to buy-in own shares in order to offer these shares to its staff. However, as the Company currently has no distributable reserves it is not in a position to buy-in own shares.

## 12.9. Important agreements that enter into force, change or terminate upon a change of control over the Company following the public take-over bid

The Company is of the opinion that in 2022 no agreements have been concluded that fall within the scope of article 7:151 BCCA.

The Company wishes to inform shareholders, however, that in the Master Manufacturing Agreement that the Company entered into with Olon S.p.A (cfr. Press release dated 12 January 2022), in case of a change of control over the Company whereby the acquirer is a competitor of Olon, Olon has the right to terminate the agreement.

## 12.10. Agreements containing specific remuneration for directors or employees in case of dismissal or termination without cause pursuant to a change of control over the Company

The Company has not entered into such agreements.

## 12.11. Information regarding important events that occurred after end of the accounting year 2022

On January 26, 2023 the Company announced that significant progress has been made in its manufacturing capabilities for its first biocontrol product candidate, Evoca™. Biotalys' scientists have developed multiple proprietary yeast strains increasing the production efficiency of the bioactive ingredient of Evoca by 50 to 70% in only one year, outperforming the internal targets set by the Company. This achievement further strengthens the prospects of a successful path to market for the Company's pipeline of safer, more sustainable biocontrol products.

The Company announced that Wim Ottevaere will be succeeded by Douglas Minder as Chief financial officer of the Company on 1 July 2023.

## 12.12. Information regarding circumstances that could have a material impact on the development of the Company

Except for the risks and uncertainties described in the part “Legal and Financial Information” in the chapter “Description of the Principal Risks and Uncertainties associated with the activities of the Company” and the uncertainties that could arise from the current situation in Ukraine (including the economic sanctions), the Company is not aware of any circumstances that have occurred that may adversely affect the Company’s development.

# Legal and financial information

# 1. Business review

## 1.1. Consolidated statements of profit and loss

- **Other operating income** amounted to €2.9 million and relates to R&D tax incentives received and grants awarded to support R&D activities. The primary increase relates to the grant from the Bill & Melinda Gates Foundation, for which the activities started in 2022. R&D tax incentives increased by €0.4 million, while income from government grants decreased slightly by €0.2 million compared to 2021.

- **Research and development expenses** amounted to €18.8 million for 2022, an increase of €4.9 million compared to 2021. This increase is mainly driven by external spending for the production of Evoca in preparation of the market calibration planned for later this year and field trials for further product testing. Other increases in the R&D expenses include the indexation of salary costs and non-cash expenses for the stock options.

- **General and administrative expenses** amounted to €5.1 million for 2022, compared to €4.9 million in 2021, mainly driven by a limited increase in expenses for employee benefits and technical systems. There was a decrease in professional services as there was a one-time charge of €0.5 million in 2021 related to the preparation for the initial public offering in July 2021.

- **Marketing expenses** rose from €1.3 million in 2021 to €1.6 million in 2022 as a result of further developing the sales and marketing team in support of the expanded market calibration of Evoca planned for 2023 and beyond.

- **Financial income** amounted to €0.3 million in 2022, compared to €1.5 million in 2021, and related primarily to foreign exchange gains in 2022, while the figure for 2021 was impacted by the full release of the remaining derivative liability of the Anti-Dilution warrants as they were cancelled upon the IPO.

- **Financial expenses** amounted to €0.6 million and related primarily to interest expenses for the leases and bank loans and foreign exchange losses.

- **Income taxes expense** show the impact of creation of a deferred tax assets related to the R&D expenses in our U.S. subsidiary.

- **Loss of the period** was €22.8 million, compared to €16.9 million in 2021.

- **Basic and diluted loss per share** for 2022 amounted to €0.74 compared to €1.10 in 2021. There was a lower average number of shares outstanding in 2021 versus 2022 as the shares issued at the time of the initial public offering were only outstanding for approximately half of 2021.

- **Cash and cash equivalents** at year-end amounted to €34 million in 2022 (compared to €56.1 million in 2021), slightly higher than expected as a result of a combination of savings and timing differences for certain cash payments for manufacturing.

# 2. Description of the principal risks and uncertainties associated with the activities of the Company

The principal risks and uncertainties associated with the Company's business include (without being limited to) the risks and uncertainties described below. The risks and uncertainties described herein apply to the Group as a whole.

## 2.1. Risks relating to Biotalys' product discovery and development activities

**Biotalys has never brought a product to the market. All but one of Biotalys' product candidates are still in early stages of discovery. Only one product candidate is in the registration phase, but will, if regulatory approval is obtained, only be introduced as a market calibration tool and is not expected to become a profitable product for Biotalys. Biotalys' technology platform AGROBODY Foundry™ and the modes of action of its product candidates are novel, have not been tested on a commercial scale, may not result in a marketable product in the near future, if ever or may not be well understood, may be difficult to apply or may not be accepted by customers.**

There is a high risk that Biotalys' product candidates may not result in a marketable product, commercial success or profitability in the near future, if ever. This is driven by a number of factors, including:

- A high degree of difficulty to identify during the discovery phase suitable product characteristics that will eventually withstand use in an open agricultural environment. In particular, field trials may demonstrate that identified product candidates are not safe and/or do not reach sufficient efficacy. In such case regulatory approval of the product candidate will not be obtained.

- The market for biological agricultural products is still underdeveloped. Biotalys' innovative food protection product candidates may not be well understood, may be difficult to apply and may not be accepted by customers. Also, the agricultural industry is consolidated from crop protection product producers to distributors to retailers which further increases the entry level for new innovative products.

- The uncertainty that product candidates can be produced on a larger scale at competitive prices compared to conventional chemical pesticide products that are typically less expensive and more effective than biologicals.

This risk may also be exacerbated by Biotalys' limited operating history and financial situation.

**One of the main elements of Biotalys' strategy is to use and expand its AGROBODY Foundry™ platform to further build its pipeline of product candidates. However, obtaining approved or marketable products or commercial success on the basis of product candidates identified with Biotalys' AGROBODY Foundry™ platform is subject to many risks and may be more difficult or require more time than expected or turn out to be impossible.**

One of the main elements of Biotalys' strategy is to use and expand its AGROBODY Foundry™ platform to further build its pipeline of AGROBODY™ biocontrol product candidates, which to date consists in seven product candidates. However, Biotalys is still at a very early stage of discovery and development, and its AGROBODY Foundry™ platform has not yet, and may never lead to approved or marketable products or commercial success.

In particular, product candidates that are identified with Biotalys' AGROBODY Foundry™ platform may:

- be difficult or impossible to produce on a large industrial scale and in a cost-efficient manner;

- not show the stability, production efficiency and shelf-life shown in the early development phase when produced on large industrial scale or stored in a commercial environment and used on the field;

- not achieve acceptable performance levels in the field, or may achieve varying performance levels as a result of environmental and geographic conditions;

- not be compatible with the application or technology process of growers or retailers;

- be found unsafe and be harmful to consumers, growers, crops, farm workers, animals, beneficial insects or the environment;

- be displaced by new technologies;

- not be acceptable to regulators;

- be difficult or impossible to formulate for use on the field; or

- be difficult to competitively price relative to alternative food protection products.

**Although Biotalys is using its AGROBODY Foundry™ platform to build a pipeline of product candidates, due to its limited resources and uncertain access to further capital, it must prioritize development of certain product candidates over other potential candidates. These decisions may prove to have been wrong and/or could cause Biotalys to have missed valuable opportunities.**

## 2.2. Risks related to manufacturing and potential commercialization of Biotalys' product candidates

**The current costs of manufacturing Biotalys' product candidates are high. Despite recent progress in cost efficiency, Biotalys has also not yet been able to cost-effectively manufacture any products on large scale for use in commercial environments. Biotalys may not be able to manufacture its product candidates in an economically viable manner and/or its product candidates may not be competitive in the target markets.**

Despite the recent progress that has been made regarding, cost-efficient production, Biotalys has not yet demonstrated its ability to cost-effectively produce high-quality, high-volume quantities of its product candidates, whether in collaboration with its CMO partner or on its own. Difficulties that may be encountered in scaling up production include problems involving continued access to licensed in or development of proprietary strains, production yields (a combination of expression level (titer), recovery of the protein from the fermentation broth and the spray drying quality), quality control and

assurance, shortage of qualified personnel, production (including energy and raw materials) costs and process controls, as well as in finding formulation options and appropriate registered preservatives for use and storage in commercial environments. Biotalys cannot assure that existing or future production techniques will enable it to meet its large-scale production goals cost-effectively.

**Biotalys' product candidates are novel biocontrol product candidates, and if distributors or growers are unable to handle or to work effectively with its product candidates, Biotalys' various commercial relationships, reputation and results of operations will be materially adversely affected.**

The application or handling of Biotalys' product candidates by growers and by distributors will require them to follow detailed protocols regarding the management, harvest, transportation, application and storage of its product candidates. These recommended protocols may require a change in current planting, rotation or agronomic practices, which may be difficult to implement or may discourage the use of Biotalys' product candidates by growers. Biotalys' general or specific protocols may not apply in all circumstances (e.g. may depend on weather, disease pressure), may be improperly implemented by lack of time, may not be sufficient, or may be incorrect for example by mixing with another product that would impact the efficiency of Biotalys' product, leading to reduced yields, crop failures or other production problems or losses. If growers purchase Biotalys' product candidates on the basis of yield expectations that are not realized, Biotalys may experience damage to its commercial relationships, reputation and results of operations with respect to its product candidates, notwithstanding the cause for such failures.

## 2.3. Risks relating to Biotalys' dependence on third parties

**Biotalys has no own production facilities to manufacture its product candidates if and when regulatory approval would be obtained and expects to rely in the near term third-parties.**

Biotalys currently does not own any production facilities and expects to continue to use CMOs to manufacture its product candidates if and when regulatory approval has been obtained. Biotalys' reliance on a third party to manufacture its product candidates presents significant risks to it, including the following:

- pushed out or cancelled delivery due to tariff restrictions or infectious disease quarantines;
- reduced control over delivery schedules, yields and product reliability;
- price increases by the CMO;
- inability to access the required fermenter volumes and capacity to produce at scale for agriculture applications;
- manufacturing deviations from internal and regulatory specifications, including contaminations;
- the failure of a key manufacturer to perform its obligations to Biotalys for technical, market or other reasons;
- challenges presented by introducing Biotalys' fermentation processes to new manufacturers or deploying them in new facilities, including contaminations;
- difficulties in establishing additional manufacturers if Biotalys is presented with the need to transfer its manufacturing process technologies to them;
- misappropriation of Biotalys' intellectual property; and
- if a CMO makes improvements in the manufacturing process for its product candidates, Biotalys may not own, or may have to share, the intellectual property rights to those improvements.

**Biotalys relies on third parties to conduct, monitor, support and oversee field trials, and any performance issues by them may impact its ability to complete the development of, obtain regulatory approval for, or commercialize its product candidates on a timely basis or at all.**

Biotalys relies on third parties, such as growers, consultants, contractors, and universities, to conduct, monitor, support and oversee its field trials. With respect to any partnership Biotalys may enter into, because field trials are conducted in multiple geographies and with multiple partners, it is difficult for Biotalys to monitor the daily activity of the work being conducted by such third parties that it engages. If these CROs fail to meet expected deadlines, fail to transfer to Biotalys any regulatory or other information in a timely manner, fail to adhere to protocols, or fail to act in accordance with regulatory requirements or Biotalys' agreements with them, or if they otherwise perform in a substandard manner or in a way that compromises the quality or accuracy of their activities or the data they obtain, then field trials, discovery and development and commercial production of Biotalys' product candidates may be extended or delayed with additional costs incurred, and/or its data may be rejected by regulators and regulatory approval may be refused.

**One of the main elements of Biotalys' strategy is to use selective strategic collaborations and partnerships to leverage its technology platform and product candidates, create additional and enhanced value, for which Biotalys also relies on third parties. Biotalys may not be able to identify partners, and any partnerships that Biotalys may enter into in the**

**future may not be successful, which could adversely affect its ability to develop, distribute and commercialize its product candidates.**

Biotalys is continuously seeking to engage with partners in the industry to develop scientific knowledge and expertise to further expand its AGROBODY Foundry™ platform in new crops and new applications. To the extent that Biotalys pursues such arrangements, it will face significant competition in seeking appropriate partners. Moreover, such arrangements are complex and time-consuming to negotiate, document, implement and maintain. Biotalys may not be successful in establishing or implementing such arrangements. The terms of any collaborations, partnerships or other arrangements that Biotalys may establish may not be favorable to it. The success of any future collaborations or partnerships is uncertain and will depend heavily on the efforts and activities of Biotalys' partners.

**Biotalys has no sales and marketing capabilities and will rely on third-party distributors who will be its principal customers. If Biotalys is unable to establish successful relations with these third parties, or they do not focus adequate resources on selling Biotalys' product candidates or are unsuccessful in selling them to end users, sales of Biotalys' product candidates will be adversely affected.**

Biotalys has never sold any products in the past and expects to rely on independent distributors of agriculture input to distribute, and assist it with the marketing and sale of, the product candidates it is developing. These distributors will be Biotalys' principal customers, and its ability to generate revenue will depend in large part on Biotalys' success in establishing and maintaining these sales and distribution channels. Other, that the agreement entered into with Biobest Group NV for the distribution of Evoca in the United States, Biotalys has not yet entered into any commercialization or distribution agreement for any of its other product candidates and there can be no assurance that it can do so on favorable terms, if at all. In addition, there can be no assurance that Biotalys' distributors, including Biobest Group NV, will be successful in selling its product candidates to end users, or will focus adequate resources on selling them, and they may not continue to purchase or market Biotalys' product candidates for a number of reasons, which could have a material adverse effect on Biotalys' ability to distribute and sell its product candidates.

