PART 4

FINANCIAL REPORT

1. CONSOLIDATED ANNUAL ACCOUNTS

1.1. / CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED 31 DECEMBER 2020 AND 2019

1.1.1. / CONSOLIDATED INCOME STATEMENT

		Years ended 31 December,	
In EUR 000	Notes	2020	2019
Collaboration revenue	1.2.4	9,989	12,451
Product sales revenue	1.2.4	31,893	24,224
Service revenue	1.2.4	1,246	769
Total revenue		43,128	37,444
Other operating income			
Grants and other income	1.2.5	12,431	288
Total operating income		55,559	37,732
Cost of sales	1.2.6	-26,284	-21,328
Research and development expenses	1.2.7	-45,783	-39,844
Sales and marketing expenses	1.2.8	-15,736	-18,011
General and Administrative expenses	1.2.9	-14,618	-14,151
Total operating expenses		-102,421	-93,334
Operating loss for the year		-46,862	-55,602
Financial expense	1.2.11	-14,569	-8,008
Other financial results	1.2.11	-1,199	74
Financial result, net		-15,768	-7,934
Share in the result of joint venture		-532	-631
Loss for the year before taxes		-63,162	-64,167
Income taxes	1.2.29	228	99
Loss for the year after taxes		-62,934	-64,068
Attributable to owners of the Group		-62,934	-64,068
Earnings per share			
Basic and diluted loss per share	1.2.12	-1.11	-1.14

1.1.2. / CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In EUR 000	Notes	Years ended 31 December, 2020	2019
Loss for the year		-62,934	-64,068
Other comprehensive income (loss), not to be reclassified to profit or loss:			
Re-measurement gains and losses on defined benefit plan	1.2.24	197	-243
Income taxes on items of other comprehensive income		-58	72
Other comprehensive income (loss), that may be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		-150	-113
Decrease in fair value of investment in associates			-5,052
Total comprehensive loss for the year		-62,945	-69,404
Attributable to owners of the Group		-62,945	-69,404

1.1.3. / CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In EUR 000	Notes	As of 31 December, 2020	2019
Assets			
Non-current assets			
Intangible assets	1.2.13	5,645	6,294
Property, plant and equipment	1.2.14	40,098	43,421
Investment in joint ventures	1.2.16	2,893	2,358
Other non-current assets	1.2.24	426	13
Deferred tax assets	1.2.17	1,472	1,609
		50,534	53,695
Current assets			
Inventories	1.2.18	15,712	14,161
Trade receivables	1.2.19	13,488	10,695
Other receivables	1.2.19	3,960	8,640
Other current assets	1.2.20	3,155	2,407
Cash and cash equivalents*	1.2.21	123,668	178,725
		159,983	214,628
Total assets		210,517	268,323
Equity and liabilities			
Capital and reserves			
Share capital	1.2.22	-220,657	-220,668
Share premium	1.2.22	711,874	698,027
Share based payment reserve	1.2.22	6,102	4,670
Accumulated deficit	1.2.22	-455,343	-392,259
Other comprehensive income	1.2.22	-5,152	-5,291
Total equity attributable to owners of the Group		36,824	84,479
Non-current liabilities			
Provisions	1.2.24	0	49
Borrowings and lease liabilities	1.2.25	18,625	24,000
Convertible debt	1.2.25	125,260	136,158
Deferred income	1.2.27	363	461
		144,248	160,668
Current liabilities			
Borrowings and lease liabilities	1.2.25	6,673	6,420
Trade payables	1.2.26	13,907	9,070
Deferred income	1.2.27	1,278	1,595
Other current liabilities	1.2.26	7,587	6,091
		29,445	23,176
Total equity and liabilities		210,517	268,323

*Cash and cash equivalents for 31 December 2020 include EUR 1.2 million restricted cash related to KBC Lease financing

1.1.4. / CONSOLIDATED CASH FLOW STATEMENT

In EUR 000	Notes	Years ended 31 December, 2020	2019
Operating activities			
Loss for the year		-62,934	-64,068
Adjustments for			
Depreciation and amortization	1.2.13/1.2.14	9,748	9,719
Impairment losses	1.2.7/1.2.14	1,698	476
Income taxes in profit and loss	1.2.29	-228	-99
Financial result, net	1.2.11	15,768	7,934
Unrealized exchange gains/ losses		-1,030	0
Net movement in defined benefit obligation	1.2.24	-323	-150
Share of net profit of associate and joint venture	1.2.16	532	631
Share based payment expense	1.2.23	1,432	1,225
Other		-80	37
Changes in working capital			
Net movement in inventories	1.2.18	-4,042	-3,858
Net movement in trade and other receivables and other current assets	1.2.19/1.2.17	1,449	-1,182
Net movement in trade payables & other current liabilities	1.2.26	6,333	1,507
Net movement in deferred income	1.2.27	-415	-960
Cash flow from operating activities before interest and taxes paid		-32,092	-48,788
Interest paid		-7,172	-5,288
Taxes paid	1.2.29	-3	-178
Cash flow from operating activities		-39,267	-54,254
Investing activities			
Interest received		13	8
Acquisition of property, plant & equipment	1.2.14	-3,005	-2,121
Acquisition of intangible assets	1.2.13	-15	-394
investment in joint venture	1.2.16	-1,000	-2,989
Cash flow from investing activities		-4,007	-5,496
Financing activities			
Proceeds from the issue of a convertible bond		0	145,438
Convertible bond - incentivized conversion	1.2.25	-4,306	0
Net proceeds from the issue of ordinary shares, net of transaction costs	1.2.22	0	53,360
Repayment of borrowings	1.2.25	-7,167	-23,738
Bank charges		-50	-37
Cash flow from financing activities		-11,523	175,023
Net increase (decrease) in cash and cash equivalents		-54,797	115,273
Cash and cash equivalents at the beginning of the period		178,725	63,539
Effects of exchange rate changes on the balance of cash held in foreign currencies		-260	-87
Cash and cash equivalents at the end of the period*		123,668	178,725

* Including EUR 1.2 million restricted cash related to KBC Lease financing

1.1.5. / CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In EUR 000	Notes	Share capital	Share premium	Share based payment reserve	Other comprehensive income	Accumulated deficit	Total equity attributable to the owners of the Group	Total equity
Balance as at 1 January 2019		-220,718	632,769	3,445	-67	-328,078	87,351	87,351
Loss for the period						-64,068	-64,068	-64,068
Re-measurement gains and losses on defined benefit plan	1.2.24				-171		-171	-171
Consolidation translation difference						-113	-113	-113
Fair value adjustment of investment in associates					-5,052		-5,052	-5,052
Total comprehensive income					-5,223	-64,181	-69,404	-69,404
Share-based payment expense	1.2.23			1,225			1,225	1,225
Share issue - private placement on 28 January 2019	1.2.22	50	55,450				55,500	55,500
Costs related to private placement on 28 January 2019	1.2.22		-2,311				-2,311	-2,311
Share issue - exercise of stock options on 4 April 2019	1.2.22		171				171	171
Issuance of convertible bond on 9 May 2019			11,948				11,948	11,948
Balance as at 31 December 2019		-220,668	698,027	4,670	-5,291	-392,259	84,479	84,479
Balance as at 1 January 2020		-220,668	698,027	4,670	-5,291	-392,259	84,479	84,479
Loss for the period						-62,934	-62,934	-62,934
Re-measurement gains and losses on defined benefit plan	1.2.24				139		139	139
Consolidation translation difference						-150	-150	-150
Other comprehensive income								
Total comprehensive income					139	-63,084	-62,945	-62,945
Share-based payment expense	1.2.23			1,432			1,432	1,432
Convertible bond - incentivized conversion	1.2.22	11	13,847				13,858	13,858
Balance as at 31 December 2020		-220,657	711,874	6,102	-5,152	-455,343	36,824	36,824

1.2. / NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1.2.1. / GENERAL INFORMATION

Biocartis Group NV, a company incorporated in Belgium with registered address at Generaal de Wittelaan 11 B, 2800 Mechelen, Belgium (the 'Company') and its subsidiaries (together, the 'Group') commercialize an innovative and proprietary molecular diagnostics ('MDx') platform that offers accurate, highly-reliable molecular information from virtually any biological sample, enabling fast and effective diagnostics treatment selection and treatment progress monitoring.

The Group's mission is to become a global, fully integrated provider of novel molecular diagnostics solutions with industry-leading, high clinical value tests within the field of oncology. The Company has established subsidiaries in Mechelen (Belgium), New Jersey (US), Milan (Italy) and a joint venture in Hong Kong (China).

The consolidated financial statements have been authorized for issue on 23 February 2021 by the board of directors of the Company (the 'board of directors').

1.2.2. / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.2.2.1. / STATEMENT OF COMPLIANCE

The consolidated financial statements of the Group for the year ended 31 December 2020 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union.

1.2.2.2. / BASIS OF PREPARATION

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments at fair value and non-cash distribution (e.g. issuance of equity) that are measured at fair value at the end of each reporting period as further explained in the accounting policies. The acquired assets and assumed liabilities in a business combination are also measured initially at fair value at the date of acquisition.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- → Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- → Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- → Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The consolidated financial statements are presented in Euro (EUR) and all values are rounded to the nearest thousand (EUR000), except when otherwise indicated.

The Group has adopted the following new and revised standards and interpretations issued by the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2020:

- Amendments to IAS 1 and IAS 8 Definition of Material
- Amendments to IFRS 3 Business Combinations: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform – Phase 1
- Amendments to references to the Conceptual Framework in IFRS standards

The above application of new standards did not have a significant impact on the financial position and the results of the Group. Standards and interpretations published, but not yet applicable for the annual period beginning on 1 January 2020, are listed in note 1.2.35.

1.2.2.3. / CONSOLIDATION PRINCIPLES

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company as at 31 December 2020.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resulting gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

All transactions between Group companies have been eliminated upon consolidation.

1.2.2.4. / FOREIGN CURRENCY TRANSLATION

The items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which each entity operates ('Functional Currency'). The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

Transactions in foreign currencies are recorded at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate prevailing at that date. Exchange differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or in previous financial statements, are recognized in the consolidated income statement.

1.2.2.5. / JOINT VENTURES

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require the unanimous consent of the parties sharing control.

The results, assets and liabilities of joint ventures are incorporated in the Group's consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, an investment in a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

Where a Group entity transacts with a joint venture of the Group, gains and losses are eliminated to the extent of the Group's interest in the relevant associate or joint venture.

1.2.2.6. / INTANGIBLE ASSETS

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are currently expensed as incurred. Development costs incurred are recognized as intangible assets if, and only if, all of the following conditions have been demonstrated:

- → The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- → The intention to complete the intangible asset and use or sell it;
- → The ability to use or sell the intangible asset;
- → How the intangible asset will generate probable future economic benefits;
- → The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- → The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Due to uncertainties inherent to the development and registration with authorities of the Group's Idylla™ platform and its tests, the Group considers that the conditions for capitalization are not met until the regulatory procedures required by authorities have been completed. Development costs incurred after the recognition criteria are met are in general not material. As such, development expenditure not satisfying the above criteria and expenditure in the research phase of internal projects are recognized in the consolidated income statement as incurred.

SEPARATELY ACQUIRED INTANGIBLE ASSETS

Separately acquired intangible assets include patents and licenses, and purchased IT and software licenses. These intangible assets are capitalized based on the costs incurred to acquire and bring to use the specific asset.

Intangible assets are amortized in accordance with the expected pattern of consumption of future economic benefits derived from each asset. Practically, intangible assets are amortized on a straight-line basis over their estimated useful lives as per the table below:

	ESTIMATED USEFUL LIFE
Patents	Patent life
Licenses	3 to 20 years
ICT, software	3 to 5 years

Intangible assets are carried in the consolidated balance sheet at their initial cost less accumulated amortization and impairment losses, if applicable.

1.2.2.7. / PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially recognized in the consolidated balance sheet at their acquisition cost, including the costs directly attributable to the acquisition and the installation of the asset.

Each item of property, plant and equipment is recorded at historical cost less accumulated depreciation and impairment losses, if applicable. A pro rata straight-line depreciation method is used to reflect the pattern in which the asset's future economic benefits are expected to be consumed. Practically the term over which items of property, plant and equipment is depreciated depends on the estimated useful life of each asset category, as per the table below.

	ESTIMATED USEFUL LIFE
ICT, laboratory and manufacturing equipment	3 to 7 years
Fittings and leasehold improvements	The shorter of rent duration and 10 years
Idylla™ systems for internal use and Idylla™ systems for rent	5 years
Other	10 years

The Group records as manufacturing and other equipment under construction all the physical equipment, including custom-designed equipment and generic pieces of equipment, and related costs, such as borrowing costs, certain specific engineering expenses, incurred for their design, build-up and installation and validation costs, until it is ready for its intended use. Manufacturing and other equipment under construction is carried at cost and is not depreciated until it is ready for its intended use.

