

PHAXIAM THERAPEUTICS

A French limited company (*Société anonyme*) with share capital of € 6,075,105
Registered office: 60 Avenue Rockefeller, 69008 Lyon
Lyon Trade and Companies Register 479 560 013 RCS
(the “Company”)

SUPPLEMENTARY REPORT OF THE BOARD OF DIRECTORS DATED 14 NOVEMBER 2023 FOLLOWING THE IMPLEMENTATION OF THE AUTHORISATION GRANTED BY THE COMBINED GENERAL MEETING OF 23 JUNE 2023

The Board of Directors decided to implement the delegation of authority granted in its thirty-eighth resolution by the Company's Combined General Meeting of 23 June 2023 (the ‘AGM’) and decided on the principle of issuing stand-alone share warrants without shareholders' pre-emptive subscription rights for the benefit of the Company's corporate officers.

This report has been prepared in accordance with Articles L. 225-129-5 and R. 225-116 of the French Commercial Code following the use made of this authorization by the Board of Directors on 14 November 2023 and describes the final terms and conditions of the issue and assesses the impact of the issue on the Company's shareholders. The impact of the issue on shareholders' equity and shareholders' equity are shown in Appendix 1.

1. Delegation from the AGM to the Board of Directors on 23 June 2023

The Board of Directors notes that the AGM, in its thirty-eighth resolution, granted the Company's Board of Directors an eighteen-month authorization to increase the share capital, on one or more occasions, in the proportions and at the times it sees fit, by issuing share warrants (the ‘**Thirty-eighth Resolution**’).

The Board of Directors notes that under the terms of the Thirty-eighth Resolution, the AGM decided in particular that :

“The General Shareholders’ Meeting, voting under the rules of quorum and majority required for Extraordinary Shareholders’ Meetings, and having reviewed the Board of Directors’ report and the Statutory Auditors’ special report [...] authorizes the Board of Directors to decide to increase the share capital once or several times in the proportions and at the times that it deems fit, by issuing warrants under the terms and conditions below and in accordance with Articles L. 225-129 to L. 225-129-6, L.22-10-49, L. 225-138 and L. 228-91 et seq. of the French Commercial Code.

The beneficiaries must be employees, consultants, or corporate officers of the Company or of French or foreign companies or groups related to it in the meaning of Article L. 225-180 of the French Commercial Code, or certain categories among them.

The total number of options that may be granted under this resolution may not confer entitlement to subscribe or purchase a number of shares in excess of 300,000 shares, provided that the total nominal amount of capital increases likely to result from this resolution may not exceed (i) the 3,000,000 shares ceiling for all of the issues likely to be carried out under the 36th to 38th resolutions submitted to this General Shareholders’ Meeting, and lastly (ii) that these ceilings are set without taking into account the nominal amount of common shares of the Company that may be issued in the future for legal or contractual adjustments made to protect those holding rights attached to the securities convertible to common shares.

This authorization is granted for an 18-month period starting from the day of this General Shareholders' Meeting.

The General Shareholders' Meeting takes note of and decides, where applicable, that this authorization shall act as an express waiver by shareholders of their preferential subscription rights to which the warrants issued entitle, for those who hold warrants issued under this resolution.

The General Shareholders' Meeting confers all powers to the Board of Directors, which may be assisted by a committee comprising members of its choice, in order to carry out the following, within the limits set forth above:

- establish the list of beneficiaries within the category of beneficiaries previously mentioned, for which preferential subscription rights have been eliminated;*
- approve the features, amounts and terms and conditions of any issue, as well as terms and conditions for paying up securities issued, provided that a warrant shall entitle the right to subscribe a Company share; notably determine the number of warrants to issue for each beneficiary and set the subscription price and entitlement date for those warrants according to the information contained in its report, provided that the amount owed to the Company for each of the shares issued under this delegation shall be at least equal to the volume weighted average closing share price recorded during a period of no less than five consecutive trading days to no more than thirty consecutive trading days from the thirty trading days prior to setting the subscription price, potentially discounted by a maximum of 5% at the time the warrants are granted."*

2. Decision of the Board of Directors dated 14 November 2023

By decision dated 14 November 2023, the Board of Directors made use of the aforementioned authorization in the following terms:

« iii. Implementation of the delegation of powers granted to the Board of Directors by the Combined General Meeting of 23 June 2023 and decision to issue and grant share warrants (BSA2023)

The Chairman recalled that the Combined General Meeting of 23 June 2023 delegated to the Board of Directors, under the terms of its thirty-eighth resolution, the necessary powers to grant, on one or more occasions, detachable ordinary share warrants giving the right to subscribe to a maximum of 300,000 ordinary shares in the Company (corresponding to 30,000 post-stock-split shares), to employees or officers of the Company or of related French or foreign companies or groupings, within the meaning of Article L. 225-180 of the Commercial Code, or to certain categories of them, it being specified that the total nominal amount of the capital increases resulting from this delegation should not exceed 3,000,000 ordinary shares (corresponding to 300,000 post-share consolidation shares), which figure will constitute the overall cumulative ceiling covering all allocations of free share plans, share warrants and share subscription and/or purchase options approved by the Board of Directors.

