sequanamedical

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED 30 JUNE 2022

Contents

1. Statement of the Board of Directors

The Board of Directors of Sequana Medical NV certifies in the name and on behalf of Sequana Medical NV, that to the best of their knowledge the Condensed Consolidated Financial Statements, for the six-month period ended 30 June 2022, which has been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union, (a) give a true and fair view of the assets, liabilities, financial position and results of Sequana Medical NV and of the entities included in the consolidation, (b) include a fair view of the important events that have occurred during the first six months of the financial year, (c) as well as a description of the main risks and uncertainties for the remaining six months of the financial year.

The condensed consolidated financial report gives an accurate overview of the information that needs to be disclosed pursuant to Article 13, paragraph 2 of the Royal Decree of 14 November 2007.

The amounts in this document are presented in euro (EUR), unless noted otherwise. Due to rounding, numbers presented throughout these Condensed Consolidated Financial Statements may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

2. Statutory auditor's report on review of the Consolidated Condensed Financial Statements for the six-month period ended 30 June 2022

Introduction

We have reviewed the accompanying consolidated condensed statement of financial position of Sequana Medical NV and its subsidiaries (the "Group") as of 30 June 2022 and the related condensed consolidated income statement, statement of comprehensive income, changes in equity and cash flows for the six-month period then ended, as well as the explanatory notes. The board of directors is responsible for the preparation and presentation of this consolidated condensed financial information in accordance with IAS 34, as adopted by the European Union. Our responsibility is to express a conclusion on this consolidated condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated condensed financial information is not prepared, in all material respects, in accordance with IAS 34, as adopted by the European Union.

Material uncertainty related to going concern

We draw attention to Note 8.3 in the condensed consolidated financial statement, which indicates that the Group is still in its development phase conducting clinical trials in order to achieve regulatory marketing approvals, which incurs various risks and uncertainties, including but not limited to the uncertainty of the development process and the timing of achieving profitability. The Company's ability to continue operations also 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. The impact of COVID-19 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 and will remain under review by the Executive Management and the Board of Directors. These events or conditions as set forth in Note 8.3 indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Antwerp, 7 September 2022

The statutory auditor

PwC Reviseurs d’Entreprises SRL / Bedrijfsrevisoren BV

Represented by

Peter D’hondt

Bedrijfsrevisor

3. Condensed Consolidated Income Statement

EUR	Notes	HY 2022	HY 2021
Revenue	**8.4**	**464,446**	**22,500**
Costs of goods sold		(103,180)	(4,487)
Gross Margin		**361,265**	**18,013**
Sales & Marketing		(1,149,280)	(1,069,381)
Clinical		(4,279,236)	(3,652,094)
Quality & Regulatory		(1,659,556)	(1,557,951)
Supply Chain		(1,478,034)	(1,106,898)
Engineering		(1,761,315)	(1,539,130)
General & administration	8.5.1	(3,537,837)	(2,592,789)
Other income		217,290	17,358
Total Operating Expenses		**(13,647,969)**	**(11,500,886)**
Earnings before interests and taxes (EBIT)		**(13,286,704)**	**(11,482,873)**
Finance income		113,468	156,420
Finance cost		(1,424,929)	(434,450)
Net Finance Cost		**(1,311,461)**	**(278,030)**
Income Tax Expense		(257,279)	(129,246)
Net loss for the period		**(14,855,445)**	**(11,890,149)**
Attributable to Sequana Medical shareholders		(14,855,445)	(11,890,149)
Basic loss per share	8.5.2	(0.68)	(0.66)

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

4. Condensed Consolidated Statement of Comprehensive Income

EUR	Notes	HY 2022	HY 2021
Net loss for the period		**(14,855,445)**	**(11,890,149)**
Components of other comprehensive income (OCI) items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		-	
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustments		(559,089)	(9,422)
Total other comprehensive income/(loss)-net of tax		**(559,089)**	**(9,422)**
Total comprehensive income		**(15,414,534)**	**(11,899,571)**
Attributable to Sequana Medical shareholders		(15,414,534)	(11,899,571)