Normal maintenance and repair costs of property, plant and equipment are expensed as incurred. Other subsequent expenses are capitalized, only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the item can be measured reliably, such as the replacement of an identified component of an asset.

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

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year-end and adjusted prospectively, if appropriate.

1.2.2.8. / IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS, OTHER THAN GOODWILL

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use.

The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's (CGU's) recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset (CGU) does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

1.2.2.9. / INVENTORY

Inventories are valued at the lower of cost and net realizable value. The cost of inventories is determined on a first in, first out (FIFO) basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

1.2.2.10. / FINANCIAL INSTRUMENTS

FINANCIAL ASSETS

The Group has financial assets classified in the following categories: financial assets at fair value (through OCI or through P&L) 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 the time of initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognized on the settlement date, i.e., the date that an asset is delivered by or to an entity.

Financial assets are initially measured at fair value. Transactions costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets, as appropriate, on initial recognition. Transactions costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

AT AMORTIZED COST

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 effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Trade and other receivables after and within one year are recognized initially at fair value and subsequently measured at amortized cost, i.e. at the net present value of the receivable amount, using the effective interest rate method, less allowances for impairment.

AT FAIR VALUE

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition of its participation in MyCartis to account for the equity investment at fair value through other comprehensive income (FVOCI).

After initial measurement, the investment in equity instruments is subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income and accumulated in reserves. As the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

DERECOGNITION

A financial asset is primarily derecognized when the contractual rights to receive cash flows from the asset have expired or when the owner of the asset transferred its rights to receive cash flows and substantially all the risk and rewards of ownership of the financial asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and recognizes a collateralized borrowing for the proceeds received.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the group applies the simplified approach permitted by IFRS 9 – Financial Instruments, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The amount of the allowance is deducted from the carrying amount of the asset and is recognized in the income statement.

FINANCIAL LIABILITIES

All financial liabilities are recognized initially at fair value net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, borrowings, leases and a convertible bond.

The Group has financial liabilities classified as financial liabilities measured at amortized cost. The Group's outstanding convertible bond is included on the balance sheet, based on the fair value at issuance.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

DERECOGNITION

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

CONVERTIBLE DEBT

The liability component of the convertible bond is measured at its fair value (i.e. discounting its contractual cash flows using market benchmark rate and market credit spread for a similar debt) minus transaction costs that are allocated to the host debt component and is accounted for at amortized costs.

EQUITY INSTRUMENTS

Equity instruments (e.g. share capital and employee warrant plans) issued by the Group are recorded at the fair value of the proceeds received, net of transactions costs.

The equity component of the convertible bond is the embedded share conversion option. This component is initially measured as the difference between the nominal amount of the convertible bond minus the initial fair value of the liability component and the allocated transaction costs.

1.2.2.11. / CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term bank deposits with a maturity of or less than three months, and which are subject to an insignificant risk of changes in value.

1.2.2.12. / INCOME TAXES

Income taxes include all taxes based upon the taxable profits of the Group including withholding taxes payable on transfer of income from group companies and tax adjustments from prior years and deferred income taxes.

CURRENT TAX

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

DEFERRED TAX

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date 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 deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

R&D INVESTMENT TAX CREDITS

Current IFRSs have no specific accounting principles with respect to the treatment of investment tax credits as these are scoped out of IAS 20 Accounting for Government Grants and Disclosure of Government Assistance and IAS 12 Income Taxes. As a result, the Group developed an accounting policy in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, whereby it opted to follow the analogy to IAS 12. In following that analogy, there will be immediate recognition of an income tax credit and deferred tax asset when the Group satisfies the criteria to receive the credits. The recognition of the income tax credit is accounted for in the income statement under the line 'Income taxes'.

Recognized research and development tax credits in Belgium can be effectively repaid if a company has not been able to offset the tax credit against the corporation tax for the last five consecutive tax years. Therefore, in 2020, EUR 0.3m of the Group's tax credit on research and development has become a short term receivable.

1.2.2.13. / EMPLOYEE BENEFITS

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits include salaries and social security contributions, social taxes, paid vacation and bonuses. They are recognized as expenses for the period in which employees perform the corresponding services. Outstanding payments at the end of the period are shown as other current liabilities.

POST-EMPLOYMENT BENEFITS

Due to the fact that the Belgian law prescribes that the employer would guarantee a minimum rate of return on the contributions, such plans are classified as defined benefit plans under IFRS.

The cost of providing benefits is determined using the Projected Unit Credit (PUC) method, with actuarial valuations being carried out at the end of each reporting period.

Re-measurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (including interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurement recognized in OCI (Other Comprehensive Income) is reflected immediately in retained earnings and will not be reclassified to P&L in subsequent periods. Past service costs are recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorized as follows:

- Service costs (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Re-measurement gains and losses.

The Group presents the first two components of defined benefit costs in P&L. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognized in the consolidated balance sheet represents the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of returns from the plans or reductions in future contributions to the plans.

SHARE-BASED PAYMENT ARRANGEMENTS

The Group operates equity-settled share-based payment plans. The fair value of the employee services received in exchange for the grant of stock options is determined at the grant date using an appropriate valuation model (Black-Scholes Merton model).

The total amount to be expensed over the vesting period, with a corresponding increase in the 'share-based payment reserve' within equity, is determined by reference to the fair value of the stock options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market based vesting conditions are included in assumptions about the number of stock options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of stock options that are expected to become exercisable. It recognizes the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (par value) and share premium when the stock options are exercised.

1.2.2.14. / PROVISIONS

The Group recognizes provisions when it has a present obligation, legal or constructive, as a result of past events, when it is probable, defined as more likely than not, that an outflow of resources will be required to settle the obligation and when a reliable estimate of the amount can be made.

Where the effect of the time value of money is material, the amount is the present value of expenditures required to settle the obligation. Impacts of changes in discount rates are generally recognized in the financial result.

1.2.2.15. / REVENUE RECOGNITION

The Group recognizes revenues from the sale of the Idylla™ platform, related cartridges and services as well as revenues generated from collaboration arrangements in accordance with IFRS 15 Revenue from contracts with customers.

IFRS 15 specifies how and when a company should recognize revenue and requires entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single principles-based five-step model to be applied to all contracts with customers as follows:

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when (or as) the entity satisfies a performance obligation

Transactions with customers and collaboration partners may include multiple deliverables (performance obligations). The Group evaluates whether the obligations towards its customers or collaboration partners are distinct on a stand-alone basis or in the context of the contract. If the Group determines that multiple performance obligations exist, the transaction price is allocated to each performance obligation based upon the best estimate of the stand-alone selling prices of each obligation.

The Group recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration the Group expects to be entitled to in exchange for those goods or services.

If the services rendered exceed the payment, accrued income is recognized. If the payments exceed the services rendered, deferred income is recognized. The Group decided to keep old terminology; accrued income instead of contract asset and deferred income instead of contract liability.

COLLABORATION REVENUE

The Group provides multiple products or services to its customers as part of a single collaboration arrangement, such as research, development, manufacturing, commercialization and licensing. Each component of such arrangement is reviewed to assess if the component should be considered as a distinct performance obligation within the context of the contract. If a performance obligation is considered to be distinct, then the revenue related to it is accounted for separately from the other performance obligations; otherwise, it is combined with other performance obligations until the Group identifies a bundle of obligations that is distinct.

The amount of revenue recognized is the amount allocated to the satisfied performance obligation taking into account variable consideration. The transaction price may include upfront (license) payments, milestone payments and/or compensation for research and development services. Variable consideration that is considered in the transaction price typically relates to milestone and royalty payments The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. As soon as the uncertainty is resolved, the variable component of the transaction price (mainly milestone payments and success fees) is included in the transaction price based on the appropriated timing of revenue recognition of the related performance obligation. In certain situations, the Group may receive contingent payments after the end of its period of continued involvement. In such circumstances, the Group would recognize 100% of the contingent revenues when the contingency is resolved and collection is reasonably certain. Royalty-based revenues are recognized when the royalty is earned, or when the underlying goods or services are sold. Payment schedules differ from arrangement to arrangement but no element of financing is deemed present. Therefore the transaction price is not adjusted for the effects of a significant financing component.

Revenue linked to performance obligations relating to development work and e.g. clinical validation are recognized over time as the services are rendered to the customer based on the progress over the activities, i.e. a rato the services performed.

In case of performance obligations relating to licensing intellectual property (IP), the Group assesses if it grants a right to access the IP as it exists throughout the license period or a right to use the IP as it exists at the point in time at which the license is granted. If the performance obligation is to grant a right to access, then the related revenue is recognized over the license period; otherwise, it is recognized at a point in time, i.e. when the license period starts or when the customer starts using the IP. The Group assesses if the license provided can be considered as being distinct in the context of the contract. If not, the license will have to be bundled with the research and development services. Currently all milestone payments are development milestones and are considered to be distinct, hence recognized at a point in time. If one would conclude that the license is not a distinct performance obligation, the receipt of a development milestone will have to be recognized pro rata the completion of the research and development services to be provided under the agreement.

Unless up-front fees are paid in exchange for products delivered or services performed and, therefore, control over the related services has been transferred to the buyer in a separate transaction, such fees are not recognized as revenue at a point in time but rather over time (even if they are non-refundable) pro rata over the expected performance period under each respective arrangement.

The Group makes its best estimate of the period over which it expects to fulfil its performance obligations, which may include technology transfer assistance, research and development activities, clinical, medical and regulatory activities, manufacturing and commercialization activities.

Cost reimbursements resulting from collaboration agreements, or a similar type of compensation received for costs incurred under R&D collaborations are recorded as R&D services as the related costs are incurred and upon agreement by the parties involved. The corresponding expenses are generally recorded under research and development expenses. Revenues from R&D Services are in general recognized over the duration of the collaboration agreement, if relevant subject to when the required services are provided or costs are incurred.

License fees include technology access fees to the Idylla platform technology. A distinction is made between right to use and right to access fees. Right to use fees are fees paid to use the IP as it exists when the license is granted, which means that the revenue recognition will happen at a point in time. Right to access fees are fees paid to access IP throughout a certain license period, which means that the revenue recognition will happen over time. A contingent consideration received by the Group upon the achievement of a substantive milestone is recognized in its entirety in the period in which the milestone is achieved. A milestone is defined as an event (i) that can only be achieved based in whole or in part either on the entity's performance or on the occurrence of a specific outcome resulting from the entity's performance, (ii) for which there is substantive uncertainty at the date the arrangement is entered into that the event will be achieved, and (iii) that would result in additional payments being due to the entity.

A milestone is substantive if the consideration earned from the achievement of the milestone is consistent with the Group's performance required to achieve the milestone or the increase in value to the collaboration resulting from the Group's performance, related solely to the Group's past performance, and is reasonable relative to all of the other deliverables and payments within the overall collaboration arrangement.

PRODUCT RELATED REVENUE

PRODUCT SALES

Revenues from the sale of goods are recognized when the Group has transferred control over the goods to the buyer according to the incoterms agreed with such customers, i.e. performance obligation is satisfied at a point in time.

The transaction price (revenue) from the sale of goods is the amount of the amount of the consideration to which the Group expects to be entitled in exchange for transferring the goods to the customer. This includes fixed amounts and variable amounts, such as returns and allowances, trade discounts and volume discounts. The variable consideration is only recognized as part of revenue to the extent it is highly probable that a significant reversal of revenue will not occur when the associated uncertainty is subsequently resolved.

REAGENT RENTAL CONTRACTS

The Group also puts its products available to customers under the form of an Idylla™ Reagent Rental Agreement whereby the Group delivers the console and instruments, together the Idylla™ system, and the customer commits to purchase a minimum required volume (consumption) of cartridges over a defined period. The price of the Idylla™ system is included as a mark-up premium in the price of the cartridges and is as such received over the period when the cartridges are purchased. Under these contracts, the Group bundles the following multiple elements together: the use of the Idylla™ system, the servicing of the system and the consumption of Idylla™ cartridges. The use of the Idylla™ system is considered to be a lease and therefore the consideration under the reagent rental agreement will have to be allocated between the lease component and the other components (servicing and consumption of Idylla™ cartridges) using a relative fair value approach.

