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

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 (non-consolidated) 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 less than 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 consolidated half-yearly financial report for the first six months of the financial year 2023 in accordance with the Royal Decree of 14 November 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market, a (non-consolidated) balance sheet and income statement of the Company was also prepared for the first six months of 2023 ending 30 June 2023. On this basis, the board of directors of the Company has determined that, based on this half-yearly (non-consolidated) balance sheet and income statement, the (non-consolidated) accounting net assets of the Company as at 30 June 2023 were as follows:

(a)	Share capital	EUR 2,921,010.22
(b)	Issue premium	EUR 185,644,093.39
(c)	Reserves	EUR 1684,691.35
(d)	Loss carried forward	EUR 174,561,485.05
(e)	Loss	EUR 17,139,510.34

(f)	Total assets	EUR 35,676,435.47
(g)	Provisions	EUR 384,507.70
(h)	Liabilities	EUR 24,606,268.76
(i)	Non-amortized costs of incorporation	EUR 0.00
(j)	Non-amortized costs of expansion	EUR 0.00
(k)	Non-amortized costs for research and development	EUR 12,629,966.85
Net assets (*i.e.* (f) - (g) - (h) - (i) - (j) - (k))		**- EUR 1,944,307.84**

Based on the foregoing, the board of directors noted that the Company's (non-consolidated) accounting net assets as at 30 June 2023 were negative, being - EUR 1,944,307.84. This was due to losses incurred by the Company. The amount of the share capital on 30 June 2023 amounted to EUR 2,921,010.22. Consequently, based on the aforementioned half-yearly (non-consolidated) balance sheet and income statement, it appears that on 30 June 2023 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 half-yearly (non-consolidated) balance sheet and income statement for the first six months of 2023 have been prepared in accordance with generally accepted accounting principles in Belgium.

The Company has incurred operating losses and negative operating cash flows in each period since it was founded in 2006. As of 31 December 2022, the Company had a (non-consolidated) accounting loss carried forward of EUR 163,303,595.00. As of 30 June 2023, the (non-consolidated) accounting loss carried forward was EUR 174,561,485.05. However, the board of directors notes that since its establishment, the Company has always been able to finance itself with several capital increases and loans.

In particular, following the preparation of the (non-consolidated) financial statements for the financial year ended 31 December 2022, the board of directors found that the Company's (non-consolidated) accounting net assets were negative. However, in April 2023, the Company was able to successfully raise an amount of EUR 15.8 million through a capital increase in cash. As a result of this capital increase, the Company's (non-consolidated) accounting net assets were again positive and above the thresholds of Articles 7:228 and 7:229 of the Belgian Companies and Associations Code. Consequently, the general shareholders' meeting of the Company held on 25 May 2023 resolved to approve the proposal set out in the report prepared by the board of directors at the time in accordance with Article 7:228 of the Belgian Companies and Associations Code to continue the activities of the Company, and not to dissolve the Company.

The April 2023 capital increase did not prevent the (non-consolidated) accounting net assets of the Company from falling below the thresholds of Articles 7:228 and 7:229 of the Belgian Companies and Associations Code again on 30 June 2023. However, the board of directors believes that together with the existing cash and cash equivalents, the Company has sufficient working capital until what is expected to be the first quarter of 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 the development phase for its alfapump® and the DSR® products, and is conducting several clinical trials in order to achieve regulatory marketing approval 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 its operations consequently depends in particular on its ability to raise additional capital and to refinance existing debt, in order to fund its operations and assure the solvency of the Company until revenues reach a level at which positive cash flows can be sustained.

As mentioned above, the Company has up until now been successful in raising sufficient funding in order to continue its investments and activities. While the board of directors is continuingly evaluating different equity and 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 are in line with those set out by the board of directors in the report pursuant to Article 7:228 of the Belgian Companies and Associations Code submitted to the general shareholders' meeting held on 25 May 2023. 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 reduce the risks concerning the Company's products. These milestones include:

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

    - presentation of additional clinical data comparing patients in the POSEIDON study to those in the NACSELD registry, and the results of the patient preference study for patients comparable to those in the POSEIDON study;

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

    - CMS finalization of the Transitional Coverage of Emerging Technologies (TCET) pathway (which would be a positive development for Medicare coverage of breakthrough devices);

    - submission of a paper on alfapump and the POSEIDON clinical trial results for publication in a peer-reviewed scientific journal; and

    - submission of a paper on the RED DESERT and SAHARA DSR clinical trials for publication in a peer-reviewed scientific journal.

  These elements 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 taken and carried out several measures in order to reduce costs and expenditures. 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, (ii) an investment of EUR 2 million will be spent on the heart failure program, and (iii) the first patients are most important as the Company is looking for confirmation that DSR 2.0 in US patients has the same positive treatment effect as DSR 1.0 in the patients from the Republic of Georgia (cfr. SAHARA and RED DESERT studies).

   - <u>US alfapump program</u>: Delaying the establishment of a new production facility.
   - <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) the Company intends to scale-up the European commercial teams in the future (when additional financing has been attracted).

- The Company is also still assessing to what extent partnerships or licensing arrangements could be entered into regarding its alfapump® and the DSR® products in order to support the further development, regulatory approval process, and subsequent marketing. While on the date of this report no concrete plans are on the table, the Company continuously engages with parties, which could also provide further funding to the Company's business. The Company is also exploring to what extent it is possible to collaborate with partners with adequate financial resources.

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. The board of directors also believes that these may further help in finding additional equity and/or debt financing from existing and/or new investors, as well as in renegotiating and/or refinancing 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.

5 October 2023

On behalf of the board of directors,

By: [redacted]________