The Chairman proposed that the Board of Directors use the authorization granted to it to adopt the provisions of the terms and conditions relating to the BSA₂₀₂₃ (the 'BSA₂₀₂₃ Plan') and to issue and grant a total of 30,000 BSA (the 'BSA₂₀₂₃₋₁₄₁₁₂₀₂₃').

[...]

After deliberation, the Board of Directors unanimously :

***decided** to adopt the English-language 'BSA₂₀₂₃ Plan' presented by the Chairman and set out in Annex 6 to these minutes;*

***decided** to issue 30,000 BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ under the conditions set out below and pursuant to the BSA₂₀₂₃ Plan;*

***decided** to allocate 30,000 BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ to the persons and in the proportions indicated in Appendix 7 to these minutes;*

***approved**, in accordance with article 4.1 of the BSA₂₀₂₃ Plan, a subscription price of €2.67 for the ordinary shares of the Company linked to the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃;*

***approved**, in accordance with article 4.4 of the BSA₂₀₂₃ Plan, an exercise price of €4.31 for the ordinary shares of the Company linked to the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃;*

***decided** to issue a maximum of 30,000 ordinary shares to serve the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ issued, corresponding, at par value, to a maximum capital increase of €30,000 ;*

***ruled** that, pursuant to Articles L. 228-91 and L. 225-132 of the French Commercial Code, this decision benefits holders of BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ by requiring existing shareholders to waive their preferential subscription rights to ordinary shares in order to serve the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ ;*

***decided** that the Board of Directors will always be able to modify the conditions of exercise of all or part of the 2023 warrants to make them more favorable to the beneficiary concerned;*

***granted** full powers to the Chief Executive Officer, including the possibility of sub-delegating, to sign and accept all documents relating to the allocation of the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃, subject to the aforementioned conditions*

[...].».

In connection with the BSA₂₀₂₃ Plan, the Board of Directors notes that (i) the exercise price was determined on the basis of the volume-weighted average closing price of the shares recorded over a period of thirty consecutive trading days preceding the setting of the exercise price with a discount of 5% and (ii) the Company consulted a leading audit firm to assist it in valuing the BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ and in particular their subscription price in order to determine the market value of the said BSA, in accordance with IFRS and the Black & Sholes method.

A supplementary report from your Statutory Auditor is also submitted to you, in which he has verified the compliance of our decisions with the authorization you granted to us.

In accordance with the legal and regulatory provisions in force, this supplementary report will be made available to shareholders immediately at the Company's registered office and will be brought to their attention at the next General Meeting.

The Board of Directors

APPENDIX 1

Impact of the issue on the situation of holders of equity securities and securities giving access to the capital

The calculations have been made on the basis of an accounting situation as at 30 June 2023

The impact of the Capital Increase on the situation of holders of shares and securities giving access to the Company's capital, in particular as regards their share of shareholders' equity, is set out below.

INCIDENCE TABLES

Impact of the issue on the share of shareholders' equity

	Share of equity per share (in euros)	
	Non-diluted basis	
	Before issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃	After issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃ and conversion into a maximum of 30,000 new shares
Shareholders' equity at 30 June 2023	€23,141,767	€23,351,167
Total number of shares	6,075,105	6,105,105
Per share in euros	€3,81	€3,82

	Share of equity per share (in euros)	
	Diluted basis*	
	Before issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃	After issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃ and conversion into a maximum of 30,000 new shares
Shareholders' equity at 30 June 2023	€43,157,931	€43,367,331
Total number of shares	6,942,177	6,972,177
Per share in euros	€6,22	€6,22

*If the existing dilutive instruments are exercised on 14 November 2023, giving entitlement to the allocation of 867,072 additional potential shares.

Impact of the issue on the shareholder's situation (dilution)

For information purposes, the impact of the issue of the 30,000 BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ on the shareholding of a shareholder holding 1% of the Company's share capital prior to the issue (calculated on the basis of the number of Company shares on 14 November 2023, excluding treasury shares) is as follows:

	<i>Shareholder stake (% of share capital)</i>	
	Non-diluted basis	Diluted basis ⁽¹⁾
Before issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃	1,000 %	0,875%
After issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃ and conversion into a maximum of 30,000 new shares	0,995%	0,871%

*If the existing dilutive instruments are exercised on 14 November 2023, giving entitlement to the allocation of 867,072 additional potential shares.

Theoretical impact on market value

The theoretical impact of the issue of shares following the exercise of the 30,000 BSA₂₀₂₃₋₁₄₁₁₂₀₂₃ on the market value of the Company's shares, as calculated on the basis of the average of the last twenty stock market trading days preceding the Board of Directors' meeting called to approve the terms of this report, is as follows:

	<i>Current market value (in euros)</i>	
	Before issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃	After issue of the 30,000 BSA ₂₀₂₃₋₁₄₁₁₂₀₂₃ and conversion into a maximum of 30,000 new shares
Total number of shares	6,075,105	6,105,105
Market capitalisation	€27,474,662	€27,610,337
Market value of the share	€4,52	€4,52