There is no binding cartridge volume commitment from the customer that will result in a full reimbursement of the Idylla™ systems price over the term of the agreement. However, there is a minimum annual consumption of cartridges indicated by the customer on the basis of which the mark-up premium for the Idylla™ system usage is determined, ensuring a proper compensation for the usage of the Idylla™ system. The minimum annual consumption of cartridges is evaluated at each reporting date. If the minimum indicated consumption is not met, the Group has the right to increase the sales prices and/or the volume commitments for the cartridges. The Group also has the right to terminate the agreement with a notice period if the minimum annual cartridge consumption is not met, without any additional indemnity. The customer has the option to terminate the agreement at any given time before the agreed contractual term with a notice period during which the customer will be required to purchase or pay a part of the agreed minimum annual cartridge commitment, in proportion to the notice period. No additional indemnity will be required. Since the minimum purchase requirements are not contractually enforceable, the lease component present in these contracts are generally to be considered as contingent payments. The price invoiced to customers for an Idylla™ cartridge includes a cost for the use and servicing of the Idylla™ system by the customer. Customers are invoiced based on received sales orders for Idylla™ cartridges. Revenue allocated the Idylla™ cartridges will only be recognized when the Idylla™ system is delivered to the customer and the customer obtained control over the cartridges.

The significant risks and rewards for the Idylla™ systems are not transferred to the customer at signing of the agreement. The revenue of the cartridges, the Idylla™ systems and servicing thereof is consequently recognized gradually when cartridges are delivered to the customer.

REGULAR RENTAL CONTRACTS

The Group also rents out Idylla™ systems, whereby the customer pays a regular rental fee for the temporary use of the Idylla™ system since there is no transfer of ownership. Under this type of rental contracts, the Idylla™ system revenue is considered as pure rental income and is recognized linearly over the term of the rental contract. Upon expiry of the rental contract, the rented out Idylla™ systems return to the Group.

SERVICE REVENUE

Under service revenue, Biocartis classifies the revenue generated by service contracts as well as the revenue generated by one-off repairs. Service revenue is recognized over time, linearly for capital sales and in line with the service contract term, which includes regular annual preventive maintenance. For reagent rental contracts the service revenue is also recognized over time but in line with the cartridge consumption which equals the usage of the system.

1.2.2.16. / GRANTS

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Any outstanding receivables related to these grants are recorded as grants receivable.

R&D GRANTS

On certain specific research and development projects, the costs incurred are partially reimbursed by IWT (Institute for the Promotion of Innovation by Science and Technology in Flanders), the Flemish Agency for Innovation & Entrepreneurship under its Strategic Transformation Support ('STS') program, the European Commission or other institutional funds. These 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. They are presented as other operating income.

INVESTMENT GRANTS

Grants from the STS program relating to investments in property, plant and equipment and intangible assets are deducted from the cost of the related asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduced amortization expense.

1.2.2.17. / LEASES

Lease contracts as defined by IFRS 16 Leases, are recorded in the balance sheet, which leads to the recognition of an asset representing a right-of-use of the asset leased during the lease term of the contract and a liability related to the payment obligation.

The Group applies a single recognition and measurement approach for all lease, expect for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

RIGHT-OF-USE ASSETS

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. If there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the right-of-use asset shall be fully depreciated over the shorter of the lease term and its useful life. The right-of-use assets are also subject to impairment, refer to the accounting policies in note 1.2.2.8.

LEASE LIABILITIES

The corresponding liability to the lessor is included in the consolidated balance sheet as a financial liability. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption for leases that have a lease term of 12 months or less from the commencement date. It also applies the lease of low-value assets recognition exemption for assets that have a value in new of below EUR 5,000. Lease payments on short-term and low-value leases are recognized as expense.

1.2.2.18. / BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

1.2.3. / CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

1.2.3.1. / CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

When preparing the consolidated financial statements, judgments, estimates and assumptions are made that affect the carrying amount of certain assets, liabilities, revenues and expenses. These include the going concern assessment, the valuation of the share-based payment transactions, the valuation of employee benefits and actuarial assumptions underlying such calculations and the revenue recognition for multiple element arrangements, upfront fees and reagent rental contracts. These estimates and assumptions have been reviewed for each year and are reviewed on a regular basis, taking into consideration past experience and other factors deemed relevant under the then prevailing economic conditions. Changes in such conditions might accordingly result in different estimates in the Group's future consolidated financial statements.

CRITICAL JUDGMENTS

Revenue recognition relating to collaboration arrangements

Assessing the indicators for revenue recognition under collaboration arrangements requires judgement to determine (i) the nature of the contractual performance obligations and whether they are distinct or should be combined with other performance obligations, and (ii) the pattern of transfer of each promised component identified in the contract, using methods based on key assumptions such as forecasted costs and development timelines of the collaboration arrangements for the assessment of satisfaction of the performance obligation.

For all performance obligations linked to licensing agreements, the Group makes an assessment about whether or not the license is to be considered as a distinct performance obligation or not. The Group determines whether a promise to grant a license of intellectual property is distinct from other promised goods or services in the contract. As such, the Group assesses whether the customer can benefit from a license of intellectual property on its own or together with readily available resources (i.e., whether it is capable of being distinct) and whether the Group's promise to transfer a license of intellectual property is separately identifiable from other promises in the contract (i.e., whether it is distinct in the context of the contract). The assessment of whether a license of intellectual property is distinct is based on the facts and circumstances of each contract, e.g. interdependencies between the license and other services in the contract, the continuing involvement of the Group after the license has been granted.

If the transfer of the license is considered to be a separate performance obligation, revenue relating to the transfer of the license is recognized at a point in time or over time depending on the nature of the license, i.e. granting a right to use the intellectual property or the right to access the IP. Basically, the Group assesses whether the customer has the right to use the intellectual property as it exists at a certain period in time or whether it has access to the intellectual property as it exists at any time during the license period, where the latter requires more on-going activities from the Group.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Idylla™ systems presented on the balance sheet

Idylla™ systems are both presented on the balance sheet under inventory and under property, plant and equipment (PPE). Idylla™ systems that are recorded as property, plant and equipment are used for amongst other assay research and development, platform engineering, production process optimization, quality testing purposes and marketing purposes. Furthermore, Idylla™ systems recorded as PPE include also systems that are rented by clients under the operating lease reagent rental agreements, presented as capitalized systems for rent. These systems are recorded at their acquisition cost and are depreciated over 5 years and have the same accounting treatment as other property, plant and equipment, we also refer to 1.2.2.7.

Idylla™ systems kept as inventory are held for expected commercialization, including systems placed at clients for demo purposes or at customer sites under the Group's Early Adaptor Program. On a regular basis a review of the aging of the systems is performed in order to mitigate the obsolescence risk of the systems and to guarantee that the net realizable value remains higher than the carrying amount.

COVID-19

For more information related to the current and expected impact of the COVID-19 situation on the financial position and performance of the Group, we refer to Part 2 'Performance 2020', 'Impact of COVID-19'.

1.2.3.2. / OPERATING SEGMENTS

The segment information is represented in a consistent manner with the internal reporting to the executive management, enabling decision making of allocating resources to the segment and evaluating financial performances of the segment.

At this moment, all of the Group's activities relate to Idylla™ and as such there is only one operating segment. The reporting to the key decision makers is currently done at the global level.

In addition, substantially all non-current assets of the Group are located in the country of domicile (Belgium) per 31 December 2020.

1.2.4. / REVENUE

The Group's revenue recognized under IFRS 15 can be aggregated as follows:

In EUR 000	Years ended 31 December			
	2020			
	At a point in time	Over time	2020	2019
Collaboration revenue				
R&D services	0	8,176	8,176	9,026
License revenue	1,713	100	1,813	2,517
Milestones	0	0	0	908
	1,713	8,276	9,989	12,451
Product related revenue				
Idylla™ System Sales revenue	4,386	0	4,386	4,232
Idylla™ System Rental revenue	2,700	0	2,700	1,987
Cartridge revenue	24,808	0	24,808	18,004
	31,893	0	31,893	24,224
Service revenue				
Idylla™ System Service revenue	1,041	205	1,246	769
	1,041	205	1,246	769
Total	34,647	8,481	43,128	37,443

For details related to the movements in accrued and deferred income related to collaboration agreements, we respectively refer to notes 1.2.20 and 1.2.27.

R&D service revenue is recognized over time as the services are rendered to the customer based on the progress over the activities i.e. a rato the services performed. Over the reporting period, the majority of the collaborations for which revenues were recognized, included a quarterly or monthly payment structure. Consequently, the Group recognized either an accrued income or deferred income on the balance sheet over the course of the reporting period.

In general, customers do not have a right-of return and/or are entitled to refunds in the context of product related sales.

The below table corresponds to the revenue expected to be recognized in the future relating to (partially) unsatisfied performance obligations. This table excludes potential future R&D service revenue of pending collaborations for which the associated services are performed on an hourly invoicing basis (IFRS 15.121).

In EUR 000	Deferred income
2021	616
2022	0
2023	0
2024	0
2025	0
After 2025	0
Total	616

The aggregate amount of the transaction price allocated to collaboration arrangements that are partially or fully unsatisfied as at 31 December 2020 is EUR 0.6m.

1.2.4.1. / SUMMARY OF COLLABORATION REVENUES

Below is a description of the main collaboration arrangements from which the Group generates revenue, for more details on the accounting policy of collaboration revenue we refer to note 1.2.2.15.

AMGEN

Biocartis and Amgen have several collaborations that aim at amongst others the evaluation of Idylla™ RAS testing as a tool for rapid decentralized testing and/or to accelerate access to RAS biomarker information using Biocartis' Idylla™ platform and RAS tests. Product revenue recognized under this agreement is shown under product related revenue as it relates to the placement of Idylla™ systems and cartridges.

Biocartis and Amgen also collaborate on companion diagnostics (CDx) such as the development agreement with Amgen for the Idylla™ RAS biomarker tests aimed at the registration of these test with the US Food and Drug Administration (FDA) as a CDx test for Amgen's drug Vectibix® (panitumumab). The elements included in the CDx collaboration consist of milestone payments and R&D services.

Based on the contractual dispositions, we assessed the following:

- The first stage (i.e. the clinical trial development) of the arrangement consists of one initial performance obligation and the renewal options are considered to be separate performance obligations as Amgen can terminate the contract without significant penalty and these options are treated as material rights for Amgen.

- → The transaction price is currently composed of a fixed part, being an upfront fee and cost reimbursements for R&D activities delivered and a variable part, being milestone payments. Milestone payments are included in the transaction price of the arrangement only when achieved.

The transaction price has been allocated to the single performance obligation and revenues have been recognized over the estimated service period based on a pattern that reflects the transfer of the development activities a rato of the services performed (i.e. percentage of completion method). The milestone payments will be treated as a change in transaction price as soon as the revenue constraint assessment is resolved. The milestone payment will be allocated to the performance obligation (based on the percentage of completion of the development work).

In relation to the collaboration agreements with Amgen, the Group recognized R&D service revenue over time a rato to the services performed in 2020.

BRISTOL-MYERS SQUIBB

Biocartis and Bristol-Meyers Squibb (BMS) have a collaboration under which one or more projects can be initiated in the area of MSI testing. In Q1 2019, a first project agreement under the master collaboration agreement was signed with the objective to register the Idylla™ MSI test as a companion diagnostic with the US FDA. In Q1 2020, another project agreement under the master collaboration agreement was signed with the objective to register the Idylla™ MSI test in the People's Republic of China. The elements included in these CDx agreements consists of milestone payments and R&D services.

Based on the contractual dispositions, we assessed the following:

- → The arrangement consists of the following performance obligations: development activities and services and the supply of Idylla™ assays and Idylla™ systems.

- → The transaction price is currently composed of a fixed part, being quarterly installments and a variable part being milestone payments. The variable component of the transaction price will only be included as revenue when the related uncertainty is resolved.

- → The transaction price has been allocated to the different performance obligations based on the stand-alone selling prices. The performance obligation related to development activities and services are recognized over the estimated service period based on a pattern that reflect the transfer of the development activities. The milestone payment will be treated as a change in transaction price as soon as the revenue constraint assessment is resolved. The milestone payments will be allocated to the performance obligation. Performance obligations relating to the supply of Idylla™ components are satisfied at a point in time, when the control over development components are transferred.

In relation to the collaboration agreement with BMS, the Group recognized R&D service revenues over time a rato to the services performed.

GENEPRODx

Biocartis and GeneproDx have signed a collaboration in Q4 2020, aimed at the development and commercialization of GeneproDx's novel genomic test ThyroidPrint on Biocartis' rapid and easy to use molecular diagnostics platform Idylla™. Upon commercialization of GeneproDx's novel genomic test ThyroidPrint, GeneproDx will make royalty payments to Biocartis based on net sales. Consequently, the elements included in this agreement consist of upfront license revenue, R&D services and product related revenue.

Product revenue recognized under this agreement is shown under product related revenue as it relates to the placement of Idylla™ systems and cartridges.

Based on the contractual dispositions, we assessed the following:

- → The arrangement consists of the following performance obligations: license to use IP, development services and the supply of Idylla™ assays and Idylla™ systems

- → The transaction price is currently composed of a fixed part, being the license fee and a variable part being the royalty revenue and product related revenue.