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

5. Condensed Consolidated Statement of Financial Position

EUR	Notes		30 June 2022		31 December 2021
Property, Plant and Equipment			2,039,948		1,268,338
Financial assets			88,098		82,363
Other non-current assets			584,327		463,860
Total non-current assets			**2,712,373**		**1,814,560**
Trade Receivables			95,847		81,882
Other receivables and prepaid expenses			1,200,873		1,068,941
Other Receivables		384,423		301,244	
Prepaid expenses		816,450		767,696	
Inventory			2,884,926		2,139,425
Cash and cash equivalents	9.1		23,801,722		9,600,412
Total current assets			**27,983,368**		**12,890,660**
TOTAL ASSETS			**30,695,741**		**14,705,221**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

Condensed Consolidated Statement of Financial Position (continued)

EUR	Notes		30 June 2022		31 December 2021
Share Capital	9.2	2,460,487		1,924,932	
Share premium	9.2	170,324,139		142,432,715	
Reserves		(3,025,001)		(2,668,955)	
Loss brought forward		(157,550,746)		(142,695,301)	
Cumulative Translation Adjustment		778,778		219,689	
Total equity			**12,987,657**		**(786,919)**
Long term financial debts	9.3		7,581,503		7,324,835
Long term lease debts			755,548		477,312
Retirement benefit obligation			665,412		509,851
Total non-current liabilities			**9,002,464**		**8,311,998**
Short term financial debts	9.3		-		-
Short term lease debts			318,125		283,010
Other current financial liabilities	9.4		823,749		
Trade payables and contract liabilities			2,782,652		2,367,110
Trade payables	9.5	2,605,214		2,192,904	
Contract liabilities		177,438		174,207	
Other payables			1,714,533		1,924,597
Accrued liabilities			3,066,562		2,605,426
Provision warranty	9.5	100,657		83,361	
Accrued liabilities	9.5	2,965,905		2,522,065	
Total current liabilities			**8,705,620**		**7,180,142**
TOTAL EQUITY AND LIABILITIES			**30,695,741**		**14,705,221**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

6. Condensed Consolidated Statement of Changes in Equity

EUR	Notes	Share capital	Share premium	Reserves	Loss brought forward	Cumulative Translation Adjustment	Total equity
1 January 2021		**1,635,006**	**119,332,864**	**(2,250,413)**	**(119,080,220)**	**475,525**	**112,761**
Net loss for the period					(11,890,149)		**(11,890,149)**
Other comprehensive income						9,422	**9,422**
February 2021 Capital increase Placement	9.2	274,235	22,225,766				**22,500,002**
Capital increase Share Options		5,547	262,660				**268,207**
Capital increase convertible loan to shares		10,058	608,859				**618,917**
Transaction costs for equity instruments				(1,050,503)			**(1,050,503)**
Share-based compensation				350,492			**350,492**
30 June 2021		**1,924,846**	**142,430,149**	**(2,950,424)**	**(130,970,369)**	**484,947**	**10,919,148**
1 January 2022		**1,924,932**	**142,432,715**	**(2,668,955)**	**(142,695,301)**	**219,689**	**(786,919)**
Net loss for the period					(14,855,445)		**(14,855,445)**
Other comprehensive income						559,089	**559,089**
March 2022 Equity Placement	9.2	535,329	27,884,645				**28,419,974**
Capital increase Share Options		226	6,779				**7,005**
Transaction costs for equity instruments				(734,789)			**(734,789)**
Share-based compensation				378,743			**378,743**
30 June 2022		**2,460,487**	**170,324,139**	**(3,025,001)**	**(157,550,745)**	**778,778**	**12,987,657**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

