HLS Therapeutics Inc.

HLS Therapeutics Announces Q3 2018 Financial Results

- **REDUCE-IT™ cardiovascular outcomes study of Vascepa®, for which HLS has in-licensed exclusive Canadian rights, exceeded primary endpoint demonstrating an approximately 25% relative risk reduction**
- **Debt refinancing co-led by JPMorgan Chase Bank, N.A. and Silicon Valley Bank; annual interest savings estimated at $10.0 million**
- **Establishment of a dividend policy providing for payment of quarterly dividends of C$0.05 per common share**
- **Revenue of $15.3 million and $44.8 million in the three- and nine-month periods ended September 30, 2018**
- **Cash from operations of $6.4 million and $21.6 million in the three- and nine-month periods ended September 30, 2018**

TORONTO, Nov. 15, 2018 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX-V: HLS), a specialty pharmaceutical company specializing in Central Nervous System and Cardiovascular markets, announces its financial results for the three- and nine-month periods ended September 30, 2018. Unless otherwise noted, all dollar amounts are expressed in United States ("U.S.") dollars.

Q3 2018 HIGHLIGHTS

- Amarin Corporation plc's ("Amarin") REDUCE-IT™ cardiovascular outcomes study of Vascepa®, for which HLS has in-licensed exclusive Canadian rights, exceeded its primary endpoint target demonstrating an approximately 25% relative risk reduction in major adverse cardiovascular events ("MACE"). Subsequent to quarter-end, Amarin released full details of the REDUCE-IT trial at the American Heart Association Scientific Session, which showed significant reductions in cardiovascular death, heart attack and stroke, suggesting Vascepa has the potential to be an important medication in the fight against cardiovascular disease
- Refinanced outstanding senior secured debt, which reduced the principal amount outstanding and secured a lower interest rate, and will result in annual interest expense savings of approximately $10.0 million
- Established a quarterly dividend policy and declared a dividend of C$0.05 per common share payable on December 14, 2018 to shareholders of record on October 25, 2018. Subsequent to quarter-end, the Company's Board of Directors declared a second dividend of C$0.05 per common share payable on March 15, 2019 to shareholders of record on January 31, 2019
- Revenue of $15.3 million, Adjusted EBITDA of $10.3 million and cash from operations of $6.4 million
- Net loss was $(19.7) million, or $(0.72) per share, compared to $(1.9) million, or $(0.08) per share in Q3 2017. Net loss in Q3 2018 included $19.0 million of one-time costs related to the debt refinancing, of which $12.2 million was a non-cash expense for the write-down of the remaining unamortized costs associated with the previous debt agreement

"The key event in the quarter was the release of positive topline results from Amarin's REDUCE-IT cardiovascular outcomes trial related to Vascepa," said Greg Gubitz, CEO of HLS. "In the trial, Vascepa, which is already approved by the FDA and is for sale in the U.S., exceeded its primary endpoint by a wide margin making the case that it has the potential to be a very significant drug for the treatment of patients with cardiovascular disease and a catalyst to drive significant organic growth in our business."

"Subsequent to quarter-end, Amarin presented detailed results from the REDUCE-IT trial at the American Heart Association Scientific Session, which further reinforced the potential for Vascepa. For patients taking Vascepa in combination with a statin, the results indicated that cardiovascular death was reduced by 20%, fatal or non-fatal heart attacks were reduced by 31%, and fatal or non-fatal stroke reduced by 28%, among other benefits. These are exceptional numbers and are on top of the benefits obtained from statin therapy. Cardiovascular disease is the leading cause of death worldwide, so we look forward to bringing this important medication to Canadians and will be filing for approval with Health Canada in early 2019."

"In Q3, we also refinanced our debt, which resulted in a lower principal amount outstanding, a reduced interest rate and an expected annual interest expense savings of approximately $10.0 million. The refinancing was led by a syndicate of well-known banks, including JPMorgan Chase Bank, N.A. and Silicon Valley Bank, and reflects on the success we have had executing on our growth strategy, generating reliable cash flows and building a platform for future growth."

