



# BOARD REPORT

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# **BOARD REPORT**

The following report has been established by the Board of Directors on 23 April 2020 for submission to the Annual General Shareholders' Meeting of May 28, 2020.

## **Dear MDxHealth Shareholder,**

The present board report has been prepared in accordance with Articles 3:6 and 3:32 of the Belgian Companies and Associations Code with respect to the consolidated financial statements and the statutory financial statements for the financial year ended December 31, 2019. In accordance with the Belgian Companies and Associations Code and the articles of association of the Company, we report on the situation of your company for the fiscal year of the Company closed on December 31, 2019, and this on a consolidated basis as well as a non-consolidated basis.

## **Management's discussion and analysis of the consolidated financial statements of 2019 and 2018**

The following consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU. The accounting policies and notes are an integral part of these consolidated financial statements. The following consolidated financial statements differ from the non-consolidated statutory annual accounts of the Company, which have been prepared in accordance with Belgian GAAP.

The financial statements in this section of the Board Report have been approved and authorized for issue by the Board of Directors at its meeting of April 23, 2020. The financial statements have been signed by Koen Hoffman, Chairman of the Board of Directors. The financial statements will be submitted to the shareholders for their final approval at the annual general shareholders' meeting of May 28, 2020.

### **Revenues**

Total revenue for the year ended December 31, 2019 has decreased to \$11,785 thousand, compared to \$28,397 thousand a year earlier. During the fourth quarter of 2019, and based on recent and historical collections data, the Company updated certain assumptions to its estimates which negatively affected its revenues for 2019.

ConfirmMDx accounted for 92% of total services revenue in 2019 and 87% in 2018.

At the end of 2019, the Company had concluded agreements with 90 payors for ConfirmMDx (2018: 80) and 32 payors for SelectMDx (2018: 26). In 2018 Medicare established a Final Positive Local Coverage Determination for use of ConfirmMDx for Prostate Cancer

### **Cost of goods and services sold**

Cost of goods includes royalties that MDxHealth must pay to third parties and the costs associated with providing testing services to customers. Cost of goods sold for 2019 amounted

to \$11.8 million, compared to \$11.7 million in 2018. The gross profit margin on products and services decreased from \$16.8 million in 2018 to \$30 thousand as a result of the updated estimates made to the revenue recognition methodology.

## Research and development expenses

The Company continued to validate the clinical utility of its expanded offering through clinical trials and publications. Research and development expenses amounted to \$8,997 thousand in 2019 compared to \$4,280 thousand in 2018. The increase is directly resulted from the impairment of the In-Process R&D intangible assets and previously acquired IP.

<i>THOUSANDS OF \$</i>	<i>2019</i>	<i>2018</i>
<i>FOR THE YEARS ENDED DECEMBER 31</i>		
Personnel costs	1,143	1,293
Depreciation and amortization	1,283	1,177
Impairment	5,147	-
Lab consumables	480	726
External research and development collaborator fees	880	927
Other expenses	64	157
<b>Total research and development expenses</b>	<b>8,997</b>	<b>4,280</b>

## General and administrative expenses

General and administrative expenses mainly represent general management costs, revenue cycle management, human resources, information technology, legal, finance, consulting, office and building costs. Professional fees increase is exclusively due to additional consulting services in the Company's US-based facilities. The adoption of IFRS 16 has transferred expenses from "Office & facilities" to "Depreciation"; the financial impact over 2019 is \$686 thousand. The expenses by nature are presented below :

<i>THOUSANDS OF \$/</i>	<i>2019</i>	<i>2018</i>
<i>FOR THE YEARS ENDED DECEMBER 31</i>		
Personnel costs	8,465	8,884
Depreciation and amortization	1,575	1,119
Professional fees	2,538	1,631
Travel expenses	124	218
Offices & facilities expenses	537	1,753
Royalties to third parties	174	333
Patent expenses	890	603
Board fees & expenses	170	177
Other expenses	723	489
<b>Total general and administrative expenses</b>	<b>15,196</b>	<b>15,207</b>

## Selling and Marketing expenses

<i>THOUSANDS OF \$/ FOR THE YEARS ENDED DECEMBER 31</i>	<b>2019</b>	<b>2018</b>
Personnel costs	12,125	18,829
Depreciation	562	551
Professional fees	255	921
Marketing expenses	2,664	5,210
Travel expenses	837	1,293
Offices & facilities expenses	439	625
Clinical validation	546	2,033
Other expenses	381	129
<b>Total selling and marketing expenses</b>	<b>17,809</b>	<b>29,591</b>

During 2019, selling and marketing expenses decreased significantly after the strengthening and refocus of the Company's commercial organization.

## Financial results

During the fourth quarter of 2019, the Company entered into a loan facility with Kreos Capital in the amount of €9 million, or approximately \$10 million. The loan term is four years with the first 12 months of interest-only payments followed by 36 months of principal and interest payments. The financial results largely related to the interest charges paid for the loan facility with Kreos Capital for a total of \$194 thousand. Additionally, the Company recorded \$88 thousand under interest charges on leases with the adoption of IFRS 16. Finally, the revaluation of the contingent consideration related to the acquisition of NovioGendix in 2015 represents a total of \$104 thousand in 2019, and \$113 thousand in 2018. Other financial losses relate to bank costs incurred during the year.

## Net loss

Operating loss for 2019 was \$43.2 million, an increase of \$11.1 million compared to an operating loss of \$32.1 million for 2018. Primarily the result of the decline in revenues as well as an increase in non-cash expenses of amortization of intangible assets, partially offset by the savings in operating expenditures.

## Liquidity, working capital and capital resources

*Year ended December 31, 2019*

Cash collections from ConfirmMDx and SelectMDx amounted to \$23.5 million, a decrease of 11% compared to 2018. The cash use for 2019 was \$4.4 million, of which \$1.3 million were H1-2019 non-recurring restructuring charges, and actual operating cash use was \$22.3 million. This represents a reduction of \$6.3 million in operating burn compared to \$28.5 million in 2018. Cash use in the fourth quarter ended December 31, 2019, was \$3.9 million, reflecting continued operating discipline and improved cash collections. Cash and cash equivalents as of December 31, 2019 were \$22.1 million.

*Year ended December 31, 2018*

Cash and cash equivalents stood at \$26.2 million at December 31, 2018, compared to \$16.8 million at December 31, 2017. The net proceeds from new financing of \$42.4 million were offset by an operational cash use of \$28.5 million, \$2.4 million of unfavorable foreign exchange translation effects, and investments in tangible and intangible assets of \$1.3 million. Cash collections from ConfirmMDx and SelectMDx amounted to \$26.5 million, 15% more than a year earlier.

## **Balance sheet**

The key ratios from balance sheet at December 31, 2019 in comparison with 2018 are presented in the following table :

<b>Years ended December 31</b>	<b>2019</b>	<b>2018</b>
Cash & cash equivalents as a % of total assets	54%	40%
Working capital as a % of total assets	25%	53%
Solvency ratio (equity/total assets)	49%	80%
Gearing ratio (Financial debt/equity)	55%	1%

Cash and cash equivalents of \$22.1 million account for 54% of total assets at December 31, 2019. The other major assets are intangible and tangible assets (\$9.7 million or 24% of total assets), and receivables over the period 2019 (\$6.6 million or 16% of total assets).

Total equity of \$19.7 million accounts for 49% of the total balance sheet at December 31, 2019. The other major liabilities are loans and borrowings (\$9.6 million or 24% of total assets), lease liabilities (\$1.4 million or 3% of total assets), trade payables (\$4.9 million or 12% of total assets) and other liabilities (short term and long term for \$4.9 million or 12% of total assets).

## **Taxation**

The losses of the Company in the last three years imply that no income taxes are payable for these years. On December 31, 2019, the Company had net tax losses carried forward amounting to \$371 million, implying a potential deferred tax asset of \$110 million. Due to the uncertainty surrounding the Company's ability to realize taxable profits in the near future, the Company did not recognize any deferred tax assets on its balance sheet.

## Equity and Appropriation of the results

We submit for your approval the statutory financial statements for the fiscal year closed on 31 December 2019, which been approved and authorized for issue by the members of the Board of Directors on 23 April 2020. The statutory financial statements have been prepared in accordance with Belgian GAAP and give a true and fair view of the course of affairs of the Company during the past fiscal year. Mr Michael McGarrity, Executive Director, declares, in the name and on behalf of the Board of Directors, that to the best of the Board of Directors' knowledge, the statutory financial statements of the Company prepared in accordance with Belgian GAAP, give a true and fair view of the Company's assets and liabilities, financial situation and results of operations.

The following can be noted on the basis of the annual accounts:

- Results of the fiscal year

The Company has closed its annual accounts with respect to the past fiscal year with a net loss of €111,446,987 (USD equivalent \$124,764,000). This loss results mainly from the impairment of the intercompany receivables.

- Statutory and non-distributable reserves

The Company has an issued capital of €56,260,102.01 The Company has no statutory reserve. As the Company has closed its annual accounts with respect to the past fiscal year with a cumulated loss, the Company is not legally obliged to reserve additional amounts.

- Allocation of the results

We propose to carry forward the loss to the next fiscal year.

- Impairment of the Intercompany receivables

During the course of 2019, the management has taken the decision to impair the totality of the receivables for its Dutch subsidiary and a material portion of its receivables for the US subsidiary.

## Subsequent events

In December 2019, a novel strain of coronavirus causing COVID-19 was reported to have surfaced in Wuhan, China and has since spread to other parts of the world. On March 11, 2020, the World Health Organization declared the outbreak a pandemic. The COVID-19 pandemic is affecting the United States and global economies and may affect the Company's operations and those of third parties on which the Company relies. However, the impact on the business is unknown at this time. State and local authorities in the United States, Europe, and other countries, have since forced many businesses to temporarily shut down in an attempt to slow the spread of the virus, and citizens around the world are being told by public officials to stay at home and practice "social distancing". Global stock markets have reacted negatively, and many economists are projecting an economic slowdown, at least in the near

term, even if governments take emergency relief measures. Regardless of the extent of any economic slowdown, the outbreak could impact the Company's ability to develop business, conduct operations, and obtain components used in its business. The situation is constantly evolving, however, so the extent to which the COVID-19 outbreak will impact business and the economy is highly uncertain and is extremely difficult to predict. Accordingly, the Company cannot accurately predict the extent to which its 2020 financial condition and results of operations will be affected, however, management expects the impact to be limited and not to affect the Company's ability to continue as a going concern.

On April 20, 2020, the Company announced that its U.S. subsidiary, MDxHealth Inc., has entered into a "Paycheck Protection Program" (PPP) loan with the U.S. Small Business Administration (SBA) in the amount of \$2.3 million as part of the U.S. Coronavirus Aid, Relief, and Economic Security (CARES) Act. The loan has a term of two years and carries an interest rate of 1.0% per year. Payments on the loan are deferred for the first six months following disbursement of the loan, with principal and interest payments beginning on the seventh month. Interest on the loan continues to accrue during the six-month deferment period.

On April 24, 2020, the Company entered into a subscription agreement with MVM V LP and MVM GP (No.5) LP (collectively "MVM") pursuant to which MVM agreed to provide an equity investment to the Company for an aggregate amount of EUR 12.7 million or approximately \$14 million. The equity investment will consist of a subscription of 20,162,924 new ordinary shares of the Company at an issue price of EUR 0.632 per share, representing a 5% discount to the 45-day volume weighted average price. The transaction is subject to limited customary conditions precedent, and is expected to close on or about 15 May 2020.

## **2020 outlook**

The Company remains confident in the potential of its two complementary commercial stage products to provide urologists with a clear clinical pathway to accurately identify clinically significant prostate cancer, while minimizing the use of invasive procedures. The Company believes this clinical pathway, with SelectMDx guiding cancer detection in a pre-biopsy setting and ConfirmMDx in a post-biopsy setting, will continue driving momentum and increase market share on all fronts.

As a result of the COVID-19 global pandemic, the Company has suspended its 2020 guidance previously provided on February 26, 2020 as part of its 2019 year-end press release. Current market conditions and rapid developments on the COVID-19 front make it extremely difficult to project future results. The Company has taken necessary measures to ensure continued ability to provide its services to patients and physicians while keeping its employees safe.

## **Significant change in the Company's financial or trading position**

There has been no significant change in the financial or trading position of the group which has occurred since the end of the last financial period for which either audited financial information or interim financial information have been published.

## Capital increases and issuance of financial instruments

The Board of Directors is authorized, with power of substitution, to amend the articles of association upon each capital increase realized within the framework of the Authorized Capital, in order to bring them in accordance with the new situation of the share capital and the shares.

At the date of this document, the board of directors has used its powers under the authorised capital provided for in article 6.1. on November 7, 2016 by issuing 4.526.962 new shares for a total of three million six hundred, eleven thousand, one hundred fifty-seven euro and fifty-nine cents (€ 3,611,157.59), on March 26, 2018 by issuing 9.989.881 new shares for a total of seven million, nine hundred sixty-eight thousand, nine hundred twenty-eight euro and seven cents (€7,968,928.07) and on October 1, 2019 by issuing 10,589,236 new share for a total of eight million, four hundred forty-seven thousand, thirty-three euro and fifty-six cents (€8,447,033.56).

As a result, the available amount for a share capital increase within the framework of the authorized capital is equal to sixteen million, eighty-three thousand, nine hundred sixty-four euro and sixty-four cents (€16,083,964.64)

## Activities in the field of research and development

In 2019, the Company conducted product development projects based on the discovery R&D performed in the prior years for both its clinical diagnostic product pipeline and clinical trials. Extensive work was performed in development of the Company's clinical solutions for prostate and bladder cancers.

## Obligations not reflected in the 2019 financial statements

All known obligations are reflected in the 2019 financial statements.

## Branches of the Company

The Company has no branches.

## Justification to continue using the accounting rules on the basis of going concern

The Company has experienced net losses and significant cash used in operating activities since its inception in 2003, and as of December 31, 2019, had an accumulated deficit of \$186.6 million, a net loss of \$43.1 million, and net cash used in operating activities of \$32.6 million. Management expects the Company to continue to incur net losses and have significant cash outflows for at least the next twelve months. While these conditions, among others, could raise substantial doubt about our ability to continue as a going concern, these consolidated financial statements have been prepared assuming that the Company will continue as a going concern. This basis of accounting contemplates the recovery of our assets and the satisfaction of liabilities in the normal course of business. A successful transition to attaining profitable



operations is dependent upon achieving a level of positive cash flows adequate to support the Company's cost structure.

