

## HLS Therapeutics Announces Q3 2020 Financial Results and Normal Course Issuer Bid

- **Revenue of \$13.1 million, Adjusted EBITDA of \$4.5 million and cash from operations of \$2.4 million**
- **Produced strong Vascepa prescription growth amid COVID-19 challenges: approximately 1,200 patients and more than 350 prescribers at end of Q3, which are increases of 124% and 88%, respectively, versus Q2**
- **Increased private insurance coverage for Vascepa in Canada to approximately 50% of privately covered lives as of today's date**
- **Acquired a portfolio of four royalty interests that is expected to generate average annual Adjusted EBITDA of \$11.0 million per year for a ten-year period**
- **Announces Normal Course Issuer Bid, which becomes effective November 9, 2020**

TORONTO, Nov. 5, 2020 /CNW/ - HLS Therapeutics Inc. ("HLS" or the "Company") (TSX: HLS), a specialty pharmaceutical company focusing on central nervous system and cardiovascular markets, announces its financial results for the three- and nine-month periods ended September 30, 2020. All amounts are in thousands of United States ("U.S.") dollars unless otherwise stated.

### Q3 2020 HIGHLIGHTS

- Financial results for Q3 2020 reflect the resilience of the Company's foundational product, Clozaril, as well as significant ongoing investment in the launch for Vascepa, which HLS believes will be a strong organic growth driver for the business for years to come
- Product sales were \$11.4 million compared to \$11.1 million in Q3 2019
- Revenues, including Absorica royalties, were \$13.1 million compared to \$13.4 million in Q3 2019
- Adjusted EBITDA was \$4.5 million compared to \$8.0 million in Q3 2019, not including entitlement to estimated \$2.0 million in Q3 royalties from royalty interests purchased on September 30, 2020
- Net loss was (\$1.7) million, or (\$0.05) per common share, compared to net loss of (\$2.0) million, or (\$0.06) per common share, in Q3 2019
- Cash generated from operations was \$2.4 million compared to \$6.8 million in Q3 2019, reflecting continued investment in new product launches
- Cash and cash equivalents were \$20.9 million at the end of Q3 2020 compared to \$47.1 million at December 31, 2019
- Acquired a portfolio of four royalty interests that is forecasted to generate average annual Adjusted EBITDA of \$11.0 million per year for a ten-year period
- CADTH recommended Vascepa be reimbursed for patients with established cardiovascular disease
- PMPRB notified HLS that Vascepa's introductory price submission is compliant
- Publication of the EVAPORATE trial<sup>1</sup>, which reported a 17% regression of coronary plaque in patients taking Vascepa on top of a statin
- Increased the peak-year sales estimate for Vascepa to C\$275-325 million, from C\$200-300 million
- Co-founder Gilbert Godin succeeded retiring CEO and co-founder Greg Gubitz effective October 1, 2020

"Clozaril, our key foundational product, continues to perform well, which has led to growth in Product sales year-over-year both for the quarter and year-to-date period, as well as a modest but steady increase in patient count over the last three months," said Gilbert Godin, President and CEO of HLS. "To enhance our royalty revenue and cash flow, at quarter-end, we acquired a long-duration portfolio consisting of four diverse royalty products that are marketed by global healthcare leaders. The portfolio is expected to deliver Adjusted EBITDA of approximately \$11.0 million per year, on average, for the next ten years and generate an annual IRR in excess of 20% during that period. This transaction is consistent with our strategy to generate stable and durable revenue and cash flow from foundational assets to support our organic and acquisitive growth opportunities."

"We continue to make progress with the Vascepa launch as we adapt to the evolving environment related to COVID-19. Q3 saw us achieve important commercialization milestones, which included CADTH's recommendation that Vascepa be reimbursed for patients with established cardiovascular disease under certain conditions and the PMPRB's notification that Vascepa's introductory price is in compliance. The response to Vascepa from the medical community continues to be strong and there are now more than 350 physicians that have prescribed the product for approximately 1,200 patients, which are increases of 88% and 124%, respectively, since the end of Q2. We've also made good progress expanding our private payer coverage for Vascepa and now have full-label coverage with approximately 50% of the lives covered by private drug plans in Canada, including 49% in Ontario and 61% in Quebec, the two biggest markets in the country."