- → The transaction price has been allocated to the different performance obligations based on the stand-alone selling prices. The performance obligation relating to granting the right to use the IP is satisfied at a point in time, i.e. at the start of the license period. Performance obligations relating to development activities and services are satisfied over the estimated service period based on a pattern that reflects the transfer of the development activities. The royalty-based revenues are recognized when the royalty is earned, or when the underlying goods are sold. Performance obligations relating to the supply of Idylla™ components are satisfied at a point in time, when the control is transferred.

In 2020, the Group recognized a license fee and R&D service revenue. The recognized R&D service revenue mainly related to the billing of fixed amounts for each hour of service.

1.2.4.2. / REVENUES BY MAJOR COUNTRIES AND CUSTOMERS

	Years ended 31 December	
In EUR 000	2020	2019
Country of domicile	481	756
Belgium	481	756
Total all foreign countries, of which	42,647	36,688
United States of America	15,604	14,752
China	1,993	3,079
Spain	2,866	2,809
France	3,497	2,199
Great Britain	3,972	1,782
Germany	2,946	1,903
Rest of the world	11,769	10,164
Total	43,128	37,444

Revenue in the above table are assigned according to the location of the Group or parent company of the customer.

In 2020 there are no costumers representing at least 10% of the total recognized revenues, however the 5 largest clients together represent 24% of the revenue.

1.2.5. / OTHER OPERATING INCOME

	Years ended 31 December	
In EUR 000	2020	2019
R&D project support (VLAIO & IWT grants)	1,158	283
Other project grants (EU)	56	-
Other income	11,217	5
Total	12,431	288

The collaboration with Genomic Health, a subsidiary of Exact Sciences Corporation, for the development of the Oncotype DX Breast Recurrence Score® test on Idylla™ was initially delayed and ultimately terminated because of the pandemic and a decision by Exact Sciences Corporation to shift priorities to other initiatives. Genomic Health, Inc. (a subsidiary of Exact Sciences Corporation) paid a settlement fee of EUR 10.3m, which is recorded as other income.

The other operating income also consist out of grants that were awarded to support R&D activities. In 2020, the Group was awarded two new grants from VLAIO, for the development of the Idylla™ SARS-CoV-2 Test and the Idylla™ GeneFusion Assay.

1.2.6. / COST OF SALES

The cost of goods sold in relation to the product sales is as follows:

In EUR 000	Years ended 31 December 2020	2019
Employee benefit expenses	-6,118	-6,047
Material, lab consumables & small equipment	-13,187	-11,145
Depreciation and amortization	-3,378	-1,768
Royalty expense	-1,486	-1,290
Facilities, office and other	-2,115	-1,078
Total	-26,284	-21,328

For the explanation on the increase of the cost of sales we refer to Part 3, 'Performance 2020'.

1.2.7. / RESEARCH & DEVELOPMENT EXPENSES

In EUR 000	Years ended 31 December 2020	2019
Employee benefit expenses	-24,912	-21,752
R&D consultancy & subcontracting	-9,206	-5,063
Laboratory and cartridge expenses	-2,817	-2,355
Quality, regulatory and intellectual property	-693	-444
Facilities, office & other	-2,801	-1,509
ICT	-332	-1,333
Travel, training & conferences	-166	-742
Depreciation and amortization	-4,856	-6,645
Total	-45,783	-39,844

Subcontracting includes expenses in relation to services provided by research and development providers such as services related to the development of assay cartridges, instrument and console of the various diagnostic platforms, manufacturing equipment design and engineering services.

Laboratory and cartridge costs include consumables and prototype costs related to the development of diagnostic platform prototypes and assays.

The remaining expenses relate to quality, regulatory, patenting, building facilities, ICT, office, maintenance of equipment, logistics, travel, training and conferences.

For the explanation on the increase of the research and development expenses we refer to Part 3, 'Performance 2020'.

1.2.8. / SALES & MARKETING EXPENSES

In EUR 000	Years ended 31 December 2020	2019
Employee benefit expenses	-10,369	-11,126
S&M consultancy & subcontracting	-929	-1,259
Sales and promotional expenses	-658	-501
Business development	-932	-503
Facilities, office & Other	-998	-854
Travel, training & conferences	-791	-2,701
Depreciation and amortization	-579	-810
Impairment of receivables	-480	-256
Total	-15,736	-18,011

Sales and promotional expenses relate to costs of external market research, advertisement, and promotional activities related to the Group's products. For the explanation on the increase of the sales and marketing expenses we refer to Part 3, 'Performance 2020'.

1.2.9. / GENERAL & ADMINISTRATIVE EXPENSES

	Years ended 31 December	
In EUR 000	2020	2019
Employee benefit expenses	-10,783	-8,778
External advice	-683	-927
Facilities, office & other	-1,388	-2,624
Human resources	-1,030	-1,027
Travel, training & conferences	-162	-444
Depreciation and amortization	-572	-351
Total	-14,618	-14,151

External advice expenses include fees, service and consulting expenses related to legal, human resources, investor relations, accounting, audit and tax services. Facilities, office & other include office, insurance and other miscellaneous expenses used in general and administrative activities.

For the explanation on the increase of the general and administrative expense we refer to Part 3, 'Performance 2020'.

1.2.10. / EMPLOYEE BENEFIT EXPENSES

	Years ended 31 December	
In EUR 000	2020	2019
Short term employee benefits	-50,194	-45,509
Post-employee benefit expense	-485	-471
Termination benefits	-71	-499
Share-based payments	-1,432	-1,225
Total	-52,182	-47,704

Employee benefit expenses include payroll expenses of fixed employees, interim staff and consultants in a permanent position. The employee benefit expenses amounted to EUR 52.2m in 2020 compared to EUR 47.7m in 2019, a year-over-year increase of 9%. This increase is predominantly a consequence of the increase in headcount, as can be seen in the table below.

The headcount can be presented as follows:

	As of 31 December	
	2020	2019
Operations staff	143	120
Research and development staff	185	181
Marketing and sales staff	86	89
General and administrative staff	70	72
Total headcount	484	462
Average full time equivalents	526	465

The average FTE equals sum of the day-to-day FTE divided by the number of days. The average FTE's in the table above is calculated including fixed employees, interim staff and consultants. The average FTE's of fixed employees only is 366 for 2020.

1.2.11. / FINANCIAL INCOME AND EXPENSE

In EUR 000	Years ended 31 December	
	2020	2019
Interest expense	-10,184	-7,099
Other financial expense	-4,385	-401
Total	-14,569	-7,500
Other financial result	-1,199	-434
Total	-1,199	-434
Financial result, net	-15,768	-7,934

Net financial expenses amounted to EUR 15.8m in 2020 compared to EUR 7.9m in 2019 and included financial expenses in relation to the Company's convertible bond of EUR 9.0m (consisting of EUR 6.0m coupon payment and EUR 3.0m of debt appreciation) in 2020, compared to EUR 5.7m in 2019. The bond was issued in May 2019 and therefore only included one coupon in 2019. The other financial expenses include in 2020 a cash payment of EUR 4.3m in connection with the exercise of conversion rights.

The other financial result mainly consists of non-realized foreign exchange gains and losses of EUR 1.0m in 2020 compared to EUR 0.1m in 2019, due to a higher amount of dollars on our bank account.

1.2.12. / LOSS PER SHARE

The Group has stock option plans that may be settled in common shares of the Group and which are considered anti-dilutive given that the Group's operations were loss making over the reporting period. As such, the basic and diluted earnings per share are equal.

The basis for the basic and diluted earnings per share is the net loss for the year attributable to the owners of the Group.

	Years ended 31 December,	
	2020	2019
Profit/loss for the period attributable to the owners of the Group (in EUR 000)	-62,934	-64,068
Weighted average number of ordinary shares for basic loss per share (in number of shares)	56,610,506	56,074,525
Basic loss per share (EUR)	-1.11	-1.14

1.2.13. / INTANGIBLE ASSETS

The Group's intangible assets comprise acquired patents, licenses and software. The carrying amounts for the periods presented can be analyzed as follows:

In EUR 000	Patents and licenses	ICT software	Total
Year ended 31 December 2019			
Opening net carrying value	6,419	161	6,579
Additions	300	94	394
Disposals	0	-1	-1
Disposal depreciations	0	0	0
Amortization expense	-567	-112	-679
	0	0	0
Closing net carrying value	6,151	143	6,294
As at 31 December 2019			
Cost	12,292	1,722	14,014
Accumulated amortization	-6,140	-1,580	-7,720
Net carrying value	6,151	143	6,294
Year ended 31 December 2020			
Opening net carrying value	6,151	143	6,294
Additions	0	15	15
Disposals	0	0	0
Disposal amortizations	0	0	0
Amortization expense	-577	-87	-664
Closing net carrying value	5,574	71	5,645
As at 31 December 2020			
Cost	12,292	1,737	14,029
Accumulated amortization	-6,717	-1,667	-8,384
Net carrying value	5,574	71	5,645

Patents and licenses primarily include a number of technology licenses acquired by the Group from Philips in 2010 relating to the Group's flagship diagnostic platform Idylla™. The carrying amount per 31 December 2020 is EUR 4.5 (2019: EUR 5.0m). The remaining useful life is 8 years.

Amortization expense on intangible assets is shown in the income statement under research and development expenses.

1.2.14. / PROPERTY, PLANT AND EQUIPMENT

The Group's property, plant and equipment comprise ICT equipment, laboratory equipment, manufacturing equipment, Idylla™ systems for internal use, furniture and fixtures, leasehold improvements, other property and equipment, equipment under construction, right-of-use assets and Idylla™ systems for rent. The carrying amounts can be analyzed as follows:

In EUR 000	ICT equipment	Laboratory equipment	Manufacturing equipment	Systems for internal use	Furniture and fixtures	Leasehold improvements	Other property and equipment	Equipment under construction	Assets held under lease	Systems for rent	Right-of-use assets	Total
Opening carrying amount	571	810	783	2,609	359	625	6	17,036	3,336	4,255	0	30,390
Initial application IFRS 16	0	0	0	0	0	0	0	0	0	0	14,336	14,336
Additions	183	223	1,268	573	99	95	0	0	0	3,468	2,289	8,198
Disposals	-1	-12	-5	-246	0	0	0	0	0	-638	0	-902
Disposal depreciation	0	12	18	138	0	0	0	0	0	247	13	428
Depreciation charge of the period	-226	-356	-512	-1,145	-78	-366	-6	0	0	-1,365	-4,988	-9,042
Transfer gross carrying amount	0	69	838	0	0	19	0	-17,014	-11,002	0	27,090	0
Transfers depreciations	0	0	0	0	0	0	0	0	7,666	0	-7,666	0
Currency translation gross carrying amount	0	4	0	11	0	0	0	0	0	0	3	18
Currency translation depreciations	0	0	0	-4	0	0	0	0	0	0	-2	-6
Closing carrying amount	527	750	2,390	1,936	380	373	0	22	0	5,967	31,076	43,421
As at 31 December 2019												
Cost	1,995	2,858	9,396	6,282	832	2,781	29	22	0	8,195	43,719	76,109
Accumulated depreciation	-1,468	-2,108	-7,006	-4,346	-452	-2,408	-29	0	0	-2,228	-12,643	-32,688
Carrying amount	527	750	2,390	1,936	380	373	0	22	0	5,967	31,076	43,421
Opening carrying amount	527	750	2,390	1,936	380	373	0	22	0	5,967	31,076	43,421
Additions	30	439	1,021	427	9	5	0	108	0	3,436	2,081	7,556
Disposals	0	-217	-102	-686	-28	0	0	0	0	-1,386	-642	-3,060
Disposal depreciation	0	101	0	506	0	0	0	0	0	490	265	1,362
Depreciation charge of the period	-181	-269	-546	-757	-75	-225	0	0	0	-1,790	-5,239	-9,082
Transfer gross carrying amount	0	0	0	0	0	0	0	0	0	0	0	0
Transfers depreciations	0	0	0	0	0	0	0	0	0	0	0	0
Currency translation gross carrying amount	0	-17	0	-85	-5	0	0	0	0	0	-62	-169
Currency translation depreciations	0	4	0	43	0	0	0	0	0	0	22	69
Closing carrying amount	377	791	2,763	1,384	281	153	0	130	0	6,718	27,502	40,098
As at 31 December 2020												
Cost	2,025	3,063	10,315	5,938	808	2,786	29	130	0	10,245	45,096	80,435
Accumulated depreciation	-1,649	-2,272	-7,552	-4,554	-527	-2,633	-29	0	0	-3,527	-17,594	-40,338
Carrying amount	377	791	2,763	1,384	281	153	0	130	0	6,718	27,502	40,098

The most significant addition to Property, plant and equipment are predominantly related to manufacturing equipment, right-of-use assets and capitalized Idylla™ systems sold under reagent rental and similar agreements.