## 2.4. Risks relating to Biotalys' organization

**Biotalys' future growth and ability to compete depends on its key personnel and recruiting additional qualified personnel. Biotalys may be unable to attract and retain management and other personnel it needs to succeed.**

Biotalys' success depends upon the continued contributions of its key management, scientific and technical personnel, many of whom have been instrumental for Biotalys and have substantial experience with its product candidates and related technologies, which Biotalys considers as one of its main strengths. These key management individuals include the members of Biotalys' Board and ExCom, including Patrice Sellès, chief executive officer, Wim Ottevaere, chief financial officer, Luc Maertens, chief operations officer, Carlo Boutton, chief scientific officer and Patrick McDonnell, chief business officer. Biotalys may not be able to retain such persons. The loss of key managers and senior scientists could delay, or otherwise negatively impact, Biotalys' discovery and development activities. In addition, Biotalys' ability to compete in the highly competitive agricultural and food protection industries depends upon its ability to attract and retain highly qualified management, scientific and technical personnel.

## 2.5. Risks relating to the markets and countries in which Biotalys operates

- Biotalys' product candidates are novel biocontrol products and may be slowly adopted by customers or not at all. Biological crop protection products are not well understood and investment in customer education will be required. Effectively marketing and selling Biotalys' product candidates may be difficult or may even never materialize.

- Concerns and claims regarding the safe use of products with biotechnology traits and crop protection products in general, their potential impact on health and the environment, and the perceived impacts of biotechnology on health and the environment can affect regulatory requirements and customer purchase decisions, which could have a material adverse effect on the viability of certain of Biotalys' product candidates, its reputation and the cost to comply with regulations.

- The crop protection industry is highly competitive with an important market share taken up by major multinational agrichemical companies, and Biotalys may struggle to obtain and maintain a favorable market position.

- Biotalys' business could be adversely affected by the introduction of alternative crop protection measures such as new technologies, pest resistant seeds or genetically modified ("GM") crops or by increased weed and insect resistance.

- Changes in the conditions in the agricultural industry globally, including commodity, energy and raw materials price fluctuations, weather patterns, field conditions and water scarcity, changes in policies of and subsidies from governments and international organizations, and sustainability concerns, may adversely affect Biotalys' prospects and future product sales.

**Biotalys' business is subject to risks arising from epidemic diseases, such as the outbreak of the COVID-19 illness.**

The outbreak of the Coronavirus Disease 2019, or COVID-19, which has been declared by the World Health Organization to be a "public health emergency of international concern," has spread across the globe and is impacting worldwide economic activity. A public health epidemic, including COVID-19, poses the risk that Biotalys or its employees, suppliers, manufacturers, distributors and other partners may be prevented from conducting business activities for an indefinite period of time, including due to shutdowns that may be requested or mandated by governmental authorities. Biotalys may also be unable to conduct or finalize important field trial programs within the expected deadlines or at the expected costs, which may have a material adverse effect on Biotalys' ability to complete the development of, obtain regulatory approval for, or commercialize its product candidates on a timely basis or at all. While the impact of COVID-19 on Biotalys' financial situation has been limited in 2022, a continued spread of COVID-19 or similar pandemics and the measures taken by the governments of countries affected, such as imposing restrictions on business operations, could adversely impact Biotalys' financial condition and may result in longer development timelines and costs. The COVID-19 outbreak and mitigation measures may also have an adverse impact on global economic conditions, which could have an adverse effect on Biotalys' business and financial condition, including by limiting its ability to obtain financing or by limiting Biotalys' target customers' or partners' investment potential. The extent to which the COVID-19 outbreak impacts Biotalys' results will depend on future developments that are highly uncertain, including new information that may emerge concerning the severity of the virus and the actions to contain its impact.

## 2.6. Legal and regulatory risks

Biotalys has not yet obtained regulatory approval for any of its product candidates and currently has filed one registration application for its BioFun-1 (tradename: Evoca™) product candidate in the United States and in the European Union. Biotalys is subject to strict norms governing registration of crop protection products. Crop protection products must receive regulatory approval before they can be sold, and Biotalys may not be able to obtain such approvals in a timely manner or at all. In all markets Biotalys intends to operate in, including the United States and the European Union, crop protection products must be registered after being tested for safety, efficacy and environmental impact. In most of Biotalys' target markets, crop protection products must also be re-registered after a period of time to show that they meet all current regulatory standards, which may have become more stringent since the initial registration of the product, impacting the product life cycle. In the US and Japan, crop protection products are reassessed for re-registration after at the latest 15 years, while in Europe at the latest every ten years. Compliance with registration requirements, which vary from country to country and some of which are becoming stricter over time, involves significant investments of time and resources, and Biotalys may not be able to obtain such approvals. The final classification of Biotalys' product candidates depends on the outcome of the regulatory review process by the regulatory authorities and will have to be assessed on a product by product basis. This also includes the non-GMO classification of Biotalys' product candidates. The genetically modified micro-organism (GMM) used in the manufacturing process is not present in the AGROBODY™ proteins and biocontrols, which allows for the classification as biochemical pesticide in the US and review as PPP under the Regulation (EC) No 1107/2009 in EU. However, each regulator may impose or change its own requirements and/or delay or refuse to grant registration. Regulatory standards and trial procedures are continuously changing, which changes may be influenced by lobbying groups and responding to these changes and meeting existing and new requirements may be costly and burdensome for Biotalys. Regulatory authorities may also withdraw their approval of the product or impose restrictions on its distribution in the form of a modified risk evaluation and mitigation strategy at any time. In addition, the changing regulatory standards may affect its ability to sell the product candidates in the market and may lead to additional data requirements and/or studies which could not be compatible with AGROBODY™ biocontrols resulting in delays or inability to demonstrate the safety profile. If Biotalys is unable to obtain or maintain all of the necessary approvals for registering or re-registering its product candidates, it would not be able to sell product candidates in the relevant markets. Biotalys also relies on third party service providers to conduct field trial procedures as well as GLP laboratory service providers to conduct environmental and toxicological studies necessary for the regulatory dossier. Inability to conduct such trials or studies on schedule or in accordance with the regulatory requirements, may lead to delays in the registration and eventual sale of its product candidates.

**Biotalys uses animals in its research and development activities. Policy reform, including recent EU policy reforms, and the public perception regarding the use of animals for scientific purposes could delay or even prevent the development and commercialization of any potential product candidates.**

Biotalys creates AGROBODY™ proteins through the analysis of a small amount of blood taken from immunized llamas. The EU Directive 2010/63/EU on the protection of animals used for scientific purposes does not allow the use of animal-based methods when other methods not entailing the use of animals exist that would allow obtaining the results sought (Articles 4 "Principle of replacement, reduction and refinement" and 13 "Choice of method"). In 2020, the EU Reference Laboratory for alternatives to animal testing ("EURL ECVAM") issued Recommendations on Non-Animal-Derived Antibodies, in which it recommends, on the basis of its review of the scientific validity of non-animal-derived antibodies, that animals should no longer be used for the development and production of antibodies for research, regulatory, diagnostic and therapeutic applications and that EU Member States should no longer authorize the development and production of antibodies through animal immunization, where robust, legitimate scientific justification is lacking. The EURL ECVAM recommendation suggests that non-animal derived antibodies are equivalent to animal-derived antibodies for the vast majority of applications and encourages manufacturers and suppliers to replace

animal-derived antibodies available in their catalogues with non-animal-derived antibodies. While the EURL ECVAM recommendations are not legally-binding, and its principles are to be enacted in legislation by EU Member States to be binding and Biotalys is not aware of any current legislative initiatives in this respect, and will continue to be debated at member state levels and with competent authorities, policy reforms, in the EU, as well as potentially in other major targeted countries, could delay or even prevent the development and commercialization of any potential product candidates. Such developments could also influence public perceptions, the viability of certain of Biotalys' product candidates, its reputation and the cost to comply with regulations.

**Biotalys may be exposed to product liability and remediation claims and its insurance coverage may become unavailable or be inadequate.**

Even if Biotalys is able to comply with all regulations and obtain all necessary registrations, it cannot provide assurance that Biotalys' product candidates will not cause injury to crops, the environment or people under all circumstances. Biotalys may be held liable for, or incur costs to settle, liability and remediation claims if any product candidates it develops, or any product candidates that use or incorporate any of its technologies, cause injury or are found unsuitable during product testing, manufacturing, marketing, sale or use. Although Biotalys carries insurance and continuously updates its insurance policies to cover all liabilities related to research and development activities at levels customary for companies in its industry such coverage may become unavailable or be or become inadequate to cover all liabilities it may incur.

## 2.7. Risks relating to intellectual property

**Biotalys' success will depend significantly on its ability to protect its intellectual property and proprietary and licensed in rights, and any inability to fully protect and exploit Biotalys' intellectual property and confidential know-how may adversely affect its financial performance and prospects.**

Much of Biotalys' value is in its intellectual property and Biotalys' success will depend significantly on its ability to protect its proprietary rights and to protect and continue to use its licensed in rights, including in particular the intellectual property and confidential know-how. Biotalys relies on a combination of patent(s) (applications), trademarks and confidential know-how, and uses non-disclosure, confidentiality and other contractual agreements to protect its technology. For more information on Biotalys' intellectual property policy, Biotalys generally seeks patent protection where possible for those aspects of its technology and products that it believes provide significant competitive advantages. However, Biotalys may be unable to adequately protect the intellectual property rights and confidential know-how or may become subject to a claim of entitlement, infringement or misappropriation that Biotalys are unable to settle on commercially acceptable terms. Biotalys cannot be certain that patents will be issued with respect to its pending or future patent applications. In addition, Biotalys does not know whether any issued patents will be upheld as valid or proven enforceable against alleged infringers or whether they will prevent the development of competitive patents or provide meaningful protection against competitors or against competitive technologies.

**Biotalys' product candidates may infringe on the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its product candidates.**

Many of Biotalys' competitors have a substantial amount of intellectual property that it must continually monitor to avoid infringement. Although it is Biotalys' policy and intention not to infringe valid patents, whether present or future and other intellectual property rights belonging to others, including through freedom to operate assessments, Biotalys may be required to exercise certain judgements in making such assessments and its processes and product candidates may, or may be alleged to, infringe current or future issued or granted patents. If patents belonging to others already exist that cover its product candidates, processes, or technologies, or are subsequently issued, it is possible that Biotalys could be liable for infringement of such patents and be required to take remedial or curative actions to continue its manufacturing and sales activities with respect to product candidates that are found to be infringing. Intellectual property litigation is often expensive and time-consuming, regardless of the merits of any claim, and Biotalys' involvement in such litigation could divert its technical and management personnel attention away from operating their normal responsibilities.

**As a result of Biotalys' dependence on third parties, it also depends on the confidentiality obligations of third parties under the relevant agreements, which might not provide adequate protection for its confidential information.**

Biotalys also relies upon unpatented confidential and proprietary information, including technical information and confidential know-how to develop and maintain its competitive position. Much of Biotalys' unpatented confidential and proprietary information is shared with third parties on which Biotalys relies for the manufacturing of its product candidates or for the conduct of its field trials and/or with which Biotalys may enter into strategic collaborations or partnerships or is developed by or shared with its personnel. While Biotalys generally enters into non-disclosure or confidentiality agreements with its personnel and third parties, such as the relevant persons within its CMO partner, to protect its intellectual property and confidential know-how, such agreements might be breached, or might not provide meaningful protection for Biotalys' confidential know-how and proprietary information or adequate remedies might not be available in the event of an unauthorized use or disclosure of such information. The magnitude of the adverse effect of a breach of or insufficient protection by such confidentiality agreements depends on the sensitivity of the information provided to the relevant third party, which could include third parties being able to copy elements of Biotalys' technology or Biotalys' ability to apply for patent protection on a certain technology being compromised. For more information on Biotalys' confidentiality policy.

## 2.8. Risks relating to Biotalys' financial situation

Biotalys has a limited operating history and has not yet generated any revenues. Biotalys has incurred operating losses, negative operating cash flows and an accumulated deficit since inception and may not be able to achieve or subsequently maintain profitability. Biotalys is executing its strategy in accordance with its business model, the viability of which has not been demonstrated.

# 3. Information regarding branches of the Company

The Company has a branch in France located at 1 Route du Pérollier; 69570 Dardilly. The branch currently represents the Company in France but does not have any trading or production activities.

# 4. Justification of the applied valuation rules under the assumption of going concern

Reference is made to note 3 under the Notes to the Consolidated Financial Statements in the Financial Statements section.

# 5. Use of financial instruments

Reference is made to notes 4 and 14.2 under the Notes to the Consolidated Financial Statements in the Financial Statements section.

# 6. Description of the major features of the internal control- and risk management system

## 6.1. General

The Company is exposed to various risks within the context of its normal business activities, which could have a material adverse impact on its business, prospects, results of operations and financial condition. The purpose of the risk management and internal control system is to enable the Company to:

- comply with all applicable laws and regulations;
- ensure correct and timely financial reporting;
- achieve the objectives of the Biotalys group; and
- achieve operational excellence.

## 6.2. Risk management

The Board has overall responsibility for the review of the risk management framework and the level of risk which is acceptable in order to achieve the strategic objectives. The Company has a specific program in place to identify, assess and monitor the key risks that are threatening its strategic and operational objectives. During 2022, the Executive Committee members, together with several members of the management team, performed a detailed bottom-up review to identify and assess the risks associated with the key business and external factors. Each of these risk areas is owned by a member Executive Committee or management team and the overall analysis was reviewed with the Audit Committee.