"Our positive outlook, strong operational foundation and annual interest expense savings also enabled us to introduce a quarterly dividend of C$0.05 per common share. A dividend is rare for a specialty pharma company at our stage in development and reflects favorably on our multi-pronged strategy and ongoing financial performance."

"Clozaril generated $12.7 million of our $15.3 million in revenues in Q3 2018. Excluding currency fluctuations, Clozaril grew once again in Canada and we continue to believe that the Canadian market is underserved by this important medication and that growth opportunities exist here. With Absorica, Q3 is a seasonally slow quarter for the product and we expect improved performance in Q4. With the windfall Absorica results in 2017, we have already recouped our

original investment and Absorica continues to generate positive net cash flow for the business, which adds to our cumulative return."

VASCEPA REDUCE-IT TRIAL RESULTS

On September 24, 2018, Amarin Corporation plc (NASDAQ: AMRN), issued topline results from the Vascepa® cardiovascular ("CV") outcomes trial, REDUCE-IT™, a global study of 8,179 statin-treated adults with elevated CV risk. REDUCE-IT met its primary endpoint demonstrating an approximately 25% relative risk reduction, to a high degree of statistical significance ($p<0.001$), in MACE in the intent-to-treat patient population with use of Vascepa 4 grams/day as compared to placebo.

On November 10, 2018 at the 2018 Scientific Sessions of the American Heart Association ("AHA") in Chicago, Illinois, Amarin issued detailed results from the REDUCE-IT study. The results as presented by Amarin, and published in the New England Journal of Medicine, were as follows:

Reiterated that Primary endpoint was achieved: a **25%** relative risk reduction ("RRR") (hazard ratio ("HR"), 0.75; 95% confidence interval ("CI"), 0.68-0.83; $p<0.001$) in first occurrence of major adverse CV events (MACE) in the intent-to-treat population consisting of a composite of cardiovascular death, nonfatal myocardial infarction ("MI" or heart attack), nonfatal stroke, coronary revascularization (procedures such as stents and by-pass) and unstable angina requiring hospitalization. Number needed to treat ("NNT") was **21** for the first occurrence of MACE in the 5-point primary composite endpoint.

Key secondary endpoint achieved: **26%** RRR (HR, 0.74; 95% CI, 0.65-0.83; $p<0.001$) in 3-point MACE in the intent-to-treat population consisting of a composite of cardiovascular death, nonfatal heart attack and nonfatal stroke.

Additional secondary endpoints achieved: Seven secondary endpoints were achieved below the key secondary endpoint, as follows (in order of sequential statistical testing within the prespecified hierarchy):

- Cardiovascular death or nonfatal heart attack: **25%** RRR (HR, 0.75; 95% CI, 0.66-0.86; $p<0.001$)
- Fatal or nonfatal heart attack: **31%** RRR (HR, 0.69; 95% CI, 0.58-0.81; $p<0.001$)
- Urgent or emergent revascularization: **35%** RRR (HR, 0.65; 95% CI, 0.55-0.78; $p<0.001$)
- Cardiovascular death: **20%** RRR (HR, 0.80; 95% CI, 0.66-0.98; $p=0.03$)
- Hospitalization for unstable angina: **32%** RRR (HR, 0.68; 95% CI, 0.53-0.87; $p=0.002$)
- Fatal or nonfatal stroke: **28%** RRR (HR, 0.72; 95% CI, 0.55-0.93; $p=0.01$)
- Total mortality, nonfatal heart attack or nonfatal stroke: **23%** RRR (HR, 0.77; 95% CI, 0.69-0.86; $p<0.001$)

The next prespecified secondary endpoint in the hierarchy, and the only such endpoint that did not achieve statistical significance, is as follows:

- Total mortality, which includes mortality from non-cardiovascular and cardiovascular events: 13% RRR (HR, 0.87; 95% CI, 0.74-1.02; $p=0.09$)

For more information on Vascepa and the REDUCE-IT trial, please see the press release issued November 10, 2018, by Amarin, which can be found at: http://investor.amarincorp.com/press-releases

Vascepa has not been submitted to Health Canada for regulatory approval and is not approved for use in Canada. HLS intends to submit a New Drug Submission to Health Canada in early 2019 seeking approval for Vascepa based on the results of the REDUCE-IT study and other previous trials.

