

Hyloris Pharmaceuticals SA
Limited liability company (*société anonyme/naamloze vennootschap*)
Boulevard Gustave-Kleyer 17
4000 Liège, Belgium
Entreprise number: 0674.494.151 (Liège, Liège Division)

(the “**Company**”)

PUBLIC ANNOUNCEMENT IN ACCORDANCE WITH ARTICLE 7:97, § 4/1 OF THE CODE OF COMPANIES AND ASSOCIATIONS REGARDING A TRANSACTION BETWEEN RELATED PARTIES

On 10 May 2021, the Board of Directors of the Company decided to approve the term sheet between the Company and its affiliates and the Alter Pharma Group NV and its affiliates (“**APG**”) with respect to the modification and/or termination of various existing business agreements or arrangements between the Company (or one of its affiliates) and Alter Pharma Group NV (or one of its affiliates) (the “**APG Transaction**”). The term sheet was executed subject to various conditions precedent to be complied with by both Company and APG.

Alter Pharma Group NV is a limited liability company (“*naamloze vennootschap*”) under Belgian law with registered offices at Square Marie Curie 50, 1070 Anderlecht, Belgium.

The Company hereby announces that the **APG Transaction** has now become final, summarised as follows:

- The modification of the Patent and Know-How Licence Agreement dated 22 May 2012, with respect to Maxigesic IV as follows: the obligation of Hyloris to pay to APG a 15% royalty on net revenues received by Hyloris under the present agreement shall be cancelled and replaced by a payment by Hyloris to APG of up to €5.5 million, thereby also waiving all past obligations towards the Alter Pharma Group and its affiliates.
- The modification of the various existing agreements with respect to HY-028 (no longer in development), HY-075, and HY-038 as follows: Hyloris shall continue to bear all development costs but will be released from any fees, expenses or other payments to APG (and hence will no longer have to split the future profit with APG on these products), while APG shall be released from any past and future obligations to develop these products. APG owes Hyloris a net product refund balance of €645,150.
- The modification of the License Agreement and Special Agreement dated 28 June 2019, with respect to Fusidic Acid cream in Canada as follows: transfer to Hyloris of APG’s right to receive a 50% net profit share from Basic Pharma, its current co-development partner, with respect to sales in the Canadian market, against a one-time lump sum of €250,000 paid by Hyloris to APG.

Alter Pharma Group NV and its affiliates are considered a related party within the meaning of Article 7:97 of the Code of Companies and Associations (the “**BCCA**”), because of the direct and indirect relationship of Mr Stijn Van Rompay (CEO of the Company) and Mr Thomas Jacobsen (CBDO of the Company) as (former) shareholder, Director and/or Executive of APG (in personal name or acting through a company they respectively control).

Hence, the Board of Directors must comply with the procedure set out in Article 7:97, §3-4/1 BCCA if it takes a decision or carries out a transaction that relates to a related party within the meaning of the International Accounting Standard 24, as adopted by the European Union (IAS 24), unless the exemptions of Article 7:97, §1, section 4 BCCA apply.

The procedure set out in Article 7:97, §3-4/1 BCCA prescribes that all decisions or transactions to which it applies must first be subject to the assessment of a committee of three Independent Directors, which, if it so chooses, shall be assisted by one or more independent experts of its choice. The committee issues a written and reasoned opinion to the Board of Directors on the proposed decision or transaction, in which it addresses at least the elements set out in Article 7:97, §3, section 2 BCCA. After having taken note of the advice of the committee provided, and applying, where necessary the conflicts of interest procedure set forth in Article 7:96 BCCA, the Board of Directors shall deliberate on the intended decision or transaction. If a Director is involved in the decision or operation, that Director may not participate in the deliberation and voting. If all Directors are involved, the decision or transaction is submitted to the General Shareholders' Meeting. If the General Shareholders' Meeting approves the decision or transaction, the Board of Directors may execute it. The statutory auditor of the Company assesses whether there are no material inconsistencies in the financial and accounting information included in the minutes of the Board of Directors and in the committee's opinion with respect to the information available to it within the scope of its mission. This opinion shall be attached to the minutes of the Board of Directors.

On 23 April 2021, the Board of Directors decided to formally start the procedure in accordance with Article 7:97 BCCA with respect to the APG Transaction. Accordingly, a committee of three Independent Directors (Ms. Carolyn Meyers, Mr. James Gale and Noshag Partners SCRL, represented by Mr. Marc Foidart) has been composed to issue a written and reasoned opinion to the Board of Directors on the proposed APG Transaction in accordance with the terms of Article 7:97 BCCA.

In the light of the foregoing considerations, the committee of Independent Directors issued its report on 10 May 2021 and considered that:

“Based upon its review and assessment, the committee of Independent Directors of Hyloris Pharmaceuticals is of the opinion that the proposed revised terms of the various business agreements or arrangements with Alter Pharma Group NV can be considered fair, at arm's length and in the interest of the company and its stakeholders in all material financial and operational aspects.

Financially, the revised terms, which are characterised as exceptional, will have foremost a negative impact on the cash flow of Hyloris in 2021 for a total amount of €5.25 million. However, despite the direct negative cash impact, the estimated net present value resulting from the improved budget forecasts for Maxigesic IV and Fusidic Acid, which are based on reasonable and customary market assumptions, external market data and parameters under different sensitivity scenarios, are (substantially) higher than the net present value under the terms of the present business agreements with APG.

From an operational point of view, the revised terms will enable the management of Hyloris to self-manage and control the development of HY-075 and HY-038 and is likely to result in a substantial operational efficiency improvement in terms of quality, visibility and respect of the timelines for these products. In addition, the revised agreements will settle all ongoing financial and operational discussions between Hyloris and APG, which will reduce the complexity of the operational day-to-day management of Hyloris.

Finally, in this context where the business and commercial relationship of Hyloris with APG are substantially revised and reduced, it is also agreed that management team members of Hyloris will no longer be a shareholder of APG or provide management services to APG. This implies that APG will no longer be considered a related party as defined under EC Directive 1606/2002, which will simplify the complexity of the independent decision-making process within Hyloris.

In view of this, the committee unanimously advises the Board of Directors of Hyloris Pharmaceuticals to approve the proposed revised terms of the various business agreements or arrangements with Alter Pharma Group NV."

The Board of Directors has confirmed in the minutes of its meeting of 10 May 2021 that the procedure described in Article 7:97, §3-4/1 BCCA has been complied with.

The Board of Directors of 10 May 2021 unanimously resolved to support and follow the recommendation of the committee of three Independent Directors and to approve the executed term sheet (subject to various conditions precedent) between the Company and Alter Pharma Group NV.

The statutory auditor assessed the financial and accounting data in the relevant minutes of the Board of Directors meeting and in the committee of three Independent Directors above. The conclusion of this assessment is as follows:

"Based on our limited review, nothing has come to our attention that makes us believe that the financial and other information included in the opinion of the Committee of Independent Directors dated 10 May 2021, and in the minutes of the Board of Directors dated 10 May 10, 2021, which justify the proposed transaction, is in all materials aspects inconsistent with the information available to us in connection with our engagement.

This report was prepared solely in light of Article 7:97 of the Code of Companies and Associations for the purposes of the operation described above and cannot be used for other purposes."