

August 29, 2022



## Khiron Life Sciences Reports Second Quarter 2022 Financial Results

- Reports revenues of \$9.1 million in the first half of 2022, up 62% year-over-year, reflecting continued medical cannabis momentum in target markets
- Recorded its lowest ever Adjusted EBITDA loss in Q2 2022 at (\$2.3) million, down 30% quarter-over-quarter and 39% year-over-year
- Net loss of (\$2.2) million for Q2 2022 represents a 60% decrease quarter-over-quarter and 55% year-over-year
- Net cash used in operating activities in the first half of 2022 was the Corporation's lowest ever at (\$4.8) million, compared to (\$10.4) million in 2021
- Recorded gross margin in the medical cannabis segment of 76% in Q2 2022, driven by Khiron's unique patient-oriented medical cannabis model in Latin America and Europe
- Ongoing progress in core market and refined strategic focus provide strong foundation for growth in second half of the year

TORONTO, Aug. 29, 2022 /CNW/ - Khiron Life Sciences Corp. ("Khiron" or the "Corporation") (TSXV: KHRN) (OTCQX: KHRNF) (Frankfurt: A2JMZC), a global leader in medical cannabis throughout Latin America and Europe, announced today its financial results for the quarter ended June 30, 2022. These filings are available for review on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com). All financial information in this press release is reported in Canadian dollars, unless otherwise indicated.



## Summary of Key Financial Results:

<i>Canadian dollars ('000s)</i>	<b>3 Months Ended</b>	<b>3 Months Ended</b>	<b>3 Months Ended</b>
	<b>June 30 2022</b>	<b>June 30 2021</b>	<b>March 31 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenues	4,473	2,803	4,643
Medical Cannabis	2,607	826	2,650
Gross profit <sup>(1)</sup> before fair value adjustments	2,246	1,046	2,137
Gross profit <sup>(1)</sup> from Medical Cannabis before FV	1,993	727	1,973
General and administrative costs	3,799	5,740	5,550
Net loss	(2,171)	(4,796)	(5,412)
Adjusted EBITDA <sup>(1)</sup>	(2,288)	(3,774)	(3,057)
Net loss per share (basic and diluted)	(0.01)	(0.03)	(0.03)
Weighted average shares outstanding ('000)	186,444	151,027	179,395
	<b>6 Months Ended</b>	<b>6 Months Ended</b>	<b>3 Months Ended</b>
	<b>June 30 2022</b>	<b>June 30 2021</b>	<b>March 31 2022</b>
Net cash used in operating activities	(4,803)	(10,382)	(2,803)

(1) "Gross profit" and "Adjusted EBITDA" do not have a standardized meaning prescribed by International Financial Reporting Standards ("**IFRS**") and are therefore unlikely to be comparable to similar measures. The Corporation calculates Adjusted EBITDA as net loss before tax as reported under IFRS and adding back share-based compensation expense, transaction fees, unrealized gain on changes in fair value of biological assets, interest, depreciation, amortization, impairments, unrealized gain or loss in warrants, and non-recurring items. The Corporation calculates gross profit as revenue less cost of revenue, changes in fair value of inventory sold, and unrealized gain (loss) on changes in fair value of biological assets. Please refer to the section entitled "*Non-IFRS Financial Measures*" in this press release.

