Xspray Pharma
Interim report Q1 2020

JANUARY - MARCH 2020

"This year is an important year for Xspray. I expect that the amorphous material provided by our unique production facility will provide positive clinical data, which is a prerequisite for us to apply for market approval for HyNap-Dasa in the U.S. This means that we together with a partner who either buys or licenses the HyNap-Dasa product, will gain access to a multibillion market"

Per Andersson, CEO
Xspray Pharma AB (publ)

Significant events during the first quarter, 2020

January - March 2020

- In February, stability studies for the final HyNap-Dasa tablets were initiated and will be a part of the company's ANDA application.
- In February, four new patents for the pharmaceutical composition of the company's primary product candidate, HyNap-Dasa, were granted in the US.
- In March, Xspray's production partner, Nerpharma, received approval from Italian Medicines Agency (AIFA) for the full-scale production facility.
- In March, Nasdaq Stockholm's listing committee approved Xspray's application to be listed on Nasdaq Stockholm main market. The first trading day on Nasdaq Stockholm was March 27.

Significant events after the end of the reporting period

- In mid-April, Xspray announced that the start of pivotal clinical bioequivalence studies with HyNap-Dasa will be delayed by two to three months due to the Covid-19 pandemic.

January - March 2020, Group

- Net sales amounted to SEK 0 thousand (0)
- Earnings before tax amounted to SEK -10,532 thousand (-7,753)
- Earnings per share before dilution amounted to SEK -0.63 (-0.51)
- Cash flow from operating activities amounted to SEK -13,490 thousand (-12,926)
- Cash flow from investing activities amounted to SEK -23,918 thousand (-15,473)

January - March 2020, Parent Company

- Net sales amounted to SEK 0 thousand (0)
- Earnings before tax amounted to SEK -10,513 thousand (-7,792)
- Earnings per share before dilution amounted to SEK -0.63 (-0.52)
- Cash flow from operating activities amounted to SEK -13,245 thousand (-12,943)

Amounts in brackets refer to the corresponding period for the previous year.

A message from the CEO

This year is an important year for Xspray. I expect that the amorphous material provided by our unique production facility will provide positive clinical data, which is a prerequisite for us to apply for market approval for HyNap-Dasa in the U.S. This means that we together with a partner who either buys or licenses the HyNap-Dasa product, will gain access to a multibillion market.

On March 27, Xspray was listed on Nasdaq Stockholm's main market, which was an important goal for the company. This constitutes a stamp of quality and is an expected next step as we now approach a new phase in the company's development and move towards commercialization of our first product.

The progress of taking Xspray's leading product candidates HyNap-Dasa towards a market approval reached two important milestones this quarter. In February, the stability studies of the final HyNap-Dasa tablets manufactured on a commercial scale according to the GMP standard, were initiated. The tablets will be evaluated after six months and the results form an important part of our upcoming submission of the ANDA dossier for FDA market approval of HyNap-Dasa. The second important milestone was reached when the Italian Medicines Agency (AIFA) approved the full scale production facilities at our partner, Nerpharma, in Milan. The clinical trial material has already been produced and with the approval of AIFA we are ready to start the bioequivalence studies with HyNap-Dasa which will be part of the registration dossier.

Like many other drug development companies, Xspray run the risk of the company's clinical trials being affected by the ongoing Covid-19 pandemic. We want to be confident that the pivotal clinical bioequivalence studies with HyNap-Dasa can be conducted without interruption or drop-offs. We have therefore, in consultation with our clinical CRO in Canada, decided to postpone the start of the studies by two to three months. The clinical bioequivalence studies are conducted on healthy volunteers and the purpose is to demonstrate that HyNap-Dasa is bioequivalent to the original drug Sprycel® (dasatinib), that is, has the same medical effect. The results of these studies, together with the results of the ongoing stability studies, will form the basis of our ANDA application for market approval in the U.S. The postponement can lead to that our ANDA application will be submitted later than planned.

