SEQUANA MEDICAL

Limited Liability Company

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Report of the board of directors in accordance with article 7:228 of the Belgian Companies and Associations Code

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1. Introduction

The present special report has been prepared by the board of directors of the limited liability company (*naamloze vennootschap*) Sequana Medical NV (the "**Company**") in accordance with article 7:228 of the Belgian Companies and Associations Code.

2. Article 7:228 and 7:229 of the Belgian Companies and Associations Code

In accordance with article 7:228 of the Belgian Companies and Associations Code, a general shareholders' meeting of the Company must be convened if as a result of incurred losses the Company's non-consolidated net assets (*nettoactief*) as defined in the Belgian Companies and Associations Code (*i.e*. summarised, the total amount of all assets as shown in the balance sheet, reduced with provisions, liabilities, and, except in exceptional circumstances to be disclosed and justified in the notes to the (non-consolidated) statutory financial statements, the non-amortized costs of incorporation and expansion, as well as non-amortized costs for research and development) have fallen below 50% of the share capital of the Company in order to deliberate and resolve upon the dissolution of the Company or any other measures announced in the agenda of such general shareholders' meeting. The same requirement applies when the net assets have fallen below an amount equal to 25% of the share capital of the Company. Article 7:229 of the Belgian Companies and Associations Code provides that when the net assets have fallen below the amount of EUR 61,500, each interested party or the Belgian public prosecutor's office (*openbaar ministerie*) may request the dissolution of the Company before a court of law. Where appropriate, the court of law can grant the Company a binding period in which it has to regularise its situation.

3. Evolution of the net assets and working capital of the Company

At the occasion of the preparation of the statutory (non-consolidated) financial statements of the Company for the financial year ended 31 December 2022, the board of directors of the Company has determined that, based on these statutory (non-consolidated) financial statements, the financial situation of the Company was as follows:

(a)	Share capital:	EUR 2,460,486.98
(b)	Issue premium:	EUR 170,324,139.00
(c)	Reserves:	EUR 1,321,184.00
(d)	Loss carried forward:	EUR -138,518,432.00
(e)	Loss:	EUR -24,785,163.00
(f)	Total assets:	EUR 36,946,379.00
(g)	Provisions:	EUR 228,194.00
(h)	Liabilities:	EUR 25,915,970.00
(i)	Non-amortized costs of incorporation:	EUR 0

(j)	Non-amortized costs of expansion:	EUR 0
(k)	Non-amortized costs for research and development:	EUR 11,926,220.00
Net assets (*i.e.* (f) - (g) - (h) - (i) - (j) - (k)):		**- EUR 1,124,005.00**

Based on the foregoing, the board of directors notes that the Company's (non-consolidated) accounting net assets as at 31 December 2022 were negative, being EUR - 1,124,005.00. This was due to losses incurred by the Company. The amount of the share capital on 31 December 2022 amounted to EUR 2,460,486.98. Consequently, based on the aforementioned statutory financial statements, it appears that on 31 December 2022 the Company's (non-consolidated) accounting net assets had fallen below the thresholds of the articles 7:228 and 7:229 of the Belgian Companies and Associations Code.

The aforementioned statutory (non-consolidated) financial statements for the financial year ended 31 December 2022 have been prepared in accordance with generally accepted accounting principles in Belgium and will be submitted to the annual general meeting of shareholders of the Company to be held on 25 May 2023 (the "**AGM**"). For more information on these financial statements, reference is made to the documentation submitted to the AGM.

On 24 April 2023, the Company announced that it successfully raised an amount of EUR 15.78 million in gross proceeds by means of a private placement of new shares and subscription rights (at a ratio of one (1) new subscription right per four (4) new shares) via an accelerated bookbuild offering of 4,445,205 new shares at an issue price of EUR 3.55 per new share and 1,111,294 new subscription rights at an exercise price of EUR 5.10 per underlying new share (the "**Offering**"). The payment of the new shares and the delivery of the new shares and subscription rights is expected to take place on 27 April 2023, except that with respect to 140,845 new shares and 35,211 subscription rights the payment and delivery is expected to take place no later than 10 May 2023. Upon the completion of the aforementioned Offering, the Company's (non-consolidated) accounting net assets (as defined in the Belgian Companies and Associations Code) will again cross above the thresholds of the articles 7:228 and 7:229 of the Belgian Companies and Associations Code.

The Company has incurred operating losses and negative operating cash flows in each period since it was founded in 2006, and as of 31 December 2022, the Company has a loss brought forward of EUR 163,303,595.00. In 2022, the Company has been able to successfully raise EUR 28.4 million in March 2022 via a capital increase in cash, and EUR 10.0 million in July 2022 via a loan agreement with Kreos. Together with existing cash resources and taking into account the gross proceeds of the aforementioned Offering, the Company's current working capital is expected to extend the current cash runway of the Company into Q1 2024.