As at December 31, 2019, the Company had cash and cash equivalents of \$22.1 million. Following a comprehensive strategic evaluation in 2018, the company decided to increase the strategic focus on its two commercial products, ConfirmMDx and SelectMDx, delay certain product pipeline initiatives, and reduce overall operating spend. These measures have led to significant reductions in cash operating expenses in 2019. In addition, in April 2020, the Company entered into a subscription agreement with MVM V LP and MVM GP (No.5) LP, funds managed by MVM Partners LLP, to subscribe for 20,162,924 new shares for an aggregate subscription amount of €12.7 million, or approximately \$14 million (for further details of this transaction, refer to Note 26 Subsequent Events). The Company and its Board of Directors believe that, with its current cash position, along with the cash to be received from MVM Partners LLP upon closing of the transaction in May 2020, and taking into account management's expectation of the limited impact of the COVID-19 pandemic, will provide the Company with sufficient liquidity to continue its current operations at least until May 2021.

### **Financial risks (article 3:6 8° Belgian Companies and Associations Code)**

Effective January 1, 2013, the Company changed the presentation currency of the consolidated financial statements from the Euro (EUR or €) to the US Dollar (USD or \$). MDxHealth believes that this change provides greater alignment of the presentation currency with MDxHealth's most significant operating currency and underlying financial performance.

Effective July 1, 2014, the Company decided to change its functional currency from Euro to US Dollar.

Virtually all of the Company's currency risk currently relates to Euro. At this time, the Company does not use hedging instruments to cover the exchange rate risk.

### **Risk factors (article 3:6 1° Belgian Companies and Associations Code)**

In 2019, the Company was potentially subjected to the following risks:

- Losses have been incurred since the inception of the Company, further losses are expected in the foreseeable future, and further funding will be needed;
- The Company's financial results are largely dependent on sales of one test, ConfirmMDx for Prostate Cancer, and the Company will need to generate sufficient revenues from this and other future solutions to grow its business;
- The ability of the Company to execute its business strategy is dependent upon factors such as its ability to raise additional capital at acceptable terms in the future and to manage growth and international business development;
- The Company operates in markets in which the competition and regulatory environment may change and thus impact the Company's products and strategy, such as in the United States, where the reimbursement for testing service from Medicare and 3<sup>rd</sup> party private insurance payors is in the early stages and still uncertain;

- The Company's success is dependent upon factors such as its ability to access samples, work with or obtain the support of certain scientific or medical partners, recruit and retain key personnel, generate positive clinical study results, obtain regulatory approval of its products and comply with ongoing regulations, partner with third parties for the manufacture and sale of its products, get the market to accept and use its products, and obtain reimbursement of its products for patients;
- The Company is dependent on intellectual property rights which could be challenged and the Company could be affected by new patents of third parties;
- The enforcement of the Company's intellectual property rights could involve significant costs and could impact the commercial freedom of the Company in certain areas;
- The Company's performance could be hindered by the way its commercial partners utilize certain of its technologies;
- The Company is subject to product liability risks;
- Foreign exchange rate fluctuations could impact the results of the Company.

In 2019, financial risk management involved primarily the following:

- Credit risk: At the end of 2019, the Company operated with more than 1,000 different customers, representing a significant reduction in credit risk when compared to prior periods.
- Interest risk: The Company is not currently subject to material interest risk since its financial debts is subject to fixed interest rate.
- Currency risk: Considering the continuing development of the commercial activities in the US market, the Company has decided to change its presentation currency from the Euro to the US Dollar as of January 1, 2013. The functional currency changed also from the Euro to the US Dollar as of July 1, 2014. In consequence, the currency risk is concentrated in Euros.
- Liquidity and investment risk: The Company has invested all of its cash and cash equivalents in highly-rated and highly-liquid bank savings or money market accounts. The Company has not invested in any derivative instruments or CDOs.

## Independence and competence of an audit committee member

The rules for publicly-listed companies require that the audit committee be composed of at least one Independent Director with the necessary competence in auditing and accounting, which is and has always been the case for MDxHealth's audit committee.

Hilde Windels BVBA, represented by its permanent representative, Ms. Hilde Windels (chair), serves as the Chair of the Audit Committee at the time of this report. She is assuming the role of Chair since August 2018, meets the criteria of independence:

- She has never held any Executive management position in the Company;
- She owns no shares in the Company. She has been granted 10,000 warrants in June 2018 and July 2019;
- She fulfills the other criteria of independence as listed below in “- Corporate Governance Statement; Board of Directors; Committees of the Board of Directors; Audit Committee.”

As required by law, the chair of the audit committee is competent in accounting and auditing, as is evidenced by her role as the chief financial officer of multiple life sciences companies, including most recently at Biocartis SA.

# CORPORATE GOVERNANCE

This section summarizes the main rules and principles of MDxHealth's Corporate Governance Charter. The complete Corporate Governance Charter is available on the MDxHealth website, at <http://www.mdxhealth.com/shareholder-information>

## Introduction

This Corporate Governance Statement is included in the Company's report of the Board of Directors on the statutory accounts for the financial year ended on December 31, 2019 in accordance with Article 3:6, §2 of the Belgian Companies and Associations Code.

On May 17, 2019, the Belgian Royal Decree of May 12, 2019 designating the corporate governance code to be complied with by listed companies was published in the Belgian Official Gazette. On the basis of this royal decree, Belgian listed companies are required to designate the new 2020 Belgian Corporate Governance Code (the "2020 Code") as reference code within the meaning of Article 3:6, §2 of the Belgian Companies and Associations Code of March 23, 2019 (as amended) (the "Belgian Companies and Associations Code"). The 2020 Code applies compulsorily to reporting years beginning on or after January 1, 2020 (compulsory application). However, companies could already choose to apply the 2020 Code for reporting years beginning on or after January 1, 2019 (optional application).

The Company decided not to apply the 2020 Code prior to January 1, 2020 and therefore still applied during the financial year ended on December 31, 2019 the Belgian Code on Corporate Governance of March 12, 2009 (the "2009 Code").

The corporate governance charter that the Company applied in 2019 was adopted in accordance with the recommendations set out in the 2009 Code. For the financial year ended on December 31, 2019, the Company complied to a large extent with the provisions of the 2009 Code, except for the following deviations which the Company believed were justified in view of the Company's specific situation. Notably, in line with the "comply-or-explain" principle of said 2009 Code, MDxHealth did not fully comply with the following provisions:

- Given the size of the Company, no internal audit function existed in 2019.
- Before the entry into force of the Belgian Companies and Associations Code on January 1, 2020, share options were granted to Non-Executive Directors (including to Independent Directors). This was contrary to provision 7.7 of the 2009 Code, which provide that Non-Executive Directors should not be entitled to performance-related remuneration such as, amongst others, share-related long-term incentive schemes. The Company believed that these provisions of the 2009 Code were not appropriate and adapted to take into account the realities of companies in the biotech and life sciences industry that are still in a development phase. Notably, the ability to remunerate Non-Executive Directors with share options allowed the Company to limit the portion of remuneration in cash that the Company would otherwise need to pay to attract or retain renowned experts with the most relevant skills, knowledge and expertise. The Company was of the opinion that granting Non-Executive Directors the opportunity to be remunerated in part in share-based incentives rather than all in cash enabled the Non-Executive Directors to link their effective remuneration to the performance of the Company and to strengthen the alignment of their interests with the interests of the Company's shareholders. The Company believed that this was in the interest of the Company and its stakeholders. Furthermore, the Company believed that this was customary for Directors active in companies in the life sciences industry. In any event, as from the financial year started on January 1, 2020, the Company will no longer grant share options to Independent Directors.

The performance and functioning of the Board of Directors, its committees, and the Executive Management team are summarized below.

In the course of April 2020, the Board of Directors intends to approve an amended and restated version of the Company's corporate governance charter to align it with the provisions of the 2020 Belgian Code on Corporate Governance and the Belgian Companies and Associations Code. The Company intends to comply to a large extent with the provisions of the 2020 Code, except for the following deviations which the Company believes to be justified in view of the Company's specific situation. Notably, in line with the "comply-or-explain" principle of the 2020 Code, MDxHealth will not fully comply with the following provisions:

- Given the size of the Company, does not intend to put in place internal audit function. In line with provision 4.14, the need for an internal audit function will be reviewed annually.
- In accordance with provision 7.6 of the 2020 Code, the Non-Executive Directors should receive a part of their remuneration in the form of shares of the Company. As the Company currently does not hold any of its own shares as treasury stock, and does not have the ability to acquire its own shares, it cannot comply with this provision. Furthermore, the Board will propose to remunerate the Independent Directors in cash, but leaving it at the own initiative of the Independent Directors whether or not they wish to use such funds (in whole or in part) to acquire existing shares of the Company.
- In accordance with provision 7.9 of the 2020 Code, the Board should set a minimum threshold of shares to be held by the executive management. A part of the remuneration of the executive management consists of options to subscribe for the Company's shares, which should allow the executive management over time to acquire shares of the Company, in line with the objectives of the option plans.
- In accordance with provision 7.11 of the 2020 Code, stock options for executive management members should not vest and not be exercisable within less than three years. The Company's general shareholders' meeting approved in the past that share options can vest earlier than during three years, in line with what the Company believed to be customary for companies in the biotech and life sciences industry, including, notably, for management teams located in the U.S.

The articles of association and the corporate governance charter will be available on the Company's website (<https://mdxhealth.com/>) and can be obtained free of charge at the Company's registered office.

The 2020 Code and the 2009 Code can be accessed on the following website: [www.corporategovernancecommittee.be/](http://www.corporategovernancecommittee.be/)

## Board of Directors

The Company has opted for a "one tier" governance structure whereby the Board of Directors is the ultimate decision making body, with the overall responsibility for the management and control of the Company, and is authorized to carry out all actions that are considered necessary or useful to achieve the Company's object. The Board of Directors has all powers except for those reserved to the general shareholders' meeting by law or the Company's articles of association. The Board of Directors acts as a collegiate body.

The Board of Directors' role is to pursue sustainable value creation by the Company, by determining the Company's strategy, putting in place effective, responsible and ethical leadership, and monitoring the Company's performance. The Board of Directors acts as a collegiate body. Pursuant to the Belgian Companies and Associations Code and the articles of association of the Company, the Board of Directors should be composed of at least three Directors.

In accordance with the 2009 Code and the 2020 Code, the Board of Directors should have a composition appropriate to the company's purpose, its operations, phase of development, structure of ownership and other specifics. The Board of Directors shall be composed of at least three Independent Directors and a majority of the Board shall consist of Non-Executive Directors. Currently, the Board of Directors comprises 7 Directors, of which 4 are Non-Executive Independent Directors and 2 are Non-Executive Directors. The Directors of the Company are appointed by the general shareholders' meeting.

The Company's Board of Directors strives to maintain a well-balanced general diversity at the Board of Directors. Currently, there are 2 female Directors among a total of 7 Board members (representing a ratio of 28.6% female Directors against 71.4% male Directors). The Belgian Companies and Associations Code provides that at least one third of the members of the Board of Directors should be of the opposite gender. In order to calculate the required number of directors of a different gender, fractions must be rounded to the nearest whole number, which means that the Company's board in its current composition must include at least 2 female Directors. The Company has met the one-third gender diversity requirement since January 1, 2018 and continues to comply with such requirement at the date of this Annual Report.

The Board of Directors is a collegial body, and deliberates and makes decisions as such. Excluding the Board committees meetings, the Board of Directors met 10 times throughout 2019. All Directors were present or

represented at these 10 meetings, except that each of the following missed a single meeting during this period: Valiance Advisors LLP, represented by its permanent representative, Mr. Jan Pensaert; Qaly-Co BV, represented by its permanent representative, Dr. Lieve Verplancke; and Lab Dx L.L.C., represented by its permanent representative, Mr. Walter Narajowski.

## Chairman

The chairman of the Board of Directors is responsible for the leadership of the Board of Directors. The chairman takes the necessary measures to develop a climate of trust within the Board of Directors, contributing to open discussion, constructive dissent and support for the decisions of the Board of Directors. The chairman promotes effective interaction between the Board and the executive management. The chairman establishes a close relationship with the CEO, providing support and advice, while fully respecting the executive responsibilities of the CEO.

The Board of Directors appoints a chairman amongst the Non-Executive Directors. Currently, Ahok BV, with Mr. Koen Hoffman as permanent representative, is the chairman of the Board of Directors. Mr. Hoffman assumed the role of Board chair in 2019.

## Independent Directors

The Company has currently four Independent (Non-Executive) Directors.

A Director in a listed company is considered to be independent if he or she does not have a relationship with that company or with a major shareholder of the Company that compromises his or her independence. If the Director is a legal entity, his or her independence must be assessed on the basis of both the legal entity and his or her permanent representative. A Director will be presumed to qualify as an Independent Director if he or she meets at least the criteria set out in Article 7:87 of the Belgian Companies and Associations Code and Clause 3.5 of the 2020 Corporate Governance Code, which can be summarised as follows:

1. Not being an executive, or exercising a function as a person entrusted with the daily management of the company or an affiliated company or person, and not have been in such a position for the previous three years before their appointment. Alternatively, no longer enjoying share options of the company related to this position.
2. Not having served for a total term of more than twelve years as a Non-Executive Board member.
3. Not being an employee of the senior management (as defined in article 19,2° of the law of September 20, 1948 regarding the organization of the business industry) of the company or an affiliated company or person, and not have been in such a position for the previous three years before their appointment. Alternatively, no longer enjoying share options of the company related to this position.
4. Not receiving, or having received during their mandate or for a period of three years prior to their appointment, any significant remuneration or any other significant advantage of a patrimonial nature from the company or an affiliated company or person, apart from any fee they receive or have received as a Non-Executive Board member.
5. Not holding shares, either directly or indirectly, either alone or in concert, representing globally one tenth or more of the company's capital or one tenth or more of the voting rights in the company at the moment of appointment.
6. Not having been nominated, in any circumstances, by a shareholder fulfilling the conditions covered under point 5.
7. Not having, nor having had in the past year before their appointment, a significant business relationship with the company or an affiliated company or person, either directly or as partner, shareholder, board member, member of the senior management (as defined in article 19,2° of the law of September 20, 1948 regarding the organization of the business industry) of a company or person who maintains such a relationship.
8. Not being or having been within the last three years before their appointment, a partner or member of the audit team of the company or person who is, or has been within the last three years before their appointment, the external auditor of the company or an affiliated company or person.
9. Not being an executive of another company in which an executive of the company is a Non-Executive Board member, and not have other significant links with executive board members of the company through involvement in other companies or bodies.