During the quarter, we have adapted our business in other ways in accordance with prevailing circumstances as a result of the Covid-19 pandemic. Most of our employees work from home and work in the laboratory has been rescheduled according to a rolling schedule. Today's technology enables our business to operate essentially without losing momentum. I am delighted that Xspray's partners around the world have also been operating operationally during this revolutionary time.

Xspray's HyNap-Dasa patent portfolio was strengthened during the quarter with four new patents in the US. With a total of seven patents for HyNap-Dasa in our most important market, we can say that we are completely dominant in the U.S market when it comes to patents for amorphous protein kinase inhibitors. It

will be difficult for other players to launch a dasatinib product based on amorphous solid dispersion in the U.S during the patent term, that is, until 2033.

The ongoing development of our pipeline has benefited from the progress made with HyNap-Dasa. Not least the fact that we now have a full-scale commercial production facility that makes it possible to manufacture all of Xspray's HyNap products. A fundamental part of our business model is the ability to reiterate the process. The technology, manufacturing processes, regulatory strategies as well as launch plans and business development strategies should be applicable to all existing and future product candidates in our portfolio. The development of our next product candidate HyNap-Nilo is progressing well.

In the coming quarters, the ongoing business development will be intensified towards the selection of potential partners as we approach market approval for HyNap-Dasa. We are following our plan and are well equipped to conduct concrete business discussions to take our first product towards launch in the U.S market.

Navigating forward, in the prevailing but hopefully waning Covid-19 pandemic, requires experience and courage, which I am confident that we have in our team. I am looking forward to a very content and exciting continuation of 2020 for Xspray.

Solna, May 2020
Per Andersson, CEO

Business focus and prospects

Xspray Pharma AB (publ) is a product development company with multiple product candidates in clinical development. Xspray uses its innovative, patented RightSize technology to develop improved and generic versions of marketed drugs, primarily protein kinase inhibitors (PKIs) for the treatment of cancer. Sales of the PKI drugs constitute around 25 percent of the total oncology market in a segment where drug prices are extremely high. The innovative RightSize technology allows Xspray, through licensing to suitable pharmaceutical companies, to gain entry as the first competitor to today's original drugs before secondary patents expire. Xspray's goal is to become the leader in the development of improved drugs or generic versions of PKIs already marketed for the treatment of cancer. At the end of 2019, there were 54 approved PKIs in the U.S market. The Company's leading product candidates, HyNap-Dasa, HyNap-Sora and HyNap-Nilo, are stable amorphous versions of the three blockbuster cancer drugs Sprycel® (dasatinib), Nexavar® (sorafenib) and Tasigna® (nilotinib). The launch of HyNap-Dasa, the first product candidate, is planned to take place in 2021. The U.S substance patent for the original drug Sprycel® (dasatinib) expires at the end of 2020, and the secondary patents in 2026, which offers Xspray's HyNap-Dasa a period of several years in a unique position before other competitors gain access to the market. The Company has patented the manufacturing technology, the equipment and the resulting products. The Company's development has proceeded according to plan and prospects for achieving its business plan targets are good.

Xspray has been listed on Nasdaq Stockholm since March 27, 2020 and was previously listed on Nasdaq First North Growth Market since 2017

Launching with limited competition

- Unique technology that enables the launch of product candidates after the expiration of the original drug's primary substance patent but before the expiration of secondary product patents
- The original drug secondary patents also give Xspray protection against the launch of competing products

Low development expenditure

- Development costs are substantially lower than typical development costs for original drugs
- Total development expenditure is estimated to be USD 7 to 15 million per product candidate

Limited risk

- Proof-of-Concept demonstrated for the technology program
- The active substance is already known and tested for safety and efficacy
- Clear regulatory pathway to registration
- Active patent strategy to protect technology and products

Short development time

- Only 3 – 4 years from development to market launch
- Clinical studies in healthy volunteers sufficient for registration of generics – long term patient studies are not necessary

