



Unofficial English translation – For convenience purposes only

**

Biotalys NV

Buchtenstraat 11, 9051 Ghent

RPR 0508.931.185 (Ghent)

(the “**Company**”)

**EXPLANATORY NOTE FOR THE EXTRAORDINARY SHAREHOLDERS MEETING to be held on Tuesday
27 December 2022 at 11.00 CET**

Introduction

This explanatory note has been prepared on behalf of the Board of Directors of Biotalys NV in connection with the various items on the agenda of the extraordinary shareholders' meeting of the Company, to be held on Tuesday, 27 December 2022.

Pursuant to Article 7:129, §3, 4° of the Belgian Code of Companies and Associations, this note contains for each of the items on the agenda of the aforementioned extraordinary shareholders' meeting a proposed resolution or, if the item does not require a resolution, a commentary on behalf of the Board of Directors.

For further information on date, hour and venue of the extraordinary shareholders' meeting, the manner in which the holders of securities issued by the Company can participate in the meeting and background documentation regarding the meeting, reference can be made to the notice convening the extraordinary shareholders' meeting.

AGENDA OF THE EXTRAORDINARY GENERAL SHAREHOLDERS MEETING

The agenda and the proposed resolutions are as follows:

- 1. Special report of the Board in accordance with article 7:228 of the Belgian Code on Companies and Associations**

Explanation: This agenda item relates to the submission of the special report of the Board of Directors in accordance with article 7:228 of the Belgian Code on Companies and Associations in relation to the proposal to continue the operations of the Company, as set out in item 2 of the agenda of the extraordinary general shareholders' meeting. A copy of the special report is

available on the Company's website and at the Company's registered office, as indicated in the notice convening the extraordinary general shareholders' meeting.

Submission of the special report of the Board of Directors in accordance with Article 7:228 of the Belgian Code on Companies and Associations in relation to the proposal to continue the operations of the Company, as set out below in item 2 of the agenda of the extraordinary general shareholders' meeting.

This agenda item does not require a vote.

2. Deliberation and decision on the proposal of the Board of Directors to continue the operations of the Company

Explanation: This agenda item relates to the proposal to continue the operations of the Company. For more information on the proposal, reference is made to the special report referred to in item 1 of the agenda of the extraordinary general shareholders' meeting..

In accordance with Article 7:228 of the Belgian Code on Companies and Associations the extraordinary general shareholders meeting is to deliberate and resolve, as the case may be, on the dissolution of the Company and possibly on other measures announced in the agenda.

Measures that can safeguard the continuity of the Company

The Board of Directors believes that the measures that can safeguard the continuity of the Company are related to the possibility of continuing the Company's operations combined with obtaining additional financing through equity, grants, partnerships or other sources of financing.

In view of the progress that the Company has made during 2022 in respect of (i) the scale-up of the production of the active ingredient of Evoca™ thereby ensuring production efficiency to increase its market potential, (ii) the successful outcome of the feasibility study for Evoca™ whereby Novozymes obtained proof of concept for a new manufacturing process that offers potential significant cost of goods and scaling advantages, thereby broadening the commercial potential of Evoca™, (iii) the consistent well performance of Evoca™ in field trials in preparation for its planned U.S. market introduction, (iv) the earning of an entirely new resistance class for Evoca™ by the Fungicide Resistance Action Committee, (v) the initiation of the new fungicide program funded by the Gates Foundation to develop new biological solutions for cowpeas and other legumes, (vi) the strengthening of the Company's patent portfolio, (vii) the progress that has been made in other pipeline programs and (viii) the progress that the Company continues to make in the regulatory approval process for Evoca™ in the U.S., the Board of Directors believes that it is reasonable to expect further progress in the pipeline development and the regulatory approval process of Evoca™ and the development of existing partnerships or the entering into new partnerships during 2023. This progress should help build an attractive business case and thereby attract investors or industry players for collaborations that can support the Company's operations.

The Board of Directors therefore proposes to continue the Company's operations. For more information on the measures the Board of Directors proposes to take to address the financial situation of the Company, and its proposal to continue the operations of the Company, reference is also made to the special report of the Board of Directors referred to in item 1 of the agenda of the extraordinary general shareholders meeting.

Proposed resolution: The extraordinary general shareholders meeting resolves to approve the proposal set out in the special report of the Board of Directors, prepared in accordance with Article 7:228 of the Belgian Code of Companies and Associations, to continue the operations of the Company.

3. Absorption of losses through a decrease of the issue premiums and share capital

Explanation: This agenda item relates to the proposed absorption of losses through a decrease of issue premiums and share capital.

The Board of Directors proposes to absorb in total EUR 58,966,826.06 of losses (being the total amount of carry-forward losses as per the non-consolidated statutory accounts of the Company for the period ended 31 December 2021) in the following manner:

- (a) an amount of EUR 37,656,747.71 through the reduction of the share capital in accordance with article 7:210 of the Belgian Code on Companies and Associations bringing the share capital from EUR 82,204,665,05 to EUR 44,547,917.34 without reduction of the number of shares;
- (b) an amount of EUR 21,310,078.35 through the reduction of the issue premiums bringing the issue premiums from EUR 34,082,506.02 to EUR 12,772,427.67

Proposed resolution: The extraordinary general shareholders meeting resolves to absorb in total EUR 58,966,826.06 of losses (being the total amount of carry forward losses as per the non-consolidated statutory accounts of the Company for the period ended 31 December 2021) in the following manner:

(a) Reduction of share capital: reduction of the share capital in accordance with article 7:210 of the Belgian Code on Companies and Associations with an amount of EUR 37,656,747.71 bringing the share capital from EUR 82,204,665,05 (as per the articles of association of the Company following the latest amendment thereof dated 19 October 2022) to EUR 44,547,917.34.

(b) Reduction of issue premiums: reduction of the issue premiums with an amount of EUR 21,310,078.35 bringing the issue premiums from EUR 34,082,506.02 (as per the non-consolidated statutory accounts of the Company for the period ended 31 December 2021) to EUR 12,772,427.67

(c) No cancellation of existing shares: The aforementioned reduction of share capital shall occur without cancellation of existing shares of the Company and shall be borne by each of the existing shares in the same manner. The fractional value of each share shall be adjusted from (rounded) EUR 2.6561 to (rounded) EUR 1.4394 per share as a consequence of the aforementioned share capital reduction.

(e) Amendment of articles of association: Article 5 of the Company's articles of association will be amended to align it to the aforementioned reduction of share capital.