10. Not having, in the company or an affiliated company or person, a spouse, legal partner or close family member to the second degree, exercising a function as board member or executive or person entrusted with the daily management or employee of the senior management (as defined in article 19,2° of the law of September 20, 1948 regarding the organization of the business industry), or falling in one of the other cases referred to in 1. to 9 above, and as far as point 2 is concerned, up to three years after the date on which the relevant relative has terminated their last term.

If the Board of Directors submits the nomination of an Independent Director who does not meet the abovementioned criteria to the general meeting, it shall explain the reasons why it assumes that the candidate is in fact independent. The Company is of the view that the Independent Directors comply with each of the criteria of the Belgian Companies and Associations Code and the 2020 Code. The aforementioned Directors also complied with the criteria for being an Independent Director in 2019 pursuant to the former Belgian Companies Code of May 7, 1999 and the 2009 Code.

An Independent Director who ceases to satisfy the requirements of independence must immediately inform the chairman of the Board of Directors thereof.

## Composition of the Board of Directors

The table below describes the composition of the Board of Directors as of the date of this Annual Report.

Name	Age on Dec 31, 2019	Position	Term Start	Term End (1(2))	Professional Address
Ahok BV, represented by Mr. Koen Hoffman	51	Chairman, Non-Executive Independent Director	2018	2021	Absoluut Plaza Schoonzichtstraat 23A, B-9051 Gent, Belgium
Mr. Michael K. McGarrity	56	Executive Director	2019	2023	15279 Alton Parkway Ste 100 Irvine, CA 92618 USA
Gengest BV, represented by Mr. Rudi Mariën	74	Non-Executive Director	2017	2021	Karel van de Woestijnestraat 1-3, B-9000 Gent, Belgium
TSTILL Enterprises LLC, represented by Mr. Timothy Still	54	Non-Executive Independent Director	2019	2020	CAP Business Center, Rue d'Abhooz 31, B-4040 Herstal, Belgium
Valiance Advisors LLP, represented by Mr. Jan Pensaert	48	Non-Executive Director	2018	2021	Lilly House, 13 Hanover Square, London W1S 1HN, United Kingdom
Qaly-Co BV, represented by Dr. Lieve Verplancke	60	Non-Executive Independent Director	2017	2021	Dikkemeerweg 54, B-1653 Dworp, Belgium
Hilde Windels BV, represented by Ms. Hilde Windels	54	Non-Executive Independent Director	2017	2020	Kasteellaan 89, B-9000 Gent, Belgium

Notes:

(1) The term of the mandates of each Director will expire immediately after the annual general shareholders' meeting held on the last Thursday of the month of May in the calendar year indicated.

(2) In 2019, Mr. Walter Narajowski, as permanent representative of LabDx L.L.C., was Non-Executive Independent Director (until his resignation effective as of October 30, 2019). In addition, Dr. Jan Groen was Executive Director (until his resignation effective as of February 18, 2019).



Mr. Koen Hoffman obtained a Master in Applied Economics and an MBA at Vlerick Business School. Between 1992 and July 2016, he was active at KBC Group in which he started his career in the corporate finance department and later became the CEO of KBC Securities as from October 2012. Since August 2016, he is the CEO of Value Square asset management. Mr Koen Hoffman serves also as board member at Fagron (Chairman), Greenyard (chairman) Mithra Pharmaceuticals and SnowWorld.



Mr. Michael K. McGarrity has more than 25 years of experience in the healthcare industry with a unique combination of device, diagnostics and biotechnology experience. Michael was most recently the CEO of Sterilis Medical. Prior to Sterilis Michael was the CEO of Nanosphere (NASDAQ: NSPH), a nanotechnology-based molecular diagnostics company, where he engineered an operational and strategic turnaround that resulted in its successful sale to Luminex (NASDAQ: LMNX) in 2016. Prior to Nanosphere, McGarrity spent 13 years at Stryker Corporation (NYSE: SYK).



Mr. Rudi Mariën is President and Managing Director of Gengest BV and Biovest NV. He was the Vice President of Cerba European Lab. Through his management company, Gengest BV, Mr. Mariën has Board mandates in different listed and private biotech companies. Mr. Mariën was co-founder, reference shareholder and Chairman of Innogenetics, and has been the founder, shareholder and Managing Director of several clinical reference laboratories including the Barc Group, a leading international centralized clinical laboratory, exclusively dedicated to pharmaceutical studies. Mr. Mariën holds a degree in pharmaceutical sciences from the University of Gent and is specialized in clinical biology.



Mr. Tim Still has over 29 years of experience in medical devices and diagnostics. He has extensive experience in designing and implementing highly focused commercial and business development strategies within both large and small companies. Mr. Still has been directly responsible for building the commercial viability at many of his previous companies, five of which have been successfully acquired (representing >\$1.1B in proceeds). Mr. Still was most recently the President and CEO of Myoscience, located in Fremont, CA. Mr. Still was hired to develop a new commercial strategy at the company, and re-direct the technology platform into the pain management/orthopedic marketplace. While leading Myoscience, he raised over \$12M in convertible debt, rebuilt the commercial organization, and successfully negotiated a strategic exit in the Spring of 2019. Myoscience was acquired by Pacira Pharmaceuticals for a valuation of ~40X trailing revenue in an industry known for valuation ranges of ~7X. Mr. Still received a B.S. degree (with Honors) in Biological Sciences from the University of California at Davis, and an MBA (Deans Scholar) in Marketing and Entrepreneurship from the University of Southern California.





Mr. Jan Pensaert is the Founding Managing Partner of Valiance. He brings over 20 years of experience in growth investing. He leads the Investment Committee for the Valiance Funds and is responsible for all aspects of the Funds' investment processes. Jan currently serves on the Board of several Valiance entities funds and portfolio companies including MDxHealth, JenaValve, MyCartis and 4Tech. Prior to founding Valiance, Jan was CEO of La Fayette, where during his tenure the La Fayette Funds increased in AUM from \$750 million to \$5.5 billion. Before that, he was responsible for the Permal Group's European-based investment management and research activities, and prior to that he worked at Lazard in Corporate Finance M&A. Jan holds a BA in Business Economics from Gent University in Belgium, and a Masters in Banking & Finance from the University of Aix-Marseille, France.



Lieve Verplancke MD, a Belgian national, began her career in 1984 with The Beecham Group (now part of GlaxoSmithKline), and has since held key management positions with Merck & Co., as well as Bristol-Myers Squibb, where she served as Managing Director, leading their Belgian/GDL subsidiary, until 2012. Ms. Verplancke also serves as a Board Member for Brussels-based Europe Hospitals; the Imelda Hospital in Bonheiden; and the Euronext fund, Quest for Growth and Materialise. She is also the Founder and Managing Director of Qaly@Beersel, an elderly care center in Belgium. In addition to being a medical doctor (MD– KULeuven University), Ms. Verplancke holds a postgraduate degree in Economics and an MBA from the University of Antwerp. She has also completed courses at INSEAD, CEDEP, Columbia University and the Vlerick Business School, and is a certified Executive Coach (PCC).



Hilde Windels is the CEO of immunodiagnostic company Antelope Dx BV and has 20 years of experience in the biotechnology sector with a track record of building and structuring organizations, fundraising, M&A, public capital markets and corporate strategies. At Biocartis, she was CEO ad interim and Deputy CEO from September 2015 until September 2017 and CFO from 2011 until September 2015. Previously, Mrs. Windels worked as independent CFO for several private biotech companies and from 1999 to 2008 she was CFO of Devgen. Currently, Mrs. Windels serves as a board member at Erytech and Celyad. In the past, she also served on the boards of Devgen, Biocartis, Ablynx, VIB and FlandersBio. Mrs. Windels holds a Masters in Economics (commercial engineer) from the University of Leuven, Belgium..

## Committees of the Board of Directors

The Board of Directors of MDxHealth has set up two permanent board committees which are responsible for assisting the Board of Directors and making recommendations in specific fields: the audit committee (in accordance with Article 7:99 of the Belgian Companies and Associations Code, provision 5.2 of the 2009 Code and provision 4.10 of the 2020 Code) and the nomination and remuneration committee (in accordance with Article 7:100 of the Belgian Companies and Associations Code, provision 5.3 and 5.4 of the 2009 Code and provision 4.17 and 4.19 of the 2020 Code). The terms of reference of these board committees are primarily set out in the corporate governance charter.

### Audit Committee

MDxHealth has had an audit committee in place since the Company's inception. According to Article 7:99 §3 of the Belgian Companies and Associations Code, MDxHealth would meet the size criteria in order to operate without a separate audit committee, but the Company has chosen to continue operating with a separate audit committee.

The audit committee of the Company consists of three Directors. According to the Belgian Companies and Associations Code, all members of the audit committee must be Non-Executive Directors, and at least one member must be independent within the meaning of Article 7:87 of the Belgian Companies and Associations Code. The chairperson of the audit committee is to be appointed by the members of the audit committee. The composition of the audit committee complies with the 2009 Code and the 2020 Code, which require that a majority of the members of the audit committee are independent.

The members of the audit committee must have a collective competence in the business activities of the Company as well as in accounting, auditing and finance, and at least one member of the audit committee must have the necessary competence in accounting and auditing. According to the Board of Directors, the members of the audit committee satisfy this requirement, as evidenced by the different senior management and Director mandates that they have held in the past and currently hold.

The role of the audit committee is to assist the Board of Directors in fulfilling its financial, legal and regulatory monitoring responsibilities. The committee reports regularly to the Board of Directors on the exercise of its duties, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken. The audit review and the reporting on that review cover the Company and its subsidiaries as a whole. The specific tasks of the audit committee are outlined in the Company's governance charter and include the following:

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

The following Non-Executive Directors are members of the audit committee in 2019: Hilde Windels BV, represented by its permanent representative, Ms. Hilde Windels (chair), Qaly-Co BV, represented by its permanent representative, Dr. Lieve Verplancke, and Valiance Advisors LLP, represented by its permanent representative, Mr. Jan Pensaert. As required by law, the chair of the audit committee is competent in accounting and auditing, as is evidenced by her role chief executive officer, chief financial officer and Non-Executive Director of multiple life sciences companies.

The audit committee is a collegial body, and deliberates and makes decisions as such. The audit committee met 4 times in 2019. All members of the audit committee were present or represented at all meetings.

## Nomination and Remuneration Committee

According to Article 7:100 §4 of the Belgian Companies and Associations Code, MDxHealth would meet the size criteria in order to operate without a separate remuneration committee, but the Company has chosen to continue operating with a separate remuneration committee.

MDxHealth's nomination and remuneration committee must be composed of at least three members and must be composed exclusively of Non-Executive Directors who have the necessary competence in terms of remuneration policy. A majority of its members must be Independent Directors. The nomination and remuneration committee is chaired by the chairman of the Board of Directors or another Non-Executive Director appointed by the committee.

The chairman of the Board of Directors should not chair the committee when dealing with the designation of his successor. The CEO should participate in an advisory capacity in the meetings of the committee when it deals with the remuneration of other executive managers.

The role of the nomination and remuneration committee is to make recommendations to the Board of Directors with regard to the appointment and remuneration of Directors and members of the executive management and, in particular, to:

- identify, recommend and nominate, for the approval of the Board of Directors, candidates to fill vacancies in the Board of Directors and executive management positions as they arise. In this respect, the nomination and remuneration committee must consider and advise on proposals made by relevant parties, including management and shareholders;
- advise the Board of Directors on any proposal for the appointment of the chief executive officer and on the chief executive officer's proposals for the appointment of other members of the executive management;
- draft appointment procedures for members of the Board of Directors and the chief executive officer;
- ensure that the appointment and re-election process is organized objectively and professionally;
- periodically assess the size and composition of the Board of Directors and make recommendations to the Board of Directors with regard to any changes;
- consider issues related to succession planning;
- make proposals to the Board of Directors on the remuneration policy for Directors and members of the executive management and the persons responsible for the day-to-day management of the Company, as well as, where appropriate, on the resulting proposals to be submitted by the Board of Directors to the shareholders' meeting;
- make proposals to the Board of Directors on the individual remuneration of Directors and members of the executive management, and the persons responsible for the day-to-day management of the Company, including variable remuneration and long-term incentives, whether or not share-related, in the form of share options or other financial instruments, and arrangements on early termination, and where applicable, on the resulting proposals to be submitted by the board of directors to the shareholders' meeting;
- prepare a remuneration report to be included by the Board of Directors in the annual corporate governance statement;
- present and provide explanations in relation to the remuneration report at the annual shareholders' meeting; and
- report regularly to the Board of Directors on the exercise of its duties.

The following Non-Executive Directors are members of the nomination and remuneration committee: TSTILL Enterprises LLC, represented by its permanent representative, Mr. Timothy Still (chair), assuming the role of Chair following the resignation of Lab Dx L.L.C., represented by Mr. Walter Narajowski, from the Board of Directors effective October 30, 2019; Gengest BV, represented by Mr. Rudi Mariën; Qaly-Co BV, represented by its permanent representative, Dr. Lieve Verplancke; Ahok BV, represented by its permanent representative, Mr. Koen Hoffman, and Valiance Advisors LLP, represented by its permanent representative, Mr. Jan Pensaert.

The nomination and remuneration committee is a collegial body, and deliberates and makes decisions as such.

The nomination and remuneration committee met 2 times in 2019. All of the committee members attended all of the committee meetings. Neither Valiance Advisors LLP nor Ahok BV attended the two meetings of the nomination and remuneration committee held in 2019, as they occurred prior to their becoming members of the committee.

## Process for Evaluating the Board, its Committees, and its Individual Directors

At least every three years the Board of Directors will, under the lead of its Chairman, assess, through a formal process, its own performance and its interaction with the executive management, as well as its size, composition, performance and those of its committees, as well as the contribution of each Director.

This evaluation process has five objectives:

1. assessing how the Board of Directors and its committees operate,
2. checking that the important issues are suitably prepared and discussed,
3. checking the Board's and committees' current composition against the desired composition,
4. evaluating the actual contribution of each Director's work, the Director's presence at Board and committee meetings and his involvement in discussions and decision-making, and

5. evaluating whether the fees and costs of the full Board and individual Directors is in line with the performance of the Company and the performance of the individual Director.

The Chairman can organize an individual meeting with each Director to discuss these items, including each Director's own performance and the performance of its colleague Directors. The conclusions resulting from these individual meetings will be submitted to the Board by the Chairman.