## **Q2 2022 operating highlights and subsequent events:**

- Khiron has developed a proven clinic business model with highly profitable medical cannabis sales in Colombia, United Kingdom, Peru, Brazil, and Germany.
- Recently, the Corporation has continued to add to its medical cannabis platform in Europe with the acquisition of Pharmadrug GmbH, an EU-GMP & GDP certified manufacturer and distributor in Germany. This acquisition marks a transformational inflection point for the Corporation in Europe, as it will allow Khiron direct access to: a) Dedicated pharmacy sales team with established network to the more than 18,000 pharmacies in Germany, generating proprietary data to understand evolving market preferences, b) Revenue diversification through distribution of different product portfolios, c) Ability to control last mile manufacturing steps and quality control to the point of sale, and d) Potential entry into other European markets as cannabis continues to be legalized across the region.
- In Q2 2022, the Corporation continued to deploy its unique medical cannabis clinic model in Brazil, by opening its first Zerenia clinic in the city of Rio de Janeiro. The clinic is positioned to become a global model for treatment of patients with medical cannabis in Brazil, serving the needs of patients and prescribers in Rio de Janeiro, generating data and evidence to complement Khiron's growing body of knowledge in the medical cannabis field.
- Total revenue for Q2 2022 was \$4.5 million, up 60% year-over-year, driven by growth in the medical cannabis segment in Colombia and the United Kingdom. Medical cannabis now represents 58% of the Corporations' revenues, compared to 29% in Q2 2021.
- The decrease of 4% in total revenue for Q2 2022 compared to Q1 2022, is attributed to the reduction in medical cannabis sales in Germany while the Corporation was closing its acquisition of Pharmadrug. Having obtained all permits and approvals from the German regulators, Pharmadrug will become Khiron's principal European distribution hub for its cannabis product portfolio, starting in late Q3 2022.
- Gross profit before fair value adjustments for Q2 2022 was \$2.2 million, up 5% quarter-over-quarter and 114% year-over-year, despite the lack of sale in Germany. In Q2 2022, the medical cannabis segment represented 89% of Khiron's total gross profits, compared to 70% a year ago.
- Total gross margin before fair value adjustments for Q2 2022 increased to 50%, driven by growth in the highly profitable medical cannabis segment. Gross margin in medical cannabis segment increased to 76%. Total gross margin for Khiron's Health Services segment for Q2 2022 was 13%, up from 8% in Q1 2022, due to improvements in margins in Colombia's Zerenia operations, and offset by the losses incurred in the early stages of Zerenia Clinics UK.
- In Q2 2022, the Corporation continued its cost reduction initiatives to streamline its operations. Expenses in Q2 2022 decreased by 16% to \$5.5 million from Q2 2021. The expenses reduction was driven by cost savings efforts mainly in corporate governance, salaries, investor relations, offset by an increase in selling and marketing expenses in the growing UK cannabis market.
- At the end of Q2 2022, the Corporation had \$40 million in total assets, with \$13.7 million in property, plant and equipment, high-quality medical cannabis inventory of \$8.2 million, healthy Accounts Receivables with credit-worthy clients in Colombia and

Europe of \$4.4 million and \$0.6 million in financial debt.

- The Corporation ended Q2 2022 with net cash of \$5.8 million, having spent \$2.0 million on operating activities during the quarter and a total of \$4.8 million in the first half of the year. This compared to operating spend of \$10.4 million in first half of 2021. This is a result of actively managing the working capital cycle, improving collection times for the Corporation's accounts receivable and extending payment terms on its accounts payables.

## Management commentary:

Alvaro Torres, Khiron CEO and Director, comments, "The results of the first half of the year and Q2 2022 demonstrate that we are a disciplined company building sustainable growth, reducing costs and optimizing cashflow, able to reach profitability in the near term. During Q2 2022, we made key decisions to continue to build our global platform with the strategic acquisition of Pharmadrug in Germany, the opening of our new flagship clinic in Rio de Janeiro in Brazil, as well as our new mid-sized clinic and pharmacy in Bogota in one of the city's busiest shopping centres. These steps, coupled with the growing patient loyalty we experience across our bigger markets, will continue to drive Khiron's leadership in Latin America and Europe. This is possible because of an incredible team across many countries and continents who are committed to improving the quality of life of patients, and who continue to work very diligently to ensure we become indispensable to our patients in every market."

## Webcast Details:

Khiron invites individual and institutional investors, as well as advisors and analysts, to attend the Corporation's Second Quarter 2022 Conference Call, followed by a Q&A session.

DATE: Monday, August 29th, 2022

TIME: 10:00am ET

PRESENTERS: Alvaro Torres, Khiron Chief Executive Officer and Director, Helen Bellwood, Khiron Chief Financial Officer, and Franziska Katterbach, President of Khiron Europe.

FORMAT: Live 45 minute presentation & Q&A session

REGISTER LINK:

[https://us06web.zoom.us/webinar/register/WN\\_\\_FTApr4DQIOgncpkV1YAww](https://us06web.zoom.us/webinar/register/WN__FTApr4DQIOgncpkV1YAww)

## Grant of Options and Restricted Unit Shares

On August 25, 2022, the Board of Directors granted a total of 2,345,000 stock options ("Options") and 650,000 restricted share units ("RSUs") to certain officers of the Corporation. Certain of the Options and RSUs are subject to performance-based vesting conditions. The Options are exercisable at a price of \$0.15 per share and will expire on August 24, 2032. Unvested RSUs will expire on December 15, 2025.