Financial overview, Group

	Q1		Full year
Key figures group	**2020**	**2019**	**2019**
Net sales (SEK thousand)	-	-	-
Loss before Income tax (SEK thousand)	-10,532	-7,753	-45,771
Earnings per share before dilution (SEK)	-0.63	-0.51	-3.01
Earnings per share after dilution (SEK)	-0.63	-0.51	-3.01
Research and development expenses as % of operating expenses	15.1	15.3	7.3
Cash and cash equivalents (SEK thousand)	172,740	192,850	209,872
Total assets (SEK thousand)	383,061	310,947	400,672
Equity/assets ratio (%)	94.9	95.4	93.3
Average number of employees	18	14	17

Total research and development expenditures for the quarter amounted to SEK -22,096 thousand, of which SEK -1,621 thousand is expensed and SEK -20,474 thousand recorded as capitalized development cost.

Financial overview, Parent Company

	Q1		Full year
Key figures parent company	**2020**	**2019**	**2019**
Net sales (SEK thousand)	-	-	-
Loss before Income tax (SEK thousand)	-10,513	-7,792	-45,796
Earnings per share before dilution (SEK)	-0.63	-0.52	-3.01
Earnings per share after dilution (SEK)	-0.63	-0.52	-3.01
Research and development expenses as % of operating expenses	14.8	13.9	7.2
Cash and cash equivalents (SEK thousand)	172,690	192,800	209,822
Total assets (SEK thousand)	377,696	302,631	395,316
Equity/assets ratio (%)	96.2	98.0	94.5
Average number of employees	18	14	17

At the end of December 2018, Xspray Pharma AB (publ) acquired a newly incorporated subsidiary company, dormant for the time being. No business activity has taken place in the subsidiary; all business is pursued in the Parent Company Xspray Pharma AB (publ).

Comments on the report

The comments below refer to the Group unless otherwise stated. Comparative figures have been presented in brackets and refer to the corresponding period 2019. As the Group consists of the Parent Company and a dormant subsidiary, the differences between the Parent Company and the consolidated accounts is the difference between RFR2 and IFRS. Net sales for the company are still SEK 0. The launch of the first product onto the market is planned to take place in 2021.

January - March 2020

The Group´s operating expenses for the period amounted to SEK -10,714 thousand (-7,865). The costs consist mainly of administrative and sales costs which amounted to SEK -8,552 thousand of the total operating costs. Of these, costs for lawyers and other advisers prior to the list change to Nasdaq Stockholm amount to SEK -3,326 thousand. In addition, personnel costs classified as administrative and sales costs amount to SEK -3,163 thousand (-2,129). Transport costs have increased between the two quarters from SEK -41 thousand to SEK -124 thousand, these costs are linked to the transport of materials to Xspray's contract manufacturers in different parts of the world.

The Group´s expensed research and development costs for the period were SEK-1,621 (-543) thousand and capitalized development expenses were SEK 20,474 thousand (9,479).

Revenue and earnings

Net sales for the quarter continue to amount to SEK 0. Sales are not expected to increase until 2021 when, according to the current business plan, the company intends to launch the first product onto the market.

The Group´s operating losses for the first quarter amounted to SEK -10,714 thousand (-7,865), which is higher than the first quarter of 2019. The corresponding figure for the Parent Company is SEK -10,695 thousand (-7,972). The increase in costs compared with the previous year is attributable to the planned increase in costs for the company's clinical program, strengthened organization and change of list to Nasdaq Stockholm.

Financial position

The company's operations are mainly financed by equity. The financial position of the company is sufficient for the coming twelve-month period with an acceptable and manageable level of risk in the product portfolio. The Board evaluates the company's financial needs and financial position on an ongoing basis and reviews the best capital structure for the company. The Board's assessment is that the company is well placed to bring in revenue during the next 12-month period through ongoing and future business development work to find a commercial partner for HyNap-Dasa, or otherwise secure future financing.