Once the relevant risks are identified, the Company strives to manage and reduce such risks to an acceptable level. All employees are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

## 6.3. Control activities

Control measures are in place to minimize the effect of risks on the Company's ability to achieve its objectives. In order to properly manage identified risks, the Company has established the following measures:

- Access and security systems at the premises and assess rights to IT and information management systems;
- Development of electronic approval system in the existing ERP system;
- Implementation of extra controls and accounting for statutory and IFRS requirements in the existing ERP system;
- Development of a monthly financial reporting tool which allow a close monitoring of the financial information and KPI's;
- Periodic review of access to bank accounts and delegation of authority for approval and signature;
- Introduction of a treasury policy to manage the Company's cash and cash equivalents and to establish guidelines on investments;
- Updated enterprise risk management matrix.

## 6.4. Monitoring of control mechanisms

Monitoring helps to ensure that internal control systems operate effectively. The Audit Committee, on behalf of the Board, monitors the risk management framework and system of internal controls. Managing the risks considered to be of the greatest significance to delivery of the Company's strategy is a core task of the Board of Directors, the Audit Committee, the Executive Committee and all other employees with managerial responsibilities.

## 6.5. Financial reporting risk management and internal control

On an annual basis, a risk analysis is conducted to identify financial reporting risk factors and action plans are defined for all key risks. Specific internal control activities with respect to financial reporting are in place, including the use of a periodic closing and reporting checklist. This checklist assures clear communication of timelines, completeness of tasks, and clear assignment of responsibilities. Additionally, the controlling team reviews the reported amounts by comparison with historical and budget figures, as well as sample checks of transactions according to their materiality.

# Financial statements



# Statement of the Board of Directors

On 21 March 2023, the Directors of Biotalys NV certify in the name and on behalf of Biotalys NV, that to the best of their knowledge,

- the consolidated financial statements, established in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union, give a true and fair view of the equity, financial position and financial performance of Biotalys NV and of the entities included in the consolidation as a whole;
- the annual report on the consolidated financial statements includes a fair overview of the development and the performance of the business and the position of Biotalys NV and of the entities included in the consolidation, together with a description of the principal risks and uncertainties to which they are exposed.

# Independent Auditor's Report

## Statutory auditor's report to the shareholders' meeting of Biotalys NV for the year ended 31 December 2022 - Consolidated financial statements

In the context of the statutory audit of the consolidated financial statements of Biotalys NV (the "company" and, together with its subsidiary, "the Group"), we hereby submit our statutory audit report. This report includes our report on the consolidated financial statements and the other legal and regulatory requirements. These parts should be considered as integral to the report.

We were appointed in our capacity as statutory auditor by the shareholders' meeting of 15 April 2022, in accordance with the proposal of the board of directors ("bestuursorgaan" / "organe d'administration") issued upon recommendation of the audit committee. Our mandate will expire on the date of the shareholders' meeting deliberating on the consolidated financial statements for the year ending 31 December 2024. We have performed the statutory audit of the consolidated financial statements of Biotalys NV for 2 consecutive periods. We are the statutory auditor of Biotalys NV for 10 consecutive years.

### REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

**Unqualified opinion**

We have audited the consolidated financial statements of the Group, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as the summary of significant accounting policies and other explanatory notes. The consolidated statement of financial position shows total assets of 49 517 (000) EUR and the consolidated statement of profit or loss and other comprehensive income shows a loss for the year then ended of 22 731 (000) EUR.

In our opinion, the consolidated financial statements give a true and fair view of the Group's net equity and financial position as of 31 December 2022 and of its consolidated results and its consolidated cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

**Basis for the unqualified opinion**

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

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

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

**Key audit matters**

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

*Key audit matter*

The 2022 consolidated statement of profit or loss shows a loss for the year ended 31 December 2022 of 22 731 (000) EUR, and the consolidated statement of financial position includes a loss carried forward of 19 661 (000) EUR.

The Directors of the company are required to make a rigorous assessment of whether the Group will remain a going concern for a period of at least twelve months from the date of approval of the financial statements and assess whether there are any material uncertainties in relation to the going concern basis of preparation.

Management has prepared detailed budgets and cash flow forecasts for the years 2023 and 2024. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the ongoing research and development activities.

Management acknowledges that uncertainty remains in these cash flow forecasts (such as delays in development or regulatory approval) but believes that the cash position of the Group at year-end 2022 (i.e., 34 million EUR) is sufficient to cover the cash needs of the Company for at least the 12-month period following the approval of the 2022 annual report.

Significant judgments and estimates from management are required in order to predict future cash flows and the group's potential to meet all its commitments over the 12-month period following the approval of the current consolidated accounts. Therefore, management's assessment of going concern assumption to apply in the preparation of the current consolidated financial statements are subject to significant judgments and estimates.

The company's disclosure in relation to going concern is in note 3 Critical accounting estimates and judgments, to the consolidated financial statements.

*How our audit addressed the key audit matters*
We regularly interacted with management and the board on forecasted cash runway and initiatives around future financing and have read relevant meeting minutes to assess completeness of the information.

We compared the forecasted cash outflows incorporated in the going concern model with the board approved budget to ensure consistency.

We tested the mathematical integrity of the calculations in the going concern model. In addition, we audited the cash and cash equivalents position as of the financial year end utilized in the going concern model.

We evaluated the reasonableness of the Company's forecasted operating expenses by obtaining an understanding of the Company's operations and strategy, inquiring about the Company's research and development activities and comparing the forecasted operating expenses to historical operating expenses.

We assessed management's ability to forecast operating expenses by comparing prior year forecasts to actual cash outflows.

We inspected the current contractual covenants embedded in the Company's financing (bank borrowings and lease arrangements as disclosed by the Company in footnote 14 of the consolidated financial statements), procurement and grant arrangements to assess reasonability of management's assessment of the outcome of any breach and its impact on the cash runway and therefore on the going concern assumption.

We assessed the adequacy of the consolidated financial statements' disclosure related to the going concern assessment.

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

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

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

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

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

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

- evaluate the overall presentation, structure and content of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

## OTHER LEGAL AND REGULATORY REQUIREMENTS

**Responsibilities of the board of directors**
The board of directors is responsible for the preparation and the content of the directors' report on the consolidated financial statements and other matters disclosed in the annual report on the consolidated financial statements.

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

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

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

**Statements regarding independence**

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

**Single European Electronic Format (ESEF)**
In accordance with the draft standard on the audit of the compliance of the financial statements with the Single European Electronic Format ("ESEF"), we have also performed the audit of the compliance of the ESEF format and of the tagging with the technical regulatory standards as defined by the European Delegated Regulation No. 2019/815 of 17 December 2018 ("Delegated Regulation").

The board of directors is responsible for the preparation, in accordance with the ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format ("digital consolidated financial statements") included in the annual financial report.

Our responsibility is to obtain sufficient and appropriate evidence to conclude that the format and the tagging of the digital consolidated financial statements comply, in all material respects, with the ESEF requirements as stipulated by the Delegated Regulation.

Based on our work, in our opinion, the format and the tagging of information in the official Dutch version of the digital consolidated financial statements included in the annual financial report of Biotalys NV as of 31 December 2022 are, in all material respects, prepared in accordance with the ESEF requirements as stipulated by the Delegated Regulation.

**Other statements**
This report is consistent with our additional report to the audit committee referred to in article 11 of Regulation (EU) No 537/2014.
Signed at Zaventem.

**The statutory auditor**
**Deloitte Bedrijfsrevisoren/R viseurs d'Entreprises BV/SRL**
Represented by Pieter-Jan Van Durme

# Consolidated Statement of Financial Position

| ASSETS (in € thousands) | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Non-current assets** | | **11,755** | **11,336** |
| Intangible assets | **7** | 596 | 665 |
| Property, plant and equipment | **8** | 5,335 | 5,407 |
| Right-of-use assets | **9** | 3,667 | 3,885 |
| Deferred tax assets | | 125 | - |
| Other non-current assets | **10** | 2,031 | 1,380 |
| | | | |
| **Current assets** | | **37,762** | **58,938** |
| Receivables | **11** | 820 | 451 |
| Other financial assets | **12** | 2,100 | 2,100 |
| Other current assets | | 746 | 279 |
| Cash and cash equivalents | **12** | 34,096 | 56,107 |
| | | | |
| **TOTAL ASSETS** | | **49,517** | **70,274** |

| EQUITY AND LIABILITIES (in € thousands) | Note | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **Equity attributable to owners of the parent** | | **38,114** | **58,915** |
| Share capital | **13** | 44,548 | 81,969 |
| Share premium | **13** | 10,164 | 31,303 |
| Accumulated losses | | (19,661) | (55,855) |
| Other reserves | | 3,064 | 1,498 |
| | | | |
| **Total equity** | | **38,114** | **58,915** |
| | | | |
| **Non-current liabilities** | | **5,443** | **6,150** |
| Borrowings | **14** | 5,338 | 6,037 |
| Employee benefits obligations | **15** | 16 | 26 |
| Provisions | **8** | 89 | 87 |
| | | | |
| **Current liabilities** | | **5,960** | **5,209** |
| Borrowings | **14** | 1,163 | 1,186 |
| Trade and other liabilities | **16** | 4,204 | 3,119 |
| Other current liabilities | **17** | 592 | 904 |
| **Total liabilities** | | **11,402** | **11,359** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **49,517** | **70,274** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the years ended 31 December

| in € thousands | Note | 2022 | 2021 |
|---|---|---|---|
| Other operating income | 19 | 2,949 | 1,995 |
| Research and development expenses | 20 | (18,813) | (13,880) |
| General and administrative expenses | 20 | (5,081) | (4,905) |
| Sales and marketing expenses | 20 | (1,586) | (1,289) |
| **Operating loss** | | **(22,531)** | **(18,079)** |
| Financial income | 22 | 320 | 1,510 |
| Financial expenses | 22 | (557) | (343) |
| **Loss before taxes** | | **(22,769)** | **(16,913)** |
| Income taxes | 23 | 38 | (16) |
| **LOSS FOR THE PERIOD** | | **(22,731)** | **(16,929)** |

| in € thousands | Note | 2022 | 2021 |
|---|---|---|---|
| **Other comprehensive income (OCI)** | | | |
| Items of OCI that will not be reclassified subsequently to profit or loss | | | |
| Remeasurement gains (losses) on defined benefit plans | | (43) | 5 |
| Items of OCI that will be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | 4 | 5 |
| **TOTAL COMPREHENSIVE LOSS OF THE PERIOD** | | **(22,770)** | **(16,919)** |
| Basic and diluted loss per share (in €) | 24 | (0.74) | (1.10) |
| Profit/(loss) for the period attributable to the owners of the Company | | (22,731) | (16,929) |
| **Total comprehensive income for the period attributable to the owners of the Company** | | **(22,770)** | **(16,919)** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Changes in Equity

## For the years ended 31 December

| | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Other reserves | | | | |
| in € thousands | Share capital | Share premium | Share-based payment reserve | Anti-dilution reserve | Currency translation reserve | Accumulated losses | Total Equity |
| **Balance at 1 January 2021** | **62,822** | **675** | **1,062** | **(4,813)** | **20** | **(34,117)** | **25,648** |
| Loss for the period | - | - | - | - | - | (16,929) | (16,929) |
| Other comprehensive income | - | - | - | - | 5 | 5 | 10 |
| **Total comprehensive loss** | **-** | **-** | **-** | **-** | **5** | **(16,924)** | **(16,919)** |
| Issuance of shares (note 13) | 19,147 | 30,528 | - | - | - | - | 49,675 |
| Cancellation of anti-dilution warrants (note 4) | - | - | - | 4,813 | - | (4,813) | - |
| Share-based payments (note 25) | - | 99 | 412 | - | - | - | 511 |
| **Balance at 31 December 2021** | **81,969** | **31,303** | **1,473** | **-** | **25** | **(55,855)** | **58,915** |
| Loss for the period | - | - | - | - | - | (22,731) | (22,731) |
| Other comprehensive income | - | - | - | - | 4 | (43) | (39) |
| **Total comprehensive loss** | **-** | **-** | **-** | **-** | **4** | **(22,774)** | **(22,770)** |
| Issuance of shares (note 13) | 236 | - | - | - | - | - | 236 |
| Share-based payments (note 25) | - | 171 | 1,562 | - | - | - | 1,733 |
| Reduction of capital by absorption of losses (note 13) | (37,657) | (21,310) | - | - | - | 58,967 | - |
| **Balance at 31 December 2022** | **44,548** | **10,164** | **3,035** | **-** | **29** | **(19,662)** | **38,114** |

The accompanying notes are an integral part of these consolidated financial statements.