DEBT REFINANCING

On August 15, 2018, the Company entered into a new senior secured term loan with a syndicate of bank lenders co-led by JPMorgan Chase Bank, N.A. and Silicon Valley Bank. The principal amount of the new senior secured term loan is $100.0 million. In addition, there is a $25.0 million revolving facility that is undrawn. The Company may also request to be provided with incremental loans, for a maximum additional loan amount of $100.0 million to support acquisitions and growth opportunities. The maturity date is August 15, 2023. Interest on the new senior secured term loan accrues at a rate per annum equal to the sum of LIBOR plus a range of 2.75% to 3.25% depending on the leverage ratio of the Company at the time. This compares very favorably to the sum of (i) 9.0% plus (ii) the higher of (a) the LIBOR rate for the applicable interest period and (b) 1.0%, which was the rate on the Company's previous debt facility.

Under the terms of the new senior secured term loan, the lenders have security over substantially all the assets of the Company. The Company will be required to repay principal starting at 5% of the principal amount in the first year and increasing to 10% in the fifth year of the term. The Company may also be required to make additional payments from surplus cash-flow, or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the senior secured term loan, the Company is required to comply with financial covenants related to the maintenance of liquidity and coverage ratios.

On closing, the proceeds from the new senior secured term loan and available cash balances were used to repay the

Company's existing senior secured term loan in full. The Company recorded debt refinancing costs of $19.0 million in respect of this transaction. The components of this charge include the write-off of previously deferred debt issuance costs, a debt repayment premium, and an expense related to the settlement of the lender royalty.

DIVIDEND

On August 15, 2018, the Company's Board of Directors established a dividend policy providing for payment of quarterly dividends of C$0.05 per common share.

The Company's Board of Directors declared an initial dividend of C$0.05 per outstanding common share to be paid on December 14, 2018, to shareholders of record as of October 25, 2018.

On November 14, 2018, the Company's Board of Directors declared a dividend of C$0.05 per outstanding common share to be paid on March 15, 2019, to shareholders of record as of January 31, 2019.

These dividends paid on the Company's common shares are designated to be "eligible dividends" for purposes of section 89(1) of the *Income Tax Act* (Canada).

FINANCIAL REVIEW

Revenue

The following table provides revenue segmentation by revenue type and geography for the three- and nine-month periods ended September 30, 2018:

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Product sales				
Canada	7,130	7,274	21,661	21,037
United States	5,584	5,835	15,188	14,724
	12,714	13,109	36,849	35,761
Royalty revenue	2,569	7,184	7,905	18,946
	15,283	20,293	44,754	54,707

Total revenue was lower year-over-year as royalty revenue declined in 2018 compared to 2017. Royalty revenue in 2017 benefited from competitive disruptions and the positive impact of a promotional campaign undertaken by the marketer of Absorica in the U.S. which provided windfall royalties in that year. Royalty revenues for Q3 2018 were $2.6 million compared to $3.8 million in Q2 2018 and $1.5 million in Q1 2018. Q3 is traditionally a seasonally slower quarter for Absorica sales, which is reflected in the period's results and the Company expects royalty revenue in Q4 2018 to increase from the Q3 2018 level.

In the Canadian market, where Clozaril is actively promoted and supported by a team of HLS employees, product sales in fiscal 2018 increased by 2% and 2% in the third quarter and year-to-date, respectively, in Canadian dollar terms. Translated to U.S. dollars, the Canadian Clozaril product sales declined 2% in the third quarter but increased by 3% for the year-to-date period. HLS believes that Clozaril is underutilized in the Canadian market relative to certain other comparable Western countries, which the Company believes presents a long-term growth opportunity for the product.

Product sales in the U.S. market decreased 4% in Q3 2018 but increased 3% year-to-date. Clozaril in the U.S. market continues to experience modest volume declines, mitigated by a nominal price increase.