7. Condensed Consolidated Statement of Cash Flows

EUR	Notes	HY 2022	HY 2021
Net loss for the period		**(14,855,445)**	**(11,890,149)**
Income tax expense		257,279	129,246
Financial result		1,184,308	299,090
Depreciation		99,752	52,182
Change in defined benefit plan		155,561	72,616
Share-based compensation		378,743	350,492
Changes in trade and other receivables		(145,897)	(271,435)
Changes in inventories		(745,501)	(491,904)
Changes in trade and other payables / accrued liabilities	9.5	200,391	(31,202)
Taxes paid		(187,793)	(85,139)
Cash flow from operating activities		**(13,658,602)**	**(11,866,202)**
Investments in tangible fixed assets		(454,909)	(56,270)
Investments in financial assets		13,361	(12,420)
Cash flow used for investing activities		**(441,548)**	**(68,690)**
Proceeds from capital increase	9.2	28,426,979	22,768,208
(Repayments) from leasing debts		(202,662)	(137,922)
(Repayments)/Proceeds from financial debts	9.3	-	-
Interest paid	9.3	-	-
Cash flow from financing activities		**28,224,317**	**22,630,286**
Net change in cash and cash equivalents		**14,124,167**	**10,695,394**
Cash and cash equivalents at the beginning of the period		**9,600,412**	**11,016,143**
Net effect of currency translation on cash and cash equivalents		77,143	60,343
Cash and cash equivalents at the end of the period		**23,801,722**	**21,771,881**

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

8. Notes to the Condensed Consolidated Financial Statements

8.1. Corporate Information

The Condensed Consolidated Financial Statements of Sequana Medical NV ("Sequana Medical" or "Sequana Medical Group" or "Group" of the "Company") for the first six months ended 30 June 2022 were authorized for issue in accordance with a resolution of the Board on 7 September 2022.

Sequana Medical NV has the legal form of a limited liability company (naamloze vennootschap/sociéte anonyme) organised under the laws of Belgium. The registered office's address is Kortrijksesteenweg 1112 box 102, 9051 Sint-Denijs-Westrem, Belgium. The shares of Sequana Medical NV are listed on the regulated market of Euronext Brussels.

The Consolidated Financial Statements of Sequana Medical Group include: Sequana Medical NV, Sequana Medical branch (Switzerland), Sequana Medical GmbH (Germany) and Sequana Medical Inc. (USA).

8.2. Basis of preparation of the Condensed Consolidated Financial Statements

8.2.1. Basis of preparation

The Condensed Consolidated Financial Statements of Sequana Medical Group for the half year ended 30 June 2022 have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union. They do not include all the information required for the preparation of the Annual Consolidated Financial Statements and should be read in conjunction with the audited Consolidated Financial Statements for the year ended 31 December 2021 of Sequana Medical Group, that can be found on the website: http://www.sequanamedical.com

The Condensed Consolidated Financial Statements are presented in Euro ("EUR") and have been rounded to the next EUR.

A summary of the significant accounting policies can be found in the audited Consolidated Financial Statements for the year ended 31 December 2021 of Sequana Medical NV that can be found in the Annual Report 2021 on the website (www.sequanamedical.com), from page 158 through page 172. The accounting policies have been consistently applied to all the periods presented.

The accounting policies used to prepare the Condensed Consolidated Financial Statements for the period from 1 January 2022 to 30 June 2022 are consistent with those applied in the audited Consolidated Financial Statement for the year ended 31 December 2021 of Sequana Medical NV.

8.2.2. New and amended standards adopted by the Group

New standards or interpretations applicable from 1 January 2022 do not have any significant impact on the Condensed Consolidated Financial Statements.

8.2.3. Significant accounting judgments, estimates and assumptions

For the preparation of the Condensed Consolidated Financial Statements it is necessary to make judgments, estimates and assumptions to form the basis of presentation, recognition and measurement of the Group's assets, liabilities, items of income statements, accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In preparing these Condensed Consolidated Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2021.

8.2.4. Issued standards, amendments or interpretations adopted and not yet adopted

We refer to note 2.3.3 under the 'Notes to the Consolidated Financial Statements' in the financial report section of the Annual Report 2021.

8.2.5. Information regarding major risks and uncertainties

We refer to the risk factors described in note 3 under the 'Notes to the Consolidated Financial Statements' in the financial report section of the Annual Report 2021.

8.3. Going concern

The Company is still in its development phase conducting clinical trials in order to achieve regulatory marketing approvals, which incurs various risks and uncertainties, including but not limited to the uncertainty of the development process and the timing of achieving profitability. The Company's ability to continue operations also 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.

The impact of COVID-19 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 and will remain under review by the Executive Management and the Board of Directors.

The above conditions indicate the existence of material uncertainties, which may also cast significant doubt about the Company's ability to continue as a going concern.