At the end of each Board member's term, the nomination and remuneration committee should evaluate this Board member's presence at the Board or committee meetings, their commitment and their constructive involvement in discussions and decision-making in accordance with a pre-established and transparent procedure. The nomination and remuneration committee should also assess whether the contribution of each Board member is adapted to changing circumstances.

The Board will act on the results of the performance evaluation. Where appropriate, this will involve proposing new Board members for appointment, proposing not to re-appoint existing Board members or taking any measure deemed appropriate for the effective operation of the Board.

## **Executive management**

The Board of Directors has appointed the executive management of the Company. The terms of reference of the executive management have been determined by the Board of Directors in close consultation with the CEO.

### **Chief Executive Officer**

The CEO is appointed, and can be removed, by the Board of Directors of the Company.

The CEO is charged by the Board of Directors with the day-to-day management of the Company and is therefore also managing Director of the Company. In this function, the CEO has the following general responsibilities:

- the implementation of the decisions of the Board of Directors, within the strategy, planning, values and budgets approved by the Board of Directors,
- overseeing the different central departments and business units of the Company, and reporting to the Board of Directors on their activities,
- the development of proposals for the Board of Directors relating to strategy, planning, finances, operations, human resources and budgets, and other matters that are to be dealt with at the level of the Board of Directors.

The specific tasks of the CEO are further described in the corporate governance charter.

### **Other Members of Executive Management Team**

The other members of the executive management team, being the heads of the main activities and central departments (and their divisions) of MDxHealth, are appointed and removed by the CEO in close consultation with the Board of Directors of the Company.

The main tasks of the executive management are to organize their department in accordance with the guidelines determined by the CEO and to report to the CEO on the operation and activities of their department.

## Composition of the Management Team

The composition of the Management Team is set out below and reflects the situation at the date of this Annual Report:

Name	Age on Dec 31, 2019	Position	Permanent Address
Mr. Michael K. McGarrity	56	Chief Executive Officer	15279 Alton Parkway Ste 100, Irvine, CA 92618 USA
Mr. John Bellano	51	Chief Commercial Officer	15279 Alton Parkway Ste 100, Irvine, CA 92618 USA
Mr. Ron Kalfus	45	Chief Financial Officer	15279 Alton Parkway Ste 100, Irvine, CA 92618 USA
Mr. Joseph Sollee	55	Executive Vice President, General Counsel & Chief Compliance Officer	15279 Alton Parkway Ste 100, Irvine, CA 92618 USA

In 2019 the Management Team consisted of Mr. Michael McGarrity, as CEO (who joined on February 18, 2019), Mr. Ron Kalfus, as CFO (who joined on July 22, 2019), Mr. John Bellano, as Chief Commercial Officer (who joined on ), Mr. Joseph Sollee, as Executive Vice President of Corporate Development, General Counsel & Chief Compliance Officer, Dr. Jan Groen, former CEO (who resigned with effect as of February 18, 2019), and Marcofin BV, represented by its permanent representative, Jean-Marc Roelandt, former CFO (who whose mandate ended on June 30, 2019).

The executive management did not constitute an executive committee (comité de direction / directiecomité) within the meaning of the former Article 524 bis of the Belgian Company Code.

Following are biographies of the executive management team members (also referred to as executives) as of the date of this Annual Report:

### **Mr. Michael K. McGarrity, Chief Executive Officer**

See "Board of Directors - Composition of the Board of Directors".

### **Mr. John Bellano, Chief Commercial Officer**

Mr. Bellano joined MDxHealth in June 2019. He has more than 25 years of experience in the healthcare industry. Mr. Bellano started his career in pharmaceuticals and transitioned to molecular diagnostics where he has spent the past 20 years of his career, most recently as Chief Commercial Officer of Sterilis Solutions. Prior to Sterilis Solutions he served as the commercial leader for pharmacogenomic companies Assurex Health and AltheaDx. While at Assurex Health (Myriad Genetics) revenue grew from \$700k to a run rate of \$100 Million during his 5-year span with the organization.

### **Ron Kalfus, Chief Financial Officer**

Mr. Kalfus joined MDxHealth in July 2019. He has over 20 years of leadership experience in both public and private companies within diagnostics/biotech and other sectors, and brings extensive knowledge in financial operations and management. Mr. Kalfus joined MDxHealth from Rosetta Genomics, where he helped lead efforts to reposition the company for commercial success with its oncology diagnostic products, and raised over \$60 million in capital to fund these efforts. Prior to Rosetta, Mr. Kalfus served as the CFO and Treasurer of MabCure, a Belgium-based publicly-traded biotechnology startup in the field of early cancer detection using antibodies..

### **Mr. Joseph Sollee, Executive Vice President, General Counsel & Chief Compliance Officer**

Mr. Sollee has provided legal counsel to MDxHealth since its inception in 2003, and in April 2008 joined our management team. Prior to joining the Company, Mr. Sollee served as Special Counsel with the law firm of Kennedy Covington (now K&L Gates), where he led the Life Sciences Practice Group. Mr. Sollee has more than 20 years of experience in the life sciences industry, and has held senior legal and management positions at Triangle Pharmaceuticals and TherapyEdge. In addition, he has practiced as a corporate attorney in the Washington D.C. legal firm Swidler & Berlin and in investment banking at Smith Barney in New York. Mr. Sollee received a Juris Doctorate in Law (JD) and a Master's degree in International & Comparative Law (LLM) from Duke University, a BA degree from Harvard University, and has been certified into the legal bars of New York, Washington D.C. and North Carolina.

# Dealing Code

The rules and procedures that apply when Board members and executive managers deal in MDxHealth securities are defined in the Company's Dealing Code. The code prohibits Board members and executive managers from dealing with MDxHealth securities during periods prohibited by applicable laws and regulation or during specific closed periods announced by the Company. The dealing code is available in its entirety on the Company's website ([www.mdxhealth.com](http://www.mdxhealth.com)).

## Internal Control and Risk Management

### A. Introduction

The Company operates a risk management and control framework in accordance with the Belgian Companies and Associations Code and the 2020 Code. MDxHealth is exposed to a wide variety of risks within the context of its business operations that can result in its objectives being affected or not achieved. Controlling those risks is a core task of the Board of Directors (including the audit committee), the executive management and all other employees with managerial responsibilities.

The risk management and control system has been set up to reach the following goals:

- achievement of the Company's objectives;
- achieving operational excellence;
- ensuring correct and timely financial reporting; and
- compliance with all applicable laws and regulations.

### B. Control Environment

#### **Three lines of defence**

The Company applies the 'three lines of defence model' to clarify roles, responsibilities and accountabilities, and to enhance communication within the area of risk and control. Within this model, the lines of defence to respond to risks are:

- First line of defence: line management is responsible for assessing risks on a day-to-day basis and implementing controls in response to these risks.
- Second line of defence: the oversight functions like Finance and Controlling and Quality and Regulatory oversee and challenge risk management as executed by the first line of defence. The second line of defence functions provide guidance and direction and develop a risk management framework.
- Third line of defence: independent assurance providers such as external accounting and external audit challenge the risk management processes as executed by the first and second line of defence.

#### **Policies, procedures and processes**

The Company fosters an environment in which its business objectives and strategy are pursued in a controlled manner.

This environment is created through the implementation of different Company-wide policies, procedures and processes such as the Company's values, the Quality Management System and the Delegation of Authorities rule set.

The employees are regularly informed and trained on these subjects in order to develop sufficient risk management and control at all levels and in all areas of the organization.

### C. Risk management

Sound risk management starts with identifying and assessing the risks associated with the Company's business and external factors. Once the relevant risks are identified, the Company strives to prudently manage and minimize such risks, acknowledging that certain calculated risks are necessary to ensure that the Company achieves its objectives and continues to create value for its stakeholders. All employees of the Company are accountable for the timely identification and qualitative assessment of the risks within their area of responsibility.

### D. Control activities

Control measures are in place to minimize the effect of risks on the Company's ability to achieve its objectives. These control activities are embedded in the Company's key processes and systems to assure that the risk responses and the Company's overall objectives are carried out as designed. Control activities are conducted throughout the organization, at all levels and within all departments.

### E. Information and communication

The Company recognizes the importance of timely, complete and accurate communication and information both top down as well as bottom-up. The Company therefore put several measures in place to assure amongst others:

- security of confidential information;
- clear communication about roles and responsibilities; and
- timely communication to all stakeholders about external and internal changes impacting their areas of responsibility.

### F. Monitoring of control mechanisms

Monitoring helps to ensure that internal control systems operate effectively. The quality of the Company's risk management and control framework is assessed by the following functions:

- **Quality and Regulatory:** All employees of the Company are instructed on the rules and policies of the Company via a booklet of work rules, the terms of their employment arrangements, standard operating procedures defined by task/area, and by numerous documents (such as the Code of Business Conduct and Ethics and the Dealing Code) that are distributed and explained to the personnel.
- **External Audit:** In the Company's review of the annual accounts, the statutory auditor focuses on the design and effectiveness of internal controls and systems relevant for the preparation of the financial statements. The outcome of the audits, including work on internal controls, is reported to management and the audit committee.
- **Audit Committee:** The Board of Directors and the audit committee have the ultimate responsibility with respect to internal control and risk management.

In addition, the legal department of MDxHealth, under supervision of the CEO and together with the management team, has set up internal procedures in order to ensure that acts performed within or by the Company are in compliance with the existing laws and external regulations. The management is also responsible to comply with internal regulations and the Board of Directors is ensuring that the management is respecting the general policies and the corporate plans.

The Board of Directors has established a Code of Business Conduct and Ethics to aid MDxHealth's directors, officers and employees in making ethical and legal decisions when conducting Company business and performing their day-to-day duties. The Code of Business Conduct and Ethics is available in its entirety on the Company's website ([www.mdhealth.com](http://www.mdhealth.com)). In addition, the Board has appointed a Chief Compliance Officer to oversee ongoing compliance with the Code of Business Conduct and Ethics and existing laws and external regulations, and to report regularly to the Board of Directors and the Audit Committee on compliance matters.

### G. Risk management and internal control with regard to the process of financial reporting

The accurate and consistent application of accounting rules throughout the Company is assured by means of set of control procedures, including:.

- The Audit Committee reviews all financial information before it is released
- The Board of Directors reviews internal monthly financial information
- The financial auditors not only audit the year-end financial statements, but at the request of the Company they also perform a limited review of the Interim half-year financial statements
- The Company managers and finance department personnel explain all material variances in historical figures and between the budget and actual figures

- The Board of Directors, the Company managers and finance department personnel perform reviews and controls of the key financial figures at each reporting period, some of which are described below
- At the Board of Directors level, there is a periodic review and approval of the following main topics:
  - Overall strategy and strategic options;
  - Multi-year business plan and company goals;
  - Ensuing year budget and targets;
  - Comparison of actual results and budgeted figures;
  - Hiring, motivation, and retention of key talent;
  - Remuneration and benefits;
  - Financial statements; and
  - Internal controls.

Management of the Company is organized on the basis of plans, departments, projects, and corresponding budgets and targets. Progress on the core projects, budgets, and plans are reviewed on a periodic basis. The management has clearly aligned responsibilities as described in the job descriptions which are prepared for all employees of the Company.

A set of measures has been taken to assure the quality of the financial and management information, amongst others:

- The appointment of qualified personnel in key positions with all entities of the Company;
- The definition of a set of standard procedures for key activities such as steps for the approval, purchasing and payment of services and goods;
- The request for the external auditors to pay special attention to areas with specific company and industry risk;
- The request for specialized consultants to assist in designing and/or reviewing key procedures, systems, or reports;
- The audit committee or individual Directors periodically review and are consulted on key matters and procedures and when needed external specialist assistance is sought.

The Board periodically reviews and provides instructions to the management team on how to manage credit risks, interest risks, exchange risks, and liquidity risks. As an example, the Board has given instructions on what type of financial instruments the Company can place its cash and on which it is not allowed to do so. The management also seeks external specialized advice on managing such risks.

## Principal Shareholders

The Company has a wide shareholder base, mainly composed of institutional investors in European countries.

The table below provides an overview of the shareholders that notified the Company, of their shareholding in the Company pursuant to applicable transparency disclosure rules, up to the date of this report. Although the applicable transparency disclosure rules require that a disclosure be made by each person passing or falling under one of the relevant thresholds, it is possible that the information below in relation to a shareholder is no longer up-to-date.

	Date of Notification	% of the voting rights attached to Shares (1)
Biovest NV (2)	July 1, 2015	13.99%
Valiance Asset management Limited (3)	October 8, 2019	15.82%
Scorpiaux BV (4)	September 27, 2019	5.48%

Notes:

- (1) The percentage of voting rights is calculated as per the date of the relevant notification and taking into account the total number of outstanding shares of the Company as of such date.
- (2) Biovest NV (formerly Biovest Comm.Va), informed the Company, by means of a notification dated July 1, 2015, that the aggregate shareholding of the Biovest Comm.Va had passively crossed the threshold of 15% of the outstanding voting rights of the Company on July 1, 2015. The notification specified furthermore that Biovest NV is controlled by Rudi Mariën.
- (3) Valiance Asset Management Limited, informed the Company, by means of a notification dated October 8, 2019, that the aggregate shareholding of Valiance Asset Management Limited, through three different entities (Valiance Holdings Limited, Valiance Life Sciences Growth Investment Fund SICAV-SIF, and TopMDx Ltd.), had crossed the threshold of 15% of the outstanding voting rights of the Company on October 8, 2019. The notification specified furthermore that Valiance Asset Management Limited can exercise the voting rights at its discretion for each of these 3 entities and that Valiance Assent Management Limited is not a controlled entity.
- (4) Scorpiaux BV, informed the Company, by means of a notification dated October September 27, 2019, that the aggregate shareholding of Scorpiaux BV crossed the threshold of 5% of the outstanding voting rights of the Company on September 27, 2019. The notification specified furthermore that Scorpiaux BV is exclusively controlled in the meaning of Article 5 and 7 of the Belgian Companies Code by Bart Versluys and that Scorpiaux BV exercise, together with a third party, control in the meaning of Article 5 and 7 of the Belgian Companies Code over Versluys Invest BV.



No other shareholders, alone or in concert with other shareholders, notified the Company of a participation or an agreement to act in concert in relation to 3% or more of the current total existing voting rights attached to the voting securities of the Company.

Copies of the abovementioned transparency notifications, are available on the Company's website (<https://mdxhealth.com/>).

## Share Capital and Shares

On the date of this report, the share capital of the Company amounts to EUR 56,260,102.01 and is fully paid-up. It is represented by 70,528,525 ordinary shares, each representing a fractional value of (rounded) EUR 0.7977 and representing one 70,528,525th of the share capital. The Company's shares do not have a nominal value.

