Xspray Pharma Annual Report 2020

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Xspray Pharma

Xspray Pharma AB (publ) is a Swedish pharmaceutical company headquartered in Solna. Since March 2020, the Company has been listed on Nasdaq Stockholm.

The Company has several product candidates in clinical development based on its innovative patented RightSize™ technology that enables the development of amorphous drugs. Xspray Pharma's business strategy is to develop improved and generic versions of already marketed original drugs. The Company's unique technology enables product launch before the original drug's secondary patents expire because Xspray Pharma's products are fully amorphous in contrast to original drugs which are crystalline.

Xspray Pharma focuses primarily on protein kinase inhibitors (PKIs) for the treatment of cancer. The segment is the second largest in the field of oncology with very high drug prices.

Xspray Pharma's goal is to become a leader in the development of improved or generics versions of already marketed PKIs for the treatment of cancer. At the end of 2020, there were 55 marketed protein kinase inhibitors in the US, mots of them indicated for the treatment of cancer.

The Company's leading product candidates, HyNap-Dasa, HyNap-Nilo and HyNap-Sora, are stable amorphous versions of the three best-selling cancer drugs Sprycel® (dasatinib), Tasigna® (nilotinib), and Nexavar® (sorafenib).

Unique technology enables unique business model

Launch with limited competition

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

Low development costs

- The development cost is significantly lower than the normal cost for original drugs' development
- Total development cost is estimated to MUSD 10–15 per product candidate

xspray PHARMA

Limited risk

- Validated production process for stable amorphous versions of PKIs at commercial scale and established supply chain
- Known active substance already clinically tested for safety and effectiveness
- Clear regulatory pathway to market approval
- Active patent strategy to protect technology

Short development time

- Time from start of development to market approval approximately 3 to 4 years
- Bioequivalence studies in healthy volunteers are sufficient for registration, long-term patient studies are not required

The year in brief

Despite the ongoing COVID-19 pandemic, 2020 was a year of intensive work performed according to plan in most areas. The essential supply chain for the commercial production of the Company's first product candidate HyNap-Dasa has been established, from supply of the active substance to the final product. Preparations for submission of Xspray Pharma's first application for market approval to the FDA have been completed. In March 2020, after an extensive preparatory process, Xspray Pharma was listed on Nasdaq Stockholm's main list. A capital raising was carried out to ensure the Company's continued growth.

Q1 January – March

- Stability study was initiated with the final HyNap-Dasa tablets
- HyNap-Dasa product patent was granted in the United States
- The commercial scale production facility at NerPharMa, Italy, was approved by the Italian Medicines Agency
- Xspray Pharma's shares were listed on Nasdaq Stockholm main list

Q2 April – June

- The clinical bioequivalence studies that are the basis for registration of HyNap-Dasa were initiated

Q3 July – September

- The Company announced that the next manufacturing unit will be built in Malta
- The CEO and other warrant holders exercised all LTIP 2017 warrants to subscribe for shares in Xspray Pharma
- Results were announced for bioequivalence studies and the stability study by HyNap-Dasa

Q4 October – December

- A directed issue was carried out providing the Company with approximately MSEK 265 before transaction costs
- The Company announced that the product candidate HyNap-Nilo has received orphan drug status from the FDA for the treatment of chronic myeloid leukemia
- The Company announced positive results from a study with HyNap-Dasa and concomitant treatment with omeprazole

Significant events after the end of the reporting period

- The Company's shares were moved to the Stockholm Nasdaq Mid-Cap segment
- Results from the repeated bioequivalence study with HyNap-Dasa in fasting subjects did not achieve formal bioequivalence
- The CEO and other warrant holders exercised all LTIP 2015/2021 warrants to subscribe for shares in Xspray Pharma
- In February, the Nomination Committee of Xspray Pharma proposed to elect Anders Ekblom as new Chairman. The Nomination Committee further proposed to re-elect the former Board members and elect Anders Bladh as a new Board member. Resolutions will take place at the Annual General Meeting on May 20, 2021
- In March, Xspray Pharma announced an update on the upcoming pivotal studies with its improved version of Sprycel® (dasatinib), based on the company's HyNap-Dasa formulation

The established supply chain and applicability of the technology to multiple products paves the way for multiple product candidates

With the supply chain in place, from supply of the active substance to the final product, Xspray Pharma can now develop product candidates to market approval in a much shorter time than before. The technology is applicable to the majority of today's marketed PKIs. With an estimated development time of 3-4 years per product candidate, the long-term goal is to be able to apply for market approval for an average of one product per year.

Xspray Pharma has announced three product candidates in development, HyNap-Dasa, HyNap-Nilo and HyNap-Sora. The original drugs have annual sales of over USD 2.3 billion in the US alone, and a regulatory pathway to submit the application for market approval for its first product, HyNap-Dasa, in the US.

2003-2010

Xspray Pharma was founded, based on the development of a new nozzle that enables a unique upscaling of particle technology. Scale-up of technology proven in a new pilot plant ten times larger than the lab system

2011-2016

The Company's HyNap technology is developed with a focus on protein kinase inhibitors (PKIs). Positive results are shown from three clinical studies of an improved and generic version of HyNap-Dasa, respectively. The FDA confirms that the Company's clinical trials with HyNap-Dasa can be performed in healthy subjects and that no studies on cancer patients are required for approval.

2017-2019

Start of the scale up of the HyNap technology begins. Development of a new GMP-classified production facility with the Italian partner NerPharMa. First GMP batch of HyNap-Dasa amorphous material manufactured on a commercial scale. Development of final tablet of HyNap-Dasa and manufacture of GMP batches on a commer-cial scale of final tablets at a US supplier

2020

The essential supply chain for the commercial production of HyNap-Dasa from supply of the active substance to the final product is secured. Preparations for submission of Xspray Pharma's first application for market approval to the FDA completed. Development work carried out for the next product candidate HyNap-Nilo. Planning for a manufacturing facility in Malta started.

Multiple pathways to success

Our HyNap technology is the first of its kind in the world and allows multiple pathways to success. During the year, we established a unique supply chain and strengthened the patent position concurrently with continued development of our first product candidate. I am therefore confident, that in 2021 we are well positioned to drive forward development of our pipeline product candidates with early entry dates and for which patent windows enable an advantageous US market launch. Although we suffered a delay in the development of our first generic product candidate HyNap-Dasa, we could use the study results to expand the product portfolio with an improved version of the product. As a result, we now have two HyNap-Dasa product candidates, a generic version intended for the US market and an improved version for the worldwide market. Coupled with the progress of the HyNap-Nilo project, it demonstrates the usefulness of our strategy and the technology platform in creating multiple pathways to success.

The development process for new product candidates is essentially similar to that for HyNap-Dasa. It is a reproducible process that effectively shortens the development time and charts the way for all future product candidates in our pipeline. There are 55 approved protein kinase inhibitors (PKIs) on the US market, and we have successfully tested our technology on about twenty. Consequently, applicability our technology to a whole class of compounds creates a long list of PKIs we can develop in the future. Because amorphous versions of PKIs have higher solubility and better bioavailability than crystalline forms, our technology is especially useful for development of improved versions while still enabling development of generic versions.

The start of studies with our generic version of Sprycel® was delayed due to the Covid-19 pandemic. The results of the clinical study in healthy volunteers under fed condition did show formal bioequivalence, but it was of course disappointing that the formal bioequivalence in fasted state as show in previous pilot studies was not achieved. The main reason why we did not achieve bioequivalence was that several subjects had low or no absorption of dasatinib from Sprycel®. Since the results showed that we were very close to achieving bioequivalence, we decided to repeat the study. At the same time, work began on adjusting the tablet formulation slightly to be more similar to Sprycel®. Several adjusted formulations were prepared for studies planned to be conducted during the first half of 2021. The first formulation can be viewed as slightly riskier than the latter, but if bioequivalence is reached a little earlier, we believe it is worth the risk. In vitro models were developed to better predict the outcome in humans. In these models, the modified formulations have been tested with positive results.

Because we have not yet achieved formal bioequivalence the patent window of HyNap-Dasa has been reduced. We are now in the second month of the patent window that totals 45–60 months, where Sprycel® sells for approximately SEK 850 million every month in the USA alone. The patent window continues to have a very high value that justifies our continued formulation work. Repeated studies due to not having demostrated bioequivalence are a common procedure in generic drug development. For HyNap-Dasa, this has meant that we have been motivated to start new studies as quickly as possible to demonstrate formal bioequivalence before submission for market approval. The studies are fast and relatively inexpensive, and with the high value of the patent window we are willing and motivated to work with this risk-reward profile.

Our business model is different from traditional drug development. Instead of developing a new drug candidate that will have to undergo Phase I, Phase II and Phase III studies, our technology platform produces amorphous PKI versions that need to demonstrate bioequivalence with already marketed drugs. This means a lower risk than many other biotech business models.

As for our improved version of Sprycel®, the next step will be to initiate a registrational study. The positive results from the bioavailability study with and without omeprazole communicated before Q4 2020 showed that the uptake of HyNap-Dasa is independent of the gastric pH value. It confirms that this product will have clinically relevant advantages compared to Sprycel®. Our next product candidate HyNap-Nilo is an improved version of Tasigna® (nilotinib) for the treatment of chronic myeloid leukemia (CML). Based

on the potential clinical benefit of the product, we have obtained orphan drug status for it. Orphan drug classification gives several benefits during the development, including the possibility of market exclusivity for seven years, provided clinical benefit over the original drug has been demonstrated upon approval. Tasigna® has significant food interaction described in a so-called "black box warning", designed to draw attention to serious risks associated with food consumption concomitantly with Tasigna® administration. In a previously reported study, the uptake of HyNap-Nilo was practically unaffected by food intake, which would be beneficial to the patients. The next step will be to carry out pilot studies in 2021.

In October, we strengthened our financial position through a directed new share issue that provided the Company with approximately SEK 265 million before transaction costs. The shares were subscribed for by several Swedish and international institutional investors, including Andra AP-fonden, Tredje AP-fonden, Fjärde AP-fonden, Handelsbanken Fonder, Swedbank Robour Fonder and TIN Ny Teknik. The loss for the year for the Group was SEK -52 million and is in line with our expectations. The loss is attributable to the continued investments in the projects, the production facility in Malta and the increased workforce.

The expansion of our manufacturing capacity together with our new CMO partner in Malta is of great importance. The choice of Malta for the location of the new production unit is advantageous due to the favorable IP situation prevailing in the country until 2027. This is because Malta did not accede to the European Patent Convention (EPC) until 2007, and as a result several major pharmaceutical companies did not register their patents there until then. Originator's substance patents granted in a country prevent other companies to manufacture, sell or use that substance in that country. Consequently, all our product candidates, where the original product has substance patent protection until 2027, can be manufactured in Malta without concern of patent infringement. This allows us to have a product ready when the patent window opens in the United States.

Our already strong patent position was further strengthened in 2020 paving the way for a market establishment and strengthening our ability for making attractive deals with our projects. The possibilities are many and the ambitions are high. I look forward to an eventful 2021 and welcome you to share our journey!

Solna, March 2021

Per Andersson
CEO

Unique business model enables great opportunities

Xspray Pharma's long-term goal is to become a leading company in the development and commercialization of amorphous versions of market-approved protein kinase inhibitors for targeted cancer treatment through the unique technology platform RightSize™.

Business model and vision

Xspray Pharma will create value through the development and commercialization of own products based on well-documented substances that offer significant benefits to patients, and have large commercial potential.

Xspray Pharma's vision is to use its unique technology to establish itself as the world's leading company in generic or improved versions of established PKIs for targeted cancer therapy that improve patient quality of life and survival. An aggressive pricing and patent strategy will enable Xspray Pharma to win market share and create long-term profitability for the Company and its shareholders, while improving patient access to cheaper and better drugs.

Goals

The Company's long-term goal is to become the leader in the development of improved or generic versions of already marketed PKIs for the treatment of cancer. There were 55 approved PKIs in the US at the end of 2020. This will mainly be achieved using the Company's patented technology for improving existing drugs and creating a commercially favorable patent situation.

Strategies

Xspray Pharma's core strategy is to apply the Company's technology platform to its product portfolio, which comprises carefully selected product candidates with significant market potential and where Xspray Pharma is expected to enjoy competitive advantages.

Xspray Pharma's unique technology platform will enable the launch of products when what is known as a "patent window" opens, i.e. the time between the expiry date of the primary substance patent for the original drug and relevant secondary patents. Because Xspray Pharma's product candidates are based on amorphous forms of a drug substance, and the original drug contains a crystalline drug substance, it is possible to launch products with the original drug as the only competitor. This offers Xspray Pharma an unique position compared to generic drugs that are prevented from launch in the patent window due to the validity of secondary patents. With attractive pricing, Xspray Pharma's products are expected to be able to capture significant market shares from original drugs.

Xspray Pharma is actively engaged in evaluating PKIs with commercially attractive patent windows by analyzing patents and business opportunities for Company's future product candidates. Selected product candidates are scheduled for launch coincidentally with the opening of each PKI's patent window.

Xspray Pharma's operational strategy is to launch the Company's products in the US market as a first step and prepare selected product candidates for launch at favorable patent-specific times.

Manufacturing strategy

Xspray Pharma's overall manufacturing strategy is to secure a sustainable supply chain from active drug substance to the final product with sufficient capacity for development, production of clinical trial material and commercial production.