The Right-of-use assets consist out of the following categories:

In EUR 000	As of 31 December 2020	As of 31 December 2019
Non-current assets		
Right-of-use assets - buildings	10,919	12,373
Right-of-use assets - manufacturing equipment	14,541	16,954
Right-of-use assets - cars	2,007	1,700
Right-of-use assets - office furniture	35	50
Total right-of-use assets	27,502	31,077

The table below provides a split of the depreciation charges by asset class:

In EUR 000	Years ended 31 December 2020	Years ended 31 December 2019
Depreciation expense per type right-of-use assets		
Buildings	1,786	1,739
Manufacturing equipment	2,489	2,482
Cars	949	752
Office furniture	15	15
Total depreciation expense	5,239	4,988

The Group's current lease agreements do not include material residual value guarantees and/or material extension and termination options that could have a substantial impact on the conducted lease measurement assessment. Underlying leas measurements will be updated should there be a reasonably likelihood that certain extension and/or termination options are to be exercised.

1.2.15. / FINANCIAL PARTICIPATION

In 2015, the Group acquired a financial participation of 13.5% in MyCartis NV through a contribution in kind for an amount of EUR 5.1m by Debiopharm Diagnostics SA. The investment in associates was fully impaired in 2019 as a consequence of changed activities of MyCartis and realized valuation levels of related recent capital increases.

1.2.16. / INVESTMENTS IN JOINT VENTURES

The Group holds an investment in one joint venture at the end of the reporting period:

Name of joint venture	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group 2020	2019
Wondfo-Cartis Ltd.	Commercialization	China	50%	50%

Wondfo-Cartis Ltd. was established in January 2019 for the commercialization of the Idylla™ platform. The Group's net investment amounts to EUR 2.9m in 2020. The joint venture is accounted for using the equity method in the consolidated financial statements as set out in the Group's accounting policies in note 1.2.2.5.

Summarized financial information of the joint venture is set out below. The summarized financial information below represents amounts in the joint venture's financial statements. They have been modified to reflect adjustments made by the entity when using the equity method, including fair value adjustments and adjustments for differences in accounting policy, but not adjusted for the Group's share. Considering the current situation in China related to the Corona-virus, the financial information could not be audited before the publication of this annual report.

Summarized statement of financial position:

In EUR 000	As of 31 December 2020
Non-current assets	3,617
Current assets	6,387
Total assets	10,004
Non-current liabilities	0
Current liabilities	1,032
Total liabilities	1,032

Summarized statement of comprehensive income:

In EUR 000	Year ended 31 December 2020
Operating income	1,406
Operating expenses	-2,480
Financial result, net	22
Income taxes	0
Result of the year	-1,052
Other comprehensive income	0
Total comprehensive income	-1,052
Share in total comprehensive income	-526

Based on the above, the carrying amount of the investment in joint ventures presented in the consolidated statement of financial position reconciles as follows:

As per 31 December 2019	2,358
Investments of the year	1,000
Share of the result of the year	-526
Share of the other comprehensive income	0
Dividends received	0
Elimination of unrealized gains and losses	68
Foreign exchange differences	-6
As per 31 December 2020	2,894

As of the date of this report, there are no material contingent liabilities related to the joint venture. Following the establishment of the joint venture, both shareholders made initial capital contributions to the joint venture. Besides these contributions, each shareholder made an extra capital contribution of EUR 1.0m in 2020.

1.2.17. / DEFERRED TAX ASSETS

Deferred taxes relate to the long-term portion of investment tax credit on research and development and amount to EUR 1.4m per 31 December 2020 (2019: EUR 1.6m). Recognized research and development tax credits in Belgium can be effectively repaid if a company has not been able to offset the tax credit against the corporation tax for the last five consecutive tax years. In 2020, EUR 0.3m of the Group's tax credit on research and development has become a short term receivable, see note 1.2.19.

In EUR 000	As of 31 December 2020	2019
Tax credit research and development	1,593	1,594
Other	-121	16
Total	1,472	1,609

1.2.18. / INVENTORIES

The inventory can be analyzed as follows:

In EUR 000	Per 31 December 2020	2019
Inventory		
Raw materials	4,950	5,799
Semi-finished products	746	495
Finished products	10,015	7,867
Total	15,712	14,161
Amount recognized as an expense	-26,284	-21,328

Finished products include cartridges and systems held for expected commercialization, including systems placed under trial at customers under the Group's early adaptor program.

As per 31 December 2020, EUR 0.5 m of the total inventory value was older than 12 months (2019: EUR 1.0m) for which EUR 0.1m impairment was recognized (2019: EUR 0.3m). It is the expectation that a significant part of the current inventory will be sold within the next 12 months.

1.2.19. / TRADE AND OTHER RECEIVABLES

Trade and other receivables can be analyzed as follows:

In EUR 000	As of 31 December 2020	2019
Trade receivables	13,968	10,951
Allowance for doubtful receivables	-480	-256
Total	13,488	10,695

	As of 31 December 2020	2019
VAT receivables	2,133	1,870
Tax credit research and development	310	5,242
Other receivables	1,518	1,528
Total	3,960	8,640

Trade receivables have increased from EUR 10.7m per 31 December 2019 to EUR 13.5m per 31 December 2020.

At the reporting date, the Group has approximately EUR 5.1m (2019: EUR 4.4m) trade and other receivables that were past due but were not impaired. In 2020 an allowance for doubtful receivables was recorded for EUR 0.5m (2019: EUR 0.3m) and no trade receivables were impaired.

The Group applies the simplified approach of IFRS 9 to measure expected credit losses using a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics (e.g. country) and the days past due. The expected loss rates are based on the payment profiles of receivables over a period of 12 months before 31 December 2020 or 1 January 2020 respectively and the corresponding historical credit losses experienced within this period. Based on this, the Group concluded that historical losses are very limited considering the high credit quality of the partners with whom the Company is working.

A short term tax credit of EUR 0.3m (2019: EUR 5.2m) on research and development has been recognized in other receivables as this portion of the tax credit is to be received by the Group since it has not been able to offset that portion of the tax credit against the corporation tax for the last five consecutive tax years.

Other receivables include VAT receivables and amongst others amounts recorded for the government capital grant by STS Strategic Transformation Support) related to the investments in the second cartridge manufacturing facilities in Mechelen.

1.2.20. / OTHER CURRENT ASSETS

Other current assets can be analyzed as follows:

	As of 31 December	
In EUR 000	2020	2019
Accrued grant income	223	347
Accrued collaboration income	1,209	627
Other accrued income	29	15
Deferred charges	1,693	1,419
Total	3,154	2,407

Other current assets include accrued income mainly related to Flemish government grants for EUR 0.2 m (2019: EUR 0.3m). The Group evaluates continuously if it fulfils the specific conditions as per specific grant agreements to justify that none of the grants receivables are to be impaired.

For more details on the revenues and collaboration agreements, please see note 1.2.4. Accrued collaboration income includes upfront payments from collaboration partners in relation to amongst others strategic licensing, development and/or commercialization collaborations.

	Accrued collaboration income
As per 31 December 2018	169
Invoiced	-1,047
Recognized in profit or loss	1,505
As per 31 December 2019	627
Invoiced	-1,115
Recognized in profit or loss	1,697
As per 31 December 2020	1,209

1.2.21. / CASH AND CASH EQUIVALENTS

The cash and cash equivalents can be analyzed as follows:

	Per 31 December	
In EUR 000	2020	2019
Cash and cash equivalents		
Cash at bank and on hand	122,468	177,525
Total cash and cash equivalents	122,468	177,525
Total restricted cash	1,200	1,200
Total cash and cash equivalents for cash flow purposes	123,668	178,725

The restricted cash relates to a deposit on a debt service reserve account as a security for the lease of the Idylla™ cartridge manufacturing lines.

1.2.22. / SHARE CAPITAL

ISSUED SHARE CAPITAL

As of 25 November 2014, the Company became the parent company and reporting entity of the Group. Previous to that date, Biocartis SA was the parent company and reporting entity.

The table below summarizes the share capital and the outstanding shares of the Company as at 31 December 2019 and 31 December 2020. The shares are fully paid up shares.

The number of shares issued and outstanding and the share capital is:

	Biocartis Group NV			
	Number of common shares issued and outstanding	Legal share capital in EUR000	Historical share capital adjustment EUR000	Total share capital in EUR000
At 31 December 2018	51,361,088	514	-221,232	-220,718
Share issue - private placement 28 January 2019	5,000,000	50	0	50
Share issue - exercise of stock options on 4 April 2019	21,000	0	0	0
At 31 December 2019	56,382,088	564	-221,232	-220,668
Convertible bond - incentivized conversion	1,163,575	11	0	11
At 31 December 2020	57,545,663	575	-221,232	-220,657

The following capital transactions took place at the Company from 1 January 2020 until 31 December 2020:

→ On 7 December 2020, the Company announced the exercise of conversion rights of 10% of the total outstanding bond. This transaction resulted in an increase in share capital of EUR 0.01m and an increase in share premium of EUR 13.8m.

VOTING RIGHTS

Each share gives the holders thereof the right to one vote. The shares are indivisible in respect of the Company and the Company only recognizes one owner per share as regards the exercise of the voting rights.

DIVIDENDS

The Company has not declared or paid any dividends on its shares. Currently, the board of directors expects to retain all earnings, if any, generated by the Company's operations for the development and growth of its business and does not anticipate paying any dividends to the shareholders in the near future.

1.2.23. / SHARE BASED PAYMENTS

The table below provides an overview of the movement in stock options since 31 December 2018:

	2008 Plan	2013 Plan	2015 Plan	2017 Plan	2018 Plan	2020 Plan	2020B Plan	Total
Total outstanding at 31 December 2018	19,101	504,595	249,988	1,340,000	274,900	0	0	2,388,584
Options granted	0	0	0	0	278,550	0	0	278,550
Options exercised	0	-21,000	0	0	0	0	0	-21,000
Options forfeited	-19,101	-1,056	-40,370	0	-27,001	0	0	-87,528
Options cancelled	0			0	0	0		0
Total outstanding at 31 December 2019	0	482,539	209,618	1,340,000	526,449	0	0	2,558,606
Options granted		0	0	0	82,125	227,300	450,000	759,425
Remaining pool*		12,160	434	0	0	469,676	410,000	892,270
Options exercised		0	0	0	0	0	0	0
Options forfeited		-201,324	0	-127,635	-37,639	-1,500	0	-368,098
Options cancelled		0	0	0	0	0	0	0
Total outstanding at 31 December 2020	0	293,375	210,052	1,212,365	570,935	695,476	860,000	3,842,203

*Remaining pool are share options created under the plan which have not (yet) been granted and accepted by any beneficiary, and which have not been cancelled for any reason

2013 PLAN

The 2013 Plan is a dilutive option plan, implying that new shares are issued upon the exercise of the respective stock options. A maximum of 1,000,000 shares can be issued to employees, consultants and management of the Group, of which 987,840 options were granted per 31 December 2020. In 2020 201,234 options were forfeited. A total of 293,375 options are still outstanding per 31 December 2020 of which:

- 21,611 options have an exercise price of EUR 8.1309
- 23,104 options have an exercise price of EUR 13.28
- 50,000 options have an exercise price of EUR 10.442
- 187,500 options have an exercise price of EUR 12.14
- 12,160 options were not yet granted and remain in the pool

The weighted average remaining contractual life is 3.46 years. The key terms of the 2013 Plan are:

- Options have the form of warrants of the Company
- Options are granted for free
- Exercise price: the board of directors determines the exercise price when the stock options are granted to a selected participant.
- Granted stock options only become exercisable after vesting and can only be exercised during the full remaining lifetime of the stock options and then only during the following periods:
    - As of 16 March until 31 March
    - As of 16 September until 30 September
    - And as of 1 December until 15 December
- Option term: 10 years after the creation of the plan (expiry is in 2023) but upon grant of the option contractually reduced to 7 years.
- Vesting: time based vesting over 4 years (on a monthly basis; that is 1/48 per month), subject to acceleration in case of a change of control event.

