

**HYLORIS PHARMACEUTICALS SA**

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4000 Liège

Business Number : 0674.494.151– RPM Liège

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**ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE FINANCIAL YEAR  
ENDING DECEMBER 31, 2022**

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Ladies  
Gentlemen,

We have the honor to report to the General Meeting of June 13, 2023 on the activity of our governance during the fiscal year from January 1, 2022 to December 31, 2022 ("the Fiscal Year").

**1. Comments on the development of business, the balance sheet and the income statement**

***The main items in the income statement are as follows:***

Sales and services (Total: € 1,249,949)

Sales consist of a turnover of € 1,000,000 services to Pleco Therapeutics, € 249,949 being the balance covering royalties and a license agreement with a partner.

Other operating income amounts to € 45,064 Euro and is mainly composed of re-invoicing of costs to group subsidiaries.

Operating expenses (Total: € 3,750,126)

Operating expenses consist of services and other goods of € 3,675,309 (including expenses relating to the capital increase of March for € 677,000) and salary related expenses of € 69,598.

The operating loss for the period

The operating loss for the financial year amounts to € 2,500,177 against a loss of € 7,613,610 in 2021.

The financial result

In 2022, financial income amounts to € 1,928,732 mainly composed of interest incurred on loans granted to subsidiaries and exchange differences (principally EUR/USD) including settlement gain on FX forward contracts (€525,000).

Financial charges amount to € 315,341 and consist mainly of interest incurred on financial debts granted by shareholders.

### Result of the period

The net loss for the period amounts to € 903,445.

### ***The main balance sheet items are as follows:***

#### Intangible assets (€ 112,655)

The company acquired an additional license for Maxigesic IV.

#### Financial fixed assets (total: € 76,262,124)

Financial fixed assets on December 31, 2022 consist of investments in subsidiaries, namely Hyloris Developments, RTU Pharma and Dermax, as well as the receivables granted to these subsidiaries to finance their activities.

Since 2021 Hyloris Pharmaceuticals has an investment of € 4,270,000 in Purna Female Healthcare. In June 2022, the loan to Pleco Therapeutics has been converted into shares for an amount of € 1,000,000.

#### Current assets (total: € 41,456,011)

Current assets mainly consist of:

- cash deposits for € 30,000,000;
- cash at bank for € 4,589,022.77;
- receivables due within one year for € 3,893,442.35 of which € 2,958,074.82 euros related to trade receivables, € 395,150.64 related to the agreement with Alter Pharma reached last year and € 468,779.30 related to the optional convertible loan to Vaneltix
- Deferred charges and accrued income for € 2,317,255 and mainly concern the interest incurred on loans to subsidiaries
- Trade receivables due after one year consist of the loan with a partner for € 656,291.01 in relation with R&D activities

#### Equity (total € 106,320,976)

The Company's capital amounts to € 140,002 and is fully subscribed.

As of December 31, 2022, share premiums amounted to € 121,513,447.

The change in equity is mainly due to the capital increase in March (€ 15,000,001) and the exercise of transaction warrants in June (€ 2,831,640) compensated by the loss of the year.

#### Amounts payable after more than one year (€ 300,000)

The debts payable after more than one year consist exclusively of a LT debt resulting from the agreement with Alter Pharma reached last year.

Amounts payable within one year (total € 11,153,196.08)

Debts payable within one year consist of :

- trade payables (€1,291,575), of which € 737,859 is intra-group debt
- financial debts consist of current account balances with its subsidiaries for an amount of € 6,633,479;
- Other debts related to agreements with Alter Pharma (€ 200,000) and Purna Female Healthcare (€ 3,000,000)
- Social and fiscal debts for an amount of € 28.142

## **2. Main risks and uncertainties**

The Board of Directors has not identified any risk or uncertainty that could endanger the Company, other than the risks inherent in the activity of its subsidiaries and in the development of their pharmaceutical products. As of December 31, 2022, the Company was not subject to the risk of changes in the price of its products, to credit risk. In order to cover the exchange rate risks of its subsidiaries, the company occasionally uses financial means to cover exchange rate risk. The financing of the Company's activities is ensured for 12 months from the approval of the 2022 annual accounts by the General Meeting of shareholders (see "Justification for the application of the going concern accounting rules").

## **3. Important events after the end of the reporting period**

None.

## **4. Information on the circumstances likely to have a significant influence on the development of the Company**

### ***Armed Conflict between Russia and Ukraine***

The geopolitical situation in Eastern Europe intensified on 24 February 2022, with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed.

Although the Russia-Ukraine war is not expected to cause disruption in the Company's operations, the Company will continue to monitor the situation and is taking measures to mitigate the impact on her operations.

### ***Economic climate***

In 2022 the outlook of the worldwide economy has several downside risks including higher general inflation, increasing energy costs, tighter monetary policy, financial stress and rising geopolitical tensions. The company evaluated the impact of the current economic climate and concluded that there is limited impact on the business.

## **5. Research and development activities**

The Company does not carry out research and development activities, these being carried out by its subsidiaries.

## **6. The existence of branches of the company**

The company does not have a branch.

## **7. Justification for the application of the going concern accounting rules**

The 2022 consolidated results of the Group present a negative result, and the consolidated statement of financial position includes a loss carried forward.

Management has prepared detailed budgets and cash flow forecasts for the years 2023 and 2024. These forecasts reflect the strategy of the Group and include significant expenses and cash outflows in relation to the development of the ongoing products candidates, including four new product acquisitions per year. The development of new product candidates does not require a lot of cash in the first year.

With a cash position of the Group at year end 2022 (i.e. €43 million) and the successfully raised €15 million in gross proceeds end March 2022, the Board of Directors is of the opinion that it has an appropriate basis to conclude on the business continuity over the next 12 months from the balance sheet date. The Board of Directors can decide to postpone development of new product candidates and has different options to manage the cash burn and runaway of the cash including the acceleration of out-license agreements.

## **8. Purchase of own shares**

It should be noted that the company did not acquire any own shares during Fiscal Year 2022.

## **9. Use of financial instruments**

The company occasionally uses instruments of change risk hedging (FX Forward) to cover the risk of change in USD within its subsidiaries.

## **10. Conflict of interest**

During the year under review, none of the Directors or members of the Executive Management has a conflict of interest within the meaning of article 7:96 of the Companies and Associations Code, which has not been disclosed to the Board of Administration.

### **11. Corporate Governance Statement**

The corporate governance statement (including the remuneration report) is included in the 2022 Hyloris Pharmaceuticals Annual Report.

### **12. Valuation rules**

The Board of Directors emphasizes that the Company's valuation rules have not been changed in 2022.

### **13. Additional fees of the Auditor**

In 2022, a total amount of 97 K€ was paid to the statutory auditor and its network. This amount includes the following elements: 68 K€ for audit fees, 11 K€ for audit related services legally assigned to the statutory auditor and 18 K€ for tax services.

Liège, April 26 2023

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Sir Stephan Yee  
President

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SVR Management SRL  
Permanently represented by  
Sir Stijn Van Rompay  
Managing director