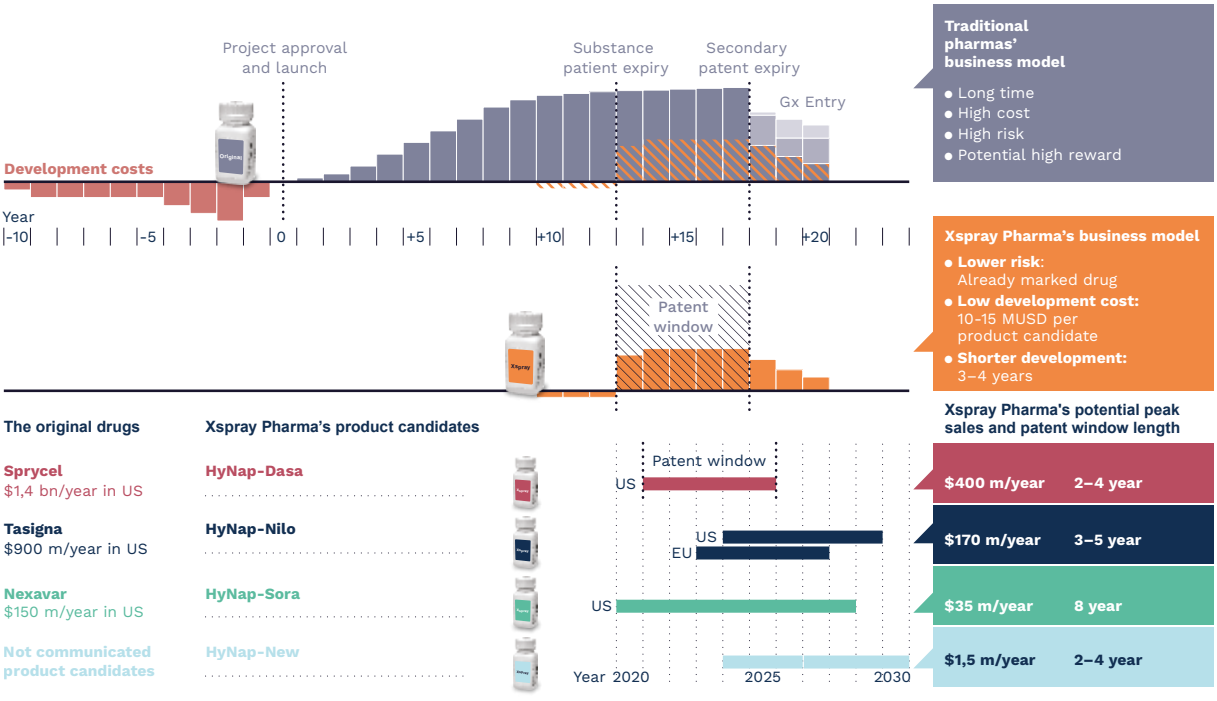
The stable amorphous drug substances are developed internally, while the production of the amorphous material for Xspray Pharma's clinical programs and for future commercial sales is located at well-established external contract manufacturers (CMO, Contract Manufacturing Organization). Today, the production of the amorphous material takes place at NerPharMa, a well-established Italian CMO approved by the FDA. Even if production takes place at external contract manufacturers, Xspray Pharma always retains full ownership of the manufacturing units.

To expand its production capacity, Xspray Pharma has entered into an agreement with Pharmacare Premium Ltd. to build a new production unit in Malta. The new unit will be located in Pharmacare Premium's existing facility and work will begin in 2021. The choice of Malta for the location of the new production unit is favorable due to the IP situation prevailing in the country until 2027. This is because Malta did not accede to the European Patent Convention (EPC) until 2007, and as a result several major pharmaceutical companies did not register their patents there until then. Consequently, Xspray Pharma's patent situation will be favorable for product candidates manufactured in Malta, where the original product has substance patent protection until 2027.

Simplified regulatory processes

Xspray Pharma has chosen to develop its product candidates as either improved or generic versions of already marketed protein kinase inhibitors. Xspray Pharma will not develop product candidates requiring a full New Drug Application (NDA) that is a much more costly and demanding regulatory pathway with significantly higher risk.

Generic products are pharmaceutically and therapeutically equivalent versions of previously approved drugs. In the US market, generic drugs are registered through a simplified application process called ANDA (Abbreviated New Drug Application) according to section 505 (j) of the Federal Food, Drug and Cosmetic Act (FDCA), while improved versions of previously approved products are registered according to section 505(b)(2) of the FDCA.



Commercialization strategy

Xspray Pharma's technology platform enables the Company's products to enter as the first competitor to the original drugs before expiry of the secondary patents. The products can thereby be sold semi-exclusively in selected markets in parallel with the original drug and the attractive pricing enables fast market penetration and high market shares. The technology also creates relevant medical benefits for patients. An improved version gives Xspray Pharma the opportunity to compete with a differentiated product and not just with price.

Initially, the Company intends to focus on the US market and later on the European market. The strategy of focusing on one market at a time is mainly aimed at reducing the total capital requirement. Profit margins are expected to be higher in the US than the rest of the world as PKIs command very high pricing levels in the US.

Xspray Pharma also intends to investigate the possibility of commercializing selected products with orphan drug designation in the US and intended for specialist treatment itself.

Partnerships

Xspray Pharma strives to generate revenues by registering the Company's product candidates on its own and then either entering into an agreement with an external partner that will handle sales and marketing, or selling the products.

A partnership agreement may be entered into shortly before or after the approval resulting in Xspray Pharma receiving an initial payment and royalties on the sale upon commercialization of the product. Timing of the partnership depends on the specific product candidate and the type of partner.

The Company believes that there are three categories of potential partners for its product candidates

1 Original pharmaceutical companies that can both prevent significant loss of revenue and launch improved versions of their drugs (Lifecycle Management). The original company would then be in a stronger position with a patented version of the product.

2 Other pharmaceutical companies active in the oncology field that need to expand their product portfolios and can launch products ahead of competition from other generics.

3 Generic companies that can launch a product directly after expiry of the primary patent and sell it without competition from other generic companies, thereby creating a strong competitive position before other generic companies enter the market.

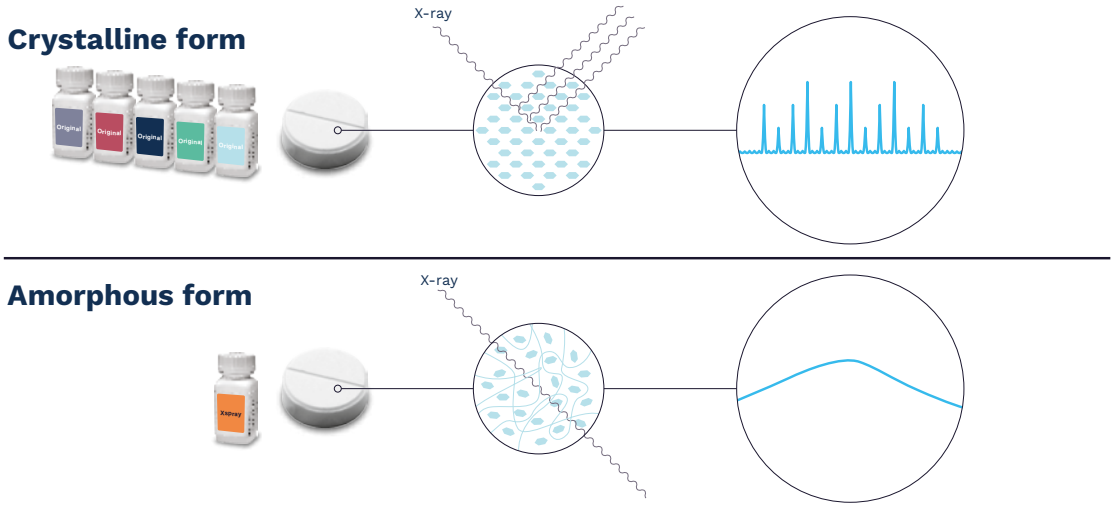
Commercial scale production process established

During 2020, Xspray Pharma worked intensively to establish the processes required for taking a product candidate from lab to market approval and commercialization. The amorphous material that is a central part of Xspray Pharma's product candidates is manufactured in unique production lines for the RightSize™ technology, built together with manufacturing partners.

The supply chain required for full-scale commercial production has now been established. As a result, development of new product candidates for clinical studies can be done with the same process as for commercial production. This leads to a reduced development time and reduced risk of unexpected changes in the scale up process. The unique technology platform enables the development of new drug candidates in the same way as previously manufactured HyNap products. The established processes also make it possible to quickly and in a controlled manner change the formulation properties required to make either generic or improved versions of various PKIs. This reproducibility streamlines and reduces the development time for future products in the Company's pipeline.

Amorphous products solve a significant challenge

Xspray Pharma's product candidates are amorphous versions of already marketed drugs that are based on crystalline forms of the active substances. One frequent problem with crystalline drug substances is low solubility, which can present a challenge in formulation development and result in a product with low absorption. One response is to use an amorphous form of the active substance, as it has higher energy and dissolution rate than the crystalline form. The crystalline form is defined by a specific three-dimensional ordered structure, while the amorphous form is defined as the absence of such order.



The illustration shows how different a crystalline structure is compared to an amorphous one. The crystalline structure shows a clear, regular pattern, the amorphous shape is disordered, while maintaining its stability and properties. A X-ray shows peaks in a crystalline structure, in an amorphous structure such peaks are missing.

Xspray Pharma's products remain amorphous with no trace of crystallinity

The most important aspect of developing an amorphous product is stability in storage. Amorphous products tend to return to a more stable crystalline state during storage, which can lead to lower solubility, and thus absorption.

Xspray Pharma's products have been shown to be completely amorphous during long-term storage.

In 2020, the Company's HyNap-Dasa tablets were examined with an extremely sensitive instrument used to detect crystalline material. The analysis showed no traces of crystalline material, which confirms previous studies that have shown that the Company's HyNap material remains amorphous and without traces of crystallinity for more than two years at room temperature. The Company's HyNap materials can therefore become products with a long shelf life.

The fact that the material remains amorphous without traces of crystals is crucial for Xspray Pharma's business model because amorphous material differs from crystalline material from both a legal and scientific context. In addition, the amorphous version provides improved pharmacokinetic properties which may give the product a more favorable therapeutic profile.

RightSize™ technology creates amorphous material

Xspray Pharma's proprietary RightSize™ technology is a particle technology that forms a so-called amorphous solid dispersion (ASD) of a drug's active substance.

The RightSize™ technology is based on supercritical fluid (SCF) extraction. Molecules in a supercritical state can move quickly, as in a gas, while the ability to dissolve substances is good, as in a liquid. The supercritical fluid is used as an anti-solvent for controlled particle precipitation of Active Pharmaceutical Ingredient (API) with or without the addition of excipients.

Several major pharmaceutical industry players attempted to develop methods for SCF technology during the 1990s. Despite major investments in SCF facilities, the technology could not be commercialized due to difficulties in scale-up. Xspray Pharma has overcome these problems with its patented innovation, the RightSize™ nozzle. In one example, 100 times higher productivity than previously published results using other production methods was achieved. The patented design keeps mixing conditions constant regardless of nozzle dimensions. This enables scaling up quantities from laboratory to production scale for clinical trials and commercial scale manufacture.

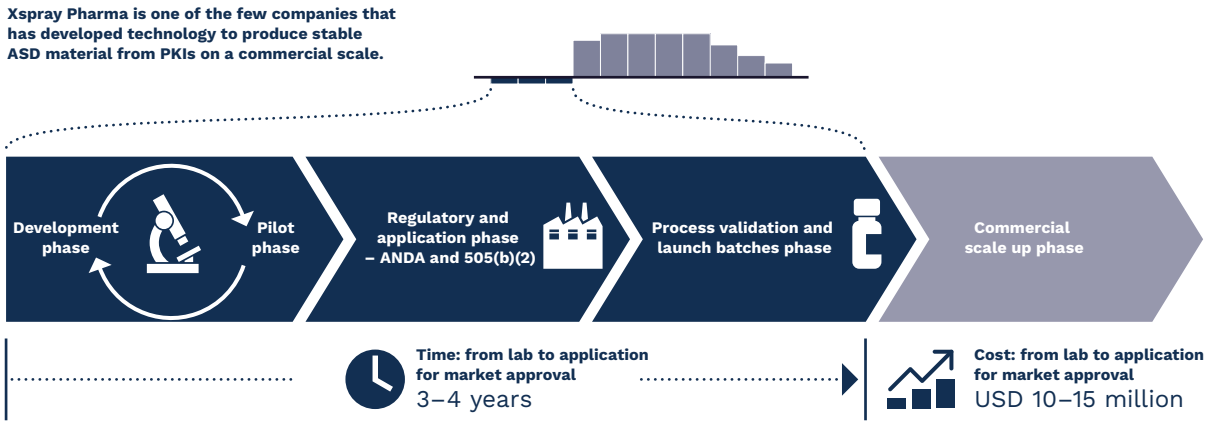
Established supply chain at commercial scale

Xspray Pharma has contracted NerPharMa to manufacture materials for Xspray Pharma's clinical programs and finished products for future commercial sale. The manufacturing takes place in Xspray Pharma's own HyNap production units on a commercial scale that are installed in NerPharMa's premises. NerPharMa is approved by the FDA and the Italian Medicines Agency (AIFA) and is a well-established CDMO (Contract Development and Manufacturing Organization) located outside Milan, Italy.

After the manufacture of the stable amorphous solid dispersion (ASD) of the drug substance, the material is shipped to the selected Contract Manufacturing Organization (CMO) in the US for the manufacture of the final tablets.

With the development of the Company's first product candidate HyNap-Dasa, Xspray Pharma has built a proven and regulatory approved process from the production of amorphous material to manufacturing of tablets on a commercial scale. This will make the work with future product candidates both time and cost effective, as all product candidates are based on the Company's RightSize™ technology platform.

To further increase the Company's manufacturing capacity, another production unit will be built, this time together with Pharmacare Premium Ltd. in Malta.



Reproducible process

Xspray Pharma's innovative and patented RightSize™ technology is the first of its kind in the world. The technology and products are based on amorphous formulations (HyNap), and since the original drug has a crystalline formulation, Xspray Pharma's products are not affected by the secondary patents. Therefore, a launch can take place with the original drug as the only competitor. The technology has been tested on about twenty of the now 55 marketed protein kinase inhibitors (PKI) with positive results.

The production of the Company's additional HyNap product candidates takes place in the same way as for the Company's first product candidate HyNap-Dasa. The process is reproducible and effectively shortens the development time for future products in the Company's pipeline. The technology also makes it possible to quickly and in a controlled manner change the properties required to make either improved or generic versions of an already marketed PKI drugs and in order to receive marketing approval for Xspray Pharma's product versions.