The fair value of each option is estimated on the date of grant using the Black & Scholes model with the following assumptions:

	Grants 2013	Grants July 2014	Grants November 2014	Grants August 2015	Grants July 2017	Grants December 2017
Number of warrants granted	680,340	20,000	20,000	30,000	50,000	187,500
Number of warrants not vested at 31/12/2020	0	0	0	0	7,319	140,625
Exercise price	EUR 9.35	EUR 9.35	EUR 8.13	EUR 13.28	EUR 10.44	EUR 12.14
Expected dividend yield	0	0	0	0	0	0
Expected stock price volatility	25%	30%	30%	31%	36%	35%
Risk-free interest rate	0.7%	0.2%	0.1%	0.1%	0.3%	0.2%
Expected duration	3.5 years	2.8 years	2.6 years	2.3 years	3.5 years	3.5 years
Forfeiture rate	0%	0%	0%	0%	0%	0%
Fair value	EUR 1.78	EUR 1.87	EUR 1.56	EUR 2.70	EUR 2.53	EUR 2.80

The weighted average risk-free interest rates used are based on government bond rates at the date of grant with a term equal to the expected life of the options. The stock price volatility is determined by reference to the Nasdaq Biotech Index (NBI).

2015 PLAN

On 15 January 2015, an option plan was established, pursuant to which 217,934 options were issued. This plan was cancelled by the general shareholders' meeting of the Company on 13 April 2015 and replaced on the same date by a new stock option plan (the '2015 Plan'), enabling the Company to grant a maximum of 262,934 stock options (each stock option having the form of a warrant) to selected staff members (consisting of employees, consultants and members of the management) and directors. The 2015 Plan is a dilutive option plan, implying that new shares are issued upon the exercise of the respective stock options. In 2020, no options were granted, no options were exercised and no options were forfeited. A total of 210,052 options are still outstanding per 31 December 2020 and the weighted average remaining contractual life is 2.3 years. The key features of the stock options under the 2015 Plan are as follows:

- Options have the form of warrants of the Company
- Options are granted for free.
- Exercise price: The board of directors shall determine the exercise price at the time of the grant of the stock options, based upon the stock exchange price of the underlying shares at the time of the grant or an average price calculated over a previous period.
- Option term: the stock options have a term of 10 years when they were created, but this term will be contractually reduced to seven years.
- Vesting: time based vesting over 4 years (on a monthly basis; that is 1/48 per month), subject to acceleration in case of a change of control event.

The fair value of each option is estimated on the date of grant using the Black & Scholes model with the following assumptions:

	Grants 2015	Grants January 2016	Grants March 2016	Grants May 2016	Grants August 2016	Grants November 2016	Grants May 2017	Grants May 2018
Number of warrants granted	72,500	10,000	62,500	15,000	10,000	62,500	15,000	15,000
Number of warrants not vested at 31/12/2020	0	0	0	0	0	0	0	0
Exercise price	EUR 13.28	EUR 12.77	EUR 11.52	EUR 9.72	EUR 7.25	EUR 8.50	EUR 10.27	EUR 12.73
Expected dividend yield	0	0	0	0	0	0	0	0
Expected stock price volatility	31%	34%	36%	36%	38%	38%	37%	35%
Risk-free interest rate	0.5%	0.8%	0.4%	0.4%	0.7%	0.9%	0.5%	-0.4%
Expected duration	3.4 years	4.6 years	4.6 years	4.5 years	4.4 years	4.2 years	3.9 years	4 years
Forfeiture rate	0%	0%	0%	0%	0%	0%	0%	0%
Fair value	EUR 3.29	EUR 3.85	EUR 4.13	EUR 2.08	EUR 2.52	EUR 2.74	EUR 3.19	EUR 3.37

The weighted average risk-free interest rates used are based on government bond rates at the date of grant with a term equal to the expected life of the options. The stock price volatility is determined by reference to the Nasdaq Biotech Index (NBI).

2017 PLAN

On 11 September 2017, a warrant plan was established pursuant to which 1,340,000 warrants were issued and granted to Herman Verrelst, chief executive officer of the Company. The 2017 Plan is a dilutive option plan, implying that new shares are issued upon the exercise of the respective warrants. In 2017, 1,340,000 warrants were granted. In 2020 no warrants were exercised and 127,635 warrants were forfeited. The key features of the warrants under the Warrant plan 2017 are as follows:

- Warrants are granted for free.
- Exercise price: EUR 9.92.
- Warrant term: determined at the time of the grant of the warrants.
- Vesting: 50% of the warrants will vest over a period of four years (12.5% of the warrants will vest on each of the first four anniversary dates of the date of grant), while the other 50% of the warrants will vest if and to the extent of the CEO achieving certain objective and verifiable key performance indicators.

The fair value of each option is estimated on the date of grant using the Black & Scholes model with the following assumption

	Grants December 2017
Number of warrants granted	1,340,000
Number of warrants not vested at 31/12/2020	709,865
Exercise price	EUR 9.92
Expected dividend yield	0
Expected stock price volatility	32%
Risk-free interest rate	-0.3%
Expected duration	2.5 years
Forfeiture rate	0%
Fair value	EUR 2.14

2018 PLAN

On 10 September 2018, a warrant plan was established by the board of directors pursuant to which 1,335,426 warrants were issued, enabling the Company to grant a maximum of 1,335,426 warrants to selected staff members (consisting of employees, consultants and members of the management) and directors. In 2020, 82,125 warrants were granted. No warrants were exercised and 37,639 warrants are forfeited. The key features of the warrants under the Warrant plan 2018 are as follows:

- Each warrant can be exercised for one share.
- Warrants are granted for free.
- The warrants have a term of ten years when they were created, but this term is contractually reduced to seven years.
- The exercise price of the warrant is determined at the time of the grant of the warrants.
- Vesting is time-based between 1 and 3.5 years.

The fair value of each option is estimated on the date of grant using the Black & Scholes model with the following assumptions:

	Grants 2018	Grants May 2019	Grants October 2019	Grants December 2019
Number of warrants granted	273,900	97,500	116,050	65,000
Number of warrants not vested at 31/12/2020	47,241	63,283	45,446	65,000
Exercise price	EUR 1.,95	EUR 11.93	EUR 6.48	EUR 6.05
Expected dividend yield	0	0	0	0
Expected stock price volatility	34%	35%	39%	40%
Risk-free interest rate	-0.3%	-0.6%	-0.7%	-0.6%
Expected duration	3.5 years	3.2 years	3.5 years	3.5 years
Forfeiture rate	0%	0%	0%	0%
Fair value	EUR 3.11	EUR 2.34	EUR 1.46	EUR 1.24

2020 PLAN AND 2020B PLAN

In April 2020, two new warrant plan were established by the board of directors, pursuant to which a total of 1,556,976 warrants were issued, enabling the Company to grant these warrants to selected staff members and directors. In 2020 227,300 warrants were granted for the 2020 plan and 450,000 warrants were granted for the 2020B plan. No warrants were exercised and 1,500 warrants were forfeited.

The main characteristics of the share options are as follows:

- Each warrant can be exercised for one share.
- Warrants are granted for free.

→ The exercise price per share option is at least equal to the average closing price of the Company's share on Euronext Brussels during the thirty (30) day period prior to the date of grant.

→ The share options in principle have a contractual term of seven (7) years and are subject to a cliff-vesting of minimum three (3) years.

The fair value of each option is estimated on the date of grant using the Black & Scholes model with the following assumptions:

	2020B Plan Grant April 2020	2020 Plan Grant May 2020	2020 Plan Grant September 2020	2020 Plan Grant November 2020
Number of warrants granted	450,000	50,000	110,800	65,000
Number of warrants not vested at 31/12/2020	450,000	50,000	110,800	65,000
Exercise price	EUR 4.18	EUR 4.81	EUR 4.81	EUR 4.53
Expected dividend yield	0	0	0	0
Expected stock price volatility	43%	43%	43%	44%
Risk-free interest rate	-0.5%	-0.5%	-0.7%	-0.7%
Expected duration	3.5 years	3.5 years	3.5 years	3.5 years
Forfeiture rate	0%	0%	0%	0%
Fair value	EUR 1.74	EUR 1.49	EUR 1.46	EUR 1.51

ACCOUNTING FOR SHARE-BASED PAYMENT

The shared-based compensation expense recognized in the income statement as such is given below:

	Years ended 31 December	
In EUR 000	2020	2019
Share based compensation	1,432	1,225
Total	1,432	1,225

1.2.24. / DEFINED BENEFIT PLANS

The Defined Benefit plans are calculated via the application of the Projected Unit Credit (PUC) method as from 2016. No change in calculation method in the present year.

Per 31 December 2020, the Defined Benefit plans are a net asset and are therefore reported under 'Other non-current assets' in the consolidated statement of financial position.

	Years ended 31 December	
In EUR 000	2020	2019
Provisions for pensions and similar obligations	-413	49
Total	-413	49

The Group has used an independent actuary to calculate the defined benefit liability and they provided the following disclosures.

The analysis of the change in the net liability is as follows:

	Net defined benefit liability
As per 31 December 2019	49
Service cost	485
Pension expense/income	-1
Company contributions	-750
Actuarial gains/losses	-196
As per 31 December 2020	-413

The principal assumptions used for the purpose of the actuarial valuation are as follows:

	2020
Discount rate	0.90%
Minimum guaranteed interest rate	1.75%

The Group has performed a sensitivity analysis taking into account a possible change in the discount rate by 0.5%. The impact of the sensitivity analysis on the net liability is as follows:

	2020
Discount rate +0,5%	174
Discount rate -0,5%	-174

The plans assets are fully invested in assurance contracts with a guaranteed return, in terms of risk category these can be best described as bonds

1.2.25. / FINANCIAL LIABILITIES

The financial liabilities can be analyzed as follows:

	Years ended 31 December	
In EUR 000	2020	2019
Lease liability	18,625	23,942
Bank borrowings	0	58
Convertible debt	125,260	136,158
Total non-current	143,885	160,158
Lease liability	6,615	6,295
Bank borrowings	58	125
Total current	6,673	6,420
Total Financial liabilities	150,557	166,578

In 2013, Biocartis NV refinanced about 50% of its Idylla™ semi-automated cartridge manufacturing line in Mechelen (Belgium) via a sale and lease back operation. This lease has a current lease term till 1 June 2021, carries a 3.35% interest rate and includes a purchase option of EUR 0.1m. Per 31 December 2020 EUR 0.1m is outstanding under this facility.

In 2015, Biocartis NV obtained two new financing facilities for the modifications to the current cartridge production line. The first new facility entails an investment credit for an amount of EUR 0.6m, with a payment term of 5 years and an interest rate of 1.93%. The second one entails a leasing facility for EUR 4.4m that carries a 1.77% interest, includes a purchase option of 1% of the financed amount and has a duration of 54 months. Per 31 December 2020 EUR 1.0m is outstanding under these two facilities.

In 2016, Biocartis NV obtained a lease financing facility for the development of a second cartridge production line in Mechelen, for EUR 15m. This facility was increase in 2018 with EUR 2.3m. The interest applicable for this facility equals 1.87% and includes a purchase option of 1% of the financed amount. Per 31 December 2020 EUR 8.9m is outstanding under this facility. As a security, a debt service reserve account is to be maintained for the above financing facilities of 2013, 2015 and 2016, the current debt service account amounts to EUR 1.2m.

In 2017, Biocartis reached agreement with KBC and BNP Paribas Fortis for a committed multiple purpose credit facility of EUR 27.5m (not covered by a government guarantee). This facility consists of a EUR 18.5m rollover credit line and a EUR 9m working capital credit line. No amount has been withdrawn on this credit facility per 31 December 2020.

In 2018, Biocartis NV obtained an investment credit of EUR 1m from a bank to finance mold investments related to its first cartridge manufacturing facility. The investment credit has a payment term of 5 years and an interest rate of 2.53%. In total EUR 0.8m has been withdrawn on this credit facility. Per 31 December 2020 EUR 0.6m is outstanding under this facility.

On 9 May 2019, the Group issued a convertible bond of EUR 150m, with a maturity date of 9 May 2024 (i.e. 5-year duration) and a coupon of 4%. The bond can be converted into new/existing ordinary shares of the Group upon the discretion of the bondholder. Under IAS 32- Financial instruments: Presentation the convertible bond is a compound financial instrument and contains, from the issue's perspective, both a liability (i.e. host debt instrument) and an equity component (i.e. an embedded share conversion option). The liability amounts to EUR 125.3m per 31 December 2020.