The equity/assets ratio was 94.9 percent (95.4) as of March 31, 2020 in the Group and the corresponding figure for the parent company was 96.2 percent (98.0).

Cash flow and investments

Total cash flow for the Group during the period amounted to SEK -37,132 thousand (-28,416). The increase is mainly due to increased capitalized development cost during the quarter. Cash flow from operating activities amounted to SEK -13,490 thousand (-12,926), of which the effect of working capital was SEK -4,352 thousand (-5,601).

The total cash flow for the parent company during the first quarter amounted to SEK -37,132 thousand (-28,416). Cash flow from operating activities amounted to SEK -13,245 thousand (-12,943), of which the effect from changes in working capital amounted to SEK -4,352 thousand (-5,601).

Cash flow from investing activities in the Group amounted to SEK -23,918 thousand (-15,473). It consists of capitalized development costs of SEK -20,193 thousand (-9,749). The investment in tangible fixed assets amounted to SEK -3,725 thousand (-5,724) for the Group. The cash flow from investing activities are in line with expectations.

Cash flow from financing activities amounted to SEK 276 thousand (-17) for the Group. This mainly con-

cerns the new incentive program (LTI 2020) and repurchase of warrants from the LTI 2018 program. In addition, the effect for IFRS 16, amortization of leasing debt, is reported.

The Group had SEK 172,740 thousand (192,850) in cash and cash equivalents as of March 31, 2020 and the corresponding figure for the Parent Company was SEK 172,690 thousand (192,800).

Intangible assets

Development expenses related to the projects have been capitalized according to plan. Capitalized development costs for the first quarter in the Group amounted to SEK 20,474 thousand (9,479) and the corresponding figure for the Parent Company amounted to SEK 20,472 thousand (9,479). As of March 31, 2020, the Group's capitalized expenses for development work and similar work amounted to SEK 161,989 thousand (81,599) and the corresponding figure for the Parent Company was SEK 161,886 thousand (81,599).

Parent Company

No business activity took place in the subsidiary during the period; all business is pursued in the Parent Company Xspray Pharma AB (publ).

Personnel

During the quarter, the organization has remained unchanged compared to the end of 2019. The number of employees in the Group was 18 (14). The subsidiary has still no employees at the period end.

Related Party Transactions

The company´s Chairman of the Board carries out consultancy assignments in business development and legal advice for the company. The cost for this in the quarter was SEK -70 thousand (-107).

Corporate governance

The Audit and Remuneration Committee have continued to assist the Board with monitoring tasks and remuneration issues.

Share information

Xspray's shares are listed on Nasdaq Stockholm in the Small Cap-index with the short name XSPRAY since March 27, 2020. Before that, the share was trade on Nasdaq First North Growth Market since September 28, 2017.

On March 31, 2020, the number of shares in the Company were 16,751,622 and the last share price was SEK 54,20.

Incentive program

The company has issued four series of share options to senior executives and employees.

The fourth share option program (LTI 2020) was resolved at an Extraordinary General Meeting on March 26, 2020 and comprised 79,074 warrants linked to the company´s value growth, to create a stronger link between the employees and shareholders interest. The fourth program involved 5 persons, including the CFO. The share options were subscribed on market terms at a price determined on the basis of an estimated market valuation (Black & Scholes) by an independent valuation institution. The value of the option was calculated at SEK 4.86 based on a subscription price per share of SEK 89.10. The program provides a maximum dilution effect of 0.47 percent on the current number of shares. The program is conditional, that the holder remains as an employee.

See the 2019 Annual Report for details regarding the three previous programs.

