

# Letter to Carbios' shareholders

June 3, 2022



Enzymes powering the Circular Economy

## Dear shareholder,

We are at a very exciting time for Carbios where we are laying the groundwork for our ambitious growth strategy to scale up Carbios' disruptive technology and provide our partners and future licensees with the world's first biological solution to achieve circularity for PET-based plastics and textiles, using fewer fossil resources.

With our technologies, revolutionary enzymes that allow for bio-recycling of all forms of PET-based plastics and fibers as well for the manufacturing of plastics that are 100% compostable, we are addressing one of the key problems generated by the end-of-life of plastics: The pollution of our environment.

## Achieved major milestone:

### Operational start of the industrial demonstration plant

The recent opening of our industrial demonstration plant operating with our unique enzymatic recycling technology in Clermont-Ferrand marked a significant milestone in our corporate history. The first successfully completed tests demonstrated the industrial scalability of the process and brought the continuous cycle of recycling PET waste one step closer to becoming a commercial reality.

The demonstration plant will allow the validation of the technical, environmental, and economic performance of the enzymatic PET recycling process, as well as the design of future industrial units. The site includes a 20,000 liter depolymerization reactor capable of processing two tons of PET waste per cycle, which is the equivalent of 100,000 bottles. Operations at the demonstration plant already confirm scale-up performance and robustness with 97% production yield. By the end of 2022, we expect to be able to complete all engineering documents for the process (Process Design Package) for the building and operation by 2025 of a first 100% PET recycling production plant, as well as for future plants to be run under licensing agreements.

## Paving the way for industrialization to meet the demand of a multi-billion-dollar market:

### Construction of first-of-its-kind 100% PET recycling production unit

After successfully starting our demonstration plant, we are now moving one step closer to industrialization and commercialization. In 2022, we launched a collaboration with Indorama Ventures, the world's largest producer of recycled PET, to build in France a first-of-its-kind manufacturing plant for fully bio-recycled PET with the exceptional support of the French government and Grand-Est Region as well as of the European Investment Bank (EIB). This reference plant, with an estimated processing capacity of 50,000 tons of post-consumer PET waste per year, equivalent to 2 billion PET bottles, is expected to be fully operational in 2025. Tighter regulations, rising consumer awareness and growing brand commitments are all pointing towards a drastic expansion of the market for recycled PET (rPET). Double-digit growth is expected over the coming years for this booming r-PET market as demand exceeds by far current production capacity. This long-term trend and increasing prices for 100% recycled PET provide Carbios a very favorable market opportunity.

## Building the portfolio:

### Development of polymer biodegradation beyond PET and PLA (polylactic acid)

In the field of PET, Carbios achieved major technical and industrial milestones testifying to the successful execution of its strategy and benefits from a strong recognition by the international scientific community and by industrial market players as evidenced by the article in the prestigious scientific journal, Nature, entitled, "An engineered PET-depolymerase to break down and recycle plastic bottles".

The development of a new generation of PLA-based plastics that are 100% compostable under various conditions provides our partners with solutions for the responsible and sustainable production of plastic packaging. The bioprocess developed by Carbios and operated by its wholly owned subsidiary Carbiolice, leverages an enzyme-based additive, which can be easily integrated into conventional plastic and packaging manufacturing processes. With the acquisition of Carbiolice last year by taking over 100% of the SPI fund's stake in the company, we reinforced our ambition to become the world leader in biological technologies in the field of polymer biodegradation and significantly expanded our development capabilities beyond PLAs.



Carbios' existing portfolio is protected by strong intellectual property, as of today consisting of 50 patent families worldwide including 22 covering the recycling process as well as the associated proprietary PET-degrading enzymes.

### Driving Carbios' future into the next era of growth:

Growing and sustainable revenue from licensing agreements and sale of proprietary enzymes expected from 2025 onwards

The Executive Committee led by Emmanuel Ladent, CEO, along with the entire Carbios team and the full support of the Board, are totally committed to driving Carbios' future into the next era of growth with expected steady revenue streams beginning in 2025.