In addition, the Group also has access to a bank guarantee line of EUR 0.5m of which EUR 0.5m has been taken up for rental guarantees as per 31 December 2020, and a credit line with a bank of EUR 0.6m for currency hedging, of which EUR 0.0m has been taken up per 31 December 2020. The terms of the loans are summarized in the table below:

Loan	Year	Nominal amount (In EUR 000)	Secured (s) Non secured (ns)	Interest rate	Maturity rate
Lease company	2013	7,910	S	3.35%	31/05/2021
Lease company	2015	3,372	S	1.77%	1/12/2021
Bank	2015	600	S	1.93%	1/06/2021
Lease company	2016	17,319	S	1.87%	1/12/2021
Bank	2018	1,000	S	2.53%	31/12/2023

The reconciliation between the total of future minimum lease payments of the finance leases at the end of the reporting period and their present value is described in the table below:

In EUR 000	As of 31 December			
	2020		2019	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Lease				
< 1 year	7,255	6,615	7,482	6,295
> 1 and < 5 years	15,682	14,171	19,928	17,860
> 5 years	4,842	4,454	6,318	6,082
Total	27,779	25,240	33,728	30,237
Less interests	-2,537	0	-3,250	0
Present value	25,242	25,240	30,478	30,237

The changes in liabilities from financing activities are summarized in the table below:

In EUR 000	Lease liabilities	Convertible debt	Bank
As per 31 December 2019	30,237	136,158	183
Changes from financial cash flows	-7,042	-13,859	-125
Changes arising from obtaining or losing control of subsidiaries or other business	0	0	0
Changes due to the effect of changes in FX rates	0	0	0
Changes in fair value			
Capitalized interest	0	2,961	0
Lease additions	2,045	0	0
As per 31 December 2020	25,240	125,260	58

Some more details related to the lease liabilities such as interest expenses, expenses related to short term and low values lease and variable lease payments can be found in the table below. The Group's lease agreements do not include material restrictions or financial covenants.

In EUR 000	Years ended 31 December	
	2020	2019
Depreciation expense of right-of-use assets	-5,395	-5,151
Interest expense on lease liabilities	-624	-957
Rent expense - short-term & low value leases	-197	-395
Rent expense - variable lease payments	0	0
Total amounts recognized in profit or loss	-6,215	-6,503

1.2.26. / TRADE PAYABLES AND OTHER CURRENT LIABILITIES

In EUR 000	As of 31 December 2020	2019
Trade payables	13,907	9,070
Total trade payables	13,907	9,070

In EUR 000	As of 31 December 2020	2019
Provision vacation pay and end-of-year premium & other social debt	7,394	6,003
VAT payable	152	88
Other	40	-
Other current liabilities	7,587	6,091

The increase in trade payables is associated with timing of payments made to suppliers.

1.2.27. / DEFERRED INCOME

In EUR 000	Years ended 31 December 2020	2019
Grants	658	859
Partner income	983	1,197
Total	1,641	2,056
Current	1,278	1,595
Non-current	363	461

For more details on the contract liabilities, we refer to note 1.2.4. Deferred partner income includes upfront payments from collaboration partners in relation to the strategic licensing, development and commercialization collaborations. The deferred revenue per 31 December 2019 was EUR 1.2m, of which EUR 0.9m was recognized in revenue in 2020 and the remaining balance of EUR 0.3m is still outstanding and included in the deferred revenue balance of 31 December 2020.

	Deferred partner income
As per 31 December 2018	2,029
Invoiced	5,605
Recognized in profit or loss	-6,436
As per 31 December 2019	1,197
Invoiced	3,369
Recognized in profit or loss	-3,583
As per 31 December 2020	983

1.2.28. / ACCRUED EXPENSES

Accrued expenses primarily include accruals for rental charges.

1.2.29. / INCOME TAXES

1.2.29.1. / COMPOSITION OF TAX EXPENSE

In EUR 000	Years ended 31 December	
	2020	2019
Current income tax	-307	-165
Deferred income tax	79	66
Total	-228	-99

1.2.29.2. / TAX RECONCILIATION

Tax expenses for the year can be reconciled to the accounting loss as follows:

In EUR 000	Years ended 31 December	
	2020	2019
Loss before taxes	-63,162	-64,167
Income tax credit calculated at 25%/29,58%	-15,791	-18,981
Effect of different tax rates	0	0
Effect of income that is exempt from taxation	-2,077	-4,631
Effect of expenses that are non-deductible in determining tax profit	426	-169
Effect of unused tax losses and tax offsets not recognized as deferred tax assets	17,441	23,781
effect of tax credit for research and development	-309	-311
Effect of capital tax in Biocartis SA	0	178
Other	82	37
	-228	-96
Adjustments recognized in the current year in relation to the current tax of prior years	0	-3
Income tax expense (profit) recognized in loss for the period	-228	-99

1.2.29.3. / UNRECOGNIZED DEFERRED TAX ASSETS

Due to the uncertainty surrounding the Group's ability to realize taxable profits in the near future, the Group has not recognized any deferred tax assets on tax loss carry forwards and temporary differences.

The Group has tax losses available for carry forward of EUR 408.2m (2019: EUR 341.1m). The tax losses of Biocartis NV for EUR 369.8m per 31 December 2020 (2019: EUR 313.6m) in Belgium will not expire as they can be carried forward indefinitely.

1.2.29.4. / RECOGNIZED DEFERRED TAX ASSETS

The Group has R&D tax credit carry-forwards in Belgium for a total amount of EUR 1.9m (2019: EUR 6.8m) for which a deferred tax asset of EUR 1.9m (2019: EUR 6.8m) has been recognized as the recognition criteria have been met as from 2014. Per 2020, EUR 0.3m of the total R&D tax credit has been classified as a current asset under 'other receivables'.

1.2.30. / FINANCIAL RISK MANAGEMENT

1.2.30.1. / CAPITAL RISK MANAGEMENT

Capital comprises equity attributable to shareholders, borrowings and cash and cash equivalents. The Group's policy is to maintain a strong capital base in order to maintain investor and creditor confidence and to sustain the future development of the business. The Group's objectives when managing capital are 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.

The Group monitors capital regularly to ensure that the statutory capital requirements are met and may propose capital increases to the shareholders' meeting to ensure the necessary capital remains intact.

1.2.30.2. / FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks such as market risk, credit risk, and liquidity risk. The Group's finance department identifies and evaluates the financial risks in close co-operation with the operating units.

1.2.30.3. / MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's activities expose it primarily to changes in foreign currency exchange rates and interest rates.

FOREIGN EXCHANGE RISK

The Group is exposed to foreign currency risks primarily through its operating activities. Certain purchase transactions and certain sales transactions of the Group are undertaken in British Pound ("GBP") and US Dollar ('USD'). The Group did not enter into any currency hedging arrangements in order to cover its exposure. The Group is managing its foreign currency risk by matching foreign currency cash inflows with foreign cash outflows. Therefore the sensitivity to certain potential changes in, especially the GBP and USD is limited. Exchange rate exposure towards the foreign currencies can furthermore be managed through the use of forward exchange contracts, based upon management's judgment. The Group has not applied hedge accounting in 2020 and 2019.

Financial assets include current bank accounts and petty cash. Financial liabilities include trade payables and accruals in foreign currency.

	Years ended 31 December	
In EUR 000	2020	2019
Liabilities		
USD - United States	2,762	222
GBP - Great Britain	12	7
Assets		
USD - United States	4,416	3,487
GBP - Great Britain	934	372

The Group performed a sensitivity analysis for the two most significant currencies (USD, GBP). The impact of an increase or decrease in value by 10% of these currencies is not material.

INTEREST RATE RISK

The interest rate risk is limited as the Group has only long-term borrowings with a fixed interest rate. Changes in interest rates will not increase/decrease profit or loss or other comprehensive income.

OTHER MARKET RISK

The Group is not exposed to equity price risk or commodity price risk as it does not invest in these classes of investments.

CREDIT RISK

Credit risk arises from cash and cash equivalents, short-term bank deposits, as well as credit exposure to collaboration partners. Credit risk refers to the risks that counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group has a limited number of collaboration partners and therefore has a significant concentration of credit risk. However, it has policies in place to ensure that credit exposure is kept to a minimum and significant concentrations of credit exposure are only granted for short periods of time to high credit quality collaboration partners. Credit exposure with regard to R&D partnering activities is concentrated with a limited number of creditworthy partners. In 2020 there are no costumers representing at least 10% of the total recognized revenues.

None of the financial assets reported in the notes above have been pledged as collateral, and no financial assets have been received as collateral. The only financial asset pledged is the EUR 1.2m guarantee for the lease, reported under cash and cash equivalents. 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 reporting date, is the carrying amount of the financial assets.

LIQUIDITY RISK

The Group's main sources of cash inflows are obtained through capital increases, loans, grants and collaboration agreements. Cash is invested in low risk investments such as short-term bank deposits. Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built, what it considers to be an appropriate risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group mainly makes use of liquid investments in current (Euro and foreign currency) accounts, short term deposit accounts and fiduciary deposits. Instruments used possess high grade credit ratings, capital reimbursement guarantees and limited time horizons up to a maximum of 12 months.

The Group maintains a multiple purpose credit facility of EUR 27.5m, as described in note 1.2.25. In addition, the Group also has access to a bank guarantee line of EUR 0.5m of which EUR 0.5m has been taken up for rental guarantees as per 31 December 2020, and an credit line with a bank of EUR 0.6m for currency hedging, of which EUR 0m has been taken up as per 31 December 2020. The ability of the Group to maintain adequate cash reserves to sustain its activities in the medium term is highly dependent on the Group's ability to raise further funds from collaboration agreements, product sales, obtaining grants as well as the sale of new shares. As a consequence, the Group can potentially be exposed to significant liquidity risk in the medium term.

Analysis of contractual (undiscounted) maturities of financial liabilities at 31 December is as follows (amounts in EUR 000):

	As of 31 December					
	2020			2019		
In EUR 000	Trade payables	Financial liabilities	Other current liabilities and accrued expense	Trade payables	Financial liabilities	Other current liabilities and accrued expense
Less than 1 year	13,907	6,668	7,587	9,070	6,668	6,091
1-3 years		10,453			11,804	0
3-5 years		138,718			156,113	0
5+ years		4,460			5,834	0
Total	**13,907**	**160,299**	**7,587**	**9,070**	**180,420**	**6,091**

1.2.31. / FAIR VALUE

The fair value of the financial assets has been determined on the basis of the following methods and assumptions:

→ The carrying amount of the cash and cash equivalents and the current receivables approximate their value due to their short term character;

→ Other current financial assets such as current other receivables are being evaluated on the basis of their credit risk and interest rate. Their fair value is not significantly different than its carrying amount on 31 December 2020 and 2019.

→ The fair value of the financial liabilities has been determined on the basis of the following methods and assumptions:

→ The carrying amount of current liabilities approximates their fair value due to the short term character of these instruments;

→ Loans and borrowings are measured based on their interest rates and maturity date. Most interest bearing debts have fixed interest rates and their fair value is subject to changes in interest rates and individual creditworthiness. The fair value measurement is classified as level 2.

FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The Group has one financial instruments (MyCartis) carried at fair value in the consolidated balance sheet on 31 December 2020 and 2019.

Except for the borrowings (financial liabilities, see note 1.2.25), the carrying amount of the financial assets and liabilities approximate their fair values. The borrowings with a carrying amount of EUR 150.6m (2019: EUR 166.1m) have a fair value of EUR 150.6m (2019: EUR 165.3m).

1.2.32. / CONTINGENCIES

LEGAL CLAIMS

The Group is currently not facing any outstanding litigation that might have a significant adverse impact on the Group's financial position.

POTENTIAL CLAW BACK OF GOVERNMENT GRANTS RECEIVED

The Group recognizes grant income from Flemish, Dutch and European grant bodies when all contractual conditions are met. The government institutions may however perform an audit afterwards which may result in a (partial) claw back of the grant. The Group deems that the claw back risk is remote in view of the continuous monitoring of the contractual conditions. Currently the Group has fulfilled all the existing conditions relating to the recognition of its grant income. Contracts with these grant bodies also typically include clauses that define the need for future validation of the project results after completion of the initial grant term during which the subsidized expenses or investments have been incurred and for which the grant was earned. Should this validation not occur or be deemed inadequate, the grant bodies have the right to reclaim funds previously granted.

ROYALTIES

With respect to the Group's licensing agreements, the Group could in the future experience instances where royalty claims on sales of licensed products under these agreements exceed royalties reported by the Group.

1.2.33. / COMMITMENTS

1.2.33.1. / CAPITAL COMMITMENTS

Capital commitments relate mainly to the upgrade of the current cartridge production lines located in Mechelen (Belgium) for which the Group is engaged in several contractual arrangements with specified suppliers (2020: EUR 1.0m; 2019: EUR 0.4m). The Group had no other material commitments to capital expenditures on 31 December 2020.

1.2.33.2. / OPERATING COMMITMENTS

The Group has operating commitments towards different suppliers for Idylla™ systems and cartridge parts for a total amount of EUR 8.6m (2019: EUR 9.1m). It is expected that the majority of the commitments will be fulfilled in 2021.

1.2.33.3. / RELATED-PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in the notes. The remuneration of key management, transactions with the joint venture and a list of the subsidiaries are disclosed below. There were no other transactions with related parties.

1.2.33.3.1. / REMUNERATION OF DIRECTORS AND MEMBERS OF THE EXECUTIVE MANAGEMENT

For details on the remuneration of directors and members of the executive management, we refer to Part 3 'Non-Financial Report 2020', 'Remuneration policy' in the Corporate Governance section.