A careful selection process is the key to increasing the opportunities to create the greatest possible value for the Company's product platform. The selection of future product candidates includes, among other things, analysis of technological possibilities, IP position and commercial potential.

The process from the development of a new product candidate in the lab to the application for market approval, is estimated to take 3-4 years. With several production units established, production processes for different product candidates will be possible in parallel.

Increased portfolio value with orphan drug status and additional patents

Xspray Pharma's portfolio includes product candidates based on the Company's HyNap platform: HyNap-Dasa, HyNap-Nilo and HyNap-Sora. Product candidates can be developed as generic or improved versions of marketed protein kinase inhibitors (PKIs). The original drugs' secondary patents expire between 2026–2029. Additional product candidates are under evaluation but have not yet been communicated.

Xspray Pharmas's announced product candidates

Xspray Pharma's product portfolio is continuously evolving and, to date, has three product candidates based on the Company's HyNap platform: HyNap-Dasa, HyNap-Nilo and HyNap-Sora. All are generic or improved versions of established and marketed PKIs for treating cancer, with orphan drug status. The original drugs have secondary patents expiring between 2026–2029 and their total annual US sales exceeded USD 2.3 billion in 2020. In December 2020, there were 55 approved PKIs in the US market, and Xspray Pharma has successfully tested its technology at lab scale on approximately 20 of them.

Two versions of HyNap-Dasa

HyNap-Dasa is Xspray Pharma's lead product candidate and is based on BMS's Sprycel® (dasatinib) for the treatment of chronic myeloid leukemia (CML) and acute lymphoblastic leukemia (ALL). The primary patent for Sprycel® expired in December 2020 and the secondary patent expires in 2026 giving HyNap-Dasa a patent window of several years before other competitors gain access to the market. In 2020, the global market for Sprycel® amounted to approximately USD 2.1 billion, of which the US market accounted for approximately USD 1.3 billion.

HyNap-Dasa clinical studies

HyNap-Dasa has been tested in nine clinical bioequivalence studies in 250 healthy volunteers.

In 2020, two registrational studies were performed as are required for ANDA submission to the FDA for market approval in the United States. Both studies were performed in healthy volunteers with the primary goal of demonstrating bioequivalence between HyNap-Dasa and the reference product Sprycel®.

The first study included 51 healthy volunteers in fasting conditions, where the participants received two doses of HyNap-Dasa and two doses of Sprycel® over a period of four weeks, in a randomized cross-over design. The study did not meet statistical requirements for bioequivalence, mainly because the reference drug Sprycel® showed low or no absorption in a few subjects. However, this was not observed for HyNap-Dasa. This outcome was unexpected since in a previous pilot study in 26 healthy volunteers carried out in 2018, bioequivalence between HyNap-Dasa and Sprycel® was shown.

The second bioequivalence study was performed in 35 healthy volunteers in fed conditions in order to assess the effect of food intake on the absorption of dasatinib. The pharmacokinetic parameters C_{max} and AUC were within the statistical bioequivalence requi-

Xspray Pharma's pipeline

Product	Original compound	Type/Regulatory path	Indication	New Candidate Evaluation	Formulation Development	Pilot clinical study	Pivotal clinical study	Regulatory review FDA/EMA
HyNap-Dasa	Dasatinib	Generic/ANDA	Leukemia (CML, ALL)					
		Improved/ 505(2)(b)	Leukemia (CML, ALL)					
HyNap-Nilo	Nilotinib	Improved/ 505(2)(b)	Leukemia (CML)					
HyNap-Sora	Sorafenib	Improved/ 505(2)(b)	Liver Cancer (HCC)					
HyNap-New	Not disclosed							

rement of 80–125 percent compared to the reference drug, Sprycel®, i.e. the study met statistical and formal bioequivalence requirements for HyNap-Dasa.

At the end of the year, Xspray Pharma started two more bioequivalence studies with HyNap-Dasa, one with the generic version and one with the improved version. The first study was similar to the previous study with the generic version of HyNap-Dasa in healthy volunteers under fasting conditions where bioequivalence was not achieved. This study was quick to initiate and conduct. The second study was conducted with the improved version of HyNap-Dasa with the aim to show that the absorption of HyNap-Dasa is not dependent on the pH of the stomach.

HyNap-Nilo

Xspray Pharma is developing HyNap-Nilo as an improved version of Tasigna® (nilotinib) for treating chronic myeloid leukemia (CML). Tasigna® is used to treat patients with the same type of leukemia as Sprycel®, but it has the active substance nilotinib. In 2020, global sales of Tasigna were USD 1,958 million, of which USD 859 million is in the US. Tasigna's substance patent expires in January 2024, and the secondary patent in February 2029.

Xspray Pharma has conducted a clinical trial investigating pharmacokinetic properties and food interaction of a HyNap-Nilo prototype in 18 healthy volunteers. The study showed that HyNap-Nilo significantly reduces food interaction compared to Tasigna® after a high-fat meal and has bioavailability 2.4 times higher than Tasigna®. Similarly to Xspray Pharma's other product candidates, HyNap-Nilo also showed lower absorption variability than Tasigna®.

The development of a commercial formulation and manufacturing of clinical trial material is progressing and new clinical studies are planned in 2021, after which a 505(b)(2)NDA application can be submitted.

HyNap-Sora

Xspray Pharma is developing HyNap-Sora as an improved version of Nexavar® (sorafenib) for treating kidney, liver, and several forms of thyroid cancer. Global sales of Nexavar® in 2020 totaled USD 729 million, of which the US market accounted for USD 194 million. Nexavar's primary substance patent expires in January 2020, and the secondary patent in the US in December 2027.

A pharmacokinetic study comparing 100 mg of HyNap-Sora with 200 mg of Nexavar® was conducted in 14 healthy subjects. The study showed the bioavailability of HyNap-Sora as almost twice as high as Nexavar®. The variability in both AUC and C_{max} between subjects is also reduced by about half. The next step in HyNap-Sora's development is commercial-scale formulation development, production of clinical trial material and conducting registration clinical studies.

New improved versions of marketed original products

Xspray Pharma develops generic and improved amorphous versions of already marketed products, which gives several significant benefits. Since the active

Orphan Drugs

The term orphan drug is used for drugs intended for the treatment of diseases which are so uncommon that pharmaceutical companies may be reluctant to develop them because the revenues from the limited market would normally not cover the high research and development costs. To facilitate the development of drugs targeted at unusual medical conditions, and which are expected to provide significant therapeutic benefits over existing drugs, Orphan Drug Designation (ODD) status has been established.

- Since orphan drugs are used to treat rare and often life-threatening diseases, they are generally priced higher than drugs without orphan status. In recent years, the average annual cost per patient has been almost four times higher than drugs without orphan designation. In addition to the possibility of higher pricing, orphan drug status provides seven to ten years of market exclusivity after approval as well as certain other incentives.
- Xspray Pharma intends, where possible, to apply for orphan drug status for the product candidates that are being developed as improved versions of existing medicines. The first application for HyNap-Nilo has already received ODD approval.

substance is already clinically evaluated by the original drug company, the formal process toward approval is significantly less complex than in the development of a completely new drug candidate. Evaluation of a product candidate in extensive phase II and phase III studies is not required if it is equivalent to the original product; only clinical trials in healthy volunteers are necessary. Thereafter, the product candidate can go directly to submission resulting in a significantly faster, easier and more cost-effective way to the market.

The development risk is judged to be significantly lower for Xspray Pharma than for traditional pharmaceutical companies because all product candidates in the Company's product portfolio have demonstrated clinical Proof-of-Concept, are based on the same technology platform and have a clear, and less extensive, regulatory pathway to approval. In addition, the Company strives to focus primarily on drugs that have orphan drug status and thus often a high price, which means that offering an attractive pricing can be expected to have a large effect on the market share and rapid market penetration.

Two regulatory pathways to the FDA approval

Xspray Pharma's product candidates can be developed either as generic or improved versions of already marketed products. Xspray Pharma does not expect any of its future product candidates to be submitted as a New Drug Application (NDA), which is the most demanding and costly regulatory pathway to market approval in the United States.

Xspray Pharma's regulatory alternative for FDA approval consists of:

ANDA (Abbreviated New Drug Application)

- Abbreviated application process for a generic (exactly the same) version of a previously FDA approved product with the same pharmacological properties as the original drug.

505(b)(2) NDA

- A less cumbersome regulatory pathway than a full New Drug Application (NDA), where minor modifications to a marketed product formulation can be made in order to obtain better product properties compared to previously FDA-approved original drugs.

Improved product properties

PKIs are remarkably effective at treating various forms of cancer, but unfortunately, many patients do experience side effects. Xspray Pharma's technology platform has the potential to fully or partly eliminate some of the problems associated with PKIs such as toxicity, which in extreme cases can cause significant side-effects, even with fatal outcomes.

PKIs are associated with variable bioavailability, increasing the risk of insufficient therapeutic efficacy at low absorption, and the risk of side-effects at high absorption. Many PKIs have significant absorption variability between patients, and over time. Food and drug interactions are another problem with PKI therapy. PKI absorption is usually affected by gastric

pH level (i.e. acidity), which in turn is dependent on patient food intake and concomitant medication. These factors can adversely affect drug safety profiles and efficacy, so patients are advised not to eat or take other medication for periods before and after taking PKIs.

Xspray Pharma's technology platform generates products that can bring significant clinical benefits by:

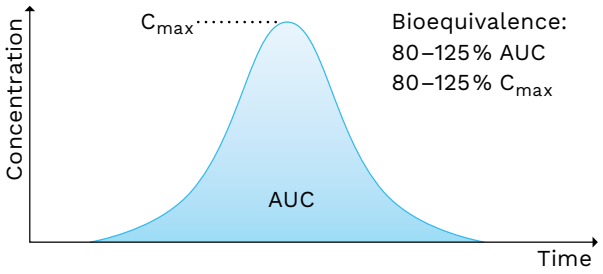
- Increasing water solubility and thus bioavailability
- Reducing absorption variability
- Reducing or eliminating pH-dependent absorption
- Decreasing or eliminating drug-food interaction, i.e. the food's effect on drug absorption
- Minimizing interaction with other drugs taken concomitantly

Clinical program in healthy volunteers only

Whether a product is intended to be registered via an ANDA or a 505(b)(2) NDA pathway, the clinical trial programs of Xspray Pharma's product candidates can be performed exclusively in healthy volunteers. The Company believes that clinical programs for the Company's future product candidates will also be able to be based solely on studies in healthy volunteers only. Clinical trials in patients are significantly more expensive and take considerably longer time. Xspray Pharma estimates that the development time to submission takes an average of 3–4 years to complete that the development cost per product candidate is between USD 10–15 million. This can be compared to 10–15 years and around USD 1 billion cost for traditional drug development.

In the clinical trials performed in healthy volunteers, the goal is to demonstrate bioequivalence compared to the reference drug, which means that the tablet of the generic product should be processed the same way as the reference drug. Bioequivalence is measured as the area under the curve (AUC) and as maximum blood plasma concentration (C_{max}), which is illustrated in the image below. Bioequivalence is achieved if the AUC and C_{max} of the tested product candidate are between 80–125% of the reference drug values.

AUC and C_{max} as measures of bioequivalence



The selection process for new product candidates

RightSize™ technology is a platform with wide applicability. A careful selection process is the key to increasing the opportunities for creating the greatest possible value for the Company. The commercial potential and choice of registration procedure, ANDA or 505(b)(2), must reflect US market conditions and opportunities.

The choice of future product candidate includes, among other things, analysis of technological possibilities, IP position and commercial potential. For improved versions it is crucial to identify associations for which the application of RightSize™ technology solves or improves a medical problem. Associations selected for further development must meet most of the following selection criteria;

- Compatible with RightSize™ technology
- Freedom to Operate – no patent restrictions
- Patent window length
- Products with high prices, high sales and growing market share
- Great medical need
- Favorable competitive situation
- Opportunity for commercial partnership
- Strong positive NPV (Net Present Value)
- USP, Unique Selling Point

Our development processes create stable products

2020 has been a very eventful and important year for Xspray Pharma for various reasons. Despite the ongoing Covid-19 pandemic, we have secured the commercial production process for HyNap-Dasa, including the upscaling of our proprietary technology for amorphous materials. The knowledge we have acquired will be used in the development of future product candidates. The required six-month stability data for the HyNap-Dasa tablets were positive and will form the basis of the ANDA submission, together with the results of the bioequivalence studies (BE) on healthy subjects in both fasting and fed conditions.

An important milestone was achieving formal bioequivalence in the clinical study in healthy volunteers in fed condition. The bioequivalence study in fasting volunteers, formal bioequivalence between HyNap-and Spryce® (dasatinib) Dasa was not achieved, mainly because the reference drug Sprycel® showed low or no absorption at all in a few subjects. Even if the result was disappointing, it also emphasizes the importance of developing a product with lower variation that can thus help patients achieve the desired clinical effect in a safe way.

Shortly after having received the results not showing bioequivalence, we were able to start new bioequivalence studies. Starting a new study so quickly shows clearly the agile organization and the robust processes we have built at Xspray Pharma, the processes that will be very useful in the future.

During 2020, we made great progress in the development of our future product candidates. We are developing an improved version of dasatinib with a lower dose strength compared to Sprycel® and without the pH-dependent absorption that will allow CML patients to be treated with dasatinib concomitantly with Omeprazole. The latest clinical study in 16 healthy volunteers treated with the improved HyNap-Dasa product with and without Omeprazole showed that the absorption of the improved HyNap-Dasa is not dependent on the pH level in the stomach. We have also developed HyNap-Nilo in pilot scale and are now ready to manufacture clinical trial material on a commercial scale in our GMP-classified facility for the first clinical pilot study with HyNap-Nilo in 2021.

Charlotta Liljebris,
VP R&D
Xspray Pharma

Attractive market with great medical needs and very high drug prices

Xspray Pharma develops improved and generic versions of patent protected cancer drugs based on protein kinase inhibitors (PKIs). This segment is the second largest in oncology by sales with more than 300 drug candidates in clinical development and 55 approved products in the US market. Xspray Pharma's technology has the potential to be applied to the majority of these drugs.