In addition to the outstanding shares, the Company has a number of outstanding options that are exercisable into ordinary shares, consisting of:

- 65,000 outstanding share options, issued under the form of subscription rights on March 15, 2012;
- 360,000 outstanding share options, issued under the form of subscription rights on June 15, 2012;
- 853,562 outstanding share options issued under the form of subscription rights on June 23, 2014 (of which 68,500 stock options have not yet been granted);
- 2,060,125 outstanding share options issued under the form of subscription rights on June 19, 2017 (of which 271,000 stock options have not yet been granted); and
- 2,990,000 outstanding share options issued under the form of subscription rights on June 21, 2019 (of which 1,940,000 stock options have not yet been granted).

## Form and Transferability of the Shares

The shares of the Company can take the form of dematerialized shares. All the Company's shares are fully paid-up and are freely transferable. All of the 70,528,525 existing shares have been admitted to trading on the regulated market of Euronext Brussels.

## Currency

The Company's shares do not have a nominal value, but each reflect the same fraction of the Company's share capital, which is denominated in euro.

## Voting Rights attached to the Shares

Each shareholder of the Company is entitled to one vote per share. Shareholders may vote by proxy, subject to the rules described in the Company's articles of association.

Voting rights can be mainly suspended in relation to shares:

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

Pursuant to the Belgian Companies and Associations Code, the voting rights attached to shares owned by the Company, or a person acting in its own name but on behalf of the Company, or acquired by a subsidiary of the Company, as the case may be, are suspended.

## Dividends and Dividend Policy

All of the shares of the Company entitle the holder thereof to an equal right to participate in dividends in respect of the financial year ending December 31, 2019 and future years. All of the shares participate equally in the Company's profits (if any). Pursuant to the Belgian Companies and Associations Code, the shareholders can in principle decide on the distribution of profits with a simple majority vote at the occasion of the annual general shareholders' meeting, based on the most recent statutory audited financial statements, prepared in accordance with Belgian GAAP and based on a (non-binding) proposal of the Company's Board of Directors. The Belgian Companies and Associations Code and the Company's articles of association also authorize the Board of Directors to declare interim dividends without shareholder approval. The right to pay such interim dividends is, however, subject to certain legal restrictions.

The Company's ability to distribute dividends is subject to availability of sufficient distributable profits as defined under Belgian law on the basis of the Company's stand-alone statutory accounts prepared in accordance with Belgian GAAP. In particular, dividends can only be distributed if following the declaration and issuance of the dividends the amount of the Company's net assets on the date of the closing of the last financial year as follows from the statutory non-consolidated financial statements (i.e. summarized, the amount of the assets as shown in the balance sheet, decreased with provisions and liabilities, all in accordance with Belgian accounting rules), decreased with, except in exceptional cases, to be disclosed and justified in the notes to the annual accounts, the non-amortized costs of incorporation and extension and the non-amortized costs for research and development, does not fall below the amount of the paid-up capital (or, if higher, the issued capital), increased with the amount of non-distributable reserves.

In addition, pursuant to Belgian law and the Company's articles of association, the Company must allocate an amount of 5% of its Belgian GAAP annual net profit (nettowinst/bénéfices nets) to a legal reserve in its stand-alone statutory accounts, until the legal reserve amounts to 10% of the Company's share capital. The Company's legal reserve currently does not meet this requirement. Accordingly, 5% of its Belgian GAAP annual net profit during future years will need to be allocated to the legal reserve, limiting the Company's ability to pay out dividends to its shareholders.

## Information that has an impact in case of public takeover bids

The Company provides the following information in accordance with Article 34 of the Belgian Royal Decree dated November 14, 2007:

- (i) The share capital of the Company amounts to EUR 56,260,102.01 and is fully paid-up. It is represented by 70,528,525 ordinary shares, each representing a fractional value of (rounded) EUR 0.7977 and representing one 70,528,525th of the share capital. The Company's shares do not have a nominal value.
- (ii) Other than the applicable Belgian legislation on the disclosure of significant shareholdings and the Company's articles of association, there are no restrictions on the transfer of shares.
- (iii) There are no holders of any shares with special control rights.
- (iv) There are no share option plans for employees other than the share option plans disclosed elsewhere in this report. These share option plans contain provisions on accelerated vesting in case of change of control.
- (v) Each shareholder of the Company is entitled to one vote per share. Voting rights may be suspended as provided in the Company's articles of association and the applicable laws and articles.
- (vi) There are no agreements between shareholders which are known by the Company that may result in restrictions on the transfer of securities and/or the exercise of voting rights.
- (vii) The rules governing appointment and replacement of Board members and amendment to articles of association are set out in the current versions of the Company's articles of association and the Company's Corporate Governance Charter.
- (viii) The powers of the Board of Directors, more specifically with regard to the power to issue or redeem shares are set out in the Company's articles of association. The Board of Directors was not granted the authorization to purchase its own shares "to avoid imminent and serious danger to the Company" (i.e., to defend against public takeover bids). The Company's articles of association do not provide for any other specific protective mechanisms against public takeover bids.
- (ix) At the date of this report, the Company is a party to the following significant agreements which, upon a change of control of the Company or following a takeover bid can enter into force or, subject to certain conditions, as the case may be, can be amended, be terminated by the other parties thereto or give the

other parties thereto a right to an accelerated repayment of outstanding debt obligations of the Company under such agreements:

- The Company has borrowed an amount equal to EUR 9,000,000, as of November 1, 2019, under a senior secured loan agreement with Kreos Capital. The main characteristics of the loan agreement can be summarized as follows:
- Term: A 48-month term, consisting of first 12 months interest payments only and subsequently 36 months equal monthly instalments of principal and interest. If certain conditions are satisfied, the interest only period can be extended to 18 months (with the principal and interest period reduced to 30 months);
- Interest: The loan accrues interest at a rate of 9.5% per annum;
- Fees: A number of fees will be payable to Kreos Capital, consisting notably of (i) a transaction fee equal to EUR 112,500, (ii) a drawdown fee equal to 7% of the amount drawn down under the loan agreement, which will not be payable in cash but shall remain outstanding as a “convertible loan” (see below), and (iii) an end of loan payment upon final repayment of the loan, equal to 5% of the amount drawn down under the loan agreement;
- Convertible loan: Upon drawdown of the loan, the 7% drawdown fee will not be paid in cash but shall remain outstanding as a convertible loan. The convertible loan will not accrue interest and will not require any amortisation or repayment. The Company will not have the right to prepay or otherwise terminate the convertible loan. The convertible loan expires on the earlier of (i) the tenth anniversary of the drawdown of the loan and (ii) the sale of the entire issued share capital of MDxHealth (the “Expiration Date”);
- Conversion of the convertible loan: Upon the Expiration Date, the convertible loan will convert automatically into ordinary shares. Prior to the Expiration Date, Kreos Capital may at any time convert the convertible loan into new ordinary shares at a ratio equal to the lower of (i) 100% of the volume weighted average share price during the 30-day period ending ten days prior to the first drawdown of the loan, and (ii) the price per share paid in the Capital Increase;
- Cancellation of the convertible loan: In lieu of converting the convertible loan, Kreos Capital may instead cancel the convertible loan at any time after the earlier to occur of (i) repayment or prepayment in full of the loan, and (ii) sale of the entire issued share capital of MDxHealth, but before the Expiration Date, cancel the convertible loan. In such case, Kreos Capital will be paid an amount equal to 150% of the principal amount of the convertible loan;
- Board observer: Kreos Capital will be entitled to appoint a non-voting board observer;
- Change of control: The loan agreement contains a change of control clause and the loan agreement requires such to be approved by the Company’s shareholders by no later than the annual general meeting to be held in 2020;
- Collateral: Security has been granted over all assets owned by MDxHealth and its subsidiaries, including IP rights (but excluding any shares in, and IP rights licensed to, MDxHealth or its subsidiaries);
- Contractual restrictions: The loan agreement does not contain financial covenants, but it does contain other customary restrictions on the business of MDxHealth and its subsidiaries (such as limitations on future disposals, financial indebtedness, security and acquisitions subject to certain carve-outs and limitations).

No takeover bid has been instigated by third parties in respect of the Company's equity during the current financial year.

## Statutory Auditor

### *Services performed by the auditor and performance of exceptional activities or execution of special instructions (Article 3:65 Belgian Companies and Associations Code)*

BDO Réviseurs d'Entreprises SCRL, a cooperative company with limited liability (société coopérative à responsabilité limitée/coöperatieve vennootschap met beperkte aansprakelijkheid) organized and existing under the laws of Belgium, with registered office at Da Vincilaan 9, 1930 Zaventem, Belgium, was re-appointed on May 26, 2017 as the statutory auditor of the Company for a term of 3 years ending immediately after the closing of the annual shareholders' meeting to be held in 2020. Mr. Gert Claes has represented BDO since May 29, 2015.

The statutory auditor and the auditor responsible for the audit of the consolidated financial statements, confirms annually in writing to the audit committee his or her independence from the Company, discloses annually to the audit committee any additional services provided to the Company, and discusses with the audit committee the threats to his or her independence and the safeguards applied to mitigate those threats as documented by him or her.

During the past fiscal year, in addition to their usual activity, the statutory auditor performed additional activities on behalf of the Company mainly for the issuance of special reports related to warrant plans, grant report certification, for participation to the audit committees and for participation to special projects.

The Company expensed €111,000 (USD equivalent \$125,000) in fees to the auditor in 2019. The fees are broken down as follows:

- Audit fee for statutory and consolidated financials of € 99,000 (\$111,000)
- Audit related services (legal missions) € 12,000 (\$14,000)

## Conflicts of Interest (Article 523 Belgian Company Code)

Prior to the entry into force of the (new) Belgian Companies and Associations Code on 1 January 2020, Article 523 of the (former) Belgian Company Code provided for a special procedure within the Board of Directors in the event of a possible conflict of interest of one or more Directors with one or more decisions or transactions by the Board of Directors. In the event of a conflict of interest, the Director concerned had to inform his fellow Directors of his conflict of interest in advance of the conflict and must act in accordance with relevant rules of the Belgian Company Code. Article 7:96 of the (new) Belgian Companies and Associations Code provides for similar rules.

In addition, Article 524 of the Belgian Company Code provided for a special procedure that applies to intra-group or related party transactions with affiliates. The procedure applied to decisions or transactions between the Company and affiliates of the Company that are not a subsidiary of the Company. It also applied to decisions or transactions between any of the Company's subsidiaries and such subsidiaries' affiliates that are not a subsidiary of the Company. The procedure did not apply to decisions or transactions in the ordinary course of

business at customary market conditions, and transactions or decisions with a value of less than 1% of the consolidated net assets of the Company. Such transactions did not occur in 2019. Article 7:97 of the (new) Belgian Companies and Associations Code provides for similar rules.

In accordance with Article 523 of the Belgian Company Code, the Board of Directors clearly stated each time they experienced an interest of a patrimonial nature potentially departing from the interests of the Company.

The following conflicts of interests have been reported in 2019, in each instance prior to the deliberations regarding proposals in relation to the remuneration of Mr. Koen Hoffman, and in relation to the Private Placement :

## **Minutes of the Meeting of the Board of Directors Held on September 24, 2019.**

### **“PRIOR DECLARATIONS BY INDIVIDUAL DIRECTORS**

#### Prior declarations by Gengest SPRL and Valiance Advisors LLP

*Prior to the deliberation and resolutions by the board of directors, Gengest SPRL, with Mr. Rudi Mariën as permanent representative, and Valiance Advisors LLP, with Mr. Jan Pensaert as permanent representative, each a director of the Company and each being represented by one of the present directors, as aforementioned, made the following respective declarations as far as needed and applicable, in accordance with the provisions of the Belgian Companies Code of 7 May 1999:*

- *Gengest SPRL informed the meeting that it is an affiliated person (personne liée) of Biovest Comm. VA, currently being transformed into Biovest NV ("**Biovest**"), a shareholder of the Company. Valiance Advisors LLP informed the meeting that it is an affiliated person (personne liée) of Valiance Asset Management Ltd. ("**Valiance**"), also a shareholder of the Company.*
- *Each of Gengest SPRL and Valiance Advisors LLP informed the meeting that the agenda refers to a new fund raising via the proposed Private Placement, that Biovest and Valiance, respectively, support the Private Placement, and that Biovest and Valiance, respectively, intend to submit an order (directly or indirectly) to the Sole Bookrunner to subscribe for the transaction.*
- *Each of Gengest SPRL and Valiance Advisors LLP noted that it is contemplated that the new shares shall need to be admitted to trading on the regulated market of Euronext Brussels. For this purpose, the Company is to make the necessary filings and applications, and, as the case may be, prepare a listing prospectus, all as required by applicable regulations, in order to permit an admission to trading following the issue of the new shares. Each of Gengest SPRL and Valiance Advisors LLP also noted that in accordance with Article 1(5)(a) of the Prospectus Regulation, no prospectus is required for the admission to trading of up to 11,987,857 new shares, considering that the relevant new shares would represent, over a period of 12 months, less than 20% of the number of shares of the Company already admitted to trading. However, in relation to the number of new shares to be issued, as the case may be, in excess of 11,987,857 new shares, the effective listing of the relevant number of new shares will be subject to regulatory approval of a listing prospectus. Each of Gengest SPRL and Valiance*

Advisors LLP informed the meeting that to the extent that the Company would decide to issue more than 11,987,857 new shares, being 20% of the currently outstanding ordinary shares of the Company already admitted to trading on the regulated market of Euronext Brussels, each of Biovest and Valiance would enter into an arrangement with the Sole Bookrunner pursuant to which the Sole Bookrunner will be able to swap the relevant new shares against existing shares held by respectively Biovest and Valiance that are admitted to trading on the regulated market of Euronext Brussels. Each of Gengest SPRL and Valiance Advisors LLP also informed the meeting that respectively Biovest and Valiance will not receive a particular remuneration or compensation for such swap from the Sole Bookrunner, nor from the Company.

- Each of Gengest SPRL and Valiance Advisors LLP hence informed the meeting that, as a result, it may have a conflict of interest within the meaning of Article 523 of the Belgian Companies Code in relation to the resolutions to be passed by the board of directors with respect to the Private Placement. Gengest SPRL and Valiance Advisors LLP will also inform the Company's statutory auditor of the foregoing, as far as need and applicable in accordance with the provisions of Article 523 of the Belgian Companies Code. Despite this potential conflict, however, each of Gengest SPRL and Valiance Advisors LLP believes that the proposed private placement is in the company's interest, as it will allow the Company to complete the Private Placement and raise new funds, which is in the Company's interest.