Operating Expenses

Operating expenses, which consist of cost of product sales, selling and marketing expense, medical, regulatory and patient support expense, and general and administrative expense, were $5.0 million in Q3 2018, compared to $6.0 million in Q3 2017. For the nine-month period ended September 30, 2018, operating expenses were $14.8 million, compared to $14.3 million in the same period last year.

Operating expenses were lower year-over-year in Q3 2018 primarily due to expenses incurred in Q3 2017 related to the completion of the manufacturing transition of Clozaril for the US market to lower cost production sources and lower authorized generic supplies in Q3 2018.

The increase in operating expenses for the year-to-date period was driven primarily by the addition of public company costs, the development of the HLS team to support the Company's growth plans, a return to more typical patient support and regulatory compliance costs in the U.S. after lower costs last year, and the costs associated with initial work to develop commercial plans for potential new cardiovascular product launches.

Adjusted EBITDA

The year-over-year change in Adjusted EBITDA is due to lower royalty revenue from Absorica and additional operating

costs related to the expansion of the business partially offset by the decrease in the cost of product sales and the year-to-date increase in Clozaril product sales. Adjusted EBITDA is a non-IFRS measure and is defined below.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Stock-based compensation	308	94	525	271
Amortization and depreciation	8,078	8,282	24,353	24,097
Acquisition and transaction costs	215	143	748	161
Finance and related costs	25,217	6,754	34,341	18,706
Provision for (recovery of) income taxes	(3,808)	908	(4,887)	2,861
Adjusted EBITDA	10,274	14,271	29,905	40,420

Interest Expense and Debt

Interest on the senior secured term loan was $2.7 million in Q3 2018, compared to $4.2 million in Q3 2017. For the nine-month period ended September 30, 2018, interest on the senior secured term loan was $10.8 million, compared to $12.4 million in the same period last year. The decrease in interest expense is primarily due to the Company's debt reduction and debt refinancing completed in August 2018. Following the debt refinancing, the Company expects to save up to $10.0 million per year in interest expense due to lower principal amount outstanding and the lower interest rate.

Following the August 2018 debt refinancing, as at September 30, 2018, the total outstanding principal on the new senior secured term loan stood at $100.0 million, compared with the original senior secured loan borrowing of $185.0 million at the Company's inception and the $137.9 million original loan balance at the end of Q2 2018.

Net Income (Loss)

Net loss was $(19.7) million, or $(0.72) per share, compared to $(1.9) million, or $(0.08) per share in Q3 2017. Net loss in Q3 2018 included $19.0 million of one-time costs related to the debt refinancing, of which $12.2 million was a non-cash expense for the write-down of the remaining unamortized costs associated with the previous debt agreement.

Cash from Operations and Financial Position

Cash generated from operations was $6.4 million in Q3 2018, compared to $9.3 million in Q3 2017. Cash generated from operations for the nine-month period ended September 30, 2018 was $21.6 million, compared to $18.3 million in the same period last year. The increase for the year-to-date period is due primarily to the timing of collection of royalty revenue generated from Absorica in Q4 2017 as well as stable cash generation from the Clozaril business.

As at September 30, 2018, the Company had cash and cash equivalents of $9.9 million, compared to $36.2 million at December 31, 2017. The decrease in cash is primarily due to the use of surplus cash, including $21.6 million in year-to-date cash-flow from operations, to reduce the loan principal outstanding and pay the cash portion of the debt refinancing costs. Accordingly, the loan principal outstanding decreased from $137.9 million at June 30, 2018 to $100.0 million at September 30, 2018.

Q3 2018 CONFERENCE CALL

HLS will hold a conference call Thursday, November 15, 2018 at 8:30 am Eastern Time hosted by Mr. Greg Gubitz, Chief Executive Officer, Mr. Gilbert Godin, President and Chief Operating Officer and Mr. Tim Hendrickson, Chief Financial Officer. A question and answer session will follow the corporate update.