The Condensed Consolidated Statement of Financial Position as at 30 June 2022 shows a positive equity in the amount of EUR 13.0 million and a cash balance of EUR 23.8 million. The Company will continue to require additional financing in the near future and in that respect already successfully raised EUR 28.4 million in March 2022 in a private equity placement via an accelerated book building offering disclosed in the note *9.2 Share capital and Share Premium.* Furthermore, on 19 July 2022, the Company has entered into a secured loan facility agreement of EUR 10 million with Kreos Capital VI (UK) Limited ("Kreos"), disclosed in note *13 Events after the reporting period.*
Together with existing cash resources, the net proceeds from these financing rounds are expected to extend the current cash runway of the Company into Q3 2023. The Company continues to evaluate equity and other financing options, including discussions with existing as well as new investors.

The Executive Management and the Board of Directors remain confident about the strategic plan, which comprises additional financing measures including equity and/or other financing sources, and therefore consider the preparation of the present Condensed Consolidated Financial Statements on a going concern basis as appropriate.
We refer for more details about the additional financing and geopolitical situation in Ukraine to notes *13 Events after the reporting period* and *12 Geopolitical situation Russia-Ukraine* respectively.

8.4. Segment information

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the internal organizational and management structure used within the Group as well as the internal financial reporting to the Chief Operating Decision Maker (CODM), which has been identified as the Executive Management Board (EMB). The EMB is responsible for the operational management of the Group, in line with the instructions issued by the Board of Directors.

Based on the Group's structure Sequana Medical's only entity, which performs production and procurement of its only product, **alfa**pump® is located in Switzerland. All other entities are either administration or distribution entities and are not able to operate on a stand-alone basis. Therefore, Sequana Medical constitutes only one reportable segment, which is represented by the whole Group.

Nevertheless, the EMB monitors all revenues on a country-by-country basis.

An overview of revenue by primary geographic market for the Group's reportable segment is included below:

EUR	HY 2022	HY 2021
Germany	358,650	22,500
France	57,250	-
Switzerland	18,546	-
Rest of the world	30,000	-
Total revenue	**464,446**	**22,500**

Revenue increased from €0.02 million in H1 2021 to €0.46 million in H1 2022 as a result of resumed commercial activity in Europe as the impact of COVID declines.

All revenue is recognized at a point in time, being when the device has been implanted into the patient. There are no significant concentrations of credit risk through exposure to individual customers.

8.5. Detailed information on profit or loss items

8.5.1. Operating Expenses – general and administration

Expenses (EUR)	HY 2022	HY 2021
Capital increase related expenses	343,093	210,941

The total amount of known and accrued capital raise related expenditure for the first half year of 2022 is EUR 1,077,822, of which EUR 343,093 has been recognized in the Condensed Consolidated Income Statement as G&A expenses and EUR 734,789 has been reported under equity. The capital raise expenditure accounted for in equity relate to the issuance of equity instruments and represent the incremental costs attributed to new shares.

The total amount of known and accrued capital raise related expenditure for the first half year of 2021 were EUR 1,261,444, of which EUR 210,941 had been recognized in the Condensed Consolidated Income Statement as G&A expenses and EUR 1,050,503 had been reported under equity.

8.5.2. Loss per share

EUR, except number of shares	HY 2022	HY 2021
Net loss attributable to shareholders	(14,855,445)	(11,890,149)
Weighted average number of shares	21,776,432	17,931,607
Basic loss per share	**(0.68)**	**(0.66)**

The calculation of the basic earnings per share is based on the loss/profit attributable to the holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period.

The Group offers its employee's share-based compensation benefits, which may have a dilutive effect on the basic earning per share.
For the purpose of calculating diluted earning per share, the number of ordinary shares shall be the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued in case of conversion into ordinary shares of all instruments that can be converted into ordinary shares.

Due to the losses incurred by the Group, these instruments had an anti-dilutive effect on the loss per share. Instruments that can be converted into ordinary shares shall only be treated as when their conversion into ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

9. Detailed information on balance sheet items

9.1. Cash and cash equivalents

The Group held cash and cash equivalents of EUR 23.8 million at 30 June 2022 (31 December 2021: EUR 9.6 million). The increase is mainly due to the March 2022 private placement (cf. *9.2 Share capital and Share Premium*).