Subsequently, Gengest SPRL and Valiance Advisors LLP no longer took part in the further deliberation and resolutions of the Board of Directors with respect to the Private Placement.

#### Prior declarations by the other directors

None of the other directors declared to have an interest in the proposed Private Placement that would require the application of the procedure set out in the provisions of Article 523 and/or 524 of the Belgian Companies Code.

#### Considerations by the board of directors in relation to the prior declarations

The remaining members of the board of directors took note of the prior declarations by Gengest SPRL and Valiance Advisors LLP. The board of directors considered that the special report of the board of directors in accordance with Article 596 of the Belgian Companies Code in relation to the Private Placement and which is submitted for approval by the board of directors contains a description of (a) the nature of the Private Placement, (b) the justification for the Private Placement, and (c) a description of the financial consequences of the Private Placement for the Company. The report contains further details and will be publicly available via (amongst others) the website of the Company and is hereby, as far as needed, incorporated by reference into the minutes of this meeting of the board of directors. The board of directors also specified that, subject to the launch of the Private Placement, the Private Placement will be open to institutional, qualified or professional investors and such other investors as permitted under applicable private placement exceptions, as referred to below, and any final allocation to investors, as the case may be, will be made based on customary objective and pre-identified criteria. The board of directors further confirmed that no guarantee will be given as to the final allocation to any of Biovest or Valiance, or any of their affiliates or other persons, that any allocation will be made to them, or as to the size of any such allocation.

The board of directors also considered that to the extent that the Company would decide to issue less than 11,987,857 new shares, being 20% of the currently outstanding ordinary shares of the Company already admitted to trading on the regulated market of Euronext Brussels, the Company can, for the purpose of the admission of the new shares to trading on the regulated market of Euronext Brussels, rely on the exemption to publish a prospectus as set out in Article 1(5)(a) of the Prospectus Regulation.

However, to the extent that the Company would decide to issue more than 11,987,857 new shares, being 20% of the currently outstanding ordinary shares of the Company already admitted to trading on the regulated market of Euronext Brussels, the number of new shares in excess of this threshold of 20% can only be admitted to trading on the regulated market of Euronext Brussels provided that a listing prospectus is prepared and approved in accordance with the Prospectus Regulation, unless an exemption under the Prospectus Regulation is available. The board of directors took note that Biovest and Valiance will therefore enter into an arrangement with the Sole Bookrunner pursuant to which the Sole Bookrunner will be able to swap the new shares against existing shares held by Biovest and Valiance that are admitted to trading on the regulated market of Euronext Brussels. This would allow the Company to issue new shares in excess of the aforementioned 20% threshold in the contemplated Private Placement, and hence to raise more funds in the Private Placement than would otherwise be possible, which is in the interest of the Company. The board of directors also confirmed that Biovest and Valiance will not receive a particular remuneration or compensation for such swap from the Sole Bookrunner, nor from the Company.

## **DELIBERATION AND RESOLUTIONS**

[...]

After deliberation, and upon motion duly made and seconded, it was unanimously:

- (a) *RESOLVED to approve in principle the issue of the new shares within the context of the Private Placement, subject to the finalization of the terms of the Private Placement and the Documentation. [...]*
- (b) *RESOLVED to approve, or, in as far as needed, ratify, the following:*
  - (i) *the Documentation and the performance of the obligations that the Company is to assume and perform in that regard;*
  - (ii) *the Board Report;*
  - (iii) *the negotiation and execution of all other documentation and agreements to which the Company is or must become a party in the framework of the Private Placement;*

*in each case in accordance with the substantive terms set out in the Documentation submitted to the board of directors or, as the case may be, as further negotiated, finalized or changed in accordance with the conditions referred to in section (e) below.*

- (c) *RESOLVED to confirm the instruction to the statutory auditor to prepare a report in accordance with Article 596 of the Belgian Companies Code in respect of the Private Placement and notes that, to the extent necessary and applicable, in accordance with Article 133/1, §5 of the Belgian Companies Code, the members of the audit committee agree that this assignment, in accordance with the rules and conditions necessary for such reports, is given to the statutory auditor of the Company;*
- (d) *RESOLVED, subject to the finalization of the Board Report and report of the statutory auditor in relation thereto and subject to a final decision to be taken by the Placement Committee (as defined under section (e) here below), to convene a special meeting of the board of directors and to approve the passing of the Notarial Board Resolutions before a notary public;*
- (e) *RESOLVED that, without prejudice to and subject to the powers of attorney to be granted pursuant to the Notarial Board Resolutions, a placement committee composed*

of at least (any) two directors of the Company (the "**Placement Committee**"), is authorized to do the following in the name and on behalf of the Company, if required and where so applicable:

- (i) to determine and finalize the terms, conditions and timing of the Private Placement in accordance with the substantive terms of the Documentation submitted to the board of directors in relation to the Private Placement, and to make such amendments thereto as the Placement Committee deems necessary or appropriate or with which it can agree for the purpose of the launch and the completion of the Private Placement, as applicable;
  - (ii) to finalize the Board Report for signature on behalf of the board of directors by two directors, taking into account such non-substantial changes as may result from further review by the notary public, the Company's statutory auditor, and the Sole Bookrunner and its legal advisors;
  - (iii) to further negotiate, specify, finalize, initial, sign, execute and deliver the other Documentation in relation to the Private Placement, and to make such amendments as the Placement Committee deems necessary or appropriate or with which it can agree;
  - (iv) to further elaborate, negotiate, specify, finalize, initial, sign, execute and deliver all other agreements, deeds, certificates, instruments, notices, requests, mandates, notes and other documents and, generally, to do all other acts, in the framework of or related to the Private Placement which the Placement Committee deems necessary or appropriate or with which it can agree (and the mere signature of the Placement Committee on such document or the mere doing by the Placement Committee of such act will be sufficient proof thereof).
- (f) *RESOLVED that, subject to the finalization and launch of the Private Placement, upon completion and settlement of the Private Placement, any director of the Company shall be specifically authorized to represent the Company and the board of directors before a notary public in order to record the closing and settlement of the Private Placement and the capital increase, issuance of new shares, and the amendment of the Company's Articles of Association resulting therefrom, as well as to do all other things in connection with such recording of the closing and settlement of the Private Placement before a notary public. "*

## **Minutes of the Meeting of the Board of Directors Held on September 25, 2019.**

### **PRIOR DECLARATIONS BY INDIVIDUAL DIRECTORS**

#### Prior declarations by Gengest SPRL and Valiance Advisors LLP

Prior to the deliberation and resolutions by the board of directors, Gengest SPRL, with Mr. Rudi Mariën as permanent representative, and Valiance Advisors LLP, with Mr. Jan Pensaert as permanent representative, each a director of the company and each being represented by one of the present directors, as aforementioned, made the following respective declarations as far as needed and applicable, in accordance with the provisions of the Belgian Companies Code of 7 May 1999:

- Gengest SPRL informed the meeting that it is an affiliated person (personne liée) of Biovest Comm. VA, currently being transformed into Biovest NV ("Biovest"), a shareholder of the company. Valiance Advisors LLP informed the meeting that it is an affiliated person (personne liée) of Valiance Asset Management Ltd. ("Valiance"), also a shareholder of the company.



- Each of Gengest SPRL and Valiance Advisors LLP informed the meeting that the agenda refers to a new fund raising via the proposed private placement, that Biovest and Valiance, respectively, support the private placement, and that Biovest and Valiance, respectively, intend to submit an order (directly or indirectly) to Kempen & Co N.V. to subscribe for the transaction.
- Each of Gengest SPRL and Valiance Advisors LLP noted that it is contemplated that the new shares shall need to be admitted to trading on the regulated market of Euronext Brussels. For this purpose, the company is to make the necessary filings and applications, and, as the case may be, prepare a listing prospectus, all as required by applicable regulations, in order to permit an admission to trading following the issue of the new shares. Each of Gengest SPRL and Valiance Advisors LLP also noted that in accordance with Article 1(5)(a) of the Prospectus Regulation, no prospectus is required for the admission to trading of up to 11,987,857 new shares, considering that the relevant new shares would represent, over a period of 12 months, less than 20% of the number of shares of the Company already admitted to trading. However, in relation to the number of new shares to be issued, as the case may be, in excess of 11,987,857 new shares, the effective listing of the relevant number of new shares will be subject to regulatory approval of a listing prospectus. Each of Gengest SPRL and Valiance Advisors LLP informed the meeting that to the extent that the company would decide to issue more than 11,987,857 new shares, being 20% of the currently outstanding ordinary shares of the company already admitted to trading on the regulated market of Euronext Brussels, each of Biovest and Valiance would enter into an arrangement with Kempen & Co N.V. pursuant to which Kempen & Co N.V. will be able to swap the relevant new shares against existing shares held by respectively Biovest and Valiance that are admitted to trading on the regulated market of Euronext Brussels. Each of Gengest SPRL and Valiance Advisors LLP also informed the meeting that respectively Biovest and Valiance will not receive a particular remuneration or compensation for such swap from Kempen & Co N.V., nor from the Company.
- Each of Gengest SPRL and Valiance Advisors LLP hence informed the meeting that, as a result, it may have a conflict of interest within the meaning of Article 523 of the Belgian Companies Code of 7 May 1999 in relation to the resolutions to be passed by the board of directors with respect to the private placement. Despite this potential conflict, however, each of Gengest SPRL and Valiance Advisors LLP believes that the proposed private placement is in the company's interest, as it will allow the Company to complete the private placement and raise new funds, which is in the Company's interest

Subsequently, Gengest SPRL and Valiance Advisors LLP no longer took part in the further deliberation and resolutions of the board of directors with respect to the contemplated private placement.

#### Prior declarations by the other directors

None of the other directors declared to have an interest in the proposed private placement that would require the application of the procedure set out in the provisions of Article 523 and/or 524 of the Belgian Companies Code of 7 May 1999.

#### Considerations by the board of directors in relation to the prior declarations

The remaining members of the board of directors took note of the prior declarations by Gengest SPRL and Valiance Advisors LLP. The board of directors considered that the special report of the board of directors in accordance with Article 596 of the Belgian Companies Code in relation to the private placement and which is submitted for approval by the board of directors contains a description of (a) the nature of the private placement, (b) the justification for the private placement, and (c) a description of the financial consequences of the private placement for the company. The report contains further details and will be publicly available via (amongst others) the website of the company and is hereby, as far as needed, incorporated by reference into the minutes of this meeting of the board of directors. The board of directors also specified that, subject to the launch of the private placement, the private placement will be open to institutional, qualified or professional investors and such other investors as

permitted under applicable private placement exceptions and any final allocation to investors, as the case may be, will be made based on customary objective and pre-identified criteria. The board of directors further confirmed that no guarantee will be given as to the final allocation to any of Biovest or Valiance, or any of their affiliates or other persons, that any allocation will be made to them, or as to the size of any such allocation.

The board of directors also notes, as explained in the aforementioned special report of the board of directors, that for the number of new shares to be issued, as the case may be, exceeding 11,987,857 new shares, the company will apply for the admission of the relevant new shares to trading on Euronext Brussels in accordance with the applicable rules and regulations. In this case, the actual issue of the new shares concerned will be subject to the regulatory approval of an issue prospectus. The board of directors confirms that Biovest and Valiance will not receive any particular remuneration or compensation from the company for the aforementioned swap.

## **DELIBERATION AND RESOLUTIONS**

The directors present and represented began with the deliberation on the agenda.

[...]

### **2. Capital increase**

The board of directors decides to increase the company's share in the framework of the authorized capital through a contribution in cash of up to fourteen million three hundred forty-four thousand euros and sixty-nine cents (14,344.070.69) (rounded) (excluding issuance premium) by issuing up to seventeen million nine hundred and eighty-one thousand seven hundred and eighty-six (17,981,786) new shares, all with same rights and benefits, and which will in all respects be *pari passu* with, the existing and outstanding shares of the company at the time of their issuance, and will be entitled to distributions for which the registration date or applicable due date falls to, or after, the date of issuance of the shares. [...]

*Vote: this resolution is adopted unanimously*

### **3. Allocation of the issuance premium**

The Board of Directors decides to book the all issuance premiums paid in the framework of the aforementioned capital increase on an account not available on the liabilities side of the company's balance sheet under its net equity, which will be the guarantee of third parties in the same way as the company's share capital and, with the exception of incorporation into the share capital, may only be reduced or closed by the resolution of the general shareholders' meeting passed in the conditions required for an amendment to the company's articles of association.

*Vote: this resolution is adopted unanimously*

### **4. Cancellation of the right of preferential subscription right**

The board of directors resolves, in the framework of the proposed capital increase, to dis-apply the right of preference of existing shareholders and, to the extent possible and applicable, of existing warrant holders, in order to allow Kempen & Co N.V., an investment bank appointed by the company, to offer these shares directly, via a private placement, through an accelerated bookbuilding procedure, with a currently unidentified group of Belgian and foreign institutional, qualified and/or professional investors (including, subject to applicable securities law rules and regulations, natural persons, and it being understood that, with respect to investors other than qualified investors (as defined in the Prospectus) in Belgium only, the minimum investment amount per investor will be at least EUR 100,000), in Belgium and abroad.

*Vote: this resolution is adopted unanimously*

### **5. Opening of the subscription period**

The board of directors resolves to start the subscription period at the earliest after the board meeting and to close it at the latest on 31 October 2019. The board of directors or the aforementioned

placement committee is authorized to increase the share capital of the company at any time during the subscription period up to the number of subscriptions that the company will already have received and to lengthen or shorten the subscription period and/or to prematurely end the subscription period, at its sole discretion, even if the shares have not or have only partially been subscribed for.

*Vote: this resolution is adopted unanimously*

#### **6.Modifications of the articles of association**

On each completion of the capital increase and issuance of new shares, as considered above, Articles 5.1, 5.2 and 6.3 of the company's articles of association must be amended and restated to take into account the resulting share capital, the currently outstanding number of shares, changes to the company's capital history and authorized capital.

*Vote: this resolution is adopted unanimously*

#### **7.Appointment of a Placement Committee**

Subject to the provisions of the above resolutions, the board of directors hereafter appoints a committee, called a "placement committee," which will consist of at least two directors, who may be any of the two directors of the company. The investment committee has the flexibility and the power to implement the capital increase, [...]"

*Vote: this resolution is adopted unanimously*

The related transaction took place on October 1, 2020, and the Company issued 10,589,236 shares for a total of eight million, four hundred forty-seven thousand, thirty-three euro and fifty-six cents (€8,447,033.56).