# Consolidated Statement of Cash Flows

## For the year ended 31 December

| in € thousands | Note | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Operating result | | (22,531) | (18,079) |
| Adjustments for: | | | |
| Depreciation, amortization and impairments | | 1,575 | 1,470 |
| Equity-settled share-based payment expense | | 1,733 | 511 |
| Provisions | | (55) | (20) |
| R&D tax credit | | (768) | (405) |
| Other | | 0 | 7 |
| **Operating cash flows before movements in working capital** | | **(20,045)** | **(16,516)** |
| Changes in working capital: | | | |
| Receivables | | (247) | (225) |
| Other current assets | | (467) | (175) |
| Trade and other payables | | 997 | (70) |
| Other current liabilities | | (304) | 256 |
| **Cash used in operations** | | **(20,067)** | **(16,731)** |
| Taxes paid | | (24) | (23) |
| **Net cash used in operating activities** | | **(20,091)** | **(16,754)** |

| in € thousands | Note | 2022 | 2021 |
|---|---|---|---|
| **CASH FLOW FROM INVESTING ACTIVITIES** | | | |
| Interests received | | 23 | 1 |
| Purchases of property, plant and equipment | | (707) | (1.324) |
| Purchases of Intangible assets | | - | (8) |
| Proceeds from disposal of PPE | | 0 | 7 |
| Investments in other financial assets | | (0) | (0) |
| **Net cash used in investing activities** | | **(684)** | **(1,324)** |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Repayment of borrowings and other financial liabilities | **14** | (1,233) | (1,127) |
| Proceeds from borrowings | **14** | - | 2,780 |
| Interests paid | | (245) | (244) |
| Proceeds from issue of equity instruments of the Company (net of issue costs) | **13** | 236 | 49,675 |
| **Net cash provided by financing activities** | | **(1,242)** | **51,083** |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | (22,017) | **33,005** |
| CASH AND CASH EQUIVALENTS at beginning of year | | 56,107 | 23,103 |
| Effect of foreign exchange rate changes | | 6 | - |
| CASH AND CASH EQUIVALENTS at end of year | | 34,096 | 56,107 |

The accompanying notes are an integral part of these consolidated financial statements.

# Notes to the Consolidated Financial Statements



## 1. General information

Biotalys NV (the “Company” or “Biotalys”) is a limited liability company governed by Belgian law. The address of its registered office is Buchtenstraat 11, 9051 Gent, Belgium. Since the successful IPO on 5 July 2021, the shares of Biotalys NV are listed on the regulated market of Euronext Brussels.

Biotalys and its subsidiary (together referred as the “Group”) is a development-stage, Agricultural Technology (AgTech) platform-based company focused on the discovery and development of novel biological products (protein-based biocontrols). The biocontrol products in the Group’s pipeline protect our food in a sustainable and safe manner and have the potential to address a broad range of food threats such as fungal diseases, insect pests and bacterial diseases with unique and novel modes of action. Biotalys filed with the Environmental Protection Agency (EPA) in the United States in December 2020, and with the European Food Safety Authority (EFSA) in March 2021, for the registration of Evoca™, its first protein based biofungicide. The Group does not yet have any commercialized products on the market.

The consolidated financial statements were authorized for issue by the Board of Directors on 21 March 2023.

**Response to COVID-19**

Since the outbreak of the COVID-19 pandemic in March 2020 in Europe, Biotalys put in place all the internal measures to protect its employees according to the rules and regulations established by the Belgian and European authorities. Home working was strongly encouraged and IT infrastructure and security have been upgraded to allow efficient remote working. Shifts have been established for essential laboratory personnel to maintain essential activities while optimizing the number of employees working on site.

The impact of COVID-19 on Biotalys’ financial situation has been limited in 2022. While a continued spread of COVID-19 or similar pandemics and the measures taken by the governments of countries affected could adversely impact Biotalys’ financial condition and may result in longer development timelines and costs, Biotalys expects to be able to continue its activities under the most restrictive lock-down conditions established so far.

# 2. Summary of significant accounting policies

## 2.1. BASIS OF PREPARATION

These consolidated financial statements of the Group for the year ended 31 December 2022 have been prepared in accordance with IFRS ("International Financial Reporting Standards") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as adopted by the European Union and effective as of 31 December 2022. No new standards, amendments to standards or interpretations were early adopted.

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts in this document are represented in thousands of euros (€ thousands), unless noted otherwise.

The consolidated financial statements are prepared on an accrual basis and on the assumption that the entity is in going concern and will continue in operation in the foreseeable future (see also note 3 below).

The preparation of consolidated financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Due to rounding, numbers presented throughout these consolidated financial statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

**Relevant IFRS accounting pronouncements adopted as from 2022 onwards**
The following relevant new standards and amendments to existing standards have been published and are mandatory for the first time for the financial periods beginning on or after 1 January 2022:

- Amendments to IAS 16 – *Proceeds before Intended Use* (effective 1 January 2022): The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- Amendments to IAS 37 – *Onerous Contracts – Cost of Fulfilling a Contract* (effective 1 January 2022): The amendments clarify the costs a company should include as the cost of fulfilling a contract when assessing whether a contract is onerous.
- Annual Improvements 2018-2020 (effective 1 January 2022): The annual improvements package includes the following minor amendments: Subsidiary as a First-time Adopter (Amendment to IFRS 1); Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to IFRS 9); Lease Incentives (Amendment to Illustrative Example 13 of IFRS 16); Taxation in Fair Value Measurements (Amendment to IAS 41).

The above-mentioned standards did not have an impact on the financial statements.

**Relevant IFRS accounting pronouncements that have been issued but not yet applied by the Group**
The following IFRS standards, interpretations and amendments that have been issued but that are not yet effective and have not been applied to the IFRS financial statements closed on 31 December 2022:

- Amendments to IAS 1 – *Classification of Liabilities as Current or Non-current* (effective 1 January 2023, but not yet endorsed in EU): The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.
- Amendments to IAS 1 and Practice Statement 2 – *Disclosure of Accounting Policies* (effective 1 January 2023, but not yet endorsed in EU). The amendments provide more guidelines on which accounting policies to disclose in the financial statements.
- Amendments to IAS 8 – *Definition of Accounting Estimates* (effective 1 January 2023, but not yet endorsed in EU). The amendments clarify the distinction between accounting policies and accounting estimates.
- Amendments to IAS 12 – *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (effective 1 January 2023, but not yet endorsed in EU). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.
- Amendments to IFRS 16 Leases – *Lease Liability in a Sale and Leaseback* (effective 1 January 2024, but not yet endorsed in EU). The amendments clarify how a seller-lessee subsequently measures certain sale and leaseback transactions.

The Group does not expect that the above mentioned IFRS pronouncements will have a significant impact on the consolidated financial statements.

## 2.2. CONSOLIDATION

Subsidiaries are all entities over which the Group has control. Control is established when the Group has the power over the subsidiary, is exposed, or has the rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated but considered an impairment indicator of the asset transferred.

## 2.3. FOREIGN CURRENCIES

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement as financial income or financial expense.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in a foreign exchange translation reserve.

The principal exchange rate that has been used is the US dollar. The following table presents the exchange rates used for the USD/EUR.

| 1 EUR = | Closing rate | Average rate |
|---|---|---|
| 31 December 2022 | 1.0666 | 1.0539 |
| 31 December 2021 | 1.1326 | 1.1836 |

## 2.4. INTANGIBLE ASSETS

**Internally-generated intangible assets, research and development expenditures**
All internal research costs are expensed as incurred. Due to long development periods and significant uncertainties related to the development of new products (such as the risks related to the outcome of field trials as well as the likelihood of regulatory approval), internal development costs generally do not qualify for capitalization as intangible assets. In general, development projects would meet the conditions for recognition as intangible assets when the Group can demonstrate the economic viability of the project and the technical feasibility by obtaining regulatory approval. As of 31 December 2022, no internal development expenditures have met the recognition criteria.

**Separately acquired intangible assets**
Intangible assets are shown at historical cost and those that are acquired in a business combination or via a contribution in kind are recognized at fair value at the acquisition date. Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets are amortized over their useful lives on a straight-line basis as from the moment they are available for use (i.e., in case of a license related to a compound or product, when the product (containing the compound) is launched for sale). Estimated useful life is based on the lower of the contract life or the economic useful life which range from 5 years for computer software to 20 years for the Agrobody research platform. Intangible assets are considered to have a finite economic useful life and no intangible assets with an indefinite life have been identified.

## 2.5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment ("PPE") are carried at acquisition cost less accumulated depreciation and accumulated impairment losses except for PPE under construction which are carried at cost less accumulated impairment losses. Acquisition cost includes any directly attributable cost of bringing the asset to working condition for its intended use. Borrowing costs that are directly attributable to the acquisition, construction and/or production of a qualifying asset are capitalized as part of the cost of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed as they are incurred.

The depreciable amount is allocated on a systematic basis over the useful life of the asset, using the straight-line method. The depreciable amount is the acquisition cost, less residual value, if any. The applicable useful lives are:

- Leasehold improvements — shorter of the useful lives and related lease term
- Lab equipment — 5-20 years
- Furniture and equipment — 5-10 years
- IT equipment — 3 years

The useful life of the PPE is reviewed at least at each financial year end. Each time a significant upgrade is performed, the useful life of the asset is reviewed to determine if the upgrade extends the useful life of the machine. The cost of the upgrade is added to the carrying amount of the machine and the new carrying amount is depreciated prospectively over the remaining estimated useful life of the machine.

## 2.6. LEASES

At inception of the contract, it is assessed whether the contract is or contains a lease. Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Group.

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

- fixed payments (less any lease incentives),
- variable lease payments that are based on an index or rate,
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the Group's incremental borrowing rate, i.e., the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- an estimate of the costs related to the dismantling and removal of the underlying asset.

If it is reasonably certain that the Group will exercise a purchase option, the asset shall be depreciated on a straight-line basis over its useful life. In all other circumstances the asset is depreciated on a straight-line basis over the shorter of the useful life of the asset or the lease term.

For short-term leases (lease term of 12 months or less) or leases of low-value items (mainly IT equipment and small office furniture) to which the Group applies the recognition exemptions available in IFRS 16, lease payments are recognized on a straight-line basis as an expense over the lease term.

## 2.7. IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets not yet available for use are not subject to amortization, but are tested annually for impairment, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets which are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. To determine the value in use, the forecasted future cash flows generated by the asset or the CGU 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 or the CGU.

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 2.8. GRANTS

The Group recognizes grants at their fair value only when there is reasonable assurance that the Group will comply with the conditions attached to the grant and the grant will be received. As such, a receivable is recognized in the statement of financial position.

**Cash payments received for grants**
Grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs which the grants are intended to compensate. As a result, grants relating to costs that are recognized as intangible assets or property, plant and equipment (grants related to assets or investment grants) are deducted from the carrying amount of the related assets and recognized in the profit or loss statement consistently with the amortization or depreciation expense of the related assets.

Grants received to partially finance certain research and development projects are released as income when the subsidized costs are incurred. The portion of grants not yet released as income is presented as deferred income in the statement of financial position, within other current liabilities. In the statement of comprehensive income, grants are presented as other operating income.

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

**R&D tax credit**
The R&D tax credit is considered as a grant related to assets if additional relevant requirements are to be met that are directly related to the asset. The tax credit is taken in profit and loss in line with the costs it is intended to compensate. If the tax credit is received to compensate research and development expenses that are not capitalized, the R&D tax credit is recognized in P&L at the same moment as the research and development expenses as other operating income.

The part of the R&D tax credit that cannot be offset against current taxes payable is accounted for as a receivable or other non-current assets, depending on the expected term.

## 2.9. INCOME TAXES

Income tax expense represents the sum of the current income tax and deferred tax. Tax expense is recognized in the income statement except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In the case of items recognized in other comprehensive income or in equity, the tax is also recognized in other comprehensive income or directly in equity, respectively.

**Current tax**
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of management supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

**Deferred tax**
Deferred income tax is recognized, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities are generally recognized for all taxable temporary differences and deferred income tax assets are recognized to the extent that it is probable that future taxable profits will be available against which deductible temporary differences, carried forward tax credits or carried forward losses can be utilized. Deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction (other than in a business combination) that at the time of the transaction affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred taxes are calculated at the level of each fiscal entity in the Group. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

## 2.10. FINANCIAL ASSETS

**Classification**
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and financial assets at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. Management determines the classification of its financial assets at initial recognition. Currently, the Group holds only financial assets at amortized cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Trade receivables are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

**Measurement**
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial assets (such as loans, trade and other receivables, cash and cash equivalents) are subsequently measured at amortized cost using the effective interest method, less any impairment if they are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortized cost.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

## 2.11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, demand deposits with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash which is not available for use by the Group, is presented in the consolidated statement of financial statements as other financial assets.

## 2.12. SHARE CAPITAL

Common and preferred shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.13. FINANCIAL LIABILITIES

Financial liabilities (including borrowings and trade and other payables) are classified at amortized cost.

Financial liabilities are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

When a financial liability measured at amortized cost is modified without this resulting in derecognition, a gain or loss is recognized in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

**Anti-dilution warrants**
During several financing rounds, the Company granted shareholders anti-dilutive warrants. The warrants are instruments which give the holder the right, but not an obligation, to purchase the Company's shares at a specified price and date. The warrants include anti-dilution features to protect the right of the holder of the instrument from the possible impact of dilution caused due to issue of shares. The warrants give right to a variable number of shares based on the number of shares issues and the issue price of the relevant shares.

Considering that the holders will receive a variable number of shares based on the issue price indicates that the warrants are not “equity” but financial liabilities. The “fixed-for-fixed” requirement is not met.

At initial recognition, the anti-dilution warrants are recognized as derivative financial liabilities at fair value against equity, as it is considered as a transaction with shareholders. After initial recognition, the warrants are recognized at fair value through profit or loss.

## 2.14. EMPLOYEE BENEFITS

The Group makes the accounting policy choice that employee benefit expense includes consultant fees. Therefore, employee benefits are all forms of consideration given in exchange for services provided by employees including directors and other management personnel.

**Short-term employee benefits**
Short-term employee benefits are recorded as an expense in the income statement in the period in which the services have been rendered. Any unpaid compensation is included in trade and other liabilities in the statement of financial position.