9.2. Share capital and Share Premium

EUR, except number of shares	Shares	Share capital	Share premium	Total
1 January 2021	**15,778,566**	**1,635,006**	**119,332,864**	**120,967,869**
February 2021 Equity Placement	2,647,059	274,235	22,225,766	**22,500,002**
Capital increase ESOP 15/02/2021	12,810	1,327	94,235	**95,563**
Capital increase Convertible loans	97,084	10,058	608,859	**618,917**
Capital increase ESOP 30/04/2021	40,733	4,220	168,424	**172,644**
30 June 2021	**18,576,252**	**1,924,846**	**142,430,149**	**144,354,994**
1 January 2022	**18,577,078**	**1,924,932**	**142,432,715**	**144,357,647**
Capital increase ESOP 21/01/2022	2,182	226	6,779	**7,005**
March 2022 Equity Placement	5,167,268	535,329	27,884,645	**28,419,974**
30 June 2022	**23,746,528**	**2,460,487**	**170,324,139**	**172,784,626**

The share capital of the Company is EUR 2,460,486.98 and is represented by 23,746,528 ordinary shares. The share capital is fully paid-in. During H1 2022, several capital increases took place.

At 21 January 2022, the Company announced that a number of holders of share options (having the form of subscription rights), have exercised a total number of 756 Executive Share Options. As a result of this exercise of Executive Share Options, on 21 January 2022 the share capital of the Company has increased from EUR 1,924,931.96 to EUR 1,925,158.02 and the number of issued and outstanding shares has increased from 18,577,078 to 18,579,260 shares, through the issuance of a total of 2,182 new shares.

At 10 March 2022, the Company announced that in the context of the capital increase that was announced on 7 March 2022 and completed on 10 March 2022 by means of a private placement through an accelerated book building procedure of 5,167,268 new shares (being approximately 27.8% of the Company's outstanding shares) at an issue price of EUR 5.50 per share. Its share capital increased from EUR 1,925,158.02 to EUR 2,460,486.98 and the number of issued and outstanding shares has increased from 18,579,260 to 23,746,528 ordinary shares. Of the 5,167,268 new shares, 3,060,082 were immediately admitted to listing and trading on the regulated market of Euronext Brussels upon their issuance (on the basis of applicable listing prospectus exemptions), while 2,107,186 shares were not immediately admitted to listing and trading on the regulated market of Euronext Brussels upon their issuance (as their admission to listing and trading was subject to the approval of a listing prospectus). The remaining shares will be admitted to trading and listing on the regulated market of Euronext Brussels after the approval of a listing prospectus by the FSMA.

The new shares issued within the framework of the capital increases are common shares with the same rights and benefits, and in all respects a grade equivalent, including dividend rights, as the existing and outstanding shares of the Company at the time of their issue.

As of 30 June 2022 the Company does not hold any Treasury shares.

During H1 2021, several capital increases took place.

At 15 February 2021 the Company completed a capital increase and successfully raised an amount of EUR 22.5 million in gross proceeds by means of a private placement via an accelerated bookbuild offering of 2,647,059 new shares (being approximately 16.78% of the Company's outstanding shares) at an issue price of EUR 8.50 per share. In addition, Sequana Medical announced that a number of holders of share options (having the form of subscription rights), in the context of the '2018 Share Option Plan' for directors, employees and other staff members of the Company and its subsidiaries (the "2018 Share Options"), have exercised a total number of 12,810 2018 Share Options.

At 25 March 2021, the Company announced that two of the three convertible loans that were entered into have been converted for an aggregate amount of EUR 618,916.67 (representing principal and interests) into an aggregate of 97,084 new shares in accordance with the terms of the convertible loans.

At 3 May 2021, the Company announced that a number of holders of share options (having the form of subscription rights), have exercised a total number of 10,705 Executive Share Options and 9,851 2018 Share Options. As a result of this exercise of Executive Share Options and 2018 Share Options, on 30 April 2021 the share capital of the Company has increased to EUR 1,924,846.39 and the number of issued and outstanding shares has increased to 18,576,252 ordinary shares, through the issuance of a total of 40,733 new shares.