1.2.33.3.2. / JOINT VENTURES

In EUR 000	Sales of goods and services	Purchase of good and services	Interest cost	Trade receivables	Trade payables	Financial Debt
31 December 2020	674	154	0	527	154	0
31 December 2019	2789	0	0	646	0	0

Transactions with related parties are made at arm's length. The main transactions relate to product sales towards the Group's joint venture.

1.2.33.3.3. / SUBSIDIARIES

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2020	2019
Biocartis NV	Develop and market diagnostic platforms	Generaal de Wittelaan 11 B - 2800 Mechelen (België)	100%	100%
Biocartis US Inc	Market diagnostic platforms	30 Montgomery Street, 9th Floor, Suite 970 Jersey City, NJ 07302 USA	100%	100%
Biocartis S.r.l.	Market diagnostic platforms	Milano (MI) Corso Vercelli 40 CAP 20145 Italy	100%	0%

There are no significant restrictions on the ability to access or use assets, and settle liabilities, of the Group, except for the debt service reserve account which is held as a security for the lease of the Idylla™ cartridge manufacturing line. This debt service reserve account has a carrying value of EUR 1.2m and is reflected under cash and cash equivalents.

1.2.34. / EVENTS AFTER THE BALANCE SHEET DATE

Two important events occurred after the reporting date:

- → Achievement 2020 key business objectives – On 11 January 2021, Biocartis announced to have achieved its most recent key business objectives for 2020.
- → The credit facility and guarantees from BNP Paribas Fortis have been canceled in 2021 and replaced by a revised credit facility of KBC. This facility consists of a EUR 7.5m straight loan and a EUR 7.5m rollover credit line. No amounts have been drawn on this credit facility as per approval date of this annual report.

There were no further important events between 31 December 2020 and the approval date of this annual report.

1.2.35. / RELEVANT STANDARDS AND INTERPRETATIONS PUBLISHED, BUT NOT YET APPLICABLE FOR THE ANNUAL PERIOD BEGINNING ON 1 JANUARY 2020

- IFRS 17 Insurance Contracts (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023, but not yet endorsed in the EU)
- Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts — Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)
- Amendment to IFRS 4 Insurance Contracts – deferral of IFRS 9 (applicable for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (applicable for annual periods beginning on or after 1 January 2021)
- Amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions (applicable for annual periods beginning on or after 1 June 2020)
- Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022, but not yet endorsed in the EU)

The Group currently beliefs that the above mentioned standards will not have a material impact on the consolidated financial statements of the Group.

2. STATUTORY ANNUAL ACCOUNTS

2.1. / ABBREVIATED STATUTORY ANNUAL ACCOUNTS

The statutory annual accounts of Biocartis Group NV are presented in an abbreviated form. The full statutory annual accounts, drawn up in accordance with Belgian GAAP, are still to be filed with the National Bank of Belgium. The statutory auditor, Deloitte Bedrijfsrevisoren CVBA, represented by Nico Houthaeve, has issued an unqualified audit opinion regarding the statutory annual accounts. A copy of the statutory annual accounts and this annual report can be obtained upon request. An electronic version of these documents is available on the Biocartis website (www.biocartis.com).

2.2. / ACTIVITY BIOCARTIS GROUP NV

Biocartis Group NV was incorporated on 24 November 2014 and is the ultimate parent of the Biocartis group. The Biocartis group is active in developing innovative molecular diagnostic platforms providing next generation diagnostic solutions aimed at improving clinical practice for the benefit of patients, clinicians, payers and industry. The Biocartis group is developing and marketing a rapidly expanding test menu on its Idylla™ platform addressing key unmet clinical needs with a focus on oncology.

Biocartis Group NV is an active holding company: it maintains a portfolio of financial participations and is also actively involved in the management thereof by providing various legal, financial and other services.

2.3. / INCOME STATEMENT AND BALANCE SHEET BIOCARTIS GROUP NV

2.3.1. / INCOME STATEMENT

	Years ended 31 December	
In EUR 000	2020	2019
Revenues	6,063	5,612
Other operating income	308	51
Total operating income	**6,371**	**5,663**
Services and other goods	-2,253	-2,186
Salaries, social security contributions and pensions	-3,562	-3,683
Other operating expenses	-3	-4
Operating expenses	**-5,818**	**-5,873**
Financial income	330	2,695
Financial expenses	-10,719	-93,526
Result from continuing operations	**-9,836**	**-91,041**
Income taxes	-7	27
Net result	**-9,843**	**-91,014**

2.3.2. / BALANCE SHEET

In EUR 000	As of 31 December 2020	2019
Financial fixed assets	451,216	450,116
Non-current assets	**451,216**	**450,116**
Trade receivables	0	0
Other receivables	61,361	8,777
Cash and cash equivalents	61,731	125,116
Transitory accounts	67	41
Current assets	**123,159**	**133,935**
Total assets	**574,375**	**584,051**
Legal share capital	575	564
Share premium	550,289	535,301
Accumulated deficit	-113,912	-104,071
Total equity	**436,952**	**431,794**
Financial debt	135,000	150,000
Non-current liabilities	**135,000**	**150,000**
Financial debt	0	0
Trade payables	872	726
Provision taxes	0	0
Salaries, social security contributions and pensions	748	645
Accrued charges	803	885
Current liabilities	**2,423**	**2,256**
Total equity and liabilities	**574,375**	**584,050**

2.4. / DISCUSSION OF STATUTORY ACCOUNTS

2.4.1. / INCOME STATEMENT

Total operating income in 2020 amounted to EUR 6.4m (2019: EUR 5.7m) and consists mainly of expense recharges to the Biocartis Group NV subsidiaries. Operating expenses recorded in the period under review amounted to EUR 5.8m (2019 EUR 5.9m) and consist of salaries, social security contributions and pensions expenses for EUR 3.6m (2019: EUR 3.7m) and of expenses for services and other goods of EUR 2.3m (2019: EUR 2.2m). Services and other goods mainly consist of recurring general and administrative expenses.

Financial income amounted to EUR 0.3m (2019: EUR 2.7m) and consisted of interest income on the financial advances to the Biocartis group subsidiaries and on the cash and equivalents held by Biocartis Group NV. On the other hand, financial expenses amounted to EUR 10.7m (2019: EUR 93.5m) and contains interest expenses related to the convertible bond or EUR 6.0 compared to EUR EUR 3.9m in 2019. The financial expenses also include a cash payment of EUR 4.3 in connection with the incentivized exercise of conversion rights in relation to EUR 15m aggregate principal amount of Bonds. In 2019, the financial expenses included some non-recurring expenses, such as expenses made in relation of the issuance of the convertible bond of EUR 4.3m, impairment losses on financial fixed assets of EUR 5.0 driven due to the full impairment on the Company's participation in MyCartis. In 2019, Biocartis SA was liquidated and therefore an impairment of mEUR 76.8m was recorded of the Company's participation in Biocartis SA.

The net result after taxes for the period ended 31 December 2020 amounts to EUR -9.8m (2019: EUR 91.0m).

2.4.2. / BALANCE SHEET

2.4.2.1. / ASSETS

The financial fixed assets consist of shares in the Biocartis Group NV subsidiaries for EUR 445.2m (Biocartis NV, Biocartis US Inc. and Biocartis S.r.l.) and of the China joint venture for EUR 6.0m.

Other receivables amounted to EUR 61.4m (2019: EUR 8.8m) and mainly relate to receivables on the Biocartis Group NV subsidiaries, mainly related to financial advances. Cash and equivalents amounted to EUR 61.7m per 31 December 2020 (2019: EUR 125.1m). Deferred charges relate to prepaid expenses.

2.4.2.2. / EQUITY

Total equity per 31 December 2020 amounted to EUR 437.0m (2019: EUR 431.8m) and the legal share capital and share premium amount to respectively EUR 0.6m (2019: EUR 0.6m) and EUR 550.3m (2019: EUR 535.3m).

Following movements in equity were recorded during the reporting period:

→ On 7 December 2020, the Company announced the exercise of conversion rights of 10% of the total outstanding bond. This transaction resulted in an increase in share capital of EUR 0.01m and an increase in share premium of EUR 13.8m.

2.4.2.3. / FINANCIAL LIABILITIES

The financial liabilities are related to the convertible bond and amount to EUR 135m in 2020 and EUR 150m in 2019. The incentivized conversion resulted from an agreement with a holder of part of the Company's EUR 150m 4% senior unsecured convertible Bonds regarding the exercise of conversion rights in relation to EUR 15 million aggregate principal amount of Bonds.

2.4.2.4. / OTHER LIABILITIES

As per 31 December 2020, trade payables amounted to EUR 0.9m (2019: EUR 0.7m), payables for salaries, social security contributions and pensions to EUR 0.7m (2019: EUR 0.6m) and transitory accounts to EUR 0.8m which mainly includes accrued interests for the interest coupon payment of the convertible bond.

2.4.2.5. / TOTAL ASSETS AND LIABILITIES

Total assets and on the other hand total liabilities amounted per 31 December 2020 to EUR 574.4m (2019: EUR 584.1m)

2.5. / APPROPRIATION OF RESULTS

The statutory accounts of the Company reported a net loss of EUR 9.8m for the year 2020. The Board of Directors proposes to carry forward the statutory net loss of EUR 9.8m of 2020 to the following financial year.

2.6. / GOING CONCERN VALUATION RULES

The going concern valuation rules were used both for the statutory annual accounts and for the consolidated annual accounts of the Company and this notwithstanding the existence of losses carried forward. Pursuant to article 3:6 of the new Code of Companies and Associations the board of directors motivates the use of going concern valuation rules as follows:

The financial plan and investment budgets of the company accounted for these losses and in line therewith the Company attracted financing. In 2019, Biocartis Group NV raised EUR 55.5 m in the context of a private placement and EUR 150.0m in by the issuance of a convertible bond. Taken into account the strong cash position of the Company at the end of 2020 as well as the expectations for 2021, the board of directors is of the opinion that the losses carried forward do not endanger the going concern of the Company, at least until the annual general meeting of the Company in 2022, and thus that the application of the valuation rules going concern is justified.

3. AUDITOR'S REPORT

Biocartis Group NV

Statutory auditor's report to the shareholders' meeting of Biocartis Group NV for the year ended 31 December 2020 - Consolidated financial statements

The original text of this report is in Dutch.

In the context of the statutory audit of the consolidated financial statements of Biocartis Group NV ("the company") and its subsidiaries (jointly "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 11 May 2018, 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 financial statements for the year ending 31 December 2020. We have performed the statutory audit of the consolidated financial statements of Biocartis Group NV for 6 consecutive periods.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Unqualified opinion

We have audited the consolidated financial statements of the group, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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 210.517 (000) EUR and the consolidated income statement shows a loss for the year then ended of 62.934 (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 2020 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 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 matters	How our audit addressed the key audit matters
Revenue recognition	
Revenue for the year 2020 amounts to 43 128 KEUR and mainly consist of:	We considered the appropriateness of the Group's revenue recognition principles in accordance with the applicable IFRS standard.

• Product related revenues (31 893 KEUR) including various combinations of instruments and cartridges in stand-alone and multiple element sales agreements, operational reagent rental agreements and rental agreements; and • Collaboration revenues (9 989 KEUR) for research and development (R&D) collaboration agreements including simultaneous transactions and multiple element arrangements such as licenses and R&D services which are remunerated via combinations of upfront payments, milestone payments and royalties. The determination of revenue recognition for some of these contracts is complex and requires significant management judgment to determine the nature of the contractual obligations, identify the performance obligations and allocate the transaction price to the performance obligations in accordance with the transfer of the instruments, cartridges, licenses and/or R&D service activities identified in the contract. Furthermore, revenue transactions may be subject to manual adjustments. The company's disclosures about revenue are included in Part 4, note 1.2.2.15 Revenue recognition and part 4, note 1.2.4 Revenue of the consolidated financial statements.	We obtained an understanding of the underlying processes and preventive and detective internal controls. We read the relevant agreements to assess whether the company correctly applied the Group's revenue recognition principles and we challenged the reasonableness of the judgements made by Management in determining the relevant assumptions utilized in calculating recognized revenue. We tested a sample of transactions of revenue recognized in the income statement for accuracy and appropriate recognition based on the agreements, recognition principles and managements estimates and judgements. We inquired with management and read relevant meeting minutes to ensure completeness of the reported collaboration agreements. We have tested a sample of revenue transactions related to product sales. We have reviewed the manual entries to revenue for accuracy and validity.

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 skepticism 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 those charged 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 statements 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.

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.

Zaventem, 31 March 2021

The statutory auditor

Deloitte Bedrijfsrevisoren/Réviseurs d'Entreprises CVBA/SCRL
Represented by Nico Houthaeve