Owners as of March 31, 2020	Number of shares	Number of shares & votes
Östersjöstiftelsen	2,500,826	14.93%
Ribbskottet AB	1,800,000	10.75%
Swedbank Robur Fonder	1,390,000	8.30%
Fjärde AP-fonden	1,368,500	8.17%
Avanza Pension	751,568	4.49%
Länsförsäkringar Fonder	696,212	4.16%
Unionen	666,000	3.98%
TIN Fonder	600,000	3.58%
Tredje AP-fonden	495,000	2.95%
Futur Pension	384,637	2.30%
Total, ten largest owners	10,652,743	63.59%
Total, other shareholders	6,098,879	36.41%
Total number of shares	**16,751,622**	**100.00%**

Financial calendar

Annual General Meeting	May 14, 2020
Interim Report Q2, 2020	August 27, 2020
Interim Report Q3, 2020	November 20, 2020

Analysts covering the Company:

Jacob Svensson, Redeye

Financial Statements and Notes

At the end of December 2018, Xspray Pharma AB (publ) acquired a newly incorporated subsidiary company, dormant for the time being. No business activity has taken place in the subsidiary; all business is pursued in the Parent Company Xspray Pharma AB (publ).

Retroactive adjustment of depreciation and reclassification was made during the fourth quarter, 2019, the comparative figures that were affected by the correction are described in Appendix 1 of the Year-end report, 2019.

Consolidated income statement

	Q1		Full year
SEK thousand	**2020**	**2019**	**2019**
Net sales	-	-	-
Other operating income	-	8	374
Research and development expenses	-1,621	-543	-3,429
Administration and sales expenses	-8,552	-6,873	-42,327
Other operating expenses	-540	-457	-1,182
Operating loss	**-10,714**	**-7,865**	**-46,564**
Finance income	186	222	862
Finance costs	-4	-110	-69
Finance net	**182**	**112**	**793**
Loss before Income tax	**-10,532**	**-7,753**	**-45,771**
Tax	-	-	-
Loss for the period	**-10,532**	**-7,753**	**-45,771**
Earnings per share for the period before dilution, SEK	-0.63	-0.51	-3.01
Earnings per share for the period after dilution, SEK	-0.63	-0.51	-3.01
Average number of shares before dilution	16,751,622	15,076,460	15,216,057
Average number of shares after dilution	17,206,213	15,531,051	15,670,648

Consolidated statement of comprehensive income

	Q1		Full year
SEK thousand	**2020**	**2019**	**2019**
Loss for the period	**-10,532**	**-7,753**	**-45,771**
Other comprehensive income	-	-	-
Total comprehensive income for the period	**-10,532**	**-7,753**	**-45,771**

Consolidated balance sheet

SEK thousand	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	161,989	81,599	141,515
Patent	-	32	-
Total intangible assets	**161,989**	**81,631**	**141,515**
Property, plant and equipment			
Machinery and installations	25,642	5,928	26,465
Right-of-use assets	6,366	8,316	6,831
Equipment	1,166	1,338	1,266
Fixed assets under construction	11,459	14,569	8,467
Total Property, plant and equipment	**44,633**	**30,152**	**43,030**
Financial assets			
Financial investments	1	1	1
Total financial assets	**1**	**1**	**1**
Total non-current assets	**206,623**	**111,784**	**184,545**
Current assets			
Current tax asset	279	-	421
Current receivables	2,157	2,888	5,017
Prepaid expenses and accured income	1,261	3,425	816
Cash and cash equivalents	172,740	192,850	209,872
Total current assets	**176,438**	**199,163**	**216,126**
TOTAL ASSETS	**383,061**	**310,947**	**400,672**

Consolidated balance sheet, cont.

SEK thousand	31 Mar 2020	31 Mar 2019	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	16,752	15,076	16,752
Other contributed capital	450,576	336,991	450,266
Reserves	976	976	976
Retained earnings including profit/loss for the period	-104,811	-56,259	-94,279
Total equity attributable to the Parent Company's shareholders	**363,493**	**296,784**	**373,715**
Non–current liabilities			
Lease liabilities	4,040	6,633	4,454
Total non-current liabilities	**4,040**	**6,633**	**4,454**
Current liabilities			
Trade accounts payable	4,192	3,394	11,876
Lease liabilities	1,319	1,644	876
Other current liabilities	712	592	743
Accrued expenses and deferred income	9,304	1,900	9,007
Total current liabilities	**15,528**	**7,530**	**22,503**
TOTAL EQUITY AND LIABILITIES	**383,061**	**310,947**	**400,672**

Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings incl profit/loss for the period	Total equity
Opening balance as of January 1, 2020	**16,752**	**450,266**	**976**	**-94,279**	**373,715**
Loss for the period	-	-	-	-10,532	-10,532
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	-	-	-	-10,532	-10,532
Warrant program	-	310	-	-	310
Closing balance as of 31 March 2020	**16,752**	**450,576**	**976**	**-115,343**	**363,493**

Consolidated statement of cash flow

	Q1		Full year
SEK thousand	**2020**	**2019**	**2019**
Operating activities			
Operating loss	-10,714	-7,865	-46,565
Non-cash adjustments			
Depreciation	1,907	833	4,803
Dissolved prepaid leasing costs, during the period	-473	-473	-1,892
Interest received	149	222	591
Interest paid	-7	-42	-69
Cash flow from operating activities before changes in working capital	**-9,138**	**-7,325**	**-43,131**
Changes in working capital		**-**	
Change in operating receivables	3,066	-718	-1,963
Change in operating liabilities	-7,418	-4,883	10,857
Cash flow from operating activities	**-13,490**	**-12,926**	**-34,237**
Investing activities		**-**	
Capitalized development costs	-20,193	-9,749	-68,891
Acquisition of property, plant and equipment	-3,725	-5,724	-23,103
Cash flow from investing activities	**-23,918**	**-15,473**	**-91,994**
Financing activities			
New share issue	-	-	114,949
Payment of lease liability	-34	-17	-112
Repurchased warrants	-74	-	-
Allocated warrants	384	-	-
Cash flow from financing activities	**276**	**-17**	**114,837**
Cash flow for the period	**-37,132**	**-28,416**	**-11,394**
Cash and cash equivalents at the beginning of the period	209,872	221,266	221,266
Cash and cash equivalents at the end of the period	**172,740**	**192,850**	**209,872**

Parent Company Income statement

	Q1		Full year
SEK thousand	**2020**	**2019**	**2019**
Net sales	-	-	-
			-
Other operating income	-	8	374
Research and development expenses	-1,580	-461	-3,363
Administration and sales expenses	-8,576	-7,062	-42,417
Other operating expenses	-540	-457	-1,182
Operating loss	**-10,695**	**-7,972**	**-46,589**
Finance income	186	222	862
Finance costs	-4	-42	-69
Finance net	**182**	**180**	**793**
Loss before Income tax	**-10,513**	**-7,792**	**-45,796**
Tax	-	-	-
Loss for the period	**-10,513**	**-7,792**	**-45,796**
Earnings per share for the period before dilution, SEK	-0.63	-0.52	-3.01
Earnings per share for the period after dilution, SEK	-0.63	-0.52	-3.01
Average number of shares before dilution	16,751,622	15,076,460	15,216,057
Average number of shares after dilution	17,206,213	15,765,556	15,670,648

Parent Company balance sheet

SEK thousand	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	161,886	81,599	141,414
Patent	-	32	-
Total intangible assets	**161,886**	**81,631**	**141,414**
Property, plant and equipment			
Machinery and installations	25,642	5,928	26,464
Equipment	1,166	1,338	1,266
Fixed assets under construction	11,459	14,569	8,467
Total Property, plant and equipment	**38,267**	**21,836**	**36,198**
Financial assets			
Shares in subsidiaries	50	50	50
Financial investments	1	1	1
Total financial assets	**51**	**51**	**51**
Total non-current assets	**200,204**	**103,518**	**177,663**
Current assets			
Current receivables			
Current tax asset	279	256	421
Other current receivables	2,157	2,632	5,017
Prepaid expenses and accured income	2,365	3,425	2,393
Total current receivables	**4,801**	**6,313**	**7,831**
Cash and bank	172,690	192,800	209,822
Total current assets	**177,491**	**199,113**	**217,653**
TOTAL ASSETS	**377,696**	**302,631**	**395,316**

Parent Company balance sheet, cont.