9.3. Financial debts

EUR	30 June 2022	31 December 2021
Fair value of convertible loans issued at recognition date	800,000	1,400,000
Conversion convertible loan to shares	-	(618,917)
Cumulative remeasurement at FVTPL on convertible loans	139,980	95,043
Total convertible loans	**939,980**	**876,126**
Face value of non-convertible loans	5,900,000	5,900,000
Interest expenses accrued on non-convertible loans	741,524	548,708
Total non-convertible loans	**6,641,524**	**6,448,708**
Total short term and long term financial debt	**7,581,503**	**7,324,835**

In July 2020, the Company entered into subordinated loan agreements with PMV/z Leningen NV ("PMV/z"), Sensinnovat BV ("Sensinnovat") and Belfius Insurance NV ("Belfius Insurance"), for an aggregate principal amount of EUR 7.3 million, of which loans for a principal amount of EUR 1.4 million could be converted for new shares in the event of an equity financing or sale of the Company.

In March 2021, as a result of the equity raising by the Company that took place on 15 February 2021, Sensinnovat and Belfius Insurance converted their convertible loans for an aggregate amount of EUR 618,917 (representing principal and interests) into an aggregate of 97,084 new Shares in accordance with the terms of the convertible loans, thereby settling the convertible portion of their loans through a contribution in kind of their payables due by the Company under the relevant loans.

In December 2021, the Company entered into amendment agreements related to the outstanding subordinated loan agreements with the lenders, thereby (i) extending the duration of such loans, (ii) increasing the interest rates retroactively, and (iii) introducing payment by instalments. Consequently, the loans have a term of 60 months and are repayable in eight equal quarterly instalments between months 36 and 60. The loans bear an interest rate of 6.5% per annum, except that the convertible portion of the loan granted by PMV/z bears an interest rate of 5.5% per annum. The loans with PMV/z, Belfius Insurance and Sensinnovat allow the Company to prepay the relevant loans together with all accrued interest, provided that the Company pays a termination indemnity equal to six months of interest on the prepaid loan. The convertible portion of the loan granted by PMV/z can be converted in the event of an equity financing or sale of the Company, at a price per share that is equal to 75% of the price of the Company's shares as will be reflected in the relevant equity financing or sale. The impact of the modification has been recognized in the Consolidated Income Statement for the year ending 31 December 2021 and was considered as not material.

The Company considers no material changes have occurred in its own credit risk that would significantly impact the fair value of the convertible loans as at 30 June 2022.

9.4. Other current financial liabilities

The extraordinary general shareholders' meeting of the Company dd. 27 May 2022 approved the issuance of 10 new subscription rights for shares of the Company, named the "Bootstrap Warrants", to the benefit of Bootstrap Europe S.C.Sp. ("Bootstrap"), as initially stipulated in the Bootstrap Loan Agreement dd. 2 September 2016 (as amended over time).

The Bootstrap Warrants give Bootstrap the right to subscribe upon exercise of the 10 Bootstrap Warrants for an aggregate of up to 302,804 new shares of the Company at an issue price of EUR 3.21 per underlying new share, in whole or in part, at one or several occasions (the 'Cash Exercise'). The conditions also provide for a 'Cashless Exercise' and, in case of specific sale events, a 'Net Issuance Exercise' mechanism. The number of shares to be issued upon exercise of the Bootstrap is subject to certain adjustments in case of certain dilutive corporate actions, it being understood that transactions or operations approved by the general shareholders' meeting of the Company or which are implemented or occur on the basis of an authorization that was provided or approved by the general shareholders' meeting (such as, but not limited to, the authorized capital) shall not lead to such adjustments.

It is at the sole discretion of Bootstrap to apply for a Cash Exercise or a Cashless Exercise.

The exercise price of the Bootstrap Warrants depends on the applicable exercise mechanism:

- In the event of a Cash Exercise, the Bootstrap Warrants can be exercised at a price of EUR 3.21 per new share. This exercise price is subject to certain adjustments in case of certain dilutive corporate actions, it being understood that transactions or operations approved by the general shareholders' meeting of the Company or are implemented or occur on the basis of an authorisation that was provided or approved by the general shareholders' meeting (such as, but not limited to, the authorised capital) shall not lead to adjustments;
- In the event of a Cashless Exercise, the Bootstrap Warrants can be exercised at a price equal to the fractional value of the shares of the Company, i.e., currently rounded EUR 0.1036 per share; and
- In the event of a Net Exercise, no exercise price should be paid by Bootstrap.