**Post-employment benefits**
With respect to defined contribution plans, the contributions payable are recognized when employees have rendered the related services.

According to legal requirements applicable in Belgium, defined contribution pension plans are subject to minimum guaranteed rates of return. As such, these plans meet the conditions for classification as defined benefit plan in accordance with IAS 19 and they are accounted for as such.

The obligations under defined-benefit plans are calculated by the projected unit credit method, which determines the present value of entitlements earned by employees at year-end under all types of plan, taking into consideration estimated future salary increases. All valuations measure liabilities at the applicable balance sheet date and the market value of retirement plan assets are also reported at this date regardless of whether a full or a “roll-forward” valuation is performed.

Such post-employment benefit obligations are measured using the following methods and main assumptions:

- retirement age, determined on the basis of the applicable rules for the plan;
- forecast number of pensioners, determined based on employee turnover rates and applicable mortality tables;
- a discount rate that depends on the duration of the obligations, determined at the year-end date by reference to the market yield on high-quality corporate bonds or the rate on government bonds whose duration is coherent with the Group’s commitments to employees.

The amount of the provision corresponds to the present value of the defined benefit obligation less the fair value of the plan assets that cover those obligations.

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

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

**Share units**
Share units are issued to independent directors as part of their remuneration. The share unit agreements oblige the independent directors to subscribe to new shares at a price of €1 per share, irrespective of the value of the shares. The share units are valued as the difference between the grant date market price and the exercise price of €1. The share units are expensed in three tranches over the three year vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

## 2.15. PROVISIONS

Provisions are recognized in the balance sheet when:

- there is a present legal or constructive obligation as a result of a past event;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The only provision currently recognized relates to the dismantling obligation of the leasehold improvements carried out in our headquarters. Whenever the Group incurs an obligation for costs to dismantle and remove an asset, restore the site on which it is located or restore the asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. The provision is measured at the present value of the expenditures expected and initially recognized against the cost of the asset. The increase in the provision due to passage of time is recognized as finance cost.

## 3. Critical accounting estimates and judgments

In the application of the Group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. While actual results may differ from these estimates, there are no major sources of estimation uncertainty that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

**Going concern**

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities during the normal course of business. The 2022 consolidated results of the Group present a negative result, and the consolidated statement of financial position includes a loss carried forward.

Management has prepared detailed budgets and cash flow forecasts for the years 2023 and 2024. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of the ongoing product candidates and the platform. Management acknowledges that uncertainty remains in these cash flow forecasts (such as delays in development or regulatory approval) but believes that the cash position of the Group at year end 2022 (i.e. €34 million) is sufficient to cover the cash needs of the Company for at least the 12-month period following the approval of this report.

After due consideration of the above, the Board of Directors is of the opinion that it has an appropriate basis to conclude on the business continuity over the 12-month period following the approval of this report, and hence it is appropriate to prepare the financial statements on a going concern basis.

## 4. Financial instruments and financial risk management

### 4.1. OVERVIEW OF FINANCIAL INSTRUMENTS

All financial assets and liabilities presented in the consolidated statement of financial position are classified according to IFRS 9 – Financial Instruments as financial instruments at amortized cost, except for the anti-dilution warrants (presented under "Other current financial liabilities") which were classified as at fair value through profit or loss.

The Group considers that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

The fair values of the derivative financial liabilities above are classified as level 3 fair value measurements and have been measured using a discounted cash flow methodology where different scenarios have been probability weighted.

The following table includes a reconciliation of the level 3 fair value measurements:

| in € thousands | Anti-dilution warrants |
|---|---|
| **As at 1 January 2021** | **1,302** |
| Fair value changes | (1,302) |
| **As at 31 December 2021** | **-** |
| **As at 31 December 2022** | **-** |

During the period, the only financial liability subsequently measured at fair value on Level 3 fair value measurement is the anti-dilution warrants ("AD Warrants"). The most significant inputs in measuring the fair value of the instruments are the discount rate, the probability of a down round and the probability of an IPO.

Up to the Board approval of the IPO on 30 June 2021, the AD Warrants were measured using a probability weighted valuation model based on significant unobservable inputs, such as the probability that a down-round financing would occur, an IPO would occur based on facts and circumstances at issue date (ranging from 20% to 75%), volatility of the shares (ranging between 64.1% and 80.1%), and discount rate (15%). Considering that on 30 June 2021 the Board approved the IPO, the AD Warrants were considered to have no value and were cancelled in July 2021 as part of the IPO (note 14.2) and the cumulative reserve of €4,813 thousand was reclassified to accumulated losses.

## 4.2. FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

### 4.2.1. FOREIGN EXCHANGE RISK

The Group is currently exposed to foreign currency risk, mainly relating to positions held in USD.

The exposure to exchange differences of the monetary assets and monetary liabilities of the Group at the end of the reporting period are as follows:

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Assets | 888 | 2,880 |
| Liabilities | 518 | 691 |

At 31 December 2022, if the EUR had strengthened/weakened 5% against the USD with all other variables held constant, the impact on the consolidated statement of comprehensive income would have been +/- €19 thousand (2021: +/- €109 thousand). In 2022 and 2021, no hedge accounting has been applied.

### 4.2.2. INTEREST RATE RISK

The Group is currently not exposed to significant interest rate risk as the interest-bearing financial liabilities bear a fixed interest rate, which are not subject to revision.

### 4.2.3. CREDIT RISK

Credit risk is the risk that one party to an agreement will cause a financial loss to another party by failing to discharge its obligation. Credit risk covers trade receivables, cash and cash equivalents and short-term deposits.

The Group believes that the credit risk is limited as it currently has limited receivables considering that it does not yet generate revenue. Furthermore, the Group is not exposed to any material credit risk with regard to any individual counterparty. As such, no impairment is recognized for these receivables. Cash and cash equivalent and short-term deposits are invested with highly reputable banks and financial institutions.

The maximum credit risk to which the Group is theoretically exposed as at the balance sheet date is the carrying amount of the financial assets.

Based on the ongoing credit evaluation performed, no financial assets were subject to impairment.

### 4.2.4. LIQUIDITY RISK

The Group's main sources of cash inflows are currently obtained through capital increases and external financing through leases and bank loans, some of which contain restrictive covenants based on the level of cash (note 14). The Group does not have any credit line agreements. As the 2022 consolidated results of the Group present a negative result, and the consolidated statement of financial position includes a loss carried forward, liquidity is a risk as the Group needs additional funds to further develop its assets and grow its operations. Management believes that the cash position of the Group at year end 2022 (i.e. €34 million) is sufficient to cover the cash needs of the Company for at least the 12-month period following the approval of this report.

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

| 31 December 2022 (in € thousands) | Within one year | >1 and <5 years | >5 and <10 years | >10 years | Total |
|---|---|---|---|---|---|
| Bank borrowings | 486 | 1,942 | 1,133 | - | 3,561 |
| Lease liabilities | 846 | 2,132 | 390 | - | 3,368 |
| **Total** | **1,332** | **4,074** | **1,523** | **-** | **6,928** |

| 31 December 2021 (in € thousands) | Within one year | >1 and <5 years | >5 and <10 years | >10 years | Total |
|---|---|---|---|---|---|
| Bank borrowings | 486 | 1,942 | 1,618 | - | 4,046 |
| Lease liabilities | 846 | 2,048 | 610 | - | 3,504 |
| **Total** | **1,331** | **3,990** | **2,229** | **-** | **7,550** |

## 5. Operating segments

According to IFRS 8, reportable operating segments are identified based on the "management approach". This approach stipulates external segment reporting based on the Group's internal organizational and management structure and on internal financial reporting to the Chief Operating Decision Maker(s).

The Group's activities are managed and operated in one segment. There is no other significant class of business, either individual or in aggregate. As such, the Chief Operating Decision Makers, being the Chief Executive Officer, review the operating results and operating plans and makes resource allocation decisions on a company wide basis.

Currently, no revenue is generated. With the exception of the lease of the building for the US location, all non-current assets recorded in the consolidated statement of financial position are located in Belgium, country of domicile of the Company.

## 6. List of consolidated companies as at 31 December 2022

| Company name | Company number | Location | % financial interest |
|---|---|---|---|
| Biotalys NV | BE 508.931.185 | Buchtenstraat 11, 9051 Gent, Belgium | Parent |
| Biotalys Inc. | | 2520 Meridian Parkway, Suite 480; Durham, NC 27713; United States | 100.00% |

The voting rights equal the percentage of financial interest held.

## 7. Intangible assets

| in € thousands | Platform Technology | Software | Total |
|---|---|---|---|
| **Year ended 31 December 2022** | | | |
| Cost | 1,138 | 128 | 1,266 |
| Accumulated amortization | (512) | (89) | (601) |
| **Opening carrying amount** | **626** | **39** | **665** |
| Amortization expense | (57) | (12) | (69) |
| **Closing carrying amount** | **569** | **27** | **596** |
| Cost | 1,138 | 128 | 1,266 |
| Accumulated amortization | (569) | (100) | (669) |

| in € thousands | Platform Technology | Software | Total |
|---|---|---|---|
| **Year ended 31 December 2021** | | | |
| Cost | 1,138 | 119 | 1,258 |
| Accumulated amortization | (455) | (11) | (466) |
| **Opening carrying amount** | **683** | **109** | **792** |
| Additions | - | 8 | 8 |
| Amortization expense | (57) | (78) | (135) |
| **Closing carrying amount** | **626** | **39** | **665** |
| Cost | 1,138 | 128 | 1,266 |
| Accumulated amortization | (512) | (89) | (601) |

The platform technology was contributed to the Company as part of its foundation in 2013. It represents the core of the research platform that the Company is using for candidate identification and selection process and is being amortized over its expected useful life of 20 years since its contribution in 2013.

No intangible assets have been pledged in the context of financial liabilities.

## 8. Property, plant and equipment

| in € thousands | Leasehold Improvements | Lab Equipment | Other | Construction in Progress | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | |
| Cost | 3,307 | 2,897 | 698 | - | 6,902 |
| Accumulated depreciation | (367) | (869) | (260) | - | (1,496) |
| **Opening carrying amount** | **2,940** | **2,029** | **438** | **-** | **5,407** |
| Additions | 87 | 500 | 111 | - | 698 |
| Transfers | - | 229 | - | - | 229 |
| Disposals | - | - | (0) | - | (0) |
| Depreciation expense | (426) | (436) | (136) | - | (998) |
| **Closing carrying amount** | **2,601** | **2,322** | **412** | **-** | **5,335** |
| Cost | 3,394 | 3,626 | 787 | - | 7,808 |
| Accumulated depreciation | (793) | (1,304) | (375) | - | (2,473) |

| in € thousands | Leasehold Improvements | Lab Equipment | Other | Construction in Progress | Total |
|---|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | | |
| Cost | - | 1,827 | 569 | 2,810 | 5,205 |
| Accumulated depreciation | - | (454) | (134) | - | (588) |
| **Opening carrying amount** | **-** | **1,373** | **435** | **2,810** | **4,617** |
| Additions | 498 | 502 | 324 | - | 1,324 |
| Transfers | 2,810 | 412 | (184) | (2,810) | 227 |
| Disposals | - | (5) | (4) | - | (9) |
| Depreciation expense | (367) | (254) | (132) | - | (754) |
| **Closing carrying amount** | **2,940** | **2,029** | **438** | **-** | **5,407** |
| Cost | 3,307 | 2,897 | 698 | - | 6,902 |
| Accumulated depreciation | (367) | (869) | (260) | - | (1,496) |

The construction in progress in 2021 relates to the leasehold improvements of the new headquarters in Sint-Denijs-Westrem which the Company moved into in January 2021. Leasehold improvements includes the cost of removal of these improvements at the end of the lease of the building, which was recognized against a provision (€ 86 thousand).

Certain assets that have been financed by the Bank Loan described in note 14.1 have been pledged as collateral. No other items of property, plant and equipment have been pledged in the context of financial liabilities.

## 9. Right-of-use assets

| in € thousands | Buildings | Lab Equipment | Vehicles | Total |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Cost | 3,063 | 1,959 | 517 | 5,539 |
| Accumulated depreciation | (1,099) | (426) | (129) | (1,654) |
| **Opening carrying amount** | **1,963** | **1,534** | **388** | **3,885** |
| Additions | 313 | - | 208 | 521 |
| Transfers | 200 | (229) | (200) | (229) |
| Depreciation expense | (337) | (99) | (73) | (509) |
| **Closing carrying amount** | **2,139** | **1,206** | **322** | **3,667** |
| Cost or valuation | 3,574 | 1,731 | 527 | 5,832 |
| Accumulated depreciation | (1,435) | (524) | (205) | (2,164) |

| in € thousands | Buildings | Lab Equipment | Vehicles | Total |
|---|---|---|---|---|
| **Year ended 31 December 2021** | | | | |
| Cost | 2,990 | 2,353 | 240 | 5,583 |
| Accumulated depreciation | (798) | (366) | (74) | (1,239) |
| **Opening carrying amount** | **2,192** | **1,987** | **166** | **4,344** |
| Additions | 73 | - | 277 | 350 |
| Transfers | - | (227) | - | (227) |
| Depreciation expense | (301) | (226) | (55) | (582) |
| **Closing carrying amount** | **1,963** | **1,534** | **388** | **3,885** |
| Cost or valuation | 3,063 | 1,959 | 517 | 5,539 |
| Accumulated depreciation | (1,099) | (426) | (129) | (1,654) |

The Group leases buildings for its headquarters in Belgium and the US, lab equipment and some company cars. The contracts do not include any purchase options, except for the lab equipment. The purchase option relating to the lab equipment is included in the measurement as the Group considers it reasonably certain to exercise it. The lease term considered for the buildings ranges between 3 and 9 years, for the company cars and lab equipment the lease term ranges between 4 and 5.