To achieve all this and to provide the financial flexibility needed to invest in further growth and value creation and to bridge the time until first revenue recognition, Carbios is seeking its shareholders' support for potential financial measures in conformance with best corporate governance principles outlined below and to ensure the appropriate compensation of its key executives and employees.

### Providing support:

You're invited to participate in our General Meeting

On Wednesday, June 22, 2022, at 9.30 am (CET), Carbios will hold an Ordinary and Extraordinary Shareholders' Meeting in Hall 32, 32 rue du Clos Four, 63100 Clermont-Ferrand, France.

You may attend this Shareholders' Meeting either by participating in person, voting by e-mail or post using the proxy form attached to this mailing and available on the Company's website, or by giving your proxy to the Chairman or any other person of your choice.

This General Meeting has been called for the purpose of asking our shareholders to approve 21 resolutions. The full wording of these resolutions is available in the IR section of the Carbios website at [www.carbios.com](http://www.carbios.com).

Carbios has listened very carefully to the feedback received from its shareholders at the past General Meeting and during a proxy roadshow conducted in early May, as well as from proxy advisors, including Glass Lewis, ISS and Proxinvest.

The purpose of this letter is to call attention to and provide background information on key resolutions of the upcoming General Meeting. The Board of Directors of Carbios recommends that shareholders support the Management and the Board of the Company by voting in favor of all the resolutions submitted for their approval.

### Background to key resolutions of the upcoming General Meeting

**Please note:** Descriptions of the resolutions mentioned below are short summaries drafted for your convenience and do not mirror the original legal wording. For the full wording as well as more detailed information, please refer to the General Meeting agenda published on the Carbios website at: <https://www.carbios.com/en/general-meetings/>

#### Resolution 6:

##### Ratification of the appointment of Dr. Philippe POULETTY as Director



Dr. Pouletty is co-founder of Carbios and co-founder and CEO of Truffle Capital, which was the lead investor in Carbios at the time of its IPO in 2013. Since then, Truffle Capital has been represented on the Board of Directors by Dr. Pouletty. He played a leading role in 2021 in the recruitment of Emmanuel Ladent and on securing French government grants and EIB support. On April 1, 2022, Dr. Pouletty resigned as representative of Truffle Capital at the Board of Carbios and is now serving as an individual, replacing Ian Hudson who retired as Chairman of the Board.

Dr. Pouletty is a strong strategic visionary and pioneer in the biotechnology and medical device sectors and is extremely well connected in Europe as well as in the U.S. (including Silicon Valley). He provides valuable strategic and entrepreneurial support as Carbios implements its growth plans.

**Resolution 7:****Ratification of the appointment of Emmanuel LADENT as Director**

Nominated as Chief Executive Office of Carbios in December 2021, **Emmanuel Ladent**, 52, a graduate of the Neoma Business School, has 30 years of experience in the automotive sector and more specifically in mobility. Most recently, he managed the MICHELIN Group's largest business line, the Automotive Global Brands division.

His management career is characterized by a strong international background, with more than 20 years spent working on several different continents. Specialized in business transformation through innovation, Mr. Ladent has contributed to the development of subsidiaries with multi-billion Euro turnovers. Through strong leadership, he has been able to unite interdisciplinary and intercultural teams around a common vision and ambitious goals.

**Resolution 8:****Decision to be taken on the appointment of Copernicus Wealth Management as Censor of the Company**

Since its first investment in 2019, Copernicus Wealth Management has been one of the leading investors in Carbios. As CFO and co-founding partner of the Copernicus Group, **Dr. Alen Vukic** will bring tremendous financial and investment experience to the Board and is committed to supporting Carbios in executing its growth strategy and achieving future milestones.

Internal Copernicus compliance guidelines do not allow members of its Executive Management team to be Board members in any companies in which Copernicus is invested to avoid any conflicts of interest. This is the reason why Dr. Vukic has agreed to become a Censor of the Company. In this role, he will not have any voting rights and has accepted the insider rules that will restrict Copernicus' investment flexibility.

**Resolution 9:****Determination of the total annual compensation allocated to the members of the Board of Directors**

Carbios' Management and Board propose to increase the total annual compensation of Board members from EUR 220,000 to EUR 250,000. The compensation is strictly linked to attendance at Board of Directors meetings and to the position of the member (Chairman, Director, Member of a Committee).