Participant	Position(s)	Equity-Based Compensation	Price	Expiry Date
Chris Naprawa	Director, Chairman	250,00 Options	CAD \$0.15	24/08/2032

Alvaro Yañez	Director	75,000 Options	CAD \$0.15	24/08/2032
Vicente Fox	Director	75,000 Options	CAD \$0.15	24/08/2032
Juan Carlos Echeverry	Director	75,000 Options	CAD \$0.15	24/08/2032
Franziska Katterbach	President Khiron Europe	1,200,000 Options and 650,000 RSUs	CAD \$0.15	Options: 24/08/2032 RSUs: 15/12/2025
Helen Bellwood	Interim CFO	200,000 Options	CAD \$0.15	24/08/2032
Juan Diego Alvarez	VP Corporate Affairs	300,000 Options	CAD \$0.15	24/08/2032
Rodrigo Duran	VP Pharma	70,000 Options	CAD \$0.15	24/08/2032
María Jimena Ochoa	VP Human Resources and Sustainability	70,000 Options	CAD \$0.15	24/08/2032
Angela Acosta	Corporate Secretary	30,000 Options	CAD \$0.15	24/08/2032

## About Khiron Life Sciences Corp.

Khiron is a leading global medical cannabis company with core operations in Latin America and Europe. Leveraging wholly-owned medical health clinics and proprietary telemedicine platforms, Khiron combines a patient-oriented approach, physician education programs, scientific expertise, product innovation, and focus on creating access to drive prescriptions and brand loyalty with patients worldwide. The Corporation has a sales presence in Colombia, Germany, UK, Peru, and Brazil and is positioned to commence sales in Mexico. The Corporation is led by Co-founder and Chief Executive Officer, Alvaro Torres, together with an experienced and diverse executive team and Board of Directors.

Visit Khiron online at [investors.khiron.ca](http://investors.khiron.ca)

Linkedin <https://www.linkedin.com/company/khiron-life-sciences-corp/>

## Non-IFRS Financial Measures

This press release includes references to "Adjusted EBITDA" and "gross profit", which are financial measures that do not have a standardized meaning prescribed by IFRS. Investors are cautioned that non-IFRS measures should not be considered in isolation or construed as an alternative to the measurements of performance calculated in accordance with IFRS, because given the non-standardized meaning of non-IFRS measures, they may not be comparable to similar measures presented by other issuers.

### Adjusted EBITDA

Adjusted EBITDA is calculated as reported under IFRS and adding back share-based compensation expense, transaction fees, unrealized gain on changes in fair value of

biological assets, interest, depreciation, amortization, impairments, unrealized gain or loss in warrants, and non-recurring items. Adjusted EBITDA provides an indication of the results generated by the Corporation's principal business activities prior to how these activities and assets are financed (including mark-to-market movements of the warrant value), depreciated and amortized or how the results are taxed in various jurisdictions, impairment of property, plant, and equipment, impairment of intangible assets, changes in fair value of inventory, unrealized changes in fair value of biological assets, prior to the effect of foreign exchange, other income and expenses, and non-cash share-based payment expense. The term Adjusted EBITDA does not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. The Corporation believes Adjusted EBITDA is useful for comparing results from one period to another, as Adjusted EBITDA normalizes earnings to exclude certain non-operating, non-cash, and extraordinary amounts. Existing Adjusted EBITDA is not necessarily predictive of the Corporation's future performance or the Adjusted EBITDA of the Corporation as at any future date.

The following table provides a reconciliation of net loss to Adjusted EBITDA.