The amounts recognized in profit or loss can be summarized as follows:

| In € thousands | 2022 | 2021 |
|---|---|---|
| Depreciation expense of right-of-use assets | (509) | (582) |
| Interest expense on lease liabilities | (71) | (136) |
| **Total amount recognized in profit or loss** | **(581)** | **(718)** |
| of which as: | | |
| Research and development expense | (402) | (483) |
| Sales and marketing expenses | (40) | (20) |
| General and administrative expenses | (68) | (79) |
| Financial expenses | (71) | (136) |

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased assets and align with the Group's business needs.

The undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term amount to €3,234 thousands.

There are no significant leases of which the lease term is not exceeding 12 months or relating to assets with a low value.

## 10. Other non-current assets

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| R&D tax credit receivable (note 19) | 2,028 | 1,380 |
| Other | 128 | - |
| **Other non-current assets** | **2,156** | **1,380** |

## 11. Receivables

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| VAT receivable | 248 | 235 |
| Grants receivable | 410 | 39 |
| Other amounts receivable | 161 | 178 |
| **Receivables - Current** | **820** | **451** |

An impairment analysis of receivables is done on an individual level, and there are no individual significant impairments.

Grants receivable relates to projects where the costs have been incurred and submitted to VLAIO, a Flemish governmental agency, for payment under the approved grant. These grants require the Group to maintain a presence in the Flemish region for a number of years and invest in the project according to pre-agreed budgets.

# 12. Other financial assets and cash and cash equivalents

## 12.1. OTHER FINANCIAL ASSETS

At the end of 2022, an amount of €2,100 thousands (2021: €2,100 thousands) was held as a pledge for the bank loan and was not available for use by the Group. If the overall cash balance at the bank falls below €10,000 thousands, the Group is required to increase the amount of cash held as a pledge to an amount at least equal to the outstanding balance of the loan. On 31 December 2022, the balance of loan outstanding at that bank was €3,312 thousands. The pledged cash is recognized under other financial assets in the consolidated statement of financial position.

## 12.2. CASH AND CASH EQUIVALENTS

The net cash position as presented in the consolidated statement of cash flows is as follows:

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Cash at bank and in hand | 26,195 | 48,207 |
| Short-term bank deposits | 7,901 | 7,900 |
| **Total cash and cash equivalents** | **34,096** | **56,107** |

The carrying amount of the cash and cash equivalents is a reasonable approximation of their fair value.

# 13. Share capital

## 13.1. CAPITAL MANAGEMENT

Capital comprises equity attributable to shareholders, borrowings and cash and cash equivalents. The Company manages its capital to maintain a strong capital base in order to maintain investor and creditor confidence and to sustain the future development of its business. The Group's management reviews the capital structure of the Group on a regular basis with the objective to maintain sufficient liquidity to meet its working capital requirements, fund capital investment and purchases and to safeguard its ability to continue operating as a going concern.

## 13.2. SHARE CAPITAL

The Company successfully completed its IPO on Euronext Brussels on 5 July 2021, issuing 6,333,333 new Ordinary Shares and raising gross proceeds of €47,500 thousands. Based on resolutions approved at the an extraordinary shareholders' meeting held on 18 June 2021, the completion of the IPO triggered the following events ("IPO events"):

- the conversion of all existing Preferred A Shares, Preferred B Shares and Preferred C Shares into Ordinary Shares (the "Share Consolidation");
- the reverse split of all so resulting Ordinary Shares into Ordinary Shares at a 2:1 ratio (the "Reverse Share Split");
- the conversion of the 294,514 existing profit certificates into Shares and the profit certificates to be issued upon the exercise of the existing ESOP Warrants into Shares at a 2:1 ratio upon the issue thereof (the "Profit Certificate Conversion");
- the cancellation of Preferred A AD Warrants, the Preferred B AD Warrants and the Preferred C AD Warrants;
- the cancellation of the ESOP III Warrants that have been issued but not yet granted resulting in no ESOP II Warrants or ESOP III Warrants being available for grant as from the closing of the IPO; and
- the approval of the ESOP IV Warrants in a number equal to 10% of the Ordinary Shares that will be outstanding after the exercise of the Over-allotment Option minus the maximum number of Shares that may be issued pursuant to the outstanding ESOP II Warrants and ESOP III Warrants. Upon the exercise of one ESOP IV Warrant, the holder will receive one Ordinary Share.

During July 2021, 144,444 ESOP II Warrants were exercised. This resulted in an additional 72,222 new Ordinary Shares being issued on 3 August 2021 when applying the 2:1 ratio.

The over-allotment option in connection with the IPO was exercised and closed on 3 August 2021, resulting in an additional 712,942 new Ordinary Shares being issued which raised additional gross proceeds of €5,347 thousands. Upon the exercise of the Over-allotment Option, the total number of ESOP 2021 Warrants available for grant was calculated to be 1,759,241.

Capitalized issuance costs for the new shares issued upon the IPO and the exercise of the Over-allotment Option totaled €3,306 thousands.

In December 2022, share capital and share premium decreased as a result of the absorption of accounting losses for a total amount of €58,967 thousand, with a counterpart in the financial statements line item 'accumulated losses'. The absorption of the accumulated losses into share capital and share premium is a non-cash accounting transaction.

The following table provides an overview of the transactions of share capital that have taken place since 1 January 2021. The impact of the Share Consolidation after the Reverse Share Split, the Profit Certificate Conversion and the issuance of the new Ordinary Shares are included in the earnings per share calculation on a prospective basis.

| | | Share Capital | | | | | Share Capital | | Share Premium Change | Share Premium Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Ordinary Shares | Preferred A Shares | Preferred B Shares | Preferred C Shares | Total Shares | Change in Value in € | Total Value in € | in € | in € |
| **1 January 2021** | | **1,500,000** | **5,272,301** | **12,428,762** | **27,878,539** | **47,079,602** | **62,821,991** | **62,821,991** | **675,271** | **675,271** |
| 22 February 2021 | Profit Certificates issued upon exercise of ESOP II Warrants | - | - | - | - | 47,079,602 | - | 62,821,991 | 14,865 | 690,136 |
| 5 July 2021 | Share Consolidation | 45,579,602 | (5,272,301) | (12,428,762) | (27,878,539) | 47,079,602 | - | 62,821,991 | - | 690,136 |
| 5 July 2021 | Reverse Share Split (1) | (23,539,804) | - | - | - | 23,539,798 | - | 62,821,991 | - | 690,136 |
| 5 July 2021 | Profit Certificate Conversion | 147,256 | - | - | - | 23,687,054 | 263,615 | 63,085,606 | (263,615) | 426,521 |
| 5 July 2021 | Issuance of new Ordinary Shares upon IPO | 6,333,333 | - | - | - | 30,020,387 | 16,867,532 | 79,953,138 | 30,632,465 | 31,058,986 |
| 5 July 2021 | Issuance costs for IPO | - | - | - | - | 30,020,387 | - | 79,953,138 | (3,145,355) | 27,913,631 |
| 3 August 2021 | Shares issued upon exercise of ESOP II Warrants | 72,222 | - | - | - | 30,092,609 | 118,463 | 80,071,601 | 99,466 | 28,013,097 |
| 3 August 2021 | Issuance of new Ordinary shares upon exercise of the Over-allotment Option | 712,942 | - | - | - | 30,805,551 | 1,897,024 | 81,968,625 | 3,450,041 | 31,463,138 |
| 3 August 2021 | Issuance costs for Over-allotment Option | - | - | - | - | 30,805,551 | - | 81,968,625 | (160,412) | 31,302,726 |
| **31 December 2021** | | **30,805,551** | **-** | **-** | **-** | **30,805,551** | **81,968,625** | **81,968,625** | **31,302,726** | **31,302,726** |

Note (1): The number of shares cancelled upon the 2:1 Reverse Share Split is higher than the number of Ordinary Shares remaining after the Reverse Share Split as the number of shares was rounded down on a shareholder by shareholder basis when the calculation resulted in a half a share.

| | | Share Capital | | | | | Share Capital | | Share Premium Change | Share Premium Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Ordinary Shares | Preferred A Shares | Preferred B Shares | Preferred C Shares | Total Shares | Change in Value in € | Total Value in € | in € | in € |
| **31 December 2021** | | **30,805,551** | **-** | **-** | **-** | **30,805,551** | **81,968,625** | **81,968,625** | **31,302,726** | **31,302,726** |
| 21 January 2022 | Shares issued upon exercise of ESOP II Warrants | 46,404 | - | - | - | 30,851,955 | 76,115 | 82,044,741 | 55,039 | 31,357,765 |
| 22 April 2022 | Shares issued upon exercise of ESOP II Warrants | 30,208 | - | - | - | 30,882,163 | 49,549 | 82,094,290 | 36,064 | 31,393,828 |
| 19 July 2022 | Shares issued upon exercise of ESOP II Warrants | 57,500 | - | - | - | 30,939,663 | 94,315 | 82,188,605 | 68,571 | 31,462,399 |
| 19 October 2022 | Shares issued upon exercise of ESOP II Warrants | 9,791 | - | - | - | 30,949,454 | 16,060 | 82,204,665 | 11,724 | 31,474,124 |
| 27 December 2022 | Reduction of capital by absorption of losses | - | - | - | - | 30,949,454 | (37,656,748) | 44,547,918 | (21,310,078) | 10,164,045 |
| **31 December 2022** | | **30,949,454** | | | | **30,949,454** | **44,547,917** | **44,547,918** | **10,164,045** | **10,164,045** |

# 14. Borrowings and other financial liabilities

## 14.1. BORROWINGS

| In € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Lease liabilities | 3,189 | 3,495 |
| Bank borrowings | 3,312 | 3,727 |
| **Total borrowings** | **6,501** | **7,223** |
| of which as: | | |
| Non-current borrowings | 5,338 | 6,037 |
| Current borrowings | 1,163 | 1,186 |

**Lease liabilities**
The weighted average incremental borrowing rate used for the measurement of the lease liabilities is 2.06% at closing 2022 (2021: 2.00%). The underlying leased assets act as pledge in the context of the lease liabilities. For more details on the leases, we refer to note 9 on right-of-use assets. Certain restrictive convents are contained in the lease liabilities and the Group was in compliance with such covenants (level of cash position in excess of €1,500 thousands) as of 31 December 2022.

**Bank loan**
On 20 May 2020, the Group entered into a bank loan for a maximum committed amount of €4,000 thousands for leasehold improvements of its new facilities in Belgium (the "Bank Loan"). In May 2021, the Bank Loan was completely drawn down a subsequently turned into an amortizing loan over a period of 9 years with a fixed interest rate of 1.95% per annum. Certain restrictive convents are contained in the Bank Loan and the Group was in compliance with such covenants (level of cash position in excess of €10,000 thousands) as of 31 December 2022 (note 12.1). The Bank Loan is secured by a pledge of the related financed assets and certain restrictions on cash (currently presented as other financial assets).

## 14.2. OTHER FINANCIAL LIABILITIES

The Preferred AD Warrants are subscription rights granted to preference shareholders during several past financing rounds, giving the holder the right, but not an obligation, to purchase the Company's shares in certain limited circumstances at a specified price and date. The number of new Preferred Shares to be issued pursuant to the exercise of the Preferred AD Warrants is dependent on the transaction triggering their exercisability. The Preferred AD Warrants automatically lapse five years after the issuance of the Preferred AD Warrants. The Preferred AD Warrants were measured at fair value (note 4.1) until they were cancelled in July 2021 upon the IPO, at which time there were 224 Preferred AD Warrants outstanding.

## 14.3. LIQUIDITY AND CASH FLOW RECONCILIATION

The maturity table of the borrowings and the other financial liabilities is presented in note 4 on the liquidity risk.

The following tables reconcile the movements of the financial liabilities to the cash flows arising from financing activities:

| | | | Non-cash movements | | |
|---|---|---|---|---|---|
| **31 December 2022 (in € thousands)** | **Opening carrying amount** | **Cash flows** | **New Leases** | **Reclasses** | **Closing carrying amount** |
| **Non-current borrowings** | | | | | |
| Bank borrowings | 3,312 | - | - | (424) | 2,888 |
| Lease liabilities | 2,725 | - | 422 | (697) | 2,449 |
| **Current borrowings** | | | | | - |
| Bank borrowings | 416 | (416) | - | 424 | 424 |
| Lease liabilities | 770 | (817) | 89 | 697 | 740 |
| **Total liabilities from financing activities** | **7,223** | **(1,233)** | **511** | **-** | **6,501** |
| Presented in the statement of cash flows (financing activities) as follows: | | | | | |
| Repayments of borrowings | - | (1,233) | | | (1,233) |

| 31 December 2021 (in € thousands) | Opening carrying amount | Cash flows | Non-cash movements: New Leases | Non-cash movements: Reclasses | Closing carrying amount |
|---|---|---|---|---|---|
| **Non-current borrowings** | | | | | |
| Bank borrowings | 1,137 | 2,780 | - | (605) | 3,312 |
| Lease liabilities | 3,195 | - | 350 | (820) | 2,725 |
| **Current borrowings** | | | | | |
| Bank borrowings | 83 | (273) | - | 605 | 416 |
| Lease liabilities | 805 | (855) | - | 820 | 770 |
| **Total liabilities from financing activities** | **5,220** | **1,653** | **350** | **-** | **7,223** |
| Presented in the statement of cash flows (financing activities) as follows: | | | | | |
| Proceeds from borrowings | | 2,780 | | | |
| Repayments of borrowings | | (1,127) | | | |

## 15. Post-employment employee benefit liabilities

Post-employment benefit plans are classified as “defined contribution” plans if the Group pays fixed contributions into a separate fund or to a third-party financial institution and has no further legal or constructive obligation to pay further contributions. Therefore, no assets or liabilities are recognized in the Group balance sheet in respect of such plans, apart from regular prepayments and accruals of contributions. The plans offered by the Group are summarized below.