The Bootstrap Warrants have a term commencing on 27 May 2022 and ending on 11:59 p.m. (Belgian time) on 2 September 2026.

Bootstrap shall be entitled to transfer or assign the Bootstrap Warrants, except to an entity that is a customer, competitor or supplier of the Company, or an entity that holds 20% or more of the Company's share capital of any such customer, competitor or supplier.

The Bootstrap Warrants are accounted for in accordance with 'IAS 32 - *Financial Instruments: Presentation*' and are classified in the Condensed Consolidated Statement of Financial Position as '*Other current financial liabilities*'. The fair value of the Bootstrap Warrants as at 30 June 2022 (EUR 823,749) has been reported as '*Finance cost*' in the Condensed Consolidated Statement Income Statement.

The fair value of the Bootstrap Warrants as at 30 June 2022 has been calculated using the Black & Scholes model with parameters as described below.

Bootstrap Warrants	
Number of subscription rights granted	302,804
Fair value / subscription right (€)	2.72
Share price (€)	5.41
Exercise price (€)	3.21
Expected volatility	40%
Lifetime (years)	4.18
Risk-free interest rate	0.11%
Expected dividends	0%

The expected volatility is based on the volatility of the Company's shares.

The share price is calculated, in line with the terms and conditions of the Bootstrap Warrants, as the average of the closing price of the Company's shares on Euronext Brussels over the 30 calendar day period ending 3 days prior to the balance sheet date.

9.5. Trade payables, other payables and accrued liabilities

EUR	30 June 2022	31 December 2021
Trade payables	**2,782,652**	**2,367,110**
Other payables	**1,714,533**	**1,924,597**
Accrued liabilities and provisions	**3,066,562**	**2,605,426**
Provision warranty	100,657	83,361
Accrued liabilities	2,965,905	2,522,065

Other payables mainly consist of salary related provisions, VAT, income taxes payable, social security, employee insurances and other employee provisions (e.g. holiday pay and bonus).
The current Accrued Liabilities in the Condensed Consolidated Statement of Financial Position are mainly accruals related to clinical expenses and other liabilities.

10. Commitments

10.1. Capital commitments

The Group has no material contracted expenditures for the acquisition of property, plant and equipment at 30 June 2022.

10.2. Asset pledges

The Company has no material assets pledged as per 30 June 2022.

11. Transactions with related parties

Related parties primarily comprise members of Executive Management, members of the Board of Directors and significant shareholders. There are no significant transactions with related parties.

The remuneration of the members of the Board of Directors and key management is determined on an annual basis, therefore no further details are included in this interim report. For more details, we refer to the corporate governance section of the Annual Report 2021.

12. Geopolitical situation Russia-Ukraine

While the Group does not have any operations in Russia or Ukraine, it is conducting its SAHARA DESERT clinical study in Georgia, which borders Russia, and if the conflict were to spill over into neighbouring countries, this could have an adverse impact on the study and result in delays. Moreover, the conflict could have an adverse impact on global macroeconomic conditions generally, including due to the increase in oil and gas prices resulting from the conflict. This could in turn result in suppressed demand for the **alfa**pump®, the DSR product and/or any future products. Finally, the conflict may in the longer term result in issues for Sequana Medical in procuring sub-components for the **alfa**pump®, particularly since neon and palladium are often sourced from Ukraine.

13. Events after the reporting period

As announced in the press released dated 20 July 2022, the Company entered into a secured loan facility agreement with Kreos (the "Kreos Loan Agreement") in the amount of EUR 10.0 million and pursuant to which the Company is permitted to request an increase of the facilities in the amount of a maximum of EUR 10.0 million on an uncommitted basis. The loan facility is available for drawdown until 30 September 2022 in minimum amounts of EUR 1.5 million. During the initial period of six months from the first drawdown (extendable by mutual agreement), the Company shall only pay interest, with the loans amortising thereafter in equal monthly instalments of principal and interest until maturity. The loan matures on 30 September 2025.