Continuous need for improved cancer treatments

Although significant improvements in the development of new cancer treatments have been made and the prognosis for many cancer diagnoses has improved, cancer remains a major healthcare challenge worldwide.

According to The International Agency for Research on Cancer (IARC), 18.1 million new cases of cancer were diagnosed globally in 2018 and 9.6 million died as a result of their cancer. By 2040, the global incidence (new cases) is expected to grow to 27.5 million new cancer cases and 16.3 million deaths, mainly driven by a growing and aging population. Global sales of cancer drugs in 2018 amounted to USD 124 billion, of which North America accounted for almost half of sales. Over the past five years, the market for cancer drugs increased by an average of 7.4 percent per year. It is estimated that the market value of cancer drugs will amount to USD 245 billion by 2024*.

The market for protein kinase inhibitors

All Xspray Pharma's product candidates in development are protein kinase inhibitors (PKIs). PKIs are primarily used in the oncology segment, and after immunotherapy, are the second-largest pharmaceutical segment of targeted cancer therapy. PKIs are a growth segment with over 300 drug candidates in clinical development, of which some 250 in late clinical Phases (Phases II or III).

The increase in the incidence of cancer and autoimmune diseases are important factors expected to drive the growth of protein kinase inhibitors. PKIs have been shown to inhibit the growth of cancer resulting in the cancer patient being treated for several years, in some cases throughout life. Sales of PKI drugs amount to approximately 25 percent of the total oncology market, a segment with very high drug prices.

At the end of 2020, there were 55 protein kinase inhibitors in the US marketed for various cancer indications. By 2030, 23 substance patents are expected to expire in the US. Xspray Pharma's product candidates are based on the original drugs with expiring patents in this period.

In 2019, sales of the 55 PKIs in the US market amounted to approximately USD 21 billion. Continued growth is expected, despite upcoming patent expirations and the introduction of immunological treatments. For the same period, global sales amounted to USD 35 billion.

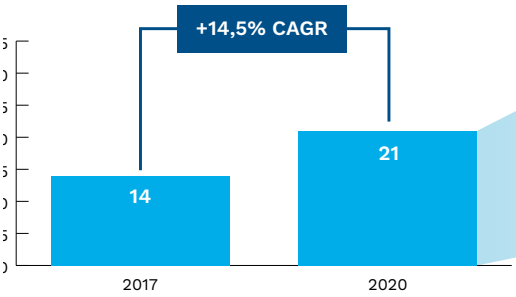
Market potential forXspray Pharma's product candidates

Xspray Pharma's product candidates announced to date, HyNap-Dasa, HyNap-Nilo and HyNap-Sora, are stable amorphous versions of the original products Sprycel®, Tasigna® and Nexavar®. In 2020, the original products sold in total for SEK 19.5 billion (USD 2.3 billion) in the US alone and have orphan drugs status.

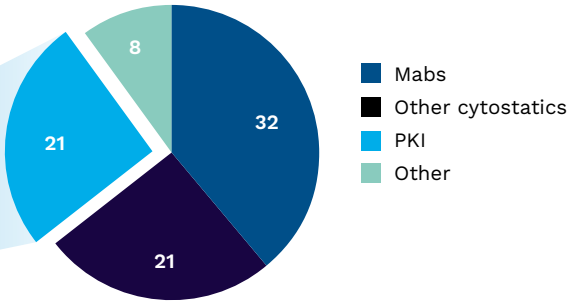
Analyzes of current market values, forecasts based on analysts' estimates and future competitive position for the Company's three announced product candidates have been made by Globe Life Sciences Ltd., an independent British, reputable market research

Source: EvaluatePharma

.S. PKI Sales Forecast
ear 2017–2020 (USD billion)



U.S Oncology Product Sales Forecast
2020 by type of drug (billions USD)



Source: Globe Life Science & Evaluate Pharma

company. According to their report, evidence-based evaluation of a generic version of HyNap-Dasa suggests a sales potential during the peak year, i.e. the last year of the patent window, of between SEK 2.8 billion and SEK 3.3 billion. A corresponding evaluation of an improved version of HyNap-Dasa, assuming higher price discounts and slower market penetration than for the generic version, suggests a sales potential during the peak year of more than SEK 1 billion. Xspray Pharma's share of future sales will depend on an agreement with a partner.

The above report is based on data from launch and sales of a generic Gleevec (imatinib), a PKI product with competition from only the original drug and indicated for the treatment of CML, i.e. the same indication as for HyNap-Dasa. Novartis' Gleevec became generic in February 2016. Sun Pharma was then able to launch its generic product with 180 days of exclusivity and generate sales of approximately USD 300 million with a price discount of approximately 30 percent. The generic product was estimated to have taken a market share of just over 50 percent during the exclusivity period.

Competitors

Xspray Pharma intends to launch its product candidates on the market in parallel with the original drugs, and accordingly, assuming market approval, will compete primarily with them.

Other feasible competitors include products that could be introduced in the patent window between the original product's primary and secondary patents, for which reason the Company has appointed reputable Swedish and US patent attorneys to conduct rigorous competitive analysis.

The outcome of this research indicates that there are only a few technologies that could result in the development of similar products, for which reason the Company believes such a scenario less likely. The Company is not aware of any other current development projects intended for the same purpose as the Company's own product candidates. Competition may also arise from product candidates based on other active substances, but that are developed to treat the same type of indication.

Sector trends

There are several trends impacting Xspray Pharma's business. Demographics, with an ageing population due to better living conditions, is causing a growing cancer patient population, and accordingly, more people that need cancer therapy and drugs.

Increased focus on reducing the social cost of pharmaceuticals

New drugs are often costly due to significant investments made during their lengthy development processes. Political pressure to reduce the social cost of pharmaceuticals is increasing, and current systems to fund, subsidize and price pharmaceuticals may be reformed.

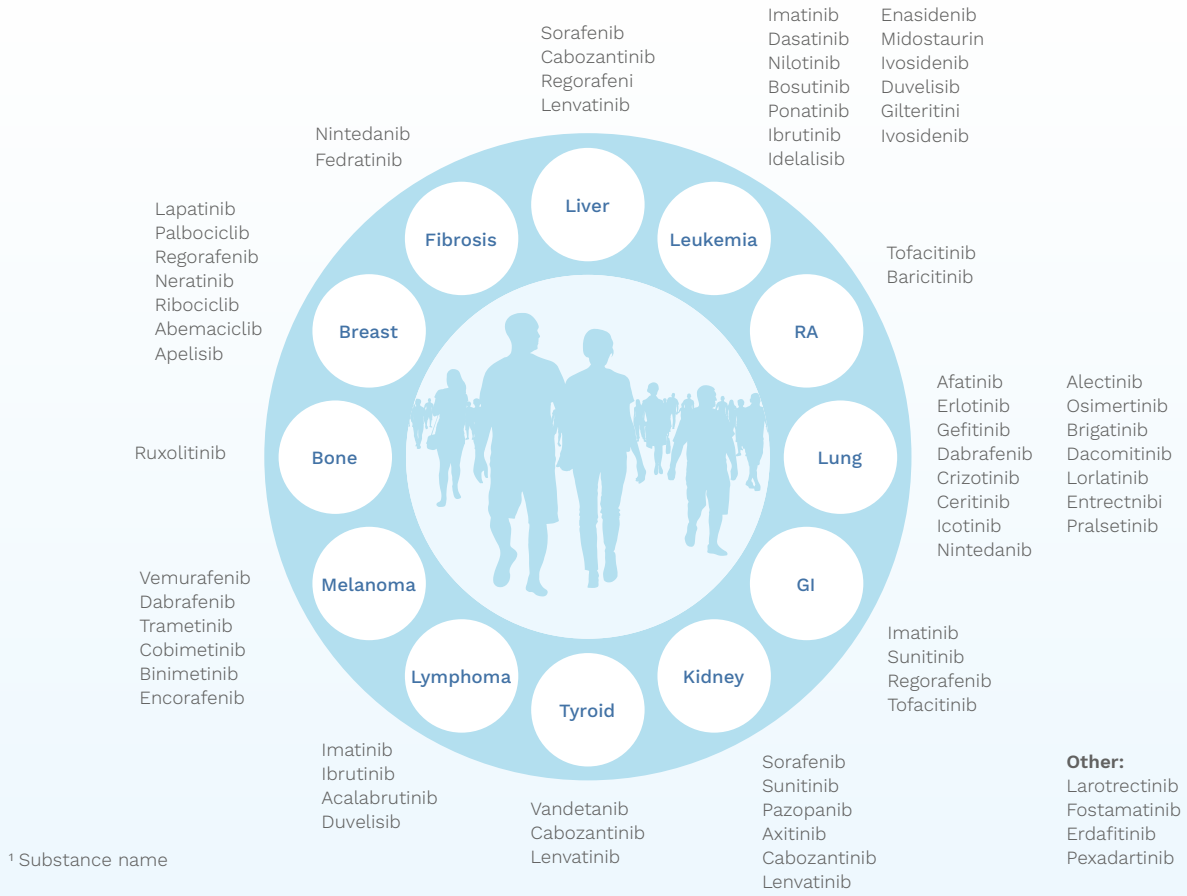
Growing focus on drug lifecycle management

An estimated over USD 267 billion of original drug sales will encounter generic competition in the coming years. The pharmaceutical industry is facing difficulties in developing new drugs at the rate the patents of many major pharmaceuticals expire. This accentuates the demand for effective lifecycle management of successful products and access to external projects, resulting in more licensing agreements and acquisitions.

Global access to drugs is expected to increase

The increase will be driven by more widespread use of more costly, patent protected original drugs in developing countries, by broader use of lower-priced alternatives on patent expiries, more extensive access to drugs and an increased focus on orphan drug indications in developing countries. The interest for developing effective therapies for orphan drug indications grows among pharmaceutical companies and regulatory authorities.

Protein kinase inhibitors[1] marketed today and their therapeutic indications



[1] Substance name

Chronic myeloid leukemia - CML

In the majority of the CML patients part of chromosome 9 is exchanged with part of chromosome 22. This reciprocal translocation results in formation of the oncogenic fusion gene Bcr-Abl1 and a defective chromosome 22 called Philadelphia chromosome (Ph+).

The defective Ph+ chromosome codes for an enzyme, tyrosine kinase, which prevents the body's signals from stopping the production of white blood cells. As a result, the white blood cells are damaged, and the excessive unregulated activity of the tyrosine kinase disturbs cell signaling pathways. The damaged blood cells compete with healthy cells in the bone marrow and blood.

The disease has three phases - chronic phase, accelerated phase and blast crisis. About 90 percent of patients are detected in the chronic phase. An effective treatment in the chronic phase can prevent the disease from passing into the later more difficult-to-treat phases.

The disease is chronic and needs lifelong treatment. When treated, the patients can expect close to normal life expectancy.

The first line treatment of CML is either imatinib (Gleevec or a generic version thereof), dasatinib (Sprycel®), nilotinib (Tasigna®) or bosutinib (Bosulif®), all of which are PKIs, more specifically tyrosine kinase inhibitors (TKI). The introduction of imatinib, the first TKI to be approved, revolutionized the treatment of CML and changed the lives of this group of patients. Today, CML patients have close to normal life expectancy, and since the introduction of PKIs for CML treatment survival has more than doubled.

In the United States, Xspray Pharma's primary market, there are close to 60,000 CML patients and in 2020 8,450 new people were expected to be diagnosed with CML.

Active patent strategy – a valuable part of Xspray Pharma's business model

Xspray Pharma works actively to minimize the intellectual property risk on all its projects. It protects its intellectual property by conducting an active patent strategy with rigorous preparatory work ensuring that the Company is well-prepared if subject to lawsuits in tandem with filing a new drug application for one of its product candidates

Xspray Pharma conducts a patent strategy that is critical to its operations designed to safeguard its ownership status by applying for international patents on the Company's proprietary technology platform, inventions and improvements that are crucial for developing its business operations.

Xspray Pharma examines the original drug's patent protection thoroughly before launching a new product candidate, because there is a risk of lawsuits from original drug companies when a new drug application for the product candidate is filed. This is called Freedom-to-Operate analysis.

Xspray Pharma commences product development with this legal process in mind by closely evaluating the original drug's patent situation. To bring the product candidate to development, it should be possible to create a patent portfolio to enable patent-protected commercialization. Xspray Pharma creates several layers of patent protection during the development phase to achieve the optimal protection for all types of invention, including those not directly related to creating the product.

Xspray Pharma's protects its intellectual property mainly through patents and patent applications. The Company's patent portfolio has five patent families of patents granted and pending. The granted patents offer protection until 2024–2039, with extension potential. At year-end 2020, the Company held at total of 50 approved patents in major regions of commercial interest and had 18 patents pending. Xspray Pharma's patent portfolio includes manufacturing technology, production processes and HyNap PKI compositions. At present, the Company is not dependent on licenses, but uses its proprietary patent and patent-pending technologies and products.

Primary and secondary patents

Pharmaceutical companies protect their intangible assets through patents and can often extend market exclusivity through additional patents for their products.

Primary patents

Primary patents protect a new active drug substance, i.e. a substance patent for a new drug candidate. Patent protection is valid for 20 years, but the effective patent period is usually considerably shorter, around 10 years, due to the long development time before market launch.

Secondary patents

Secondary patents are patents that are applied later in the development process and protects the final product and different ways. Secondary can be obtain e.g. on methods of use, pharmaceutical formulations, dosage regimens, medical indications, etc. Secondary patents have also a validity period of 20 years and therefore gives the original manufacturer extended market exclusivity.

Orange Book

When new drug applications are based on studies conducted with previously approved pharmaceutical products, as is the case for Xspray Pharma's product candidates, the Company is required by law to inform the patent owner and NDA holder that it seek to market a generic version of their drug and its position in terms of any patents on the originator's product. Such patents are listed in the FDA's publication "Approved Drug Products with Therapeutic Equivalence Evaluations," known generally as the Orange Book. Applicants can designate one of four types of certification, depending on their specific situation, known as Paragraph I, II, III or IV certifications, respectively. For Xspray Pharma's product candidates, Paragraphs III and IV certifications apply. Paragraph III for the substance patent, which means that Xspray Pharma does not intend to launch a product candidate before that patent expires, and Paragraph IV for the secondary patent, which means that Xspray does not intend the launch of its product to infringe on the secondary patent, or that such patent should not be considered valid.