**Belgian Defined Contribution Plan**

For the Belgian defined contribution plan, the Group is required by law to guarantee a minimum return on employee and employer contributions. As a consequence, this plan is considered to be a defined benefit plan which is valued using the projected unit credit method under IAS 19.

The amount recognized as a non-current liability in the consolidated statement of financial position arising from the Group’s obligation in respect of its defined benefit plan is as follows:

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Defined benefit obligation | 509 | 572 |
| Plan assets | (493) | (546) |
| **Net non-current employee benefit obligation** | **16** | **26** |

The total service cost of €213 thousand (2021: €176 thousand) is included as employee benefit expenses and the net interest expense of €2 thousand (2021: €1 thousand) as financial expenses in the consolidated income statement. The net effects of remeasurement on the net defined benefit liability of €-43 thousand (2021: €5 thousand) is included in the statement of comprehensive income as part of other comprehensive income.

**401(k) Plan**

Biotalys Inc. sponsors a 401(k) defined contribution plan (the “401(k) Plan”), which covers all employees who meet certain eligibility requirements as defined in the 401(k) Plan and allows participants to defer a portion of their annual compensation on a pre-tax basis. Contributions to the 401(k) Plan may be made at the discretion of management. For the year ended 31 December 2022, the Group contributed €33 thousand (2021: €31 thousand) to the 401(k) Plan.

## 16. Trade and other liabilities

| in € thousands | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade payables | 2,730 | 1,930 |
| Employee benefit liabilities | 1,392 | 1,184 |
| Other | 81 | 4 |
| **Trade and other liabilities - Current** | **4,204** | **3,119** |

The fair value of trade payables approximates their carrying amount.

Employee benefit liabilities also include the management fees to key management (note 27).

Liquidity and currency risk are detailed in note 4 above.

## 17. Other current liabilities

Certain grants totaling €592 thousand as of 31 December 2022 (31 December 2021: €904 thousand) have been deferred as the Bill and Melinda Gates Foundation and VLAIO (a Flemish governmental agency) advanced funds for new projects before the related costs have been incurred. The grants are amortized to other operating income as the related project expenses are incurred.

## 18. Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same fiscal authority. The deferred tax assets and liabilities are attributable to the following items:

| | 31 December 2022 | | 31 December 2021 | |
|---|---|---|---|---|
| **in € thousands** | **Deferred tax asset** | **Deferred tax liability** | **Deferred tax asset** | **Deferred tax liability** |
| Intangible assets | 6,852 | - | - | (156) |
| Property, plant and equipment | - | (213) | - | (159) |
| Leases | - | (207) | - | (133) |
| Employee benefit liabilities | 6 | - | 6 | - |
| Tax losses | 14,895 | - | 13,320 | - |
| **Total deferred tax assets & liabilities** | **21,753** | **(420)** | **13,327** | **(448)** |
| Net deferred tax assets not recognized | (21,209) | - | (12,878) | - |
| Offsetting | (420) | 420 | (448) | 448 |
| **Total deferred tax assets & liabilities** | **125** | **-** | **-** | **-** |

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profits are available within a foreseeable future against which the Group can use the benefits of therefrom:

| **in € thousands** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Deductible temporary differences | 25,845 | (1,768) |
| Tax losses | 59,581 | 53,282 |
| **Total** | **85,427** | **51,514** |

The tax losses carried forward are available indefinitely.

## 19. Other operating income

| **In € thousands** | **2022** | **2021** |
|---|---|---|
| R&D tax incentives | 1,547 | 981 |
| Grant income | 1,383 | 1,000 |
| Other income | 20 | 14 |
| **Total other operating income** | **2,949** | **1,995** |

Other operating income mainly consists out of the R&D tax credits received and grants that were awarded to support R&D activities (VLAIO).

The R&D tax incentives correspond to certain rebates on payroll withholding taxes for scientific personnel and Belgian research and development tax credit with regard to incurred research and development expenses. The R&D tax credit will be paid to the Group in cash after a five-year period, if not offset against the taxable basis over the respective period. The increase is due to an overall increase in the research and development expenses.

## 20. Operating expenses by nature

The table below illustrates certain items of expense recognized in the income statement using a classification based on their nature within the Group.

| In € thousands | 2022 | 2021 |
|---|---|---|
| Employee benefit expense | 10,861 | 8,746 |
| R&D materials and external services | 9,052 | 5,730 |
| External consultant services | 434 | 1,132 |
| Depreciation expense of property, plant and equipment | 998 | 754 |
| Depreciation expense of right-of-use assets | 509 | 582 |
| Amortization expense of intangible assets | 69 | 135 |
| Facilities and IT related costs | 1,248 | 739 |
| Patents and IP | 539 | 568 |
| Other | 1,770 | 1,690 |
| **Total operating expenses** | **25,480** | **20,074** |
| of which as: | | |
| Research and development expense | 18,813 | 13,880 |
| General and administrative expenses | 5,081 | 4,905 |
| Sales and marketing expenses | 1,586 | 1,289 |

The other expenses relate to facility management, recruitment, legal and expert fees and other miscellaneous expenses.

Sales and marketing expenses relate to expenses incurred in the context of business development projects to promote the Group's activities to different stakeholders.

## 21. Employee benefit expenses

| In € thousands | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 5,881 | 4,652 |
| Management and consultant fees | 1,418 | 2,096 |
| Social security costs | 1,190 | 955 |
| Equity-settled share-based payment expenses | 1,733 | 511 |
| Defined benefit costs | 245 | 216 |
| Defined contribution costs | 33 | 31 |
| Other employee benefit expenses | 361 | 284 |
| **Total employee benefit expense** | **10,861** | **8,746** |

The total employee benefit expense has been allocated along functional lines within the income statement and includes both employees and contractors.

| Headcount in full-time equivalents | 2022 | 2021 |
|---|---|---|
| Average number of total employees | 74 | 69 |

## 22. Financial result

The various items comprising the net finance cost are as follows:

| In € thousands | 2022 | 2021 |
|---|---|---|
| Change in fair value of anti-dilution warrants (note 14.2) | - | 1,302 |
| Exchange differences | 296 | 203 |
| Other | 23 | 5 |
| **Total financial income** | **320** | **1,510** |

| In € thousands | 2022 | 2021 |
|---|---|---|
| Interest expense on lease liabilities | 71 | 136 |
| Interest expense on bank borrowings | 70 | 67 |
| Other interest expense | 106 | 43 |
| **Interest expense** | **247** | **246** |
| Bank fees | 15 | 33 |
| Exchange differences | 293 | 62 |
| Other | 2 | 2 |
| **Total financial expenses** | **557** | **343** |

# 23. Income tax expense

## 23.1. AMOUNTS RECOGNIZED TO PROFIT AND LOSS

The income tax (charged)/credited to the income statement during the year is as follows:

| In € thousands | 2022 | 2021 |
|---|---|---|
| Current tax (expense)/income | (89) | (16) |
| Deferred tax (expense)/income | 126 | - |
| **Total income taxes** | **38** | **(16)** |

## 23.2. RECONCILIATION OF EFFECTIVE TAX

The income tax expense can be reconciled as follows:

| In € thousands | 2022 | 2021 |
|---|---|---|
| Loss before income tax | (22,769) | (16,913) |
| Income tax expense calculated at domestic tax rates | 5,692 | 4,228 |
| Disallowed expenses | (473) | (731) |
| Tax-exempt income | 414 | 1,253 |
| Effect of unused tax losses not recognized as deferred tax assets | (5,730) | (4,778) |
| Adjustments in respect of prior year | 244 | - |
| Other | (110) | 11 |
| **Total income taxes** | **38** | **(16)** |

# 24. Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. The completion of the IPO had the following impact on the determination of the weighted average number of ordinary shares outstanding during the year ended 31 December 2021 (note 13):

- The 2:1 Reverse Share Split completed on 5 July 2021 was applied retrospectively for all periods presented.
- The Share Consolidation, the Profit Certificate Conversion and the issuance of the new Ordinary Shares was applied on a prospective basis after the IPO on 5 July 2021.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for the effects of all dilutive potential ordinary shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

In case of the Group, no effects of dilution affect the net profit attributable to ordinary equity holders. The table below reflects the income and share data used in the basic and diluted earnings per share computations:

| In € thousands | 2022 | 2021 |
|---|---|---|
| **Basic earnings** | | |
| Loss from continuing operations attributable to owners of the parent | (22,731) | (16,929) |
| **Diluted earnings** | | |
| Dilution effect of share-based payments | - | - |
| **Loss from continuing operations attributable to owners of the parent, after dilution effect** | **(23,379)** | **(16,929)** |

| Number of shares | 2022 | 2021 |
|---|---|---|
| Weighted average number of ordinary shares outstanding during the period | 30,898,175 | 15,427,189 |

| In € | 2022 | 2021 |
|---|---|---|
| **Ordinary shares** | | |
| Basic earnings per share | (0.74) | (1.10) |
| Diluted earnings per share | (0.74) | (1.10) |

As the Group is reporting operating losses, the stock options, restricted stock units and AD Warrants have an anti-dilutive effect. As such, there is no difference between basic and diluted earnings per ordinary share. There are no other instruments that could potentially dilute earnings per share in the future.

## 25. Share-based payments

The Group currently has outstanding ESOP warrants pursuant to three outstanding incentive plans, namely (i) ESOP warrants that were granted to employees, consultants or directors of the Group pursuant to the 2017 ESOP II plan (the "ESOP II Warrants"), (ii) ESOP warrants that were granted to employees, consultants and directors of the Group or an affiliated company pursuant to the 2020 ESOP III Plan (the "ESOP III Warrants"), and (ii) ESOP warrants that were granted to employees, consultants and directors of the Group or an affiliated company pursuant to the 2021 ESOP IV Plan (the "ESOP IV Warrants") (together, the "ESOP Warrants").

Both the ESOP II Warrants and the ESOP III Warrants were originally subscription rights to profit certificates. Upon the completion of the IPO in July 2021, the then existing profit certificates and warrants to profit certificates were automatically converted into respectively Ordinary Shares and subscription rights to Ordinary Shares on a 2:1 basis; and (ii) profit certificates issued as a result of the exercise of warrants to profit certificates following the IPO will automatically be converted into Ordinary Shares on a 2:1 basis each time they are issued. Upon the exercise of one ESOP IV Warrant, the holder will receive one Ordinary Share.

In accordance with the terms of the plans, as approved by shareholders, employees may be granted options to purchase ordinary shares at an exercise price as mentioned below per ordinary share. No amounts are paid or payable by the recipient on receipt of the option. ESOP Warrants are subject to services conditions and vest over a period of four years:

- 25% of the accepted ESOP Warrants vest one year after the date of the offer,
- the balance vest in equal monthly instalments from the end of the first month following the first anniversary of the offer.

The options carry neither rights to dividends nor voting rights. ESOP Warrants can be exercised during the first fifteen days of each quarter and this at the earliest as from the beginning of the fourth calendar year following the calendar year in which the offer of the ESOP Warrants has taken place until the last quarter within the term of the ESOP Warrants.

The following share-based payment arrangements were in existence during the current and prior years:

| | Expiry Date | Exercise Price per stock option (€) | Fair value (€) | Options per 31 December 2022 | Options per 31 December 2021 |
|---|---|---|---|---|---|
| **PLAN ESOP II** | | | | | |
| Options | 10/05/2027 | 0.82 | 0.61 | 699,399 | 987,628 |
| **PLAN ESOP III** | | | | | |
| Options | 31/12/2027 | 1.29 | 0.89 | 1,500,416 | 1,500,417 |
| **PLAN ESOP IV** | | | | | |
| Options | 04/07/2031 | 5.30 - 7.23 | 3.44 - 5.00 | 702,352 | 242,500 |

The following reconciles the options outstanding at the beginning and end of the year:

| | Average exercise price (€) | Number of options | Number of options exercisable |
|---|---|---|---|
| **Closing balance at 1 January 2021** | **1.11** | **3,064,364** | **-** |
| Granted | 6.62 | 242,500 | - |
| Forfeited | 1.26 | (413,751) | - |
| Exercised | 0.82 | (162,569) | - |
| **Closing balance at 31 December 2021** | **1.59** | **2,730,544** | **523,333** |
| Granted | 7.08 | 459,852 | - |
| Forfeited | 0.82 | (421) | - |
| Exercised | 0.82 | (287,808) | - |
| **Closing balance at 31 December 2022** | **2.54** | **2,902,167** | **699,399** |

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2022 was €7.16.

The fair value of the stock options has been determined based on the Black-Scholes model. Expected volatility is based on the historical share price volatility of a combination of Biotalys (post-IPO) and listed peer companies over the expected life of the options.