"Combined with Vascepa's data exclusivity received earlier this year and its broad patent portfolio, we believe the milestones and progress achieved in Q3 are indicative of a successful launch in progress and provide us with growing visibility and confidence that we are on the trajectory to reach our peak-year sales target of C\$275-\$325 million. COVID-19 has presented obstacles since the launch, but we are being flexible and creative in our efforts to reach physicians and will continue to explore all available options to drive broad awareness for Vascepa, which we believe has the potential to enhance the lives of the many Canadians at risk for cardiovascular disease."

"Finally, we have also announced a Normal Course Issuer Bid today for purposes of acquiring our shares on the open market. From time to time, the value of our shares may provide the opportunity to acquire HLS stock at prices that we do not believe reflect the true underlying value of the business. We have put in place the Normal Course Issuer Bid to enable us to take advantage of these opportunities."

### NORMAL COURSE ISSUER BID

The Company announced today that it has filed with the Toronto Stock Exchange (the "TSX"), and the TSX has accepted, the Company's Notice of Intention to Make a Normal Course Issuer Bid ("NCIB"). Pursuant to the NCIB, HLS may, if considered advisable, purchase for cancellation through the facilities of the TSX and/or alternative Canadian trading systems, from time to time over the next 12 months, up to an aggregate of 1,587,193 of its issued and outstanding common shares (each, a "Common Share"), representing 5% of the issued and outstanding Common Shares as of October 30, 2020.

HLS may commence purchases of Common Shares under the NCIB on November 9, 2020 and the NCIB will remain in effect until the earliest of: (i) November 8, 2021, (ii) the date upon which HLS acquires the maximum number of Common Shares permitted under the NCIB, and (iii) the date upon which HLS provides written notice of termination of the NCIB to the TSX. Daily purchases pursuant to the NCIB will be limited to 13,840 Common Shares, other than purchases made pursuant to the block purchase exception, based on the average daily trading volume for six months ending October 30, 2020 of 55,361 Common Shares.

Purchases of Common Shares under the NCIB will be made by Haywood Securities Inc. ("Haywood") based on the parameters prescribed by the TSX, the provisions of the Company's credit agreement and applicable Canadian securities laws at a price per Common Share equal to the market price at the time of acquisition. All Common Shares acquired by the Company under the NCIB will be cancelled.

The Company intends to enter into an automatic share purchase plan (the "ASPP") with Haywood to allow for the purchase of Common Shares under the NCIB at times when the Company would ordinarily not be permitted to purchase shares due to regulatory restrictions or self-imposed blackout periods. Details regarding the ASPP will be provided in an additional press release.

HLS believes that any purchases pursuant to the NCIB, if considered advisable, will be in the best interests of the Company and will be a desirable use of corporate funds.

### DIVIDEND

On November 4, 2020, the Company's Board of Directors declared a dividend of C\$0.05 per outstanding common share to be paid on March 15, 2021, to shareholders of record as of January 29, 2021.

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).

### QUARTERLY & YEAR-TO-DATE FINANCIAL REVIEW

#### Revenue

The following table provides revenue segmentation by revenue type and geography for the three- and nine-month periods ended September 30, 2020:

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	2020	2019	2020	2019
<b>Product sales</b>				
Canada	7,383	6,851	21,737	20,136
United States	3,988	4,257	12,067	13,027
	11,371	11,108	33,804	33,163
<b>Royalty revenue</b>	1,758	2,318	5,820	7,060
	13,129	13,426	39,624	40,223

The Company's product sales returned to year-over-year growth in Q3 2020, despite the continued impact of the COVID-19 pandemic. These results reflect the resiliency of the Company's Clozaril franchises in Canada and the U.S. as well as the increasing momentum of Vascepa's introduction in Canada.