SEK thousand	31 Mar 2020	31 Mar 2019	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	16,752	15,076	16,752
Statutory reserve	976	81,599	976
Development expenditure reserve	161,886	976	141,414
Total restricted equity	**179,614**	**97,651**	**159,142**
Non-restricted equity			
Other contributed capital	450,576	336,991	450,266
Accumulated earnings	-256,190	-130,105	-189,922
Profit/loss for the period	-10,513	-7,792	-45,796
Total non-restricted equity	**183,873**	**199,094**	**214,548**
Total equity	**363,487**	**296,745**	**373,690**
Current liabilities			
Trade accounts payable	4,192	3,394	11,876
Other current liabilities	712	592	743
Accrued expenses and deferred income	9,304	1,900	9,007
Total current liabilities	**14,209**	**5,886**	**21,626**
TOTAL EQUITY AND LIABILITIES	**377,696**	**302,631**	**395,316**

Parent Company statement of cash flow

	Q1		Full year
SEK thousand	**2020**	**2019**	**2019**
Operating activities			
Operating loss	**-10,695**	**-7,972**	**-46,589**
Non-cash adjustments			
Depreciation	1,657	450	3,837
Interest received	149	222	591
Interest paid	-4	-42	-69
Cash flow from operating activities before changes in working capital	**-8,893**	**-7,342**	**-42,230**
Changes in working capital			
Change in operating receivables	3,066	-718	-1,965
Change in operating liabilities	-7,418	-4,883	10,857
Cash flow from operating activities	**-13,245**	**-12,943**	**-33,338**
Investing activities			
Purchase of intangible assets	-20,472	-9,749	-69,902
Acquisition of property, plant and equipment	-3,725	-5,724	-23,103
Other financial assets	-	-	-
Cash flow from investing activities	**-24,197**	**-15,473**	**-93,005**
Financing activities			
New share issue	-	-	114,949
Repurchased warrants	-74	-	-
Allocated warrants	384	-	-
Cash flow from financing activities	**310**	**-**	**114,949**
Cash flow for the period	**-37,132**	**-28,416**	**-11,394**
Cash and cash equivalents at the beginning of the period	209,822	221,216	221,216
Cash and cash equivalents at the end of the period	**172,690**	**192,800**	**209,822**

Not 1. Accounting and valuation principles

This interim report was prepared according to the Swedish Annual Accounts Act and IAS 34 Interim Financial Reporting. The same accounting principles and methods as used in the annual report 2019 are valid for this interim report.

The interim financial information for the Group for the period has been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB) and the Swedish Annual Accounts Act, and for the parent company in accordance with the Swedish Annual Accounts Act and RFR 2 Reporting for legal entities and other statements issued by the Swedish Financial Reporting Board.

In all respects other than those described below, Xspray has presented the financial statements for the period, in accordance with the accounting policies and principles applied in the 2019 Annual Report. The description of these principles and definitions is found on page 44-49 (Note 1) in the Annual Report 2019.

The amendments to IFRS standards that apply from 1 January 2020 had no impact on the financial statements for the first quarter of 2020.

The figures given in this interim report refer to outcomes during January 1 - March 31, 2020 unless otherwise stated. Comparative figures have been presented in brackets and refer to the corresponding period 2019.

Xspray Pharma AB (publ) acquired a newly formed subsidiary, which is currently dormant, at the end of December 2018 to prepare the Group structure for possible future structural needs. No operations in the subsidiary have taken place, all operations are conducted in the parent company Xspray Pharma AB (publ).

Key ratios, definitions

Earnings per share is calculated as net income divided by the average number of shares during the period. The equity/assets ratio is equity, and where applicable untaxed reserves (less deferred tax), in relation to total assets.

