Unaudited Condensed Interim Consolidated Financial Statements

HLS Therapeutics Inc.

For the Three Months Ended March 31, 2025

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Unaudited

[in thousands of U.S. dollars]

	Notes	As at March 31, 2025	As at December 31, 2024
ASSETS			
Current			
Cash		17,734	17,456
Accounts receivable	3	7,732	7,454
Inventories		7,483	9,058
Income taxes recoverable		71	71
Other current assets		1,048	1,361
Total current assets		34,068	35,400
Property, plant and equipment		972	997
Intangible assets		117,177	122,122
Deferred tax asset		1,200	857
Other non-current assets		530	528
Total assets		153,947	159,904
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities		8,682	8,709
Provisions	4	8,561	8,367
Debt and other liabilities	5	6,203	5,317
Income taxes payable		394	152
Total current liabilities		23,840	22,545
Debt and other liabilities	5	59,181	61,944
Deferred tax liability		4,128	4,074
Total liabilities		87,149	88,563
Shareholders' equity			
Share capital	6	260,136	260,595
Contributed surplus		14,893	15,136
Accumulated other comprehensive loss		(9,898)	(10,210)
Deficit		(198,333)	(194,180)
Total shareholders' equity		66,798	71,341
Total liabilities and shareholders' equity		153,947	159,904

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF LOSS

Unaudited

[in thousands of U.S. dollars, except per share amounts]

	Notes	Three months ended March 31, 2025	Three months ended March 31, 2024
Revenue	8	12,623	12,473
Expenses			
Cost of product sales		2,398	1,774
Selling and marketing		2,830	4,526
Medical, regulatory and patient support		1,436	1,265
General and administrative		2,139	2,201
Stock-based compensation	9	651	256
Amortization and depreciation		5,360	5,919
Finance and related costs, net	10	1,972	2,667
Other costs		296	—
Loss before income taxes		(4,459)	(6,135)
Income tax recovery	7	(23)	(29)
Net loss for the period		(4,436)	(6,106)
Net loss per share:			
Basic and diluted	6	$(0.14)	$(0.19)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

HLS THERAPEUTICS INC.

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

Unaudited

[in thousands of U.S. dollars]

	Three months ended March 31, 2025	Three months ended March 31, 2024
Net loss for the period	(4,436)	(6,106)
Item that may be reclassified subsequently to net loss		
Unrealized foreign currency translation adjustment	312	(2,373)
Comprehensive loss for the period	(4,124)	(8,479)

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

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

	Notes	Share capital	Contributed surplus	Accumulated other comprehensive loss	Deficit	Total
Balance, as at December 31, 2024		260,595	15,136	(10,210)	(194,180)	71,341
Shares repurchased	6	(459)	—	—	283	(176)
Change in share purchase obligation	5, 6	—	(495)	—	—	(495)
Stock option expense	6, 9	—	252	—	—	252
Net loss for the period		—	—	—	(4,436)	(4,436)
Unrealized foreign currency translation adjustment		—	—	312	—	312
Balance, as at March 31, 2025		260,136	14,893	(9,898)	(198,333)	66,798
Balance, as at December 31, 2023		262,127	13,865	(2,838)	(175,457)	97,697
Shares repurchased		(768)	—	—	485	(283)
Stock option expense	6, 9	—	131	—	—	131
Net loss for the period		—	—	—	(6,106)	(6,106)
Unrealized foreign currency translation adjustment		—	—	(2,373)	—	(2,373)
Balance, as at March 31, 2024		261,359	13,996	(5,211)	(181,078)	89,066

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

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

	Notes	Three months ended March 31, 2025	2024
OPERATING ACTIVITIES			
Net loss for the period		(4,436)	(6,106)
Adjustments to reconcile net loss to cash provided by operating activities			
Stock-based compensation	9	651	256
Amortization and depreciation		5,360	5,919
Accreted interest expense	10	308	282
Fair value adjustment on financial assets and liabilities	10	—	187
Deferred income taxes	7	(289)	(61)
Net change in non-cash working capital balances related to operations	11	1,949	301
Cash provided by operating activities		3,543	778
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(21)	(2)
Cash used in investing activities		(21)	(2)
FINANCING ACTIVITIES			
Shares repurchased	6	(176)	(283)
Repayment of credit agreement borrowing	5	(2,960)	(2,075)
Debt costs		—	(533)
Lease payments		(143)	(143)
Cash used in financing activities		(3,279)	(3,034)
Net increase (decrease) in cash during the period		243	(2,258)
Foreign currency translation		35	(251)
Cash, beginning of period		17,456	21,952
Cash, end of period		17,734	19,443

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements

1. CORPORATE INFORMATION

HLS Therapeutics Inc. (the "Company") is a specialty pharmaceutical company, which acquires and commercializes pharmaceutical products for the North American markets.