### **Minutes of the Meeting of the Board of Directors Held on October 16, 2019.**

Prior to the deliberation and resolutions regarding the assignment of stock option, Mr. Koen Hoffman, as permanent representative of Ahok BVBA, made the following declarations to the Board of Directors, as far as necessary and applicable in accordance with Article 523 of the Belgian Company Code. Mr. Koen Hoffman informed the meeting about the fact that he has a financial interest that conflicts with the contemplated decision by the Board to assign certain stock options issues to Ahok BVBA. Mr.Koen Hoffman stated that he would inform the Statutory Auditor of the Company of the aforementioned conflict of interest in accordance with Article 523 of the Belgian Company Code. After having made the aforementioned statement, Mr.Koen Hoffman excused himself from the meeting and left the meeting. The transaction consists in a grant of 10.000 stock options with an exercise price of 1.28€.

### **Rules for the Appointment and the Replacement of Directors and the Amendment of the Articles of Association**

Pursuant to the Company's articles of association, the Board of Directors of the Company is to be composed of at least 3 Directors. The Company's corporate governance charter requires that the Board of Directors is, to the extent possible, composed of at least five Directors, of which at least three Directors are Independent Directors, and to the extent possible, at least half of the Directors are Non-Executive Directors. The Directors of the Company are appointed by the general shareholders' meeting. However, in accordance with the Belgian Company Code, if the mandate of a Director becomes vacant due to his death or resignation, the remaining Directors have the right to appoint temporarily a new Director to fill the vacancy until the first general shareholders' meeting after the mandate became vacant. The new Director completes the term of the Director whose mandate became vacant. The corporate governance charter provides that Directors can be appointed for a maximum (renewable) term of four

years. At the date of this document, the Board of Directors is composed of 7 members, 4 of whom are Independent Directors.

No shareholder is known to have a significant influence on the nomination of the Directors or to have a significant influence on any decision that may cause a direct or indirect advantage to this shareholder.

Amendments to the articles of association (other than an amendment of the corporate purpose) require the presence or representation of at least 50% of the share capital of the Company and the approval of at least 75% of the votes cast. An amendment of the Company's corporate purpose requires the approval of at least 80% of the votes cast at a general shareholders' meeting, which in principle can only validly pass such resolution if at least 50% of the share capital of the Company and at least 50% of the profit certificates, if any, are present or represented. In the event where the required quorum is not present or represented at the first meeting, a second meeting needs to be convened through a new notice. The second general shareholders' meeting can validly deliberate and decide regardless of the number of shares present or represented.

## **Powers of Directors, in Particular the Power to Issue or Buy Back Shares**

The Board of Directors of MDxHealth SA has the broadest powers to manage and represent the Company, except to the extent provided otherwise by applicable law or the Company's articles of association.

By virtue of the resolution of the extraordinary general shareholders' meeting held on June 20, 2016, the Board of Directors has been expressly authorized to increase the share capital in one or more transactions with an amount of up to €36,111,083.86 (the "Authorized Capital"), subject to certain limitations and conditions described below.

The Board of Directors has used its powers under the Authorised Capital, on November 7, 2016, up to three million, six hundred and eleven thousand, one hundred and fifty-seven euros, and fifty-nine cents (€3,611,157.59), by the issuance of four million five hundred twenty-six thousand, nine hundred and sixty-two shares (4,526,962), on March 26, 2018 by issuing 9.989.881 shares for a total of seven million, nine hundred sixty-eight thousand, nine hundred twenty-eight euro and seven cents (€7,968,928.07) and on October 1, 2019, by issuing 10,589,236 shares for a total of eight million, four hundred forty-seven thousand, thirty-three euro and fifty-six cents (€8,447,033.56).

As a result, the available amount for a share capital increase under the authorized capital is equal to sixteen million, eighty-three thousand, nine hundred sixty-four euro and sixty-four cents (€ 16,083,964.64).

The Board of Directors can exercise this power for a period starting on the date of the publication of the relevant resolution of the extraordinary general shareholders' meeting in the Annexes to the Belgian Official Gazette and ending on the date of the annual general shareholders' meeting to be held in 2021 which shall resolve on the annual accounts relating to the accounting year ending on December 31, 2020. This authorization may be renewed in accordance with the relevant legal provisions.

The capital increases that can be decided according to the Authorized Capital can take place in accordance with the modalities as are to be decided by the Board of Directors, such as:

- by means of contribution in cash or in kind, within the limits as permitted by the Belgian Company Code,
- through conversion of reserves and issuance premiums,
- with or without issuance of new shares, with or without voting rights,
- through issuance of convertible bonds, subordinated or not,
- through issuance of warrants or bonds to which warrants or other tangible values are attached, and/or
- through issuance of other securities, such as shares in the framework of a stock option plan.

In the framework of the use of its powers within the framework of the Authorized Capital, the Board of Directors can limit or cancel the preferential subscription right of the shareholders in the interest of the Company, subject to the limitations and in accordance with the conditions provided for by the Belgian Company Code.

This limitation or cancellation can also occur to the benefit of the employees of the Company and its subsidiaries, and, to the extent permitted by law, to the benefit of one or more specific persons that are not employees of the Company or its subsidiaries.

If, following a capital increase that has been decided within the framework of the Authorized Capital, an issuance premium is paid, the Board of Directors is authorized and obliged to book the amount of such issuance premium onto the account "Issuance Premiums", that shall serve as guarantee for third parties in the same manner as the Company's share capital and which, apart from the possibility to convert this reserve into share capital, can only be disposed of in accordance with the rules provided by the Belgian Company Code for amendments to the articles of association.

By virtue of the resolution of the extraordinary general shareholders' meeting held on June 27, 2013, the Board of Directors has also been expressly authorized to increase the share capital in one or more transactions following a notification by the Belgian Financial Services and Markets Authority that it has been informed of a public takeover bid on the Company's financial instruments, through contributions in cash with cancellation or limitation of the preferential subscription rights of the shareholders (including for the benefit of one or more well defined persons who are not employees of the Company) or through contributions in kind, with issuance of shares, warrants or convertible bonds, subject to the terms and conditions provided for in the Belgian Company Code. The Board of Directors can exercise this power for a period of maximum three years starting as of the date of the publication of the relevant resolution of the extraordinary general shareholders' meeting in the Annexes to the Belgian Official Gazette.

The Board of Directors is authorized, with power of substitution, to amend the articles of association upon each capital increase realized within the framework of the Authorized Capital, in order to bring them in accordance with the new situation of the share capital and the shares.

# Remuneration report

The following remuneration report has been prepared by the nomination and remuneration committee and approved by the Board of Directors of MDxHealth on April 23, 2020. This remuneration report is part of the Corporate Governance Statement, which is part of the Company's annual report of the Board of Directors on the statutory accounts for the financial year ended on December 31, 2019 in accordance to in Article 3:6, §3 of the Belgian Companies and Associations Code (the “Remuneration Report”). The Company has reviewed the remuneration policy of its management, Executive and Non-Executive Directors in light of Article 3:6 of the Belgian Companies and Associations Code, as supplemented by the relevant provisions of the 2009 Code and the 2020 Code, and has prepared this Remuneration Report in accordance with the requirements contained therein.

## Procedure adopted in 2019 to develop a remuneration policy

During 2019, MDxHealth has continued to apply the remuneration policy first adopted in 2012. In conformity with the applicable legislation, the nomination and remuneration committee of the Board of Directors, composed of Non-Executive members of the Board, has the tasks (i) to formulate proposals on the remuneration policy applicable to Directors, managers and other executives, as well as on the determination of their remuneration on an individual basis, and (ii) to prepare the remuneration report to be inserted in the corporate governance statement of the annual report.

The remuneration report will be submitted to a vote by the annual general shareholders' meeting. The main recommendations seek to align the interests of the Board members with the goals of the Company, and can be summarized as follows:

- the setting in place of a cash only remuneration scheme for Non-Executive Independent Directors.
- the non-granting of fees to Non-Independent Directors for serving on the Board;
- the demand (but not the request) to Independent Directors serving as representatives of investors that (as the case may be) own an amount of Company shares greater than the five percent (5%) transparency filing threshold to waive their Board fees;
- the change from the variable component of Board remuneration to a fixed annual compensation scheme.

In 2019, as mentioned above, share options have been granted to Non-Executive Directors (including to Independent Directors). This was contrary to provision 7.7 of the 2009 Code, which provide that Non-Executive Directors should not be entitled to performance-related remuneration such as, amongst others, share-related long-term incentive schemes. The Company believed that these provisions of the 2009 Code were not appropriate and adapted to take into account the realities of companies in the biotech and life sciences industry that are still in a development phase. Notably, the ability to remunerate Non-Executive Directors with share options allowed the Company to limit the portion of remuneration in cash that the Company would otherwise need to pay to attract or retain renowned experts with the most relevant skills, knowledge and expertise. The Company was of the opinion that granting Non-Executive Directors the opportunity to be remunerated in part in share-based incentives rather than all in cash enabled the Non-Executive Directors to link their effective remuneration to the performance of the Company and to strengthen the alignment of their interests with the interests of the Company's shareholders. The Company believed that this was in the interest of the Company and its stakeholders. Furthermore, the Company believed that this was customary for Directors active in companies in the life sciences industry. In any event, as from the financial year started on January 1, 2020, the Company will no longer grant share options to Independent Directors.

## Procedure adopted in 2019 to determine the level of remuneration

### Directors

Annually, the nomination and remuneration committee reviews the fee levels paid to Directors and compares them to fee levels paid at other comparable companies.

Grants of subscription rights to Directors were recommended by the non-conflicted members of the nomination and remuneration committee, reviewed by the Board of Directors and submitted to the general shareholders' meeting for approval. The number of subscription rights granted in the past to Non-Executive Directors (including Independent Directors) has remained low compared to the number of total outstanding security instruments. Non-Executive Directors (including Independent Directors) are not entitled to bonuses, fringe benefits or pension benefits.

Non-Executive Board members who provide services to the Company outside of the formal Board meetings or Board committee meetings, must have their work and fees pre-approved by the non-conflicted members of the nomination and remuneration committee. These fees are then submitted for approval at the ensuing annual general shareholders' meeting.

For the executive Director position, the nomination and remuneration committee proposes remuneration changes and bonuses, if any to the Board of Directors for approval.

### CEO and Managers

The remuneration of the executive management is designed to attract, retain and motivate executive managers.

The level and structure of the remuneration are subject to an annual review by the nomination and remuneration committee to take into account market practice. The annual review does not provide mechanisms for automatic adjustments, except for changes that are legally required.

The fixed remuneration level, the variable bonus, and the objectives of the CEO are reviewed by the nomination and remuneration committee, compared to industry and market levels, and confirmed by the Board of Directors. The Board of Directors sets the Company objectives and the personal objectives of the CEO.

The CEO sets the personal objectives of the other executive managers. He recommends grants of subscription rights, bonuses and changes, if any, in the fixed remuneration of executive managers to the nomination and remuneration committee. The nomination and remuneration committee reviews these recommendations and compares them to industry and market practices. It then proposes the warrant grants, bonuses and remuneration changes, if any, to the Board of Directors, and to the extent required by applicable law, to the general shareholders' meeting, for approval.

## Declaration on the remuneration policy

### Remuneration policy in 2019

The Board of Directors determines, upon recommendation of the nomination and remuneration committee, the remuneration policy for Directors and Managers.

#### Directors

The remuneration policy for Non-Executive and executive Directors was modified at the annual shareholders' meeting of May 25, 2012, and remained in effect for the accounting year 2019.

- Non-Executive Directors

The Non-Executive Directors are remunerated on the basis of a pre-defined fixed annual retainer fee. The fee level is the applicable fixed annual retainer fee approved at the last annual general shareholders' meeting concerning this matter, i.e.:

- €35,000 (USD equivalent \$39,183)<sup>1</sup> for the Chair of the Board of Directors;
- €30,000 (\$33,585)<sup>1</sup> for the Chair of the Audit Committee;
- €28,000 (\$31,346)<sup>1</sup> for the Chair of the Nomination and Remuneration Committee; and
- €25,000 (\$27,988)<sup>1</sup> for any other Director.

A record of Board attendance is maintained by the secretary to the Board of Directors. This record is then reviewed by the Board of Directors and confirmed by the approval of the Board minutes. Regular attendance at scheduled meetings of the Board of Directors, including committee meetings, is expected. In the event that a Director fails to attend at least 75% of the scheduled meeting of the Board of Directors during a calendar year, the Board may reduce such Director's applicable annual retainer fee by a pro rata amount to reflect actual attendance.

Apart from the above remuneration, Directors will be entitled to a reimbursement of out of pocket expenses actually incurred to participate to Board meetings.

Although all Non-Executive Directors have the right to receive the foregoing applicable annual retainer fee, the Board suggests that each Non-Independent Director elect, in his or her discretion, to waive its right to receive such fees. In calendar year 2019, the two Non-Independent Directors, who have not held an executive position within the Company, agreed to waive their Director's fees.

The mandate of Non-Executive Directors can be terminated at any time without any compensation. Non-Executive Directors do not receive any form of pension plan benefits from the Company. The Company has not made any loans to the members of the Board of Directors.

- Executive Directors

Executive Directors do not receive any remuneration for their position as a Director. Executive Directors are only remunerated for their role as executive managers. These individuals receive a fixed remuneration plus a variable bonus that is linked to their personal achievements and the achievements of the Company. They do not receive any additional remuneration for the exercise of their Board mandate. The mandate of executive Directors may be terminated at any time without any form of compensation. Their remuneration package is approved by the general shareholders' meeting. The CEO is the only executive Director of the Board of Directors of the Company and he does not earn any remuneration in respect of his executive Director position.

- Relative importance of the components of remuneration

The relative importance of the various components of remuneration as referred to in article 96, §3, al. 2, 2°, b) of the Belgian Company Code, is provided below under the "Remuneration Amounts for the Reported Year" section of this Remuneration Report.



## CEO and Managers

Each member of the executive management is entitled to a basic fixed remuneration designed to fit responsibilities, relevant experience and competences, in line with market rates for equivalent positions. The majority of the annual remuneration is a fixed compensation amount. There is no minimum or maximum variable bonus.

The CEO has a fixed remuneration, a fixed bonus and a variable bonus linked to the performance of the Company and to his capacity to manage remuneration costs.