The patentee, i.e. the originator, then has 45 days to file a lawsuit against the Company. Such lawsuit from the patentee automatically prevents the FDA from approving the application for 30 months or until Xspray Pharma secures a court ruling in its favor, alternatively until a settlement with the originator that enables commercialization of Xspray Pharma's product is reached.

Active work for sustainability

In 2015, the UN adopted 17 global sustainability goals aiming at slowing down global climate change and reducing world poverty by 2030, these goals are called Agenda 2030. The UN's sustainability goals for "Good health and well-being", is the most central goal for Xspray Pharma enabling the Company's contribution to future positive development.

As a product development company in the pharmaceutical industry, Xspray Pharma plays an important role in the society.

Xspray Pharma's continuous environmental work is based on minimizing the environmental impact by taking energy-saving measures and reducing waste from our development, our products and other ongoing work.

Through Company's patented RightSize™ technology, Xspray Pharma can develop improved and generic versions of already marketed drugs, primarily protein kinase inhibitors. In this way, Xspray Pharma can be involved in delivering products enhancing quality of life of many patients with cancer diagnoses, thereby improving the health and well-being of future patients.

To further ensure and maintain sustainable development and ensure the health of the future generations, Xspray Pharma focuses on constantly taking our social and environmental responsibility for future patients, suppliers and employees.

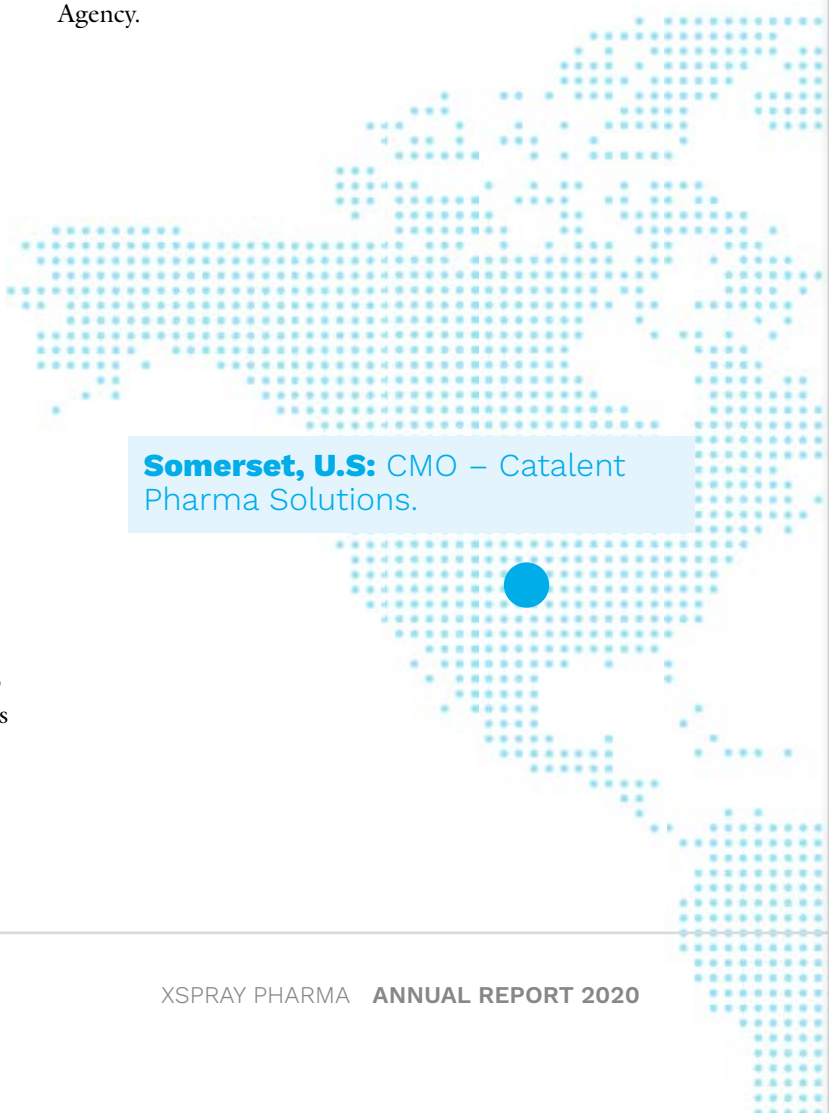
For our patients

Xspray Pharma's development of generic and improved drugs is surrounded by a number of regulations from institutions and regulatory agencies. These regulations lay the foundation for Xspray Pharma's approach and future plans as a product development player in a global pharmaceutical market.

It is of great importance to Xspray Pharma to ensure that the Company's product candidates meet the requirements required to provide future patients with security and safety in the use of the Company's products. To achieve this, the Company rigorously adheres to all regulatory requirements for all parts of the development process of the product candidate, from preclinical development through clinical trials to manufacturing and storage and handling requirements of the final product.

In addition to Xspray Pharma's strict internal requirements, the Company operates in a highly regulated industry where regulatory agencies and national authorities routinely request information during inspections, audits and investigations. Xspray Pharma ensures that it constantly complies with applicable laws, regulations and guidelines and always acts transparently and professionally in all contacts with the authorities. If necessary, Xspray Pharma uses external experts as advisors to comply with the requirements.

In the United States, it is the FDA, the Food and Drug Administration, that primarily controls Xspray Pharma adherence to the current regulations for drug development. The FDA is required by the National Environmental Policy Act (NEPA) to consider and evaluate environmental effects that, for example, a new or generic drug may cause. The Company's product development in Europe follows the corresponding authority in Europe, EMA, European Medicines Agency.



Somerset, U.S: CMO – Catalent Pharma Solutions.

For our suppliers and partners

As Xspray Pharma did not have any sales of its products during the year, the focus has been on responsible purchases of goods and services. Xspray Pharma has therefore set high standards on its suppliers, contract manufacturers and partners who play an important role in the research and development of our product candidates. The Company chooses its suppliers based on criteria corresponding to the Company values and to obligations arising from compliance with regulations, laws and ethics. Xspray Pharma strives to use environmentally friendly raw materials, processes and transports, and when possible to find local suppliers who also strive to reduce their climate footprint. GMP (Good Manufacturing Practice) is essential in achieving high quality. This manufacturing standard sets regulatory requirements for the Company to carry out regular audits to ensure that suppliers and contract manufacturers (CMOs) meet the pharmaceutical industry's quality standards and good manufacturing practice.

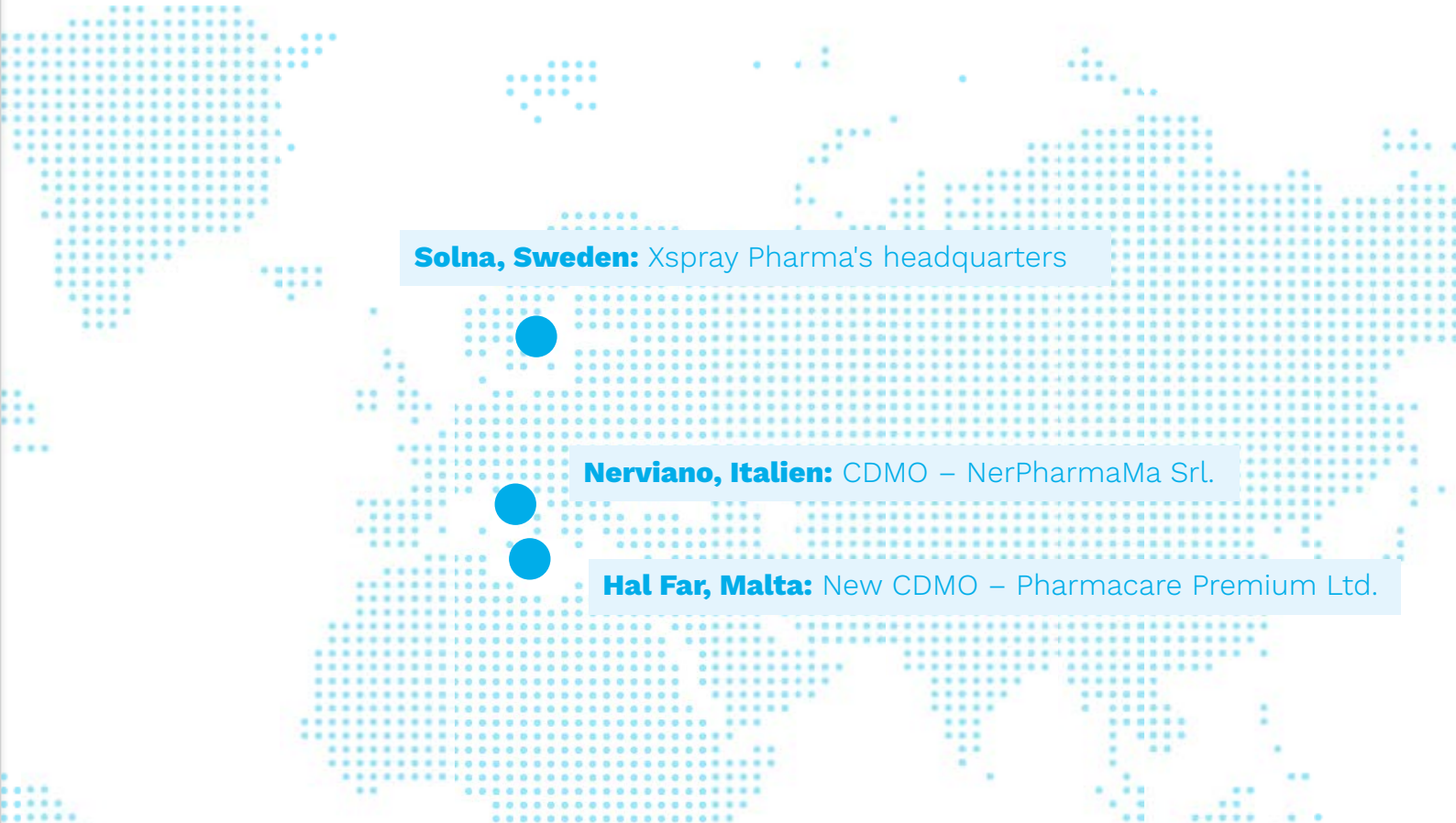
To comply with GMP standards, Xspray Pharma, through its manufacturing partner in Italy, received approval from the Italian Medicines Agency (AIFA) for the full-scale production facility in Milan. The approval is valid for the use of amorphous material, based on the Company's technology, in clinical trials.
In line with the Company's sustainability work, carbon dioxide used in the manufacturing process is a residual product from other emission sources, such as e.g. brewery products, biogas or manure production.

For our employees

Xspray Pharma's employees are the Company's largest asset and the Company values its employees' competent contribution to the business and each individual's development. To achieve this, equality, diversity and skills development are valued.

As Xspray Pharma's organization continues to grow, work on the Company's corporate culture has intensified. Xspray Pharma wants to be able to offer its employees further development by creating good conditions for creativity and positive dynamics in the workplace.

Xspray Pharma strives to be an attractive employer with professional and committed employees. As part of this strategic work, during the year Xspray Pharma has continued recruiting to provide the Company with new and complementary expertise.



Employees who thrive and develop

Over the past three years, Xspray Pharma has built a strong organization with employees with extensive experience in drug development. in 2020, Xspray Pharma continued to recruit new expertise and new specialists giving the Company opportunity to continue its growth journey. During the year, Xspray Pharma has grown from 17 to 20 employees. Including contracted consultants, the organization has grown by another 3 employees. In the coming years, Xspray Pharma sees a continued need for new recruitments.

Recruitment and introduction

Recruiting a new employee is a long-term investment. Gender equality and diversity are important in both the recruitment process and the daily work. All new employees are offered an introductory program adapted to their role, to learn the Company and the new colleagues in the best way.

During the year, the Company was able to attract senior employees with specialist knowledge in both drug development and administrative roles such as strategic development and investor relations. Several of the new employees and consultants have come from Xspray Pharma's employees broad business network. Xspray Pharma notes that there is great interest and high search pressure on the roles advertised.

Competence development

Xspray Pharma's goal is to have the best employees in the pharmaceutical industry. To achieve this goal, Xspray Pharma continuously reviews competences needed, encourages competence development and recruits employees who want to engage in the Company's interesting and challenging growth journey, greatly contributing to the Company's progress.

Work environment to thrive in

Without the skills and commitment of its employees, Xspray Pharma's operations cannot be conducted with high quality on a long-term basis. Therefore, a good work environment in which employees thrive is of great importance. During the year, Xspray Pharma increased the fitness allowance and continued its work with joint activities to increase the health and well-being of its employees.

In 2020, the importance of a good working environment has taken on a new meaning. Working with the work environment and well-being together has never been more important than during the current pandemic, when several of the Company's employees worked from home. Meetings, follow-ups and activities held digitally have therefore been intensified.

COVID-19

During the year, Xspray Pharma followed the authorities' recommendations and directives for how to handle the situation to minimize the spread of infection. The operations have been adapted, both in terms of the physical work environment for the employees and interactions with external suppliers and partners. The start of studies with the generic version of Sprycel® was slightly delayed due to the pandemic. Beside the delay, the Company has been able to continue its planned work with its product candidates.

“In 2020, the importance of a good working environment has taken on a new meaning. Working with the work environment and well-being together has never been more important than during the current pandemic.

Listing on Nasdaq Stockholm

Xspray Pharma was founded in 2003 and the Company's share has been quoted on Nasdaq Stockholm since March 27, 2020. Since 2017, the Company was listed on the Nasdaq First North Growth Market. The list change was a natural step towards commercialization of the Company's first product. The listing on a regulated market increases the Company's possibilities to attract interest from more institutional owners and international investors specializing in life sciences.