The Company's common shares are listed on the Toronto Stock Exchange under the symbol "HLS".

The registered office, head office and principal address of the Company is located at 10 Carlson Court, Suite 701, Toronto, Ontario, M9W 6L2.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Company's Board of Directors on May 7, 2025.

2. BASIS OF PREPARATION

Statement of compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The accounting policies used in the preparation of these unaudited condensed interim consolidated financial statements conform with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2024.

These unaudited condensed interim consolidated financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2024.

Basis of measurement

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value. The Company's presentation currency is the United States dollar. All dollar amounts are rounded to the nearest thousand ($000), except where otherwise indicated.

Significant estimates, judgments and assumptions

The unaudited condensed interim consolidated financial statements have been prepared on a going concern basis. The preparation of the Company's unaudited condensed interim consolidated financial statements requires management to make estimates, judgments and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these estimates, judgments and assumptions could result in outcomes that require a material adjustment to the carrying amounts of the assets or liabilities affected, and corresponding revenue and expenses, in future periods.

Commitments and contingencies

There have been no material changes in the commitments undertaken or contingencies faced by the Company since the year ended December 31, 2024.

[all amounts are in thousands of U.S. dollars, except per share information, and unless otherwise noted]

3. ACCOUNTS RECEIVABLE

	March 31, 2025	December 31, 2024
Trade accounts receivable	6,786	6,529
Royalties receivable	194	193
Other receivables	752	732
	7,732	7,454

4. PROVISIONS

	Chargebacks and rebates	Returns	Total
Balance, as at December 31, 2024	7,847	520	8,367
Charges	3,871	112	3,983
Utilization	(3,626)	(163)	(3,789)
Balance, as at March 31, 2025	8,092	469	8,561

5. DEBT AND OTHER LIABILITIES

	March 31, 2025	December 31, 2024
Current		
Credit agreement borrowing	5,272	4,828
Performance share units	17	33
Share purchase obligation	495	—
Lease obligation	419	456
	6,203	5,317
Non-current		
Credit agreement borrowing	57,634	60,740
Deferred share units	1,130	778
Lease obligation	417	426
	59,181	61,944
	65,384	67,261

Credit agreement

The Company has a credit agreement with a syndicate of bank lenders led by JPMorgan Chase Bank, N.A. The maturity date of the credit agreement is August 11, 2026. The credit agreement comprises a senior secured term loan, a revolver facility and an expansion facility.

The principal amount of the senior secured term loan outstanding as at March 31, 2025 was $64,481, of which $5,272 is classified as current.

The amount available under the undrawn revolver facility is $17,500, while an expansion facility of up to $70,000 is available under certain conditions to support acquisitions and other growth opportunities.

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Interest on the credit agreement borrowing accrues at a rate per month equal to the sum of the Adjusted Secured Overnight Financing Rate plus a range of 2.75% to 5.00% depending on the leverage ratio of the Company at the time.

The Company may be required to make additional payments from surplus cash flows or the Company could choose to repay some or all of the amount outstanding at any time during the term.

Under the terms of the credit agreement, the lenders have security over substantially all of the assets of the Company.

Under the terms of the credit agreement, the Company is required to comply with financial covenants related to the maintenance of liquidity, operational results and coverage ratios. As at March 31, 2025, the Company was in compliance with the covenants.

Transaction costs associated with the credit agreement have been included as a reduction to the carrying amount of the liability and will be amortized through interest expense using the effective interest rate method.

The terms of the credit agreement permit the Company, under certain conditions, to return capital to shareholders through dividends and share repurchases.

Carrying amount as at December 31, 2024	65,568
Repayments	(2,960)
Accreted interest	298
Carrying amount as at March 31, 2025	62,906
Less current portion	5,272
Non-current portion as at March 31, 2025	57,634

6. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares.

Issued and outstanding

The issued and outstanding common shares are as follows:

	#	$
Balance, as at December 31, 2024	31,793,047	260,595
Shares repurchased	(55,945)	(459)
Balance, as at March 31, 2025	31,737,102	260,136

[all amounts are in thousands of U.S. dollars, except per share information, and unless otherwise noted]

Stock option plan

A summary of the changes to the stock options outstanding is presented as follows:

	Number of options (#)	Weighted average exercise price per share ($)
Outstanding as at December 31, 2024	2,858,971	5.24
Granted	700,000	2.74
Forfeited	(29,465)	5.57
Outstanding as at March 31, 2025	3,529,506	4.77

The fair value of each option granted since inception of the Plan was estimated on the date of the grant using the Black-Scholes option pricing model. The weighted average fair value per stock option granted in fiscal 2025 was $1.33. Significant assumptions used in determining the fair value of options granted in fiscal 2025 are a weighted average volatility rate of 49%, and an expected option life of between four and seven years. The estimated fair value of the options is amortized to income over the options' vesting period (note 9) and is credited to contributed surplus.