The main elements of the Kreos Loan Agreement can be summarised as follows:

- *Term:* The loan facility, which is available for drawdown until 30 September 2022 in minimum amounts of EUR 1.5 million, matures on 30 September 2025. During the initial period of six months from the first drawdown (extendable by mutual agreement), the Company shall only pay interest, with the loans amortising thereafter in equal monthly instalments of principal and interest until maturity.

- *Interest:* The loans under the facility accrue interest at a fixed rate of 9.75% per annum.

- *Fees:* A number of fees will be payable to Kreos Capital, principally consisting of (i) a transaction fee equal to 1.25% of the total loan facility amount and (ii) an end of loan payment, payable upon final repayment of the loan, corresponding to 1.25% of the amount drawn.

- *Board observer:* Kreos Capital will be entitled to appoint a board observer to attend meetings of the Company's board of directors in a non-voting capacity.

- *Collateral:* The loans are secured by the Company's bank accounts, receivables and movable assets, including IP rights.

- *Change of control:* The Kreos Loan Agreement contains a change of control clause and requires such clause to be approved by the Company's general shareholders' meeting at the latest at the date of the annual shareholders' meeting of the Company to be held in 2023.

- *Contractual restrictions:* The Kreos Loan Agreement does not contain financial covenants, but does contain other customary restrictions on the business of the Company and its subsidiaries (such as limitations on future disposals, limitations on the incurrence of financial indebtedness, security and acquisitions, subject to certain carve-outs and limitations) and on the ability of the Company to distribute dividends as long as loans are outstanding.

In the framework of the Kreos Loan Agreement, the Company and Kreos Capital VII Aggregator SCSp entered into a subscription rights agreement in July 2022 (the "Kreos Subscription Rights Agreement") pursuant to which the Company agreed to issue and allocate subscription rights to Kreos Capital VII Aggregator SCSp (the "Kreos Subscription Rights") to subscribe to new shares of the Company. Notably, subject to approval by the Company's extraordinary general shareholders' meeting at the latest at the date of the annual shareholders' meeting of the Company to be held in 2023, Kreos Capital shall receive, free of charge, (a) subscription rights for new shares in an aggregate amount of EUR 650,000, at an exercise price per new Share equal EUR 5.31 (based on the arithmatic average of the daily volume weighted average price of the Shares traded on Euronext Brussels during the period of 30 consecutive tradings ending on (and including) the third trading days prior to the date of signing of the Kreos Loan Agreement), and (b) further subscription rights for new Shares for an aggregate amount of up to EUR 225,000 pro rata to the drawdowns under the initial facility, at an exercise price per new Share equal to the arithmatic average of the daily volume weighted average price of the Shares traded on Euronext Brussels during the period of 30 consecutive tradings ending on (and including) the third trading days prior to the date of the relevant drawdowns. The subscription rights have an initial term which expires five years after the date of the Kreos Loan Agreement or (if earlier) the completion of (i) a public takeover bid with respect to the Shares and other outstanding voting securities of the Company or securities granting access to voting rights, or (ii) a sale of the entire issued share capital of the Company to a bona fide third party on arm's length terms for cash consideration (a "Share Sale"). If at the end of the initial five-year period the subscription rights have not been fully exercised and no Share Sale has yet taken place, the Company will issue new subscription rights on similar terms for an additional period of two years (or until the completion of a Share Sale, if earlier).

The Company must convene an extraordinary general meeting of shareholders for the issue of the Kreos Subscription Rights at the latest by the annual general shareholders' meeting to be held in 2023. In the event that the issuance of Kreos Subscription Rights is not approved by the extraordinary general shareholders' meeting, the Company will have to pay an additional fee in cash equal to the higher of (i) 0.70% of the difference between the market capitalisation of the Shares on the date of the Kreos Loan Agreement and the final redemption date, pro rata to the exercised subscription rights and (ii) an aggregate cash return of 1.35x on the total credit amount under the Kreos Loan Agreement and the net cash return in respect of subscription rights exercised. Similar principles apply in case of the renewal of the subscription rights at the end of the intial five-year period, as aforementioned.