Share information

Xspray Pharma's share has been traded on Nasdaq Stockholm's main list since March 27, 2020 with the ticker XSPRAY and ISIN code SE0009973563. The initial listing was in the Small Cap segment, since January 4, 2021 the share was moved to the Mid Cap segment. The opening price at the list change was SEK 53.10 per share. As of December 31, 2020 there were 18,892,504 shares of the Company. The share is included in the healthcare sector at OMX Stockholm.

Listing on Nasdaq Stockholm

After intensive preparatory work in 2019 and in the beginning of 2020, Nasdaq Stockholm's Corporate Committee approved the Company's application for listing its shares on Nasdaq Stockholm's main list. The approval was conditional on the usual conditions being met, including the prospectus being approved and registered by Finansinspektionen. Xspray Pharma's last day for trading on Nasdaq First North Growth Market was March 26, 2020 and the first day for trading on Nasdaq Stockholm was thus March 27, 2020.

Share price performance and turnover

At year-end 2020, Xspray Pharma's market capitalization was SEK 3,665 million based on the closing price for the year of SEK 194.00. During the period between January 2, 2020 and March 26, 2020, 2,200,370 shares were traded on the First North Growth Market list with a total value of SEK 146 million. During the remaining period of the year, 12,584,004 shares were traded via Nasdaq Stockholm's main list with a total value of SEK 1,812 million.

Number of shareholders

According to the shareholder register maintained by Euroclear Sweden AB, as of 31 December 2020, Xspray Pharma had 5,372 shareholders (1,876). Information regarding shareholders and shareholdings is updated quarterly on the Company's website.

Owners as December 31, 2020	Number of shares	Percentage of shares & votes
Östersjöstiftelsen	2,500,826	13.2%
Ribbskottet	2,050,000	10.9%
Swedbank Robur Fonder	1,530,806	8.1%
Fjärde AP-fonder	1,498,500	7.9%
TIN Fonder	835,590	4.4%
Avanza Pension	762,068	4.0%
Unionen	726,000	3.8%
Handelsbanken Fonder	427,144	2.3%
Futur Pension	402,890	2.1%
Andra AP-fonden	394,738	2.1%
Total, ten largest owners	11,128,562	58.9%
Total, other shareholders	7,763,942	41.1%
Total numbers of shares	**18,892,504**	**100.0%**

Specific entitlements associated with shares

The Company has one share class, and the entitlements associated with the Company's shares, including the rights ensuing from the Articles of Association, may only be amended pursuant to provisions of the Swedish Companies Act (2005:551). Each share of the Company entitles its holder to one vote at AGMs. All parties entitled to vote at AGMs may vote for the full number of shares held.

Certified Adviser

Until listing on Nasdaq Stockholm, Xspray Pharma's Certified Adviser was Redeye AB.

New share issues

In October 2020, Xspray Pharma executed a private placement of 1,861,291 new shares at the subscription price of SEK 142.50 per share, resulting in the share capital increasing by SEK 1,861,291 kronor. This new share issue raised the Company approximately SEK 265 million before transaction expenses, and was for a limited group of Swedish and international institutional investors, including Andra AP-fonden, Tredje AP-fonden, Fjärde AP-fonden, Handelsbanken Fonder, Swedbank Robur Funds and TIN Ny Teknik fund

Share-based remuneration programs

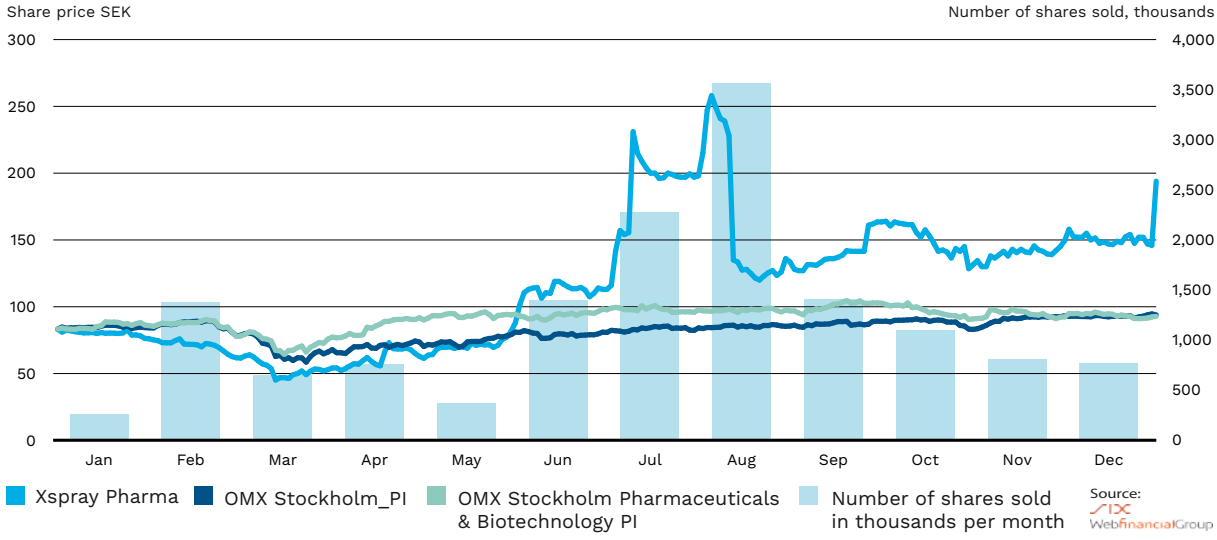
The Company has issued four incentive programs in the form of share warrants to employees and key individuals. During the year, warrants from two of the first warrant programs were exercised. The number of shares has thus increased by 279,591. For more information, see page 36 of the Board of Directors' Report.

Financial analysts monitoring the Company

Ludvig Svensson, Redeye
Naresh Chouhan, Intron Health

Year	Events	Increase in number of shares	Total number of shares	Change in Capital (SEK)	Capital after increase (SEK)	Quota value
2014	New share issue	104,768	1,243,783	104,768	1,243,783	1.00
2014	New share issue	80,323	1,324,106	80,323	1,324,106	1.00
2015	New share issue	43,354	1,367,460	43,354	1,367,460	1.00
2015	New share issue	1,849,000	3,216,460	1,849,000	3,216,460	1.00
2015	New share issue	100,000	3,316,460	100,000	3,316,460	1.00
2016	New share issue	660,000	3,976,460	660,000	3,976,460	1.00
2016	New share issue	2,380,000	6,356,460	2,380,000	6,356,460	1.00
2017	New share issue	6,000,000	12,356,460	6,000,000	12,356,460	1.00
2018	New share issue	1,350,000	13,706,460	1,350,000	13,706,460	1.00
2018	New share issue	1,370,000	15,076,460	1,370,000	15,076,460	1.00
2019	Nyemisssion	1,675,162	16,751,622	1,675,162	16,751,622	1.00
2020	Redemption of warrants	279,591	17,031,213	279,591	17,031,213	1.00
2020	New share issue	1,861,291	18,892,504	1,861,291	18,892,504	1.00

Share price and number of shares sold



Report of the Board of Directors

The Board of Directors and Chief Executive Officer of Xspray Pharma AB (publ), with registered office in Solna, Sweden, hereby present the annual accounts for the financial year 2020. These annual accounts have been prepared in Swedish currency (SEK), and rounded to the nearest thousand unless otherwise stated. Figures in brackets are for the corresponding period of the previous financial year. Xspray Pharma AB (publ) is mention as "Xspray Pharma" alternatively "The Company" unless otherwise stated.

Group structure

The group structure consists of the parent company Xspray Pharma AB (publ), corp. ID no. 556649–3671, and its wholly owned subsidiary, Xspray Pharma Futurum AB, corp. ID no. 559178–7642, both with registered offices in Solna. The address of the head office is Råsundavägen 12, 169 67 Solna, Sweden. Figures in the following section apply to the parent company unless otherwise stated, because all operations are conducted by the parent company.

Operations – general

Xspray Pharma AB (publ) is a product development company with several product candidates in clinical development. Utilizing the Company's innovative RightSize™ technology, Xspray Pharma develops improved and generic versions of already marketed pharmaceuticals, primarily protein kinase inhibitors for treating cancer. Protein kinase inhibitors (PKI) are the second-largest segment within cancer drugs, and continued high growth is forecast for them over the coming years. There were 55 approved protein kinase inhibitors on the US market in December 2020. Xspray Pharma's technology has the potential for application on the majority of these pharmaceuticals.

The business model is based on Xspray Pharma out-licensing its product candidates to larger companies, who have original drugs on the market, or to generic drug companies to market the Company's products. Xspray Pharma also intends to investigate the possibility of commercializing selected products with orphan drug designation in the US and intended for specialist treatment itself.

Xspray Pharma has been listed on Nasdaq Stockholm since March 27, 2020. Prior to that, the share was listed on Nasdaq First North Growth Market, Stockholm. During the year, Xspray Pharma has continually adapted the business for the current circumstances as a result of the Covid-19 pandemic. The start of studies with the generic version of Sprycel® was slightly delayed due to the pandemic. Beside the delay, the Company has been able to continue its planned work with its product candidates. Xspray Pharma takes the necessary steps to reduce the impact of the pandemic on the business and continuously follows the recommendations of the Swedish Public Health Authority (Folkhälsomyndigheten).

Significant events during the year

- In February, stability studies were initiated of the final HyNap-Dasa tablets, which amongs other forms the basis for the Company's ANDA application.
- In March, Xspray Pharma's production partner NerPharMa was notified by the Italian Medicines Agency (AIFA) of the full-scale production facility.
- In March, Nasdaq Stockholm's Corporate Committee approved Xspray Pharma's application to list the Company's shares on Nasdaq Stockholm's main market, the first trading day on Nasdaq Stockholm was March 27.
- In July, Xspray Pharma announced that the Company had signed an agreement with Pharmacare Premium Ltd., Malta, to build a new manufacturing unit in Malta.
- In August, the preliminary results from the first of two clinical trials comparing HyNap-Dasa with the reference product Sprycel® were announced. The data showed that the bioequivalence of HyNap-Dasa was not achieved due to low or non-existent absorption of Sprycel® in any of the the test subjects. The study was performed on healthy volunteers on an empty stomach.
- In August, 6-month data from the Company's stability study with commercially manufactured HyNap-Dasa tablets were published. Data from the study showed that the tablets meet the requirements specifications and that data can be used in a future ANDA application.
- In September, the preliminary results of the second of two clinical trials for HyNap-Dasa were announced. The study met statistical and formal bioevivalence requirements where HyNap-Dasa was compared with the reference product Sprycel®. The study was conducted on healthy volunteers under fed conditions.
- In October, a directed new issue of shares was made at a subscription price of SEK 142.50 per share. The issue raised approximately SEK 265 million before transaction costs and increased the number of shares by 1,861,291 to 18,892,504.
- In December, Xspray Pharma received HyNap-Nilo orphan drug status from the FDA for the treatment of chronic myeloid leukemia.
- In December, Xspray Pharma received positive results from a study with the improved version of HyNap-Dasa, during treatment with Omeprazole.

Significant events after the end of the reporting period

- As of January 4, 2021, the Company's shares were moved from Nasdaq Small Cap to the Mid Cap segment after a significant increase in share price during 2020.
- In January, Xspray Pharma announced results from the repeated fasting bioequivalence study conducted with HyNap-Dasa, the result did not show formal bioequivalence.
- In January, it was announced that CEO Per Andersson and other warrant holders subscribed for shares in Xspray Pharma through their respective exercise of the full number of warrants available in the warrant program LTIP 2015/2021.
- In February, the Nomination Committee of Xspray Pharma proposed to elect Anders Ekblom as new Chairman. The Nomination Committee further proposed to re-elect the former Board members and elect Anders Bladh as a new Board member. Resolutions will take place at the Annual General Meeting on May 20, 2021.
- In March, Xspray Pharma announced an update on the upcoming pivotal studies with its improved version of Sprycel® (dasatinib), based on the company's HyNap-Dasa formulation

No events causing restatements of the Income Statement and Balance Sheet have occurred between the reporting date and the date of approval of this Report.

Research and development activities

In 2011, Xspray Pharma realigned its business model from conducting contract research and development for other pharmaceutical companies to focusing on developing proprietary drugs based on its RightSize™ technology. Xspray Pharma has three product candidates in development; HyNap-Dasa, HyNap-Nilo and HyNap-Sora. All are generic or improved versions of established and marketed PKIs for treating cancer, with orphan drug status. During 2020, the Company has continued its work with the product candidates. For the Company's leading product candidate, HyNap-Dasa, bioequivalence studies has been conducted, see further information of product candidates under the section "PRODUCT PLATFORM".

Xspray Pharma is constantly seeking new patent windows by analyzing patent and business opportunities within the PKI area. Selected product candidates are planned to be ready for launch in connection to the opening of the respective PKI's patent window.

Xspray Pharma's operational first step strategy is to introduce the products in the US market and prepare selected product candidates for launch at favorable patent-specific timings. For more information, please see section "BUSINESS MODEL, GOALS AND STRATEGIES".

Financial overview

During previous year, 2019, corrections for previous periods were made due to incorrect classification of the Company's current fixed assets and depreciations. For further description, see Note 21 in the Annual Report of 2019.

The Group's numbers are consistent with the Parent Company's, except for the Group adjustments that are submitted in accordance with IFRS. The subsidiary consists solely of equity of SEK 50 thousand and remains dormant during 2020.

Revenue and results of operations (parent company)

Net sales for the full year were SEK – thousand (–). Sales are not expected to increase until the Company according to the current business plan obtains market approval of its first product or a business agreement is made. Total expenses for the full year were SEK –53,381 thousand (–46,589). The costs mainly consist of administration and sales expenses which amounted to SEK –47,194 thousand (–42,417) of the total operating costs. Of these, personnel costs classificed as administrative and sales costs amount to SEK –17,961 thousand (–12,354). The cost increase is due to a larger oganization, incresed research and development costs and costs related to the list change to Nasdaq Stocholm. increase to expenses for the Company's clinical programs, production facility and a larger organization. For 2020 overall, the Company reported an operating loss of SEK –53,381 thousand (–46,589). The net loss for 2020 was SEK –53,333 thousand (–45,796). Earnings per share for the full year were SEK –3.04 (–3.01). The corresponding figure for the Group was –3.05 (–3.01).