Despite the COVID-19 pandemic, Clozaril net sales in Canada for Q3 2020 were up 2.3% in Canadian dollars from the same period in the prior year, and up 5.8% in Canadian dollars for the year-to-date period versus the same prior year period. Through September 30, 2020, the number of Clozaril patients in Canada grew by 2.0% year-over-year.

Canadian product sales for Q3 2020 also reflected meaningful growth in the number of Vascepa prescribers and patients that resulted in consistent and growing replenishment orders for Vascepa.

Clozaril volumes and gross sales in the U.S. are relatively flat on a year-over-year basis for both Q3 2020 and the year-to-date period, up 1.1% and down 0.8%, respectively. The decline in product sales compared to the prior year periods reflects more favorable gross-to-net adjustments in the prior periods.

Absorica royalty revenue was \$1.8 million in Q3 2020, consistent with royalty levels in Q2 2020, but down \$0.6 million from \$2.3 million in Q3 2019. HLS expects that the economic life of its marketing rights related to Absorica will terminate by the end of 2020.

On September 30, 2020, HLS acquired a diversified portfolio of royalty interests on global sales of four different products. While the acquired interests include an entitlement to the royalties for the third quarter, estimated at \$2.0 million, these royalties have been recorded as acquired accounts receivable and have not been included in revenues for the current period.

#### Operating Expenses

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	2020	2019	2020	2019
Cost of product sales	824	538	2,314	1,448
Selling and marketing	2,847	1,600	9,640	4,228
Medical, regulatory and patient support	1,238	1,156	4,183	3,767
General and administrative	3,700	2,087	8,084	6,373
	8,609	5,381	24,221	15,816

Operating expenses for the Q3 2020 and year-to-date periods have increased due primarily to investment in the launch of Vascepa, including sales and marketing, medical, regulatory and patient support, as well as additional costs related to expanding the Clozaril product line-up to facilitate a wider range of dosing options and the introduction of Vascepa in Canada, including sales royalties. Q3 2020 and the year-to-date period also include a one-time charge of \$1.3 million related to the retirement of the Company's founding CEO.

#### Adjusted EBITDA

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	2020	2019	2020	2019
Net loss for the period	(1,733)	(1,998)	(8,053)	(7,332)
Stock-based compensation	(643)	659	111	1,727
Amortization and depreciation	6,916	8,135	23,673	24,356
Acquisition and transaction costs	234	31	557	630
Finance and related costs	(506)	1,068	640	5,381
Income tax expense (recovery)	252	150	(1,525)	(355)
Adjusted EBITDA	4,520	8,045	15,403	24,407

Adjusted EBITDA for Q3 2020 decreased by \$3.5 million compared to Q3 2019 due to the \$3.2 million increase in operating expenses, which was primarily due to the increase in costs to support the Vascepa launch in Canada and the one-time \$1.3 million expense associated with the retirement of the founding CEO, and \$0.6 million decrease in Absorica royalty revenues, partially off-set by the growth in Vascepa and Clozaril sales in Canada.

The royalty portfolio acquired on September 30, 2020 includes an entitlement to the royalties generated in the quarter ended September 30, 2020, which is estimated to be \$2.0 million. On a pro forma basis, including the royalty entitlement for the quarter, Adjusted EBITDA for Q3 2020 and the year-to-date period would have been \$6.5 million and \$17.4 million, respectively, as follows:

	Three months ended September 30, 2020		Nine months ended September 30, 2020	
	2020	2019	2020	2019
Adjusted EBITDA <sup>(1)</sup>	4,520		15,403	
Royalty entitlement for third quarter	2,010		2,010	
Pro forma Adjusted EBITDA <sup>(1)</sup>	6,530		17,413	

<sup>(1)</sup> See "Cautionary Note Regarding Non-IFRS Measures" section of this MD&A.