Return of capital

On March 13, 2025, the Company announced a normal course issuer bid pursuant to which the Company may purchase for cancellation over the following 12 months up to an aggregate of 1,100,000 common shares.

During the first quarter of fiscal 2025, the Company purchased for cancellation 55,945 common shares at an average price of C$4.51 per common share for total consideration of $176. The weighted average carrying value of the shares repurchased exceeded the total cash consideration paid by $283, which was adjusted to deficit.

The Company has entered into an automatic share purchase plan ("ASPP") with a designated broker that allows for the purchase of common shares under the NCIB at any time, including during blackout periods. As at March 31, 2025, a share purchase obligation of $495, with a corresponding adjustment to equity, was recorded with respect to this ASPP.

Loss per share

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of common shares outstanding during the period.

Diluted loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period plus the weighted average number of common shares that would be issued on conversion of all dilutive potential securities into common shares.

[all amounts are in thousands of U.S. dollars, except per share information, and unless otherwise noted]

The following is a reconciliation of the numerator and denominator used for the computation of the basic and diluted loss per share amounts:

	Three months ended March 31, 2025	2024
Net loss for the period	(4,436)	(6,106)
Weighted average number of common shares outstanding – basic	31,793,047	31,940,149
Effect of dilutive securities	—	—
Weighted average number of common shares outstanding – diluted	31,793,047	31,940,149

The calculation of diluted loss per share in the first quarter of fiscal 2025 excludes 2,945,054 (2024 – 3,559,732) weighted average number of common shares issuable upon the exercise of options because the effect of their issuance would be anti-dilutive.

7. INCOME TAXES

The significant components of the Company's income tax recovery are as follows:

	Three months ended March 31, 2025	2024
Current income tax expense	266	32
Deferred income tax recovery resulting from temporary differences	(289)	(61)
	(23)	(29)

The difference between the amount of the income tax recovery and the amount computed by multiplying loss before income taxes by the statutory Canadian, United States and Barbados income tax rates is reconciled as follows:

	Three months ended March 31, 2025	2024
Loss before income taxes	(4,459)	(6,135)
Tax recovery at Canadian corporate tax rate	(1,182)	(1,638)
Items not included or deducted for income tax purposes	66	86
Income subject to tax in foreign jurisdictions	106	202
Tax losses not recognized	987	1,321
	(23)	(29)

[all amounts are in thousands of U.S. dollars, except per share information, and unless otherwise noted]

8. SEGMENTED INFORMATION

The Company is composed of a single reportable segment.

Revenue is generated from the following sources:

	Three months ended March 31, 2025	2024
Product sales		
Canada	9,708	9,154
United States	2,718	2,642
	12,426	11,796
Royalties	197	677
	12,623	12,473

Revenue is generated from the following geographic sources, by location of customer:

	Three months ended March 31, 2025	2024
Canada	9,743	9,178
United States	2,789	2,966
Rest of world	91	329
	12,623	12,473

9. STOCK-BASED COMPENSATION

	Three months ended March 31, 2025	2024
PSU expense (recovery)	(16)	8
DSU expense	415	117
Stock option expense	252	131
	651	256

[all amounts are in thousands of U.S. dollars, except per share information, and unless otherwise noted]

10. FINANCE AND RELATED COSTS, NET

	Three months ended March 31, 2025	Three months ended March 31, 2024
Interest expense	1,710	2,343
Accreted interest expense	308	282
Interest income	(32)	(137)
Net interest expense	1,986	2,488
Foreign exchange gain	(14)	(8)
Fair value adjustment on financial assets and liabilities	—	187
	1,972	2,667

11. INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

The net change in non-cash working capital balances related to operations consists of the following:

	Three months ended March 31, 2025	Three months ended March 31, 2024
Accounts receivable	(243)	832
Inventories	1,608	(770)
Income taxes recoverable	—	5
Other assets	318	273
Accounts payable and accrued liabilities	(170)	(519)
Provisions	194	456
Income taxes payable	242	24
	1,949	301

Net interest of $1,678 (2024 – $2,206) and income taxes of $24 (2024 – $3) were paid during the three months ended March 31, 2025.