4. Measures proposed by the board of directors

Since the start of the Company's operations, the Company has been aware that losses will be incurred for a number of years before any prospect of profitability is possible. Notably, the Company is still in its development phase for its alfapump® and DSR® products, and is conducting several clinical trials in order to achieve regulatory marketing approvals for these products. This entails various risks and uncertainties, including but not limited to the uncertainty of the development process and the timing of achieving profitability. Further funding is also needed to secure reimbursement by payers for these products, to maintain, protect and expand the Company's intellectual property portfolio, and to expand sales and marketing activities.

The Company’s ability to continue operations depends on its ability to raise additional capital and to refinance existing debt, in order to fund operations and assure the solvency of the Company until revenues reach a level to sustain positive cash flows.

Until now, the Company has been successful in raising sufficient funding in order to continue its investments and activities. While the board of directors is continuingly evaluating different financing options, the board of directors is also proposing a number of additional measures in order to address the Company's ongoing funding requirements and going concern. These measures include the following:

- The Company intends to continue to deliver on a number of important milestones in 2023 that are strategic to its business, and that are also expected to further demonstrate the potential of the Company's products. These milestones include:

  - the submission of alfapump PMA with the U.S. Food and Drug Administration (FDA);

  - the validation of the Company's second-generation DSR product (DSR 2.0) effect in US patients;

  - the expected positive developments from CMS (Centers for Medicare and Medicaid Services) on the "Transitional Coverage of Emerging Technologies" (TCET) – an initiative for accelerated Medicare coverage of breakthrough devices;

  - the submission of a peer-reviewed publication and presentation on alfapump and the POSEIDON clinical study at a forthcoming medical liver meeting; and

  - the submission of a peer-reviewed publication on the DSR clinical studies.

  These are aimed at supporting the regulatory marketing approvals, and helping the adoption of the Company's products by medical care providers, patients and payors.

- In addition, the Company has already carried out several measures in order to reduce costs and expenditures, and the Company intends to carry out further savings. These measures include:

  - <u>Heart Failure / DSR</u>: Slowing down the further progression of the MOJAVE clinical study. The board of directors notes that (i) the Company still targets results from the first 3 patients by Q4 2023 for the safety cohort, and (ii) the first patients are most important as the Company is looking for confirmation that DSR 2.0 in US patients has same dramatic treatment effect as DSR 1.0 in the patients from Republic of Georgia (cfr. SAHARA and RED DESERT studies).

  - <u>US alfapump program</u>: Delaying the establishment of a new production facility for the US alfapump program.

  - <u>EU alfapump commercial strategy</u>: Reducing the Company's European commercial team by moving to a "reactive" rather than "proactive" commercial stance (*i.e.*, ready to act on clinician interest and maintaining dialogue with key centres, instead of actively promoting the therapy). The board of directors notes that (i) the platform for training US clinicians and implanting teams remains available, and (ii) it intends to scale-up the European commercial teams in the future (when additional financing has been attracted).

- The Company is also assessing to what extent partnerships or licensing arrangements could be entered into regarding its alfapump® and DSR® products in order to support

> the further development, regulatory approval process, and subsequent marketing. While on the date hereof no concrete plans are on the table, the Company continuously engages with potential partners, which could also provide further funding to the Company's business.

The board of directors believes that a combination of one or more of the foregoing measures will help in addressing the Company's liquidity and funding structure. It also believes that these may further help in finding additional equity and/or debt financing from existing and/or new investors, as well as to renegotiate and/or refinance existing debt financing arrangements. Efforts in that respect are ongoing continuously (although the impact of macroeconomic conditions and the geopolitical situation in Ukraine on the Company’s ability to secure additional financing rounds or undertake capital market transactions remains unclear at this point in time). The Company has furthermore control over its spendings, and management can timely and adequately reduce budgeted expenditures should this be necessary in the context of the Company's going concern and/or should it be necessary to have more time to obtain additional financing.

In view hereof, the Company's board of directors proposes that the Company's shareholders continue the Company's activities, and do not decide to dissolve the Company.

However, should the financial situation of the Company further deteriorate or if the Company is not successful in obtaining further financing, the Company's board of directors reserves the right to revert to the Company's general shareholders' meeting with different measures, taking into account the interest of the Company's shareholders, employees, patients, creditors and other stakeholders.

Done on 24 April 2023

On behalf of the board of directors,

By: ________________________
Director