#### Interest Expense and Debt

Interest on the senior secured term loan in Q3 2020 was \$1.2 million compared to \$1.4 million in Q3 2019. Interest on the senior secured term loan for the year-to-date period was \$3.6 million compared to \$4.5 million in the same period last year. The reduction is due to both a lower principal balance and a lower interest rate in fiscal 2020. As at September 30, 2020, the principal debt balance outstanding under the senior secured term facility was \$109.9 million.

#### Net Loss

Net loss for the Q3 2020 and the year-to-date 2020 periods was (\$1.7) million, or (\$0.05) per share, and (\$8.1) million, or (\$0.25) per share, compared to (\$2.0) million, or (\$0.06) per share, and (\$7.3) million, or (\$0.25) per share, in the prior year periods. Net loss increased for the year-to-date period primarily due to investment in the launch of Vascepa.

#### Cash from Operations and Financial Position

Cash generated from operations was \$2.4 million in Q3 2020, compared to cash generated from operations of \$6.8 million in Q3 2019. For the year-to-date period, cash generated from operations was \$3.5 million compared to \$24.1 million in the same period last year. The decrease in the 2020 periods is attributable to the expenditures associated with the launch of Vascepa in fiscal 2020, including the purchase of inventory.

As at September 30, 2020, the Company had cash and cash equivalents of \$20.9 million compared to \$47.1 million at December 31, 2019. Factors impacting the change in cash balance since the end of 2019 include a \$3.75 million milestone payment made to Amarin when Vascepa received data protection in Canada, increased selling and marketing costs related to Vascepa's launch, initial inventory purchases for the product and the purchase of the royalty portfolio announced on September 30, 2020.

HLS has a strong financial position with \$20.9 million of cash and cash equivalents, a \$35.0 million revolving facility that was undrawn at September 30, 2020, and the Company may also request to be provided with incremental loans, up to a maximum amount of \$70.0 million, to support acquisitions and other growth opportunities. In addition, earlier this year, the Company filed a preliminary short-form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada, other than Quebec, to raise up to C\$250.0 million over a period of 25 months should an appropriate strategic opportunity emerge.

#### Q3 2020 CONFERENCE CALL

HLS will hold a conference call today at 8:30 am Eastern Time to discuss its Q3 2020 financial results. The call will be hosted by Mr. Gilbert Godin, Chief Executive Officer and Mr. Tim Hendrickson, Chief Financial Officer. **To view the slides that accompany management's discussion, please use the webcast link.**

**CONFERENCE ID:** 90151752  
**DATE:** Thursday, November 5, 2020  
**TIME:** 8:30 a.m. Eastern Daylight Time  
**DIAL-IN NUMBER:** 1-888-664-6392 or 416-764-8659  
**WEBCAST LINK:** [https://produceredition.webcasts.com/starthere.jsp?ei=1388515&tp\\_key=ec27e322ad](https://produceredition.webcasts.com/starthere.jsp?ei=1388515&tp_key=ec27e322ad)  
**TAPED REPLAY:** 1-888-390-0541 or 416-764-8677  
**REPLAY CODE:** 151752

The taped replay will be available for 14 days and the archived webcast will be available for 90 days.

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](http://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.

#### REFERENCES

<sup>1</sup> Budoff MJ, Bhatt DL, Kinninger A, Lakshmanan S, Muhlestein JB, Le VT, May HT, Shaikh K, Shekar C, Roy SK, Tayek J, Nelson JR. Effect of icosapent ethyl on progression of coronary atherosclerosis in patients with elevated triglycerides on statin therapy: final results of the EVAPORATE trial. Eur Heart J. 2020 Aug 29;ehaa652. doi: 10.1093/eurheartj/ehaa652. Epub ahead of print. PMID: 32860032.

## 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. For more information visit: [www.hlstherapeutics.com](http://www.hlstherapeutics.com).