DATE: Thursday, November 15, 2018

TIME: 8:30 am ET

DIAL-IN NUMBER: (888) 231-8191 or (647) 427-7450

TAPED REPLAY: (855) 859-2056 or (416) 849-0833

REPLAY PASSCODE: 7958419

WEBCAST LINK: https://event.on24.com/wcc/r/1858367/B0980D666D5E199E6680A23D34BA7DAF

A link to the live audio webcast of the conference call will also be available on the events page of the investors section of HLS Therapeutics' website at www.hlstherapeutics.com. Please connect at least 15 minutes prior to the conference call to ensure adequate time for any software download that may be required to hear the webcast. The taped replay will be available for 14 days and the archived webcast will be available for 90 days.

ABOUT HLS THERAPEUTICS INC.

Formed in 2015, HLS is a specialty pharmaceutical company focused on the acquisition and commercialization of late stage development, commercial stage promoted and established branded pharmaceutical products in the North American markets. HLS's focus is on products targeting the central nervous system and cardiovascular therapeutic areas. HLS's management team is composed of seasoned pharmaceutical executives with a strong track record of success in these therapeutic areas and at managing products in each of these lifecycle stages.

CAUTIONARY NOTE REGARDING NON-IFRS MEASURES

This press release refers to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements.

In particular, management uses Adjusted EBITDA as a measure of HLS's performance. To reconcile net loss for the year with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition costs", (iv) "finance and related costs", and (v) "provision for (recovery of) income taxes" appearing in the Consolidated Statement of Net Loss are added to net loss for the year to determine Adjusted EBITDA. Adjusted EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. Adjusted EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the IASB.

FORWARD LOOKING INFORMATION

This release includes forward-looking statements regarding HLS and its business. Such statements are based on the current expectations and views of future events of HLS's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements, including, among others, statements with respect to HLS's pursuit of additional product and pipeline opportunities in certain therapeutic markets, statements regarding growth opportunities and expectations regarding financial performance. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting HLS, including risks relating to the specialty pharmaceutical industry, risks related to the regulatory approval process, economic factors and many other factors beyond the control of HLS. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause HLS's actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. A discussion of the material risks and assumptions associated with this release can be found in the Company's Annual Information Form dated October 26, 2018, which has been filed on SEDAR and can be accessed at www.sedar.com. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and HLS undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
Unaudited
[in thousands of U.S. dollars]

	As at September 30, 2018	As at December 31, 2017
ASSETS		
Current		
Cash and cash equivalents	9,907	36,219
Accounts receivable	19,012	25,846
Inventories	1,992	1,354
Foreign currency forward contract	269	—
Prepaid expenses and other current assets	1,215	1,617
Total current assets	32,395	65,036

Property, plant and equipment	391	441
Intangible assets	286,729	312,659
Restricted assets	2,491	5,555
Deferred tax asset	793	955
Total assets	322,799	384,646
Current		
Accounts payable and accrued liabilities	12,861	12,596
Provisions	6,107	6,976
Other financial liabilities	19,303	14,160
Income taxes payable	257	870
Total current liabilities	38,528	34,602
Other financial liabilities	112,388	158,114
Deferred tax liability	5,017	11,548
Total liabilities	155,933	204,264
Shareholders' equity		
Share capital	210,360	192,743
Contributed surplus	12,725	12,330
Accumulated other comprehensive income	523	5,941
Deficit	(56,742)	(30,632)
Total shareholders' equity	166,866	180,382
Total liabilities and shareholders' equity	322,799	384,646

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS
Unaudited
[in thousands of U.S. dollars, except per share amounts]

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Revenue	15,283	20,293	44,754	54,707
Expenses				
Cost of product sales	887	2,551	2,003	3,503
Selling and marketing	933	748	2,943	2,414
Medical, regulatory and patient support	1,131	748	3,284	2,482
General and administrative	2,058	1,975	6,619	5,888
Stock-based compensation	308	94	525	271
Amortization and depreciation	8,078	8,282	24,353	24,097
Operating income	1,888	5,895	5,027	16,052
Acquisition and transaction costs	215	143	748	161
Finance and related costs, net	25,217	6,754	34,341	18,706
Loss before income taxes	(23,544)	(1,002)	(30,062)	(2,815)
Income tax expense (recovery)	(3,808)	908	(4,887)	2,861
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Net loss per share:				
Basic and diluted	$(0.72)	$(0.08)	$(0.94)	$(0.22)