Financial position (parent company)

Total equity amounted to SEK 582,640 thousand (373,690) as of 31 December 2020, when the equity/asset ratio was 96 % (95). The total number of shares as of 31 December 2020 was 18,892,504 (16,751,622).

A private placement to a limited group of strategic and institutional investors was conducted in October 2020, raising approx. SEK 265 million for the Company before transaction costs. Xspray Pharma had SEK 325,548 thousand (209,822) of cash and cash equivalents as of 31 December 2020.

The Company's operations are mainly financed by equity and Xspray Pharma considers its financial position as healthy in relation to the Company's future development plans. Against the background of operations being in a pre-commercial stage without sales revenue, the Board of Directors has decided to propose to the AGM that no dividends are paid to shareholders in 2021.

Cash flow and investments (parent company)

Total cash flow for 2020 was an inflow of SEK 115,726 thousand (–11,394). Cash flow from operating activities was SEK –47,614 thousand (–33,338). The effect from working capital was SEK –1,483 thousand (8,890). Cash flow from investing activities was SEK –97,942 thousand (–93,005), the largest portion consisting of ongoing development expenditure that has been capitalized according to plan. Capitalized development expenditure for development activities, was SEK 231,512 thousand (141,414) as of 31 December 2020.

New investments in production machinery and production facility haven been made during the year.

Cash flow from financing activities was SEK 261,282 thousand (114,949). The increase i mainly attributable to the share issue which took place in October 2020, see above.

Group structure
The subsidiary Xspray Pharma Futurum AB, which the parent company acquired in late-2018, remains dormant. Accordingly, all business is conducted by parent company Xspray Pharma AB (publ).

Human resources & remuneration of senior executives
Organizational resources continued to expand in the year, and by the end of the financial year, the group had 20 (18) employees. The average number of employees was 20 (17). The subsidiary had no employees as of the reporting date. Xspray Pharma will offer market remuneration levels and employment terms that enable senior executives and core skills to be hired and retained.

All pension obligation should be defined contribution. For more information on remuneration and incentive programs, see below. Market level agreements between the Company and board members are in place. More information in note 7.

Nomination Committee
The Nomination Committee for the AGM 2021 has the following members:
- Gillis Cullin, appointed by Östersjöstiftelsen
- Johan Gyllenswärd, appointed by Ribbskottet AB
- Caroline Sjösten, appointed by Swedbank Robur Fonder
- Michael Wolff Jensen (Chairman of the Board)

In its work for the AGM, the Nomination Committee's goal has been to ensure that as a group, the Board of Directors possesses the necessary skills and experience to lead Xspray Pharma's operations and development successfully. The Nomination Committee applies provision 4.1 of the Swedish Code of Corporate Governance (the "Code"). Accordingly in this context, the Nomination Committee has especially considered the need for diversity in terms of skills, experience and backgrounds, considering factors including the Company's strategic development, governance and controls. The Nomination Committee has discussed the diversity perspective based on its opinion that they are essential to the composition of the Board of Directors, and the Nomination Committee intends to attain equal gender balance.

Prior to the AGM 2021, the Nomination Committee should consult on proposals regarding the election of a Chairman and other Directors, the election of a Chairman of the AGM, the election of auditors, a decision on fees and other related matters. The remuneration of senior executives is stated in note 7.

Environment
Xspray Pharma works actively to alleviate negative environmental impact and to develop as a sustainable company. Because the Company has no product sales, this does not impact the environment, but instead, puts its focus on responsible procurement of goods and services, manufacture, and on the consumption of energy and transportation.

Consistent with the Company's sustainability work, pure CO_2 is used in its manufacturing process, a residual product of other emission sources, such as brewing products, biogas or fertilizer manufacture. For more information, please see section "SUSTAINABILITY".

Work of the Board of Directors
The Company's Board of Directors has six regular members including the Chairman, elected by the AGM for the period until the end of the AGM 2020. The AGM in May 2020, the board member Hans Arwidsson resigned. The Board of Directors met 21 (15) times in 2020.

The Board of Directors has duties including formulating goals and strategies, internal controls, ensuring procedures and systems are in place for measuring predetermined goals, continuously evaluating the Company's results of operations and financial position, and appraising executive management. The Board of Directors follows written rules and procedures that are revised yearly and adopted at the Board meeting following election each year. The rules of procedure regulate items including the functions of the Board of Directors and segregation of duties between the Board of Directors and CEO, and where appropriate, between the Board of Directors and various Committees.

Action logs record the work of the Board of Directors. The Board of Directors appraises its own, its Committees and the CEO's work yearly, as well as the Company's internal controls and financial reporting.

The share and ownership
The share has been trading on Nasdaq Stockholm with the ticker XSPRAY since 27 March 2020. Prior to that, First North Growth Market since 28 September 2017. The share's price on the list change day was SEK 53.10. As of 31 December 2020, the Company had 18,892,504 (16,751,622) shares. The share is a constituent of the following index: OMX Stockholm Pharma & Biotech PI.

All shares are ordinary shares and have equal rights to the Company's earnings, and each share carries one vote at the AGM. All shareholders entitled to vote may vote at the AGM for the full number of shares held or represented, without limitation of the number of votes.

Östersjöstiftelsen and Ribbskottet are the shareholders with the highest holdings of shares and votes over 10%. Östersjöstiftelsen's holdings were 13.2%, and Ribbskottet's were 10.9% as of 31 December 2020.

New share issues
In the final quarter of 2020, the Company executed the private placement of 1,861,291 new shares at a subscription price of SEK 142.50 per share, implying the share capital increasing by SEK 1,861,291. This private placement was to a limited group of strategic and institutional investors, and raised the Company approx. SEK 265 million before transaction costs.

The board of directors' proposal for guidelines for executive remuneration
The Company's members of the executive management, including the CEO, and board members fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption

of the guidelines by the annual general meeting 2021. These guidelines do not apply to any remuneration decided or approved by the general meeting.

The guidelines' promotion of the Company's business strategy, long-term interests and sustainability

In short, the Company's business strategy is the following
Xspray Pharma AB is a product development company with multiple product candidates in clinical development. Xspray Pharma uses its innovative, patented RightSize™ technology to develop improved and generic versions of marketed drugs, primarily PKIs for the treatment of cancer. The segment is the second largest in oncology, and drug prices are very high. The Company´s innovative technology allows Xspray Pharma to gain entry as the first competitor to today's original drugs before the secondary patents expire. For more information regarding the Company's business strategy, please see page 8–11.

A prerequisite for the successful implementation of the Company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the Company is able to recruit and retain qualified personnel. To this end, it is necessary that the Company offers competitive remuneration. These guidelines enable the Company to offer the executive management a competitive total remuneration.

Long-term share and share-price related incentive plans have been implemented in the Company. The plans include among others members of the executive management, including the CEO, employees in the Company and certain board members. The performance criteria used to assess the outcome of the plans are distinctly linked to the business strategy and thereby to the Company's long-term value creation, including its sustainability. Previous long-term share and share-price related incentive plans have been, and future long-term share and share-price related incentive plans will be, resolved upon by the general meetings and are therefore excluded from these guidelines.

Variable cash remuneration covered by these guidelines shall aim at promoting the Company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.
The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Additionally, the general meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 50 per cent of the fixed annual cash salary.

Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 100 percent of the fixed annual cash salary and may not be paid more than once each year per individual. Any resolution on such remuneration shall be made by the board of directors based on a proposal from the remuneration committee.

For the CEO, pension benefits, including health insurance (Sw. sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 25 per cent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium defined. The pension premiums for premium defined pension shall amount to not more than 35 per cent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw. sjukvårdsförsäkring) and company cars. Such benefits may amount to not more than 15 per cent of the fixed annual cash salary.

Termination of employment
If notice of termination of employment is made by the Company, the notice period may not exceed nine months. Severance pay may only be paid in case of certain specific and pre-defined events, whereby the severance pay may not exceed twelve months' fixed salary. If notice of termination of employment is made by the executive, the notice period may not exceed six months and the executive shall not be entitled to severance pay, unless in case of certain specific and pre-defined events in which case the Company shall be able to extend the notice period up to nine months and make severance payments up to twelve months' fixed salary.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 per cent of the average monthly income during the last twelve months before the termination and be paid during the time the non-compete undertaking applies, however not for more than twelve months following termination of employment.

Criteria for awarding variable cash remuneration, etc.
The variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. The performance criteria are recommended by the remuneration committee and decided by the board on an annual basis. The criteria can be linked to the development of the Company's share price and/or the development and progression of the Company's product candidates. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the Company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The

remuneration committee is responsible for the evaluation of the remuneration to the members of the executive management, including the CEO. For financial objectives, the evaluation shall be based on the latest financial information made public by the Company.

Salary and employment conditions for employees

In the preparation of the board of directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the board of directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable. The development of the gap between the remuneration to executives and remuneration to other employees will be disclosed in the remuneration report.

The decision-making process to determine, review and implement the guidelines

The board of directors has established a remuneration committee. The committee's tasks include preparing the board of directors' decision to propose guidelines for executive remuneration. The board of directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the Company. The members of the remuneration committee are independent of the Company and its executive management. The CEO and other members of the executive management do not participate in the board of directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Deviation from the guidelines

The board of directors may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a if it is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As set out above, the remuneration committee's tasks include preparing the board of directors' resolutions in remuneration-related matters. This includes any resolutions to deviate from the guidelines.

Incentive programs

The Company has issued four series of warrants to senior executives and other key individuals, of which one of them was fully utilized in 2020.

The three remaining warrant programs were measured at market value by applying the Black & Scholes valuation model as of their grant dates. See also information on note 7.

Warrant program 2015/2021

The warrant program 2015/2021 ("LTIP 2015/2021") was approved by the Board of Directors on 15 December 2015 and involves 255,000 warrants. The warrants can be exercised during the periods January 1–21, or August 1–21, 2016, January 1–21, or August 1–21 August 2017, January 1–21, or August 1–21, 2018, January 1–21, or August 1–21 2019, January 1–21, 2020 or 1–21, 2020, and January 1–21, 2021. Full exercise of granted warrants could cause dilution of 1.50%, based on the number shares of the Company.

Warrant program 2017/2020

The warrant program 2017/2020 was adopted by the AGM on 31 March 2017 and involves 199,591 warrants. All warrants were redeemed by all holders in August 2020.

Warrant program 2018/2022

The warrant program LTI 2018 was adopted by the AGM on 28 November 2018 and involved 234,505 warrants. 20,583 warrants within the program LTI 2018 were cancelled in 2019. Subsequently, this program involves 231,922 warrants. These warrants can be exercised in the period 1 December 2021 until 17 January 2022 inclusive. Full exercise of granted warrants could cause dilution of 1.26%, based on the number shares of the Company.

Warrant program 2020/2023

The warrant program LTI 2020 was adopted by an extraordinary General Meeting on March 26, 2020 and involved 79,074 warrants. LTI 2020 included 5 employees, including the Company's CFO. The value per warrant was calculated at SEK 4.86 based on a subscription price per share of SEK 89.10.

Operations and future prospects

Xspray Pharma AB (publ) is a product development company with several product candidates in clinical development. Utilizing the Company's innovative RightSize™ technology, Xspray Pharma develops improved and generic versions of marketed pharmaceuticals, primarily PKIs (protein kinase inhibitors) for treating cancer. Sales of PKI drugs are some 25% of the total oncology market, a segment with very high pricing. Using the Company's RightSize™ technology, Xspray Pharma can enter as the first competitor to current original drugs by out-licensing, before secondary patents expire. Xspray Pharma's goal is to be a leader in developing improved drugs or generics of already marketed PKIs for treating cancer.

At the end of 2020, there were 55 approved PKI:s in the U.S. market. The technology has been tested on more than twenty PKI:s with good results. The Company's first product candidates, HyNap-Dasa, HyNap-Nilo and HyNap-Sora, are stable amorphous versions of the three blockbuster cancer drugs Sprycel® (dasatinib), Tasigna® (nilotinib), and Nexavar® (sorafenib). HyNap-Dasa, the leading product candidate, is in the final stages of the development of a generic as well as an improved version of the original drug. The U.S substance patent for the original drug Sprycel® (dasatinib) expired at the end of 2020, and the secondary

patents in 2026, which offers HyNap-Dasa a period of several years in a unique position before other competitors gain access to the market. A careful selection process determines which new PKI:s will become future product candidates and be included in the Company's pipeline when manufacturing capacity is possible. The Company has patented the manufacturing technology, the equipment, and the resulting products.

Risks and uncertainty factors

Business risks

Business risks are primarily associated with development work. If bioequivalence studies on healthy trial subjects that Xspray Pharma conducts do not demonstrate bioequivalence, or if their safety profile is not approved by regulators, there is a risk of significant delays. Manufacture by providers of clinical trial materials and materials for stability studies may also be delayed. These delays may depend on difficulties in securing the relevant permits from drug regulators for manufacturing pursuant to GMP standards, or technical problems with the manufacturing process.

If the development of product candidates, or a pharmaceutical study, are delayed, this generally means projects becoming more costly because development expenses continue for longer than planned. This may mean expected revenues are not received on schedule, which may impact the Company's operations and financial position negatively.

When a pharmaceutical gains approval, the risk that sales do not meet expectations and that the product does not become commercially successful, remain. There is a risk that Xspray Pharma will be subject to lawsuits from original drug companies for patent infringement, and risks up to 18 months' prevention of launch of its products. Xspray Pharma works actively to reinforce its patent portfolio to protect against such delays.

Legal risks

The Company conducts its operations in an industry where legal proceedings occur to a large extent. Xspray Pharma's competitors are partly companies that currently have approved and fully developed drugs within the same area as Xspray Pharma's products, which entails an inherent risk that the companies owning the original drug will initiate legal proceedings against Xspray Pharma for patent infringement, or on other grounds, to prevent Xspray Pharma's operations.