## 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 income (loss) for the period with Adjusted EBITDA, each of (i) "stock-based compensation", (ii) "amortization and depreciation", (iii) "acquisition and transaction costs", (iv) "finance and related costs", and (v) "income tax recovery" appearing in the Consolidated Statement of Net Income (Loss) are added to net income (loss) for the period 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, expectations regarding financial performance, and the NCIB and ASPP. 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 March 18, 2020 and Management's Discussion and Analysis dated May 6, 2020, both of which have been filed on SEDAR and can be accessed at [www.sedar.com](http://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.

## HLS THERAPEUTICS INC.

### CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Unaudited

[in thousands of U.S. dollars]

	As at September 30, 2020	As at December 31, 2019
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	20,890	47,078
Accounts receivable	12,535	11,858
Inventories	11,146	2,055
Derivative financial instruments	104	271
Prepaid expenses and other current assets	2,255	1,838
Total current assets	46,930	63,100
Property, plant and equipment	1,328	1,276
Intangible assets	254,705	252,050
Restricted assets	1,987	2,188
Deferred income tax asset	1,042	1,057
Total assets	305,992	319,671
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	14,565	13,466
Provisions	4,978	5,471
Debt and other financial liabilities	15,713	27,855
Income taxes payable	172	347
Total current liabilities	35,428	47,139
Debt and other financial liabilities	101,721	91,822
Deferred income tax liability	—	2,511
Total liabilities	137,149	141,472
<b>Shareholders' equity</b>		
Share capital	256,292	248,687
Contributed surplus	10,972	11,517
Accumulated other comprehensive loss	(5,365)	(537)
Deficit	(93,056)	(81,468)
Total shareholders' equity	168,843	178,199
Total liabilities and shareholders' equity	305,992	319,671

## 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, 2020		Nine months ended September 30, 2019	
<b>Revenue</b>	13,129	13,426	39,624	40,223
<b>Expenses</b>				
Cost of product sales	824	538	2,314	1,448
Selling and marketing	2,847	1,600	9,640	4,228
Medical, regulatory and patient support	1,238	1,156	4,183	3,767
General and administrative	3,700	2,087	8,084	6,373
Stock-based compensation	(643)	659	111	1,727

Amortization and depreciation	6,916	8,135	23,673	24,356
Operating loss	(1,753)	(749)	(8,381)	(1,676)
Acquisition and transaction costs	234	31	557	630
Finance and related costs, net	(506)	1,068	640	5,381
Loss before income taxes	(1,481)	(1,848)	(9,578)	(7,687)
Income tax expense (recovery)	252	150	(1,525)	(355)
<b>Net loss for the period</b>	<b>(1,733)</b>	<b>(1,998)</b>	<b>(8,053)</b>	<b>(7,332)</b>

<b>Net loss per share:</b>				
Basic and diluted	\$(0.05)	\$(0.06)	\$(0.25)	\$(0.25)

**HLS THERAPEUTICS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
**Unaudited**

[in thousands of U.S. dollars]

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>	<b>2019</b>	<b>September 30,</b>	<b>2019</b>
	<b>2020</b>		<b>2020</b>	
<b>Net loss for the period</b>	(1,733)	(1,998)	(8,053)	(7,332)
Item that may be reclassified subsequently to net loss				
Unrealized foreign currency translation adjustment	2,910	(1,848)	(4,828)	4,320
<b>Comprehensive income (loss) for the period</b>	<b>1,177</b>	<b>(3,846)</b>	<b>(12,881)</b>	<b>(3,012)</b>

**HLS THERAPEUTICS INC.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Unaudited**

[in thousands of U.S. dollars]