For the three months ending June 30,		
(\$ Cdn thousands)	2022	2021
Net loss	(2,171)	(4,796)
Add back (deduct):		
Interest expense	33	97
Taxes	(35)	(7)
Depreciation and amortization	653	325
Net fair value		
adjustment on biological assets and cannabis product sales	(107)	(781)
Foreign exchange loss	653	(1)
Impairment on other items	(6)	76
Share-based compensation	338	1,312
Unrealized gain on warrants	(1,646)	-
	<b>(2,288)</b>	<b>(3,774)</b>

For the six months ending June 30,		
(\$ Cdn thousands)	2022	2021
Net loss	(7,583)	(10,290)
Add back (deduct):		
Interest expense	188	191
Taxes	(41)	(14)
Depreciation and amortization	1,249	622
Net fair value		
adjustment on biological assets and cannabis product sales	535	(1,252)
Foreign exchange loss	404	(47)
Impairment on other items	(3)	76
Share-based compensation	647	2,033
Amortization of signing bonus	-	840
Unrealized gain on warrants	(960)	-

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(5,564) (7,840)

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## Gross profit

Gross profit is defined as revenue less cost of revenue, changes in fair value of inventory sold, and unrealized gain (loss) on changes in fair value of biological assets. Management believes that gross profit is a useful supplemental measure of operations and is used by management to analyze overall and segmented operating performance. Gross profit is not intended to represent an alternative to net earnings or other measures of financial performance calculated in accordance with IFRS.

The following table provides the gross profit for the three months and six months ending on June 30, 2022:

	For the three months ended		For the six months ended		
	June 30		June 30		
	Note	2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
<b>Revenues</b>					
Service revenues		1,862	1,944	3,842	4,182
Medical Cannabis		2,607	826	5,257	1,389
Wellness products		4	33	17	68
		<b>4,473</b>	2,803	<b>9,116</b>	5,639
<b>Cost of sales</b>					
Service revenues		1,611	1,650	3,442	3,329
Medical Cannabis		614	99	1,291	157
Wellness products		2	9	-	18
		<b>2,227</b>	1,757	<b>4,733</b>	3,503
<b>Gross profit before fair value adjustments</b>		<b>2,246</b>	1,046	<b>4,383</b>	2,136
Changes in fair value of inventory sold		(428)	(137)	(1,527)	(177)
Unrealized gain on changes in fair value of biological assets	6	535	917	992	1,428
<b>Fair value (loss)/gain on biological assets</b>		<b>107</b>	781	<b>(535)</b>	1,252
<b>Gross profit</b>		<b>2,353</b>	1,826	<b>3,848</b>	3,387

## Cautionary Statement Regarding Forward-Looking Statements

This press release may contain "forward-looking information" within the meaning of applicable securities legislation. All information contained herein that is not historical in nature constitutes forward-looking information. Forward-looking information contained in this news release include, without limitation, statements pertaining to the Corporation's business plans and goals, including its goal of achieving profitability in the near future, management's expectations regarding the synergies of acquiring Pharmdrug GmbH (including access to a dedicated pharmacy sales team and revenue diversification, manufacturing and quality

control improvements and potential for entry to other European markets), expectations regarding the Corporation's Zerenia clinic becoming a global model for treatment of patients with medical cannabis, expectations that Pharmadrug will become the Corporation's European distribution hub for its cannabis portfolio and timing thereof. Forward-looking information and statements contained in this news release reflect management's current beliefs and is based on information currently available and on assumptions that management believes to be reasonable. These assumptions include, but are not limited to, assumptions regarding the future regulatory developments and economic conditions, expected synergies resulting from acquisitions, and the Corporation's ability to continue its growth and reduce costs.

Although management believes that its expectations and assumptions to be reasonable, forward-looking information is always subject to known and unknown risks, uncertainties and other factors, many of which are beyond the control of management, that may cause actual results to differ materially from those expressed or implied in such forward-looking information. Such risks and uncertainties include but are not limited to the following: risks relating to general economic conditions and capital markets; risks relating to the availability of financing on satisfactory terms; risks relating to the COVID-19 pandemic or other health crises; risks relating to regulatory, legislative, competitive and political conditions, business integration risks; as well as those other risk factors discussed in Khiron's most recent annual information form which is available on Khiron's SEDAR profile at [www.sedar.com](http://www.sedar.com).

As a result of the foregoing and other risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking information contained in this press release. Readers are further cautioned that the foregoing risks and uncertainties is not exhaustive, and there may be other risks and uncertainties, presently unknown to management of the Corporation, that may cause actual results to differ materially from those expressed or implied in forward-looking statements contained in this press release. The forward-looking information contained in this press release is expressly qualified by this cautionary statement. Khiron disclaims any intention to update or revise any forward-looking information disclosed herein, whether as a result of new information, future events or otherwise, except as required by law.

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