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Unaudited
[in thousands of U.S. dollars]

	Three months ended September 30,		Nine months ended September 30,	
	2018	**2017**	**2018**	**2017**
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	2,770	6,502	(5,418)	10,955
Comprehensive income (loss) for the period	(16,966)	4,592	(30,593)	5,279

HLS THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited
[in thousands of U.S. dollars]

	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2017	192,743	12,330	5,941	(30,632)	180,382
Common shares issued	19,905	—	—	—	19,905
Share issuance costs	(1,252)	—	—	—	(1,252)
Shares repurchased	(1,036)	—	—	112	(924)
Stock option expense	—	395	—	—	395
Net loss for the period	—	—	—	(25,175)	(25,175)
Dividends declared	—	—	—	(1,047)	(1,047)
Unrealized foreign currency translation adjustment	—	—	(5,418)	—	(5,418)
Balance, September 30, 2018	210,360	12,725	523	(56,742)	166,866
Balance, December 31, 2016	192,743	11,967	(4,611)	(24,535)	175,564
Stock option expense	—	271	—	—	271
Net loss for the period	—	—	—	(5,676)	(5,676)
Unrealized foreign currency translation adjustment	—	—	10,955	—	10,955
Balance, September 30, 2017	192,743	12,238	6,344	(30,211)	181,114

HLS THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited
[in thousands of U.S. dollars]

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
OPERATING ACTIVITIES				
Net loss for the period	(19,736)	(1,910)	(25,175)	(5,676)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock option expense	178	94	395	271
Amortization and depreciation	8,078	8,282	24,353	24,097
Debt refinancing costs	18,951	—	18,951	—
Accreted interest	1,050	1,682	4,282	5,114
Fair value adjustment on financial assets and liabilities	2,535	281	(140)	1,179
Listing expense	—	—	435	—
Deferred income taxes	(4,029)	(39)	(5,697)	467
Net change in non-cash working capital balances related to operations	(623)	954	4,187	(7,183)
Cash provided by operating activities	6,404	9,344	21,591	18,269
INVESTING ACTIVITIES				
Additions to property, plant and equipment	(2)	(14)	(92)	(50)
Additions to intangible assets	(107)	—	(319)	—
Acquisitions	(2,825)	(4,670)	(9,475)	(8,320)
Cash used in investing activities	(2,934)	(4,684)	(9,886)	(8,370)
FINANCING ACTIVITIES				
Common shares issued	—	—	19,470	—
Share issuance costs	—	—	(1,699)	—
Shares repurchased	(686)	—	(924)	—
Repayment of senior secured term loan	(137,890)	(3,181)	(151,271)	(8,582)
Drawdown of new senior secured loan	100,000	—	100,000	—
Cash portion of debt refinancing costs	(8,453)	—	(8,453)	—
Decrease (increase) in restricted cash	8,055	(1,398)	5,555	(3,100)
Lender royalty payment	—	(131)	(237)	(357)
Cash used in financing activities	(38,974)	(4,710)	(37,559)	(12,039)
Net decrease in cash and cash equivalents during the period	(35,504)	(50)	(25,854)	(2,140)
Foreign exchange	174	424	(458)	89

Cash and cash equivalents, beginning of period	45,237	35,338	36,219	37,763
Cash and cash equivalents, end of period	9,907	35,712	9,907	35,712

SOURCE HLS Therapeutics Inc.

For further information: HLS CONTACT INFORMATION: Dave Mason, Investor Relations, HLS Therapeutics Inc., (416) 247-9652, dave.mason@loderockadvisors.com; Gilbert Godin, President and Chief Operating Officer, HLS Therapeutics Inc., (484) 232-3400 ext101, g.godin@hlstherapeutics.com

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