



## **Statutory auditor's report to the general meeting of Hyloris Pharmaceuticals SA on the consolidated financial statements as of and for the year ended 31 December 2020**

In the context of the statutory audit of the consolidated financial statements of Hyloris Pharmaceuticals SA ("the Company") and its subsidiaries (jointly "the Group"), we provide you with our statutory auditor's report. This includes our report on the consolidated financial statements for the year ended 31 December 2020, as well as other legal and regulatory requirements. Our report is one and indivisible.

We were appointed as statutory auditor by the general meeting of 31 December 2019, in accordance with the proposal of the board of directors. Our mandate will expire on the date of the general meeting deliberating on the annual accounts for the year ended 31 December 2021. We have performed the statutory audit of the consolidated financial statements of the Group for 2 consecutive financial years.

### **Report on the consolidated financial statements**

#### ***Unqualified opinion***

We have audited the consolidated financial statements of the Group as of and for the year ended 31 December 2020, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium. These consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The total of the consolidated statement of financial position amounts to EUR 69.182.000 and the consolidated statement of profit or loss and other comprehensive income shows a loss for the year of EUR 7.145.000.

In our opinion, the consolidated financial statements give a true and fair view of the Group's equity and financial position as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium.



### ***Basis for our unqualified opinion***

We conducted our audit in accordance with International Standards on Auditing (“ISAs”) as adopted in Belgium. In addition, we have applied the ISAs as issued by the IAASB and applicable for the current accounting year while these have not been adopted in Belgium yet. Our responsibilities under those standards are further described in the “Statutory auditors’ responsibility for the audit of the consolidated financial statements” section of our report. We have complied with the ethical requirements that are relevant to our audit of the consolidated financial statements in Belgium, including the independence requirements.

We have obtained from the board of directors and the Company’s officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key audit matter***

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### **Impairment test of intangible assets**

We refer to note 8 of the consolidated financial statements.

#### *— Description*

The Group has recognized individual intangible assets (EUR 2.381.000) relating to development costs, asset purchases and in-licensing as at 31 December 2020. These intangible assets represent products candidates that are not yet available for use. In accordance with IAS 36 *Impairment of Assets*, an impairment testing is required annually for intangible assets not yet available for use. As a result, the Group assesses whether individual intangible assets shall be impaired or not. Each individual intangible asset generates cash inflows that are largely independent of those from other assets. An impairment loss is recognized to the extent that the carrying amount of an individual intangible asset exceeds its recoverable amount, which is its value-in-use.

We have identified that the impairment of intangible assets was a key audit matter due to the level of judgement required by Management in developing a model to determine the value-in-use of each and every product candidate, as well as for the potential significant impact of impairment losses on the consolidated financial statements.



— *Our audit procedures*

We performed among others the following procedures:

- We evaluated the process by which management's business plan per product candidate was prepared.
- We inspected relevant internal information such as board of directors' minutes and project status minutes prepared by Management and external parties engaged in the development phases of the product candidates.
- We obtained the annual impairment test and analyzed the consistency of the underlying data used in the impairment test with data from the business plan approved by the board of directors.
- We evaluated the appropriateness of Management's assessment for the determination of the value-in-use per product candidate, including the assumptions used in the discounted cash flow model and the mathematical accuracy of this model.
- We assessed whether any matters arising after the end of the reporting period were relevant to the impairment testing and management's measurement of the value-in-use supporting the carrying value of these intangible assets.
- We assessed the appropriateness of the disclosures in respect of impairment testing, which are included in note 8 of the consolidated financial statements.

***Board of directors' responsibilities for the preparation of the consolidated financial statements***

The board of directors is responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and with the legal and regulatory requirements applicable in Belgium, and for such internal control as board of directors determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



***Statutory auditor's responsibilities for the audit of the consolidated financial statements***

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of the users taken on the basis of these consolidated financial statements.

When performing our audit we comply with the legal, regulatory and professional requirements applicable to audits of the consolidated financial statements in Belgium. The scope of the statutory audit of the consolidated financial statements does not extend to providing assurance on the future viability of the Group nor on the efficiency or effectivity of how the board of directors has conducted or will conduct the business of the Group. Our responsibilities regarding the going concern basis of accounting applied by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also perform the following procedures:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by board of directors;
- Conclude on the appropriateness of board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern;



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

For the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **Other legal and regulatory requirements**

### ***Responsibilities of the Board of directors***

The board of directors is responsible for the preparation and the content of the board of directors' annual report on the consolidated financial statements and the other information included in the annual report.

### ***Statutory auditor's responsibilities***

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing as applicable in Belgium, our responsibility is to verify, in all material respects, the board of directors' annual report on the consolidated financial statements and the other information included in the annual report, and to report on these matters.

### ***Aspects concerning the board of directors' annual report on the consolidated financial statements and other information included in the annual report***

Based on specific work performed on the board of directors' annual report on the consolidated financial statements, we are of the opinion that this report is consistent with the consolidated financial statements for the same period and has been prepared in accordance with article 3:32 of the Companies' and Associations' Code.



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In the context of our audit of the consolidated financial statements, we are also responsible for considering, in particular based on the knowledge gained throughout the audit, whether the board of directors' annual report on the consolidated financial statements and other information included in the annual report:

- Our business – 2020 in brief;
- Our governance; and
- Abbreviated Statutory Financial Statements of the Company

contain material misstatements, or information that is incorrectly stated or misleading. In the context of the procedures carried out, we did not identify any material misstatements that we have to report to you.

***Information about the independence***

- Our audit firm and our network have not performed any engagement which is incompatible with the statutory audit of the consolidated accounts and our audit firm remained independent of the Group during the term of our mandate.
- The fees for the additional engagements which are compatible with the statutory audit referred to in article 3:65 of the Companies' and Associations' Code were correctly stated and disclosed in the notes to the consolidated financial statements.

***Other aspect***

- This report is consistent with our additional report to the audit committee on the basis of Article 11 of Regulation (EU) No 537/2014.

Zaventem, 29 April 2021

KPMG Bedrijfsrevisoren - Réviseurs d'Entreprises  
Statutory Auditor  
represented by

Olivier Declercq  
Bedrijfsrevisor / Réviseur d'Entreprises