Research and development expenses as a percentage of operating expenses comprise the former divided by the latter, which include selling and administrative expenses and other operating expenses.

Not 2. Significant estimates and assumptions

Preparing the financial statements in accordance with IFRS requires Management to make judgements and estimates, and to make assumptions that affect the application of accounting policies and the carrying amounts of assets, liabilities, revenues and expenses. Actual outcomes may differ from these estimates. The estimates and assumptions are evaluated regularly. Changes to estimates are recognized in the period that the change is made. The sources of uncertainty and estimates that involve a significant risk that the value of assets or liabilities may require restatement to a material extent during the forthcoming financial year are impairment testing of intangible assets with indefinite useful lives. Whether the requirements for capitalization of development expenditure is satisfied requires estimates. After capitalization, whether the accounting requirement for development expenses remain satisfied, and whether there are indications that the capitalized expenditure may have been exposed to impairment is monitored on a continuous basis. The Group has capitalized intangible assets that are not yet complete, which are subject to yearly impairment tests or as soon as there is an indication of impairment. Impairment tests involve estimates of future cash flows attributable to the asset or the cash-generating unit to which the asset relates when it is complete. These estimates and judgements involve expectations primarily regarding the selling price of products, market penetration, remaining development, sales and marketing expenses, and the likelihood that the product passes through the remaining development phases. These assumptions involve sector and market-specific data, are made by Management, then reviewed by the Board of Directors.

Significant risks and uncertainties

Xspray Pharma’s operations are associated with both industry- related risks, and company-specific risks. The Company develops drug candidates and there will always be regulatory, market and financial risks in the business. There have been no significant changes in risks and uncertainties during the period compared to those published by the Company in the 2019 Annual Report and in connection with its listing on Nasdaq Stockholm on March 27, 2020

Like many other companies, Xspray has adapted the business for the current circumstances as a result of the Covid-19 pandemic. The company has announced that the planned clinical studies for HyNap-Dasa have been postponed to minimize the risk of dropout or interruption in the study linked to Covid-19. Xspray's partners around the world have been operational during this complicated time. Xspray takes the necessary steps to reduce the effect and continuously follows the recommendations of the Swedish Public Health Authority (Folkhälsomydigheten).

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Certification by the Board

The Board of Directors and the CEO hereby certify that this interim report provides a true and fair view of the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties facing the Company.

Solna, May 14, 2020

Michael Wolff Jensen
Chairman

Hans Arwidsson
Member

Gunnar Gårdemyr
Member

Maris Hartmanis
Member

Torbjörn Koivisto
Ledamot

Christine Lind
Member

Carl-Johan Spak
Member

Per Andersson
Chief Executive Officer

The interim report has not been the subject of examination by the Company´s Auditors.

Information

Glossary

Amorphous • Amorphous structure is a chemical term that describes substances whose molecules lack an organized structure.
ANDA • An Abbreviated New Drug Application is an application for a U.S. generic drug approval for an existing licensed medication or approved drug.
CRO • Contract Research Organization. A service provider that performs assignment research and drug development services.
FDA • Food and Drug Administration. The USA's food and drug regulator whose responsibilities cover food, dietary supplements, drugs, cosmetics, medical equipment, radiation emission products and bio products.
Generic • Generic drugs are replacement drugs with the same function, quality and safety as the original drug.
GMP • Good Manufacturing Practice. Good Manufacturing Practice rules describe how the drug industry must produce medications such that patients can always be sure they are getting the correct and high-quality product. The rules govern the production, including packaging, of drugs, foods – and nutritional supplements. GMP is a system for ensuring that products are always manufactured and controlled for compliance with current quality standards. They are designed to minimize the risks in drug production that cannot be eliminated through testing of the end product.
Protein kinase inhibitors (PKI) • Drugs that block protein kinases. Protein kinase inhibitors act by blocking the activity of enzymes that drive the development and growth of cancer cells.

This interim report for Xspray Pharma AB (publ) has been submitted following approval by the Board of Directors.

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