	<b>Share capital</b>	<b>Contributed surplus</b>	<b>Accumulated other comprehensive loss</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2019</b>	248,687	11,517	(537)	(81,468)	178,199
Warrants exercised	7,544	(1,652)	—	—	5,892
Stock options exercised	61	(16)	—	—	45
Stock option expense	—	1,123	—	—	1,123
Net loss for the period	—	—	—	(8,053)	(8,053)
Dividends declared	—	—	—	(3,535)	(3,535)
Unrealized foreign currency translation adjustment	—	—	(4,828)	—	(4,828)
<b>Balance, September 30, 2020</b>	<b>256,292</b>	<b>10,972</b>	<b>(5,365)</b>	<b>(93,056)</b>	<b>168,843</b>
<b>Balance, December 31, 2018</b>	210,360	12,973	(7,455)	(57,389)	158,489
Common shares issued	37,329	—	—	—	37,329
Shares issuance costs	(2,411)	—	—	—	(2,411)
Warrants exercised	35	—	—	—	35
Stock options exercised	1	—	—	—	1
Warrants granted	—	470	—	—	470
Stock option expense	—	991	—	—	991
Net loss for the period	—	—	—	(7,332)	(7,332)
Dividends declared	—	—	—	(3,349)	(3,349)
Unrealized foreign currency translation adjustment	—	—	4,320	—	4,320
<b>Balance, September 30, 2019</b>	<b>245,314</b>	<b>14,434</b>	<b>(3,135)</b>	<b>(68,070)</b>	<b>188,543</b>

**HLS THERAPEUTICS INC.**  
**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Unaudited**

[in thousands of U.S. dollars]

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30, 2020</b>	<b>September 30, 2019</b>	<b>September 30, 2020</b>	<b>September 30, 2019</b>
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	(1,733)	(1,998)	(8,053)	(7,332)
Adjustments to reconcile net loss to cash provided by operating activities				
Stock-based compensation	(643)	659	111	1,727
Amortization and depreciation	6,916	8,135	23,673	24,356
Accreted interest	244	456	912	1,554
Fair value adjustment on financial assets and liabilities	(1,786)	(788)	(3,885)	655
Foreign exchange	-	-	176	-
Deferred income taxes	(14)	(218)	(2,352)	(1,322)
Changes in non-cash working capital balances related to operations	(619)	579	(7,084)	4,425
<b>Cash provided by operating activities</b>	<b>2,365</b>	<b>6,825</b>	<b>3,498</b>	<b>24,063</b>
<b>INVESTING ACTIVITIES</b>				
Capital expenditures	(5)	(45)	(32)	(139)
Royalty acquisition	(30,837)	-	(30,837)	-
Rights acquisitions	(1,825)	(2,825)	(10,225)	(7,475)
Other intangible additions	(2)	(1,975)	(761)	(2,663)
<b>Cash used in investing activities</b>	<b>(32,669)</b>	<b>(4,845)</b>	<b>(41,855)</b>	<b>(10,277)</b>
<b>FINANCING ACTIVITIES</b>				
Common shares issued	-	-	-	37,329
Common share issuance costs	-	(302)	-	(2,579)
Stock options exercised	7	1	45	1
Warrants exercised	-	-	1,590	35
Dividends paid	(1,201)	(1,166)	(3,511)	(3,189)
Senior secured term loan repaid	(1,250)	(1,250)	(3,882)	(3,750)
Senior secured term loan drawdown	20,000	-	20,000	-
Debt costs	(482)	-	(658)	(1,000)
Lease payments	(130)	(98)	(374)	(321)
<b>Cash provided by (used in) financing activities</b>	<b>16,944</b>	<b>(2,815)</b>	<b>13,210</b>	<b>26,526</b>

Net change in cash and cash equivalents in the period	(13,360)	(835)	(25,147)	40,312
Foreign exchange	588	(130)	(1,041)	101
Cash and cash equivalents, beginning of period	33,662	52,308	47,078	10,930
<b>Cash and cash equivalents, end of period</b>	<b>20,890</b>	<b>51,343</b>	<b>20,890</b>	<b>51,343</b>

SOURCE HLS Therapeutics Inc.

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<https://hlstherapeutics.investorroom.com/2020-11-05-HLS-Therapeutics-Announces-Q3-2020-Financial-Results-and-Normal-Course-Issuer-Bid>