Financial risk management and the Company's asset management procedures

Through its operations, the Company is exposed to various financial risks such as market risk, credit risk and liquidity risk. Primarily, market risk consists of currency risks. The Company collaborates with international parties and there is some exposure to fluctuations in different currencies, mainly the USD and EUR. Currency risk arises in future business transactions and in reported assets and liabilities. The scope of the Company's operations means that at present, its net foreign currency exposure is limited.

Credit risk in cash and cash equivalents is considered negligible, because counterparties are reputable banks with high credit ratings from external institutes. Financing risk is the ability to fund projects until commercialization. Liquidity risk is the Company being unable to meet its commitments. The Company manages this risk by continuously monitoring its cash flow to reduce liquidity risk and ensure solvency. The Company does not conduct active trading in financial assets for speculation. The goal of asset management is for operations to be financed with equity.

Year summary

Group	2020	2019
Net sales (SEK thousand)	-	-
Profit/loss before tax (SEK thousand)	-52,410	-45,771
Basic earnings per share (SEK)	-3.05	-3.01
Diluted earnings per share, (SEK)	-3.05	-3.01
Development expenses, % of operating expenses (%)	-11.9	7.3
Cash and cash equivalents (SEK thousand)	325,598	209,872
Total assets (SEK thousand)	605,303	400,672
Equity/assets ratio (%)	96.2	93.3
No. of employees	20	17

For definitions of key ratios, see note 26.

Parent company	2020	2019	2018*	2017*	2016*
Net sales (SEK thousand)	-	-	277	332	792
Profit/loss before tax (SEK thousand)	-52,233	-45,796	-20,691	-13,817	-4,782
Basic earnings per share (SEK)	-3.04	-3.01	-1.52	-1.74	-1.15
Diluted earnings per share, (SEK)	-3.04	-3.01	-1.52	-1.74	-1.15
Development expenses, % of operating expenses (%)	11.7	7.2	14.8	29.0	38.3
Cash and cash equivalents (SEK thousand)	325,548	209,822	221,216	115,512	28,803
Total assets (SEK thousand)	600,472	395,316	315,306	160,109	51,176
Equity/assets ratio (%)	97.0	94.5	96.6	96.4	89.5
No. of employees		17	11	6	6

** Comparative figures in 2018–2016 have been restated to correct misstatement dring 2019. For more information see note 21 in the Annual Report for 2019.*

Dividend policy

The Board of Directors does not intend to propose any dividends to shareholders until the Company can generate long-term sustainable profitability and a positive cash flow. The Board of Directors' opinion is that the Company should maintain its focus on continued development and expansion of its project portfolio. Accordingly, available financial resources and reported results of operations should be reinvested in operations to finance the Company's long-term strategy. Any future dividends and their scale will be determined on the basis of the Company's long-term growth, earnings performance and capital requirements considering adopted goals and strategies. Where proposed, dividends will be well-balanced in terms of the Company's goals, scope and business risk.

Proposed appropriation of profits (SEK):

The following funds are at the disposal of the Annual General Meeting:

Share premium reserve	709,407,502
Profit/loss brought forward	-325,815,590
Profit/loss for the year	-52,333,438
Total	**331,258,474**

Board of Directors proposes that these funds are appropriated as follows:

Share premium reserve	709,407,502
Profit/loss brought forward	-378,149,028
Carried forward	**331,258,474**

Corporate Governance Statement

Xspray Pharma AB is a Swedish public limited Company, whose shares have been traded on Nasdaq Stocholm, since 27 March, 2020. Before that, the shares were listed on Nasdaq First North Growth Market, Stockholm, since 2017. The Company is governed by the Articles of Association, the Swedish Companies Act, the rules of Nasdaq Stockholm, the Swedish Corporate Governance Code (the Code) and other applicable laws and rules. There are no deviations from the Code's rules to report for the financial year of 2020. The corporate governance report has been reviewed by the Company's auditor, in accordance with the Swedish Annual Accounts Act.

On March 18, 2020, Nasdaq Stockholm's Corporate Committee approved Xspray Pharma's application to list the shares on Nasdaq Stocholm's main list. The first day of trading on the new list took place on March 27, 2020.

Since its IPO on Nasdaq First North Growth Market, the Company's corporate governance has been based on Swedish law, the Company's Articles of Association, internal regulations and ordinances, generally accepted stock market practice, and in those sections deemed relevant to the company, according to the Swedish Code of Corporate Governance (the "Code").

The Company has continued to fully apply the Code in 2020.

Shareholders

Xspray Pharma's shares are listed on Nasdaq Stockholm, since 27 March, 2020. Share capital as of 31 January 2020 consisted of 18,892,504 shares with a quota value of SEK 1.00. As of 31 December 2020, Östersjöstiftelsen and Ribbskottet AB were shareholders with holdings of at least one-tenth of the votes for all shares of the Company. Östersjöstiftelsen's holdings of shares and votes were 13.2%, and Ribbskottet AB's holdings were 10.9% at year-end.

All shares are ordinary shares and carry equal rights to the Company's earnings, and to one vote at the AGM. All parties entitled to vote at the AGM may do so for the full number of shares held or represented, without limitation of the number of votes.

Annual General Meeting (AGM)

Pursuant to the Swedish Companies Act (2005:551), the AGM is the Company's chief decision-making body. Shareholders exercise their voting rights at AGMs. AGMs must be held within six months of the end of each financial year. Extraordinary General Meetings (EGMs) may also be convened in addition to AGMs. Apart from Solna, where the Company has its registered office, the Articles of Association allow AGMs to be held in Stockholm.

Pursuant to the Company's Articles of Association, invitations to AGMs should be through an announcement in the Swedish Official Gazette, and by an invitation being uploaded on the Company's website. Simultaneous with the invitation, the company should announce that the invitation has been made through an advertisement in Swedish daily newspaper Svenska Dagbladet.

Shareholders recorded in the share register five days prior to the AGM, and that have notified the Company by that date and time stated in the invitation to the Meeting, are entitled to participate. Such day may not be a Saturday, Sunday, other public holiday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not occur earlier than five days prior to the Meeting.

AGM 2020

Xspray Pharma's AGM 2020 was held on 14 May 2020 in Stockholm. Apart from customary business, the AGM made the following resolutions;

- To re-elect Michael Wolff Jensen, Maris Hartmanis, Carl-Johan Spak and Torbjörn Koivisto, Gunnar Gårdemyr and Christine Lind as Directors for the period until the end of the following AGM, and
- To re-elect Michael Wolff Jensen as Chairman of the Board for the period until the end of the following AGM.
- To elect registered public accounting firm KPMG AB as auditor, with Duane Swanson as Auditor in Charge.
- In accordance with the Nomination Committee´s proposal for the appointment of the Nomination Committee. In terms, the principles mean that the Nomination Committee shall consist of the Chairman of the Board and a representative of each of the three largest shareholders based on the ownership in the Company as of 30 September.
- To authorize the Board of Directors to take decisions on new share issues on one or more occasions in the period until the following AGM, corresponding to a maximum of 10% of the total number of shares of the Company at the time of the AGM resolution.

AGM 2021

The AGM will be held on Thursday, 20 May 2021. The invitation will be published in a press release and an announcement in the Swedish Official Gazette, and in Svenska Dagbladet, and published on Xspray Pharma's website.

Due to the ongoing pandemic, the Board of Directors has decided that the EGM should be executed without physical presence of shareholders, proxies or external participants and that voting may only be done by post prior to the EGM.

Shareholders wishing to have a matter considered by the AGM should make a written request to the Nomination Committee by no later than seven weeks prior to the AGM. The Nomination Committee can be contacted by mail at: Xspray Pharma AB, Råsundavägen 12, 169 67 Solna, Sweden, or by email to: generalmeeting@xspray.com, write "Valberedningen" in the subject line.

For entitlement to participate in the AGM, shareholders must:

- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB as of Thursday 12 May 2021.
- notify the Company of their intention to participate by voting in advance at the AGM by no later than Friday 11 May 2021. Notifications can be by mail to: Xspray Pharma AB, Råsundavägen 12, 169 67 Solna, Sweden, or email to: generalmeeting@xspray.com

Nomination Committee

Companies that comply with the Code must have a Nomination Committee. Pursuant to the Code, the AGM should appoint the members of the Nomination Committee, or state how members are to be appointed. Pursuant to the Code, the Nomination Committee should have a minimum of three members, and a majority of them should be independent of the company and its management. At least one member of the Nomination Committee should also be independent of the largest shareholder in terms of the vote, or that group of shareholders that collaborate on the Company's administration.

The Nomination Committee has especially considered the need for diversity in terms of skills, experience and backgrounds, considering factors including the Company's strategic development, governance and controls. The Nomination Committee has discussed the diversity perspective based on its opinion that they are essential to the composition of the Board of Directors, and the Nomination Committee intends to attain equal gender balance.

Instructions for the work and composition of the Nomination Committee

Pursuant to a resolution by the Company's AGM on 14 May 2020, the Chairman of the Board should make contact with the three largest shareholders of the Company in terms of votes according to Euroclear Sweden AB's printed register as of 30 September, who should each be offered the opportunity to appoint a member, who will make up the nomination committee jointly with the Chairman of the Board. If one of these shareholders does not exercise its right to appoint a member, entitlement to appoint such member defers to the next largest shareholder in terms of votes that has not already been entitled to appoint a member of the Nomination Committee. This process should continue until the Nomination Committee consists of three members apart from the Chairman of the Board. If the Nomination Committee does not decide otherwise, the Chairman of the Nomination Committee should be the member representing the largest shareholder in terms of the vote. The Chairman of the Board may not serve as Chairman of the Nomination Committee.

The names of the Nomination Committee members should be published as soon as the Nomination Committee is appointed, although by no later than six months prior to the following AGM. The Nomination Committee is appointed for a term of office from the time when its composition is published until a new Nomination Committee has been appointed.

If changes to the Company's ownership structure occur after 30 September, but before the Nomination Committee's complete proposals for resolution have been published, and if a shareholder, who after this change, is one of the three largest shareholders in terms of votes, expresses a wish to become a member of the Nomination Committee to the Chairman of the Nomination Committee, that shareholder shall be entitled to appoint one further member of the Nomination Committee. Additionally, the Nomination Committee can decide that a member that has become significantly smaller than the third largest shareholder in terms of the vote of the company should leave the Nomination Committee if considered appropriate.

If a member leaves the Nomination Committee during its term of office, or if such member is unable to render service, the Nomination Committee should require that shareholder that has appointed said member to appoint a new member in a reasonable time. If said shareholder does not exercise its right to appoint a new member, that right defers to the next largest shareholder in terms of the vote that has not already appointed or declined to appoint a member of the Nomination Committee. Alterations to the composition of the Nomination Committee should be published as soon as they have occurred.

The Nomination Committee should consult on proposals on the following issues to be presented to the AGM for resolution:

- Proposal for a Chairman of the AGM,
- Proposal for a Board of Directors,
- Proposal for a Chairman of the Board,
- Proposal for Directors' fees, divided between the Chairman and other Directors,
- Proposal for fees for members of the Remuneration and Audit Committees (where applicable),
- Proposal for an auditor,
- Proposal for remuneration of the auditor, and
- where considered necessary, proposals for amending applicable rules for the Nomination Committee.

There are no specific provisions of the Articles of Association regarding appointing and dismissing Directors and on amending the Articles of Association.

Nomination Committee for the AGM 2021

The members of the company's Nomination Committee for the AGM 2021 are

- Gillis Cullin, appointed by Östersjöstiftelsen
- Johan Gyllenswärd, appointed by Ribbskottet AB
- Caroline Sjösten, appointed by Swedbank Robur Fonder
- Michael Wolff Jensen (Chairman of the Board)

Board of Directors

The Board of Directors is the Company's chief decision making body after the AGM. The Swedish Companies Act stipulates that the Board of Directors is responsible for the Company's administration and organisation, which means that the Board has duties including setting goals and strategies, ensuring procedures and systems for evaluating predetermined goals are in place, continuously evaluating the Company's results of operations and financial position, and appraising executive management. The Board of Directors is also responsible for ensuring that annual accounts and interim reports are prepared on time. The Board of Directors also appoints the Company's CEO.

Directors are normally appointed by the AGM for the period until the end of the following AGM. Pursuant to the company's Articles of Association, the Board of Directors, to the extent elected by the AGM, should have a minimum of three and a maximum of seven Directors, with a minimum of zero and maximum of two Deputies. The Chairman of the Board should be elected by the AGM and has special responsibility for leading the Board of Directors' work, and for this work being well organized and conducted efficiently.

The Board of Directors meets according to a predetermined schedule. In addition to these meetings, other meetings may be convened to consider issues that cannot be dealt with at scheduled Board meetings. The CEO and CFO participate in the majority of the number of Board meetings. In addition to Board meetings, the Chairman and CEO maintain a continuous dialogue on the Company's management. The Board of Directors complies with written rules of procedure that are revised yearly and adopted at the Board meeting following election in each year. The rules of procedure formalize activities including the Board's practices, functions and the segregation of duties between Directors and the CEO. At the Board meeting following election, the Board of Directors also adopts instructions for the CEO, and for financial reporting.

Remuneration Committee

Xspray Pharma has established a Remuneration Committee with three members: Michael Wolff Jensen (Chairman), Gunnar Gårdemyr and Torbjörn Koivisto. The duties of the Remuneration Committee are formalized by the company's rules of procedure for the Remuneration Committee. This Committee consults on issues including the Board's decisions on remuneration principles, compensation and other employment terms for the CEO and senior executives.

Audit Committee

Xspray Pharma has established an Audit Committee with three members: Maris Hartmanis (Chairman), Christine Lind and Carl-Johan Spak. The duties of the Audit Committee are formalized by the Company's rules of procedure for the Audit Committee. This Committee's duties include continuously monitoring and appraising the work of the auditors on behalf of the Board of Directors. The Audit Committee should review and monitor auditor independence and impartiality. Additionally, the Audit Committee should consult on matters relating to the Company's accounting and internal controls, risk management, external audit and financial information.

Remuneration of Directors

Remuneration to Xspray Pharma's Directors is resolved by the AGM. The AGM on 14 May 2020 approved the