Below is an overview of all the parameters used in this model:

| | PLAN ESOP II | PLAN ESOP III | PLAN ESOP IV |
|---|---|---|---|
| Share Price (€) | 0.82 | 1.29 | 5.30 - 7.23 |
| Exercise Price (€) | 0.82 | 1.29 | 5.30 - 7.23 |
| Expected volatility of the shares (%) | 72% | 74% | 60 - 75% |
| Expected dividends yield (%) | 0% | 0% | 0% |
| Risk free interest rate (%) | 0.60% | -0.18% | 0.00 - 3.20% |
| Expected life (in years) | 10 | 7 | 5.9 - 10 |

**Share units**

The remuneration of the current independent directors consisted of a fixed remuneration in cash and an equity linked remuneration in the form of share units. The share units are not shares and generally vest in equal annual instalments over a three-year period as long as the director is still in office. The share unit agreements oblige the independent directors to subscribe to new shares at a price of €1 per share. The number of share units granted in 2022 is 6,500 and each share unit entails the obligation to subscribe to one new share of the Company.

The share-units issued in 2022 were valued at the difference between the grant date market price and the exercise price of €1, or €6.18 per share unit. The value is expensed in three tranches over the three year vesting period and €16 thousand was expensed in 2022.

The underlying new shares will only be effectively issued after a period of three years from the grant of the share units but they will only become negotiable at the earliest after the lapse of (i) three years after the grant of the share units or (ii) one year after the termination of the mandate of the director concerned whichever is the latest.

# 26. Commitments and contingencies

## 26.1. CAPITAL EXPENDITURES

At 31 December 2022, the Group has committed to spend €379 thousand (2021: €229 thousand) for lab equipment which are expected to be paid within one year, and another €419 thousand for lab equipment via new lease agreements reimbursable over a period of 4 years.

## 26.2. CONTRACTUAL AGREEMENTS

The Group has concluded various agreements with Contract Manufacturing Organizations ("CMOs") to provide manufacturing services related to the production of Biotalys' developmental products, including costs to be incurred by the CMOs for modifications of their production facilities. Total outstanding non-cancelable purchase commitments under these agreements amount to €102 thousand as per the end of 2022 (2021: €733 thousand).

The Group has also entered into development agreements with various Contract Research Organizations ("CROs") and field trial operators. These arrangements are service agreements which only require payment dependent on the completion of the service and delivery of the final reports. Total outstanding non-cancelable purchase commitments under these agreements, excluding amounts accrued for services already performed, amount to €409 thousand as per the end of 2022 (2021: €286 thousands).

All amounts under these service agreements are expected to be paid within one year. The amounts are not risk-adjusted or discounted, and the timing of the payments is based on the Group's current best estimate of delivery of the related services.

The Group also has a non-exclusive license agreement with VTU Technology GmbH in relation to a number of AGROGROBODY™ bioactive-expressing Pichia pastoris strains. This license encompasses the Pichia pastoris strain that the Group uses to produce EVOCA™. The license fees comprise success fees and royalty fees, both of which are based on the titre at which the licensed strains produce AGROGROBODY™ bioactives.

## 26.3. LEGAL PROCEEDINGS

The Group is currently involved in small number of legal actions that arise in the ordinary course of business, but it is not currently party to any material legal proceedings. At each reporting date, the Group evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. The Group does not believe that there are any claims that would have a material adverse effect of the Group's business, financial condition or results of operations. All costs related to such legal proceedings are expensed as incurred.

# 27. Related party transactions

## 27.1. TRANSACTIONS WITH RELATED PARTIES

Currently, there are no transactions with related parties.

## 27.2. KEY MANAGEMENT REMUNERATION

Key management compensation as disclosed below comprises compensation recognized in the income statement for members of the Board of Directors and the Executive Committee, for the portion of the year where they exercised their mandate.

| in € thousands | 2022 | 2021 |
|---|---|---|
| Short-term benefits | 1,553 | 1,539 |
| Post-employment benefits | 57 | 55 |
| Share-based payments | 735 | 486 |
| **Total** | **2,345** | **2,079** |

Furthermore, as of 31 December 2022, key management holds 1,952,374 options and 6,500 share units in the context of the share-based payment plans further explained in note 25 (2021: 1,760,000 options and 0 share units). These options grant the right to convert into 1,137,165 Ordinary Shares after the impact of the 2:1 reverse share split (2021: 950,000 Ordinary Shares).

There have been no loans granted by the Company or its subsidiary to any Director or officer of the Group, nor any guarantees given with respect hereto.

# 28. Events after the end of the reporting period

During January 2023, 20,000 ESOP II Warrants were exercised. This resulted in an additional 10,000 new Ordinary Shares being issued on 18 January 2023 when applying the 2:1 ratio.

As of the date when these financial statements have been approved, there have been no other events after the balance sheet date.

## 29. Audit fees

The Company's statutory auditor is Deloitte Bedrijfsrevisoren CVBA, with statutory seat at Gateway building, Luchthaven Brussel Nationaal 1 J, B-1930 Zaventem, Belgium, represented by Pieter-Jan Van Durme, auditor. The Company's statutory auditor has been reappointed effective as from 15 April 2022 for the statutory term of three years by the Company's extraordinary general shareholders' meeting held on 15 April 2022.

The Company expensed fees to the auditor of €65 thousand in 2022 and €445 thousand in 2021. The fees are broken down as follows:

- Audit fee for statutory and consolidated financials: €65 thousand in 2022 and €65 thousand in 2021.
- Fees within the framework of the Initial Public Offering of Biotalys in 2021: €347 thousand of which:
    - ◊ €162 thousand audit fees for the audit of the IFRS annual accounts in 2019 and 2020
    - ◊ €185 thousand audit related fees for issuance of comfort letters
- Legal mission: €33 thousand in 2021.

# Statutory Report of Biotalys NV in respect of the accounting year ended on 31 December 2022 in accordance with article 3:6 of the Belgian Code on Companies and Associations (the "Statutory Report")

This Statutory Report has been approved by the Board of Directors of Biotalys NV in its meeting of 21 March 2023.

## 1. Business Overview

**Operation**

The Company did not generate revenue during the financial year 2022, as the focus remained on further developing the AGROBODY™ technology platform and the product development of AGROBODY™ biocontrols (further explained in section IV Research and development).

Other operating income amounted to €2,181 thousands (€1,590 thousands in 2021), which comprised the exemption from the payment of payroll tax for scientific research amounting to €779 thousands, as well as VLAIO subsidies of €887 thousands and a grant from the Bill and Melinda Gates Foundation of €496 thousands.

The operating costs amounted to €39,121 thousands (€34,184 thousands in 2021). These costs include staff costs of €6,685 thousands (€5,228 thousands in 2021) as well as costs for external scientific research and various services. The amortization in 2022 amounted to €16,403 thousands (€12,284 thousands in 2021), including €14,987 thousands for internal R&D.

As a result, the Company closed the financial year with an operating loss of €-21,953 thousands (€-21,747 thousands in 2021).

**Financial result**
The financial result amounts to €-123 thousands and contains, next to €61 thousands foreign exchange differences, mainly interest paid in the scope of the leasing and loan obligations entered into (€-94 thousands) and negative interest fees on outstanding bank deposits (€-104 thousands).

As a result, the loss resulting from normal business operations in 2022 amounted to €-22,076 thousands (€-21,843 thousands in 2021).

**Net Result**
An amount of €506 thousands (€405 thousands in 2021) tax credit has been posted, which leads to a total loss for the period of €-21,571 thousands (€-21,439 thousands in 2021).

**Appropriation of the net result**
The Company ended the financial year 2022 with a loss to be appropriated for an amount of €-21,571 thousands. We therefore propose to the General Meeting to carry this loss forward.

**Valuation rules**
In December 2022, share capital and share premium decreased as a result of the absorption of accounting losses for a total amount of €58,967 thousand, with a counterpart in the financial statements line item 'accumulated losses'. The absorption of the accumulated losses into share capital and share premium is a non-cash accounting transaction.

The loss to be carried forward per 31/12/2022 amounts to €-21,571 thousands.

As the Company incurred a net loss during (at least) two consecutive financial years, the Board of Directors applies article 3:6,6° of the Belgian Code of Companies and Associations.

Article 7:228 of the Belgian Code of Companies and Associations is also applicable and the relevant procedures referred to in article 7:228 of the Belgian Code of Companies and Associations (former article 633 of the Belgian Companies Code) were applied at 4 April 2017.

The Board of Directors justifies the application of the valuation rules on a going concern basis as follows:

The loss carried forward is caused by the fact that the Company is still in its stage of development whereby through research a technology platform and new products are being developed for future commercialization. As such, the Company is investing and the costs are being made, whereas on the other hand, no commercial revenues have yet been realized. Both the financial plan and investment budgets take into account these investments and costs.

In 2021, the Company secured equity financing, providing funds that are expected to secure the Company's financial future and operations at least till the annual general meeting of shareholders to be held in April 2024. On this basis, the Board of Directors is confident in the Company's ability to continue as a going concern.

In view of the above, the Board of Directors is of the opinion that the losses incurred do not endanger the going concern of the Company and that the application of the valuation rules on a going concern basis is therefore justified.

## 2. Description of the principal risks and uncertainties associated with the activities of the Company

Reference is made to the chapter "Description of the principal risks and uncertainties associated with the activities of the Company" in the part "Legal and Financial Information" of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 3. Information regarding important events that occurred after the end of the accounting year 2022

Reference is made to item "12.11 Information regarding important events that occurred after the end of the accounting year 2022" of the chapter "Legal Information" of the part "Corporate Governance" of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 4. Information regarding circumstances that could have a material impact on the development of the Company.

Reference is made to:

(i) the chapter "Description of the principal risks and uncertainties associated with the activities of the Company" in the part "Legal and Financial Information" of the Consolidated Report that is included in this Statutory Report in its entirety by reference; and

(ii) item "12.12 Information regarding circumstances that could have a material impact on the development of the Company" of the chapter "Legal Information" of the part "Corporate Governance" of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 5. Information regarding research and development activities

Reference is made to the chapter “Science, pipeline and products” of the part “Company Highlights and Activities” of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 6. Information regarding the existences of branches of the Company.

The Company has a branch in France located at 1 Route du Pérollier; 69570 Dardilly. The branch currently represents the Company in France but does not have any trading or production activities.

## 7. Legal information required under article 3:6, 7° of the Belgian Code on Companies and Associations

Reference is made to:

(i) the chapters “Conflicts of interest” and “Related party transactions” in the part “Corporate Governance” of the Consolidated Report that are included in this Statutory Report in their entirety by reference; and

(ii) the item “11.8 Authority of the Board regarding the issue of shares or the buy-in of own shares” in the chapter “Legal information” of the part “Corporate Governance” of the Consolidated Report that are included in this Statutory Report in its entirety by reference.

## 8. Use of financial instruments

Reference is made to notes 4 and 14.2 under the Notes to the Consolidated Financial Statements in the Financial Statements part of the Consolidated Report that are included in this Statutory Report in its entirety by reference.

## 9. Independence and expertise of a member of the audit committee

Reference is made to the bios of the members of the audit committee in the item “2.1 Composition” of the chapter “Board of Directors” in the part “Corporate Governance” of the Consolidated Report that are included in this Statutory Report in their entirety by reference. Moreover, two of the members, including the chairperson, of the audit committee meet the requirement for independent director as contained in the Belgian Code on Corporate Governance.

## 10. Corporate Governance statement including remuneration report and remuneration policy

Reference is made to the part “Corporate Governance” of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 11. Going concern

Reference is made to note 3 under the Notes to the Consolidated Financial Statements in the Financial Statements part of the Consolidated Report that is included in this Statutory Report in its entirety by reference.

## 12. Extraordinary activities and special assignment carried out by the auditor

No extraordinary activities or special assignments were carried out by the auditor in 2022.

## 13. Discharge to the directors and the auditor

In accordance with the law and articles of association, the shareholders will be requested at the annual shareholders’ meeting of 25 April 2023 to grant discharge to the directors and the statutory auditor of their responsibilities assumed in the financial year 2022.

# Condensed Statutory Financial Statements

## Statutory Income Statement

| in € thousands | 2022 | 2021 |
|---|---|---|
| Operating Income | 17,168 | 12,438 |
| **Operating Loss** | **(21,953)** | **(21,747)** |
| Financial Result | (123) | (96) |
| **Loss for the period before taxes** | **(22,076)** | **(21,843)** |
| Income taxes | 506 | 404 |
| **Loss for the period** | **(21,571)** | **(21,439)** |

The full version of the accounts (including the auditor's report) is available on the company's website.

## Statutory Balance Sheet

| in € thousands | 2022 | 2021 |
|---|---|---|
| **Assets** | **44,694** | **66,482** |
| Fixed Assets | **5,082** | **5,791** |
| Intangible assets | 27 | 39 |
| Tangible assets | 5,055 | 5,752 |
| Financial fixed assets | 0 | 0 |
| Current assets | **39,613** | **60,690** |
| Receivables over 1 year | 1,766 | 1,377 |
| Receivables within 1 year | 1,476 | 1,196 |
| Inventory | 322 | - |
| Cash and cash equivalents | 36,048 | 58,117 |
| | | |
| **Equity** | **35,749** | **57,084** |
| Capital | 44,548 | 81,969 |
| Share Premium | 12,772 | 34,083 |
| Accumulated Losses | (21,571) | (58,967) |
| | | |
| **Liabilities** | **8,945** | **9,397** |
| Provisions | 100 | 100 |
| Long-term financial debt | 3,375 | 4,158 |
| **Short-term financial debt** | **4,749** | **4,153** |
| Trade Debts | 2,722 | 2,136 |
| Taxes, remuneration and social security | 1,245 | 1,118 |
| Other short term financial debt | 783 | 899 |
| Accruals and deferred income | 720 | 987 |

The full version of the accounts (including the auditor's report) is available on the company's website.

# Sources for Company Highlights and Activities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## Colophon

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