With this increase in annual compensation, Carbios plans to attract **new independent Board members** with a focus on  
a) increasing the number of international Board members (particularly from the U.S.) and  
b) supporting gender diversity

**Resolutions 11–16:****Capital increase measures with or without preferential subscription rights****Important general principles in conformance with best corporate governance principles**

- Capital measures are capped according to ISS, Glass Lewis and shareholders' guidelines.
- Proposed capital measures under resolutions 11–16 are not cumulative.
- Proposed capital measures without preferential subscription rights 13–15 should be understood as "either or".
- Resolutions 11–16 are designed in such a way that they cannot be used as anti-takeover measures.

**Resolution 11:**

**Capital increase with preferential subscription rights:** max. 49.9% of total share capital

**Resolution 12:**

**Greenshoe with preferential subscription rights:** max. 15% of the capital increase

**Resolution 13:**

**Public offering with priority subscription period:** up to 20% of total share capital

**Public offering without preemptive period:** max. 10% of total share capital

**Potential discount for both public offerings:** max. 10%

**Resolution 14:****Private placement (open) without preferential subscription rights:** max. 10% of total share capital**Potential discount for private placement:** max. 10%**Resolution 15:****Private placement (closed) without preemptive rights:** max. 10% of total share capital**Potential discount for private placement:** max. 10%**Resolution 16:****Greenshoe without preferential subscription rights:** max. 15% of the capital increase**Resolution 17:****Delegation of authority to the Board of Directors to decide to issue warrants to subscribe for business creators' shares, known as „BSPCE“, giving the right to subscribe for new ordinary shares of the company for the benefit of the members of the Executive Committee**

Carbios' Board proposes to issue a maximum number of 220,000 warrants (2% of total share capital) to subscribe for new shares, so called "Business Creator's Shares" (BSPCEs), to members of the Carbios Executive Committee with a vesting period of three years (i.e. no such warrants may be exercised by their beneficiaries before three years have elapsed from the date of their attribution). Such warrant plans are industry standard and represent an important part of management incentives.

The exercise of 100% of these BSPCEs granted to the beneficiaries will be conditional on the achievement of the following objectives:

- **40%:** Holding of four new international patent families reinforcing the applicability of PET by 2025
- **20%:** The start-up of the reference plant by 2025 and the achievement of a production rate in line with specifications set by the Board of Directors
- **20%:** The signing of licensing agreements on PET technology by 2024
- **20%:** The Company's stock market price (unweighted daily closing price) from January 1, 2025, for six consecutive months is higher than or equal to the average target price of the consensus resulting from sell-side analysts' research notes available at the date of this Meeting.

**Resolution 18:****Delegation of authority to the Board of Directors to decide to issue warrants to subscribe new shares, known as „BSA“, giving the right to subscribe for new ordinary shares of the company for the benefit of the independent members of the Board of Directors**

Carbios' Board proposes to issue a maximum number of 55,000 warrants (0.5% of total share capital) to subscribe for new ordinary shares of the Company (BSAs) to independent members of the Board of Directors.

High caliber Board members expect compensation in line with international standards. The proposed measures are designed to meet these expectations and to attract new independent Board members from Europe and the U.S. with deep knowledge and experience who are highly committed to supporting the Company in executing its ambitious strategic goals.

**The cumulative number of outstanding BSPCEs and BSAs issued and not exercised should not exceed 10% of the Company's total share capital.**

Carbios would be pleased to offer a call to any shareholder interested in discussing these proposals.

**Please contact our Investor Relations team:** Mr. Benjamin Audebert (email: [benjamin.audebert@carbios.com](mailto:benjamin.audebert@carbios.com) / Tel. +33 (0)4 73 86 51 76)

On behalf of the Board and Management, we would like to thank all Carbios shareholders for their confidence in and loyalty to the Company. We look forward to your participation at the General Meeting.

Yours sincerely,

**Philippe Pouletty**  
Chairman of the Board

**Emmanuel Ladent**  
Chief Executive Officer