The management team members receive a fixed remuneration plus a variable bonus that is linked to their personal achievements (i.e. experience, know-how, education, skills, responsibilities, and performance) and the achievements of the Company. The remuneration is closely linked to performance. Bonuses, if any, are linked to identifiable objectives and to special projects and are set and measured on a calendar-year basis. Non-performers are not retained in the Company. The performance objectives of the management team members are primarily evaluated with regard to the following criteria: (i) respect of the Board-approved annual budget, and (ii) meeting measurable operational targets. The various objectives and their weighting may differ for the individual managers.

The nomination and remuneration committee of the Board of Directors meets annually to review the performance of the managers, to compare the actual measurable results to the objectives that were pre-defined by the committee, and to establish the measurable objectives for the ensuing calendar year.

Each member of the executive management who is a salaried employee may be entitled to a number of fringe benefits, which may include participating in a defined contribution pension or retirement scheme, disability insurance, a company car, a mobile telephone, internet access and/or a laptop computer according to general Company policy, and other collective benefits (such as hospitalization insurance and meal vouchers).

In 2019, all the members of the executive management were engaged on the basis of an employment contract. The employment contracts are generally for an indefinite term, with a trial period. The employment contracts may be terminated at any time by the Company, subject to a severance notice or payment in line with market standards (see also above). The employment contracts include, where appropriate, non-competition undertakings, as well as confidentiality and IP transfer undertakings (that will try to seek maximum protection of the Company's interests, under applicable laws and subject to the employee's agreement).

Executive members who are engaged on the basis of a services contract do not receive fringe benefits, except that they may be provided with a mobile phone and laptop computer according to General Company policy, and they qualify for reimbursement of expenses incurred while carrying out their professional responsibilities.

Executive managers of the Company that are employed under employee contracts are entitled to enroll in defined-contribution type pension plans (such as 401K plans in the United States). The assets of these pension plans are held and managed by third-party organizations and the Company only makes contributions to these plans during the term of service of the employee. Executive managers of the Company that are engaged on the basis of a service agreement are not entitled to any pension plans or pension plan contributions from the Company.

## Subscription rights

Share options granted by the Company generally take the form of subscription rights in the sense of Article 496 and seq. of the Belgian Company Code and Article 7:67 and seq. Subscription rights can periodically be awarded to managers, Directors, employees, or even certain consultants, primarily as a retention and motivation tool. Subscription rights typically vest over time (subject to the beneficiary remaining with the Company) and can only be exercised after a specific period of time, except where the Company decides otherwise. There was no significant change in the remuneration policy in 2019.

## Expected changes with respect to accounting year 2020 and the following accounting year

Besides the setting in place of a cash only remuneration scheme for the Non-Executive Independent Directors, as aforementioned, no significant change to the remuneration policy of Directors and Executive managers is envisaged for 2020 or the following accounting year. However, the Company will continuously review the remuneration of Directors and Executive managers against market practice.

The bonuses of the management team members for 2020 and the following accounting year will be primarily linked to the following objectives:

- respect of the Board-approved annual budget, with a focus on revenue growth and cash-flow management;
- meeting measurable operational targets, including specific operational and commercialization goals.

## Remuneration amounts for the reported year

### Remuneration earned by the Non-Executive Directors for the reported year

The following table provides the 2019 compensation of the Non-Executive Directors in function during 2019:

Name <sup>1</sup>	Position <sup>2</sup>	Pro-rata of annual retainer fee (€K)	Other services (€K)	Total <sup>3</sup> (€K)
Mr. Koen Hoffman	NED – Board Chair	35	0	35
Mr. Narajowski	NED – Chair NRC (until 30 Oct 2019)	23	0	23
Mr. Mariën	NED – member NRC	0	0	0
Mr. Pensaert	NED – member AC and NRC	0	0	0
Dr. Verplancke	NED – member AC and NRC	25	0	25
Ms. Windels	NED – Chair AC	30	0	30
Mr. Still	NED – Chair NRC (from 1 Nov 2019)	5	0	5

Notes:

1 : Mr. Koen Hoffman serves on the Board as a permanent representative of Ahok BV.. Mr. Rudi Mariën serves on the Board as a permanent representative of Gengest BV. Mr. Jan Pensaert serves on the Board as a permanent representative of Valiance Advisors LLP. Dr. Lieve Verplancke serves on the Board as a permanent representative of Qaly-Co BV. Ms. Hilde Windels serves on the Board as a permanent representative of Hilde Windels BV. Mr. Tim Still serves on the Board as a permanent representative of TSTILL ENTERPRISES LLC. Mr. Walter Narajowski served on the Board as a permanent representative of LabDx, L.L.C until October 30, 2019.

2 : "NED" = Non-Executive Director, "AC" = Audit Committee, "NRC" = Nomination & Remuneration Committee.

3 : Excludes expense reimbursement and subscription rights. No other form of remuneration exists for Directors.

During the course of 2019, the composition of the Board of Directors changed. Notably, Mr. Walter Narajowski acting through LabDx, L.L.C resigned on October 30, 2019.

During the course of 2019, the Company has not deviated from its remuneration policy for the Non-Executive Directors. The total remuneration of the Board of Directors (including the Executive Director) in 2019 and 2018 was €432,000 (\$484,000) and €603,000 (\$713,000) respectively (excluding VAT, share-based compensation and expenses reimbursement).

On May 23, 2006, the Board of Directors decided, with application of Article 523 of the Belgian Company Code (Article 7:96 of the Belgian Companies and Associations Code), that the Company would indemnify the Directors against any claim by a third party based on Directors' liability, except in the event of gross negligence and willful misconduct. Therefore, the Company has taken out Directors' liability insurance.

The insurance policy was renewed in 2016. Additionally, the Company's US subsidiary, MDxHealth, Inc., has entered into indemnification agreements directly with each of its Directors, as well as each Director of the Company, to indemnify each such person for liabilities to the extent that they may arise from, or claims therefor which are based on, US- associated activities of the US subsidiary or of the Company, including any claims based on a theory of derivative liability in the right of the US subsidiary.

## Remuneration earned by the Executive Director for the reported year

Dr. Jan Groen (who resigned as Director and CEO of the Company with effect as of February 18, 2019) was not remunerated for his position as an Executive Director of the Company in 2019.

## Remuneration earned by the CEO for the reported year

Mr. Michael K. McGarrity was hired as CEO starting on February 18, 2019. Mr. McGarrity is remunerated on the basis of his executive management position. As CEO, Mr. McGarrity is entitled to (a) a gross annual base salary of USD 400,000, which will be reviewed by the Board of Directors (or the Nomination and Remuneration Committee) on an annual basis, (b) an annual bonus of up to 50% of the then applicable base salary, (c) the grant of 1,500,000 share options, and (d) a one-time sign on bonus in the gross amount of USD 85,000. Furthermore, Mr. McGarrity is entitled to a reimbursement of expenses, and he and his dependents are eligible to participate in all group health, medical, dental, disability and insurance plans, incentive, savings and retirement plans, and other employee benefits that are established by the Company for its executives.

Excluding the value of subscription rights, the remuneration and benefits provided to the CEO in 2019 were composed as follows:

	Euro (€)	\$ equivalent
Fixed gross remuneration <sup>1</sup>	€309,204	\$346,153
Supplementary paid compensation <sup>2</sup> (gross)	€70,197	\$78,585
Pension benefits	€649	\$727
Other benefits <sup>3</sup>	€14,316	\$16,026
<b>Total</b>	<b>€394,366</b>	<b>\$441,491</b>

Notes:

1: Total cost to the Company, including employer social security contributions and vacation pay accrual.

2: Excludes value of 1,500,000 subscription rights already created, issued, and accepted under the Company's 2017 Stock Option Plan.

3: Includes Company-paid \_\_\_\_\_ and other similar benefits. Excludes reimbursement of normal professional expenses such as telephone and Company travel expenses.

In connection with being hired, the non-conflicted members of the Board of Directors agreed to grant Mr. McGarrity 1,500,000 new subscription rights (employee share options) in the Company, formally issued on May 5, 2019 under the Company's May 2017 Stock Option Plan. The subscription rights vest straight-line over 3 years, vesting shall occur over a three-year period, in three equal annual installments on each anniversary of February 18, 2019, the date corresponding to Mr. McGarrity's date of hire. The exercise price of € 1.49 per warrant is based on the 30-day average market price prior to their issuance. The subscription rights are not exercisable until after the third anniversary of the date of their grant.

The Company's former CEO, Dr. Jan Groen, resigned as CEO and Director of the Company with effect as of February 18, 2019. For a temporary period following his resignation, Dr. Jan Groen served an advisor to the Company to provide limited advisory and related consulting services to the new CEO, Mr. McGarrity, in relation to the daily management of the Company. During 2019, he was remunerated on the basis of his executive management position. Excluding the value of subscription rights, the remuneration and benefits provided to the CEO in 2019 were composed as follows:

	Euro (€)	\$ equivalent
Fixed gross remuneration <sup>1</sup>	€628,797	\$703,938
Advisory and consulting	€64,570	\$72,286
Other benefits <sup>3</sup>	€18,449	\$20,653
<b>Total</b>	<b>€711,816</b>	<b>\$796,877</b>

Notes:

1: Total cost to the Company, including employer social security contributions and vacation pay accrual.

2: Excludes value of [400,000] subscription rights already created, issued, and accepted (under several subscription rights plans).

3: Includes Company-paid housing, Company car, meal vouchers, and other similar benefits. Excludes reimbursement of normal professional expenses such as telephone and Company travel expenses.

During the course of 2019, the Company has not deviated from its remuneration policy for the Executive Director.

## Remuneration earned by other Executive Managers

The 2019 combined remuneration package of the other executive management team members in office in 2019 (excluding the CEO) - i.e. John Bellano, Ron Kalfus, Joseph Sollee and Jean-Marc Roelandt (and Kurt Schmidt) - including employer taxes, was €950,683

	Euro (€)	\$ equivalent
Fixed gross remuneration <sup>1</sup>	€805,356	\$901,596
Bonuses paid and awarded <sup>2</sup> (gross)	€64,512	\$72,221
Pension benefits	€26,148	\$29,273
Other benefits <sup>3</sup>	€54,666	\$61,199
<b>Total</b>	<b>€950,682</b>	<b>\$1,064,289</b>

Notes:

1: Includes employer taxes and vacation pay accrual. Excludes VAT.

2: Excludes value of subscription rights the Board of Directors has agreed to issue to certain other executive managers.

3: Includes for some individuals a Company car, meal vouchers, and other similar benefits. Excludes reimbursement of normal professional expenses such as telephone and Company travel expenses.

The total remuneration and benefits paid to the executive management team members (including the CEO) in 2019 and 2018 was €2,056,865 and €1,444,420, respectively (USD equivalent \$2,302,660 and \$1,705,560 respectively) (gross amount, excluding VAT and share based compensation). In the aforementioned figures, the service fees of the managers hired on the basis of a service agreement are included with the salaries of the other management team members.

The primary performance objectives for the bonuses of the above management team members in 2019 were the following:

- respect of the Board-approved annual budget, with a focus on cash-flow management
- meeting measurable operational targets, such as the commercialization of its ConfirmMDx for Prostate and SelectMDx for Prostate tests and attainment of revenue targets

In the course of 2019, no subscription rights were exercised by Directors and Executive managers.

During the course of 2019, the Company has not deviated from its remuneration policy for the executive managers.

## Special provisions of the contractual relationship of the Executive Managers

Each of the executive managers has a contractual employment agreement.

The Company hired Mr. Michael K. McGarrity, acting in the role of Chief Executive Officer, effective as of February 18, 2019. The executive employment agreement with Mr. McGarrity provides that if the Company terminates the employment agreement without cause or if Mr. McGarrity resigns for good reason, Mr. McGarrity shall be eligible to receive as severance an amount equal to twelve months of base salary in effect at the time of the separation.

Acting under the direction of Board, the Company hired Mr. Ron Kalfus, acting in the role of Chief Financial Officer, effective as of . The employment agreement with Mr. Kalfus provides that if the Company terminates the employment agreement without cause or if Mr. Kalfus resigns for good reason, Mr. Kalfus shall be eligible to receive as severance an amount equal to six months of base salary in effect at the time of the separation, which amount will increase to twelve months of base salary for a termination that occurs after July 22, 2020.

Acting under the direction of Board, the Company hired Mr. John Bellano, acting in the role of Chief Commercial Officer, effective as of June 19, 2019. The employment agreement with Mr. Bellano provides that if the Company terminates the employment agreement without cause or if Mr. Bellano resigns for good reason, Mr. Bellano shall be eligible to receive as severance an amount equal to six months of base salary in effect at the time of the separation, which amount will increase to twelve months of base salary for a termination that occurs after June 19, 2020.

The employment contract with Mr. Sollee dates from before the entry into force of the law of April 6, 2010 on corporate governance in public and listed companies and is in conformity with common employment law. The contract with Mr. Sollee provides that if his employment is terminated for a reason other than serious misconduct or if Mr. Sollee resigns for good reason, he will be entitled to a severance pay of nine (9) months gross remuneration and benefits.

The contracts with the Executive managers and the Executive Director do not include a provision as referred to in Article 3:6, §3, al 2, 11° of the Belgian Companies and Associations Code: there is no contractual clause in the employment contracts or service agreements with the Executive Directors/management stating that the variable part of the remuneration based upon faulty financial information will be recovered by the Company.

## 2019 Share-based compensation of Directors and Executive Managers

During the course of 2019, the following share-based compensation was awarded to Directors and Executive managers of MDxHealth:

- Each Non-Executive Director serving on the Board as of May 29, 2019, the date of the 2019 annual general shareholders meeting, received 10,000 new warrants
- Michael McGarrity, CEO and Executive Director, received 1,500,000 new warrants
- The other members of the Executive management team received a total of 830,000 new warrants

Before the entry into force of the Belgian Companies and Associations Code, each Non-Executive Director (including Independent Directors) serving on the Board as of May 29, 2019, the date of the 2019 annual general shareholders meeting, received 10,000 new subscription rights with the following characteristics:


- Exercise price of €1.28 (one share option (subscription right) gives right to buy one share)
- Cliff vesting over 1 year for all beneficiaries
- Duration of options: 10 years

In reference to the 830.000 warrants granted to the other members of the Executive Management team, all such warrants were granted on July 24, 2019 with the following characteristics:

- Exercise price of €1.24 (one stock option (warrant) gives right to buy one share)
- Straight-line vesting over 4 years for all beneficiaries
- Exercise Period: the warrants are not exercisable until after the third anniversary the date of their grant
- Duration of warrants: 10 years

The Company has not materially deviated from its remuneration policy during the financial reported year.

Done on April 23, 2020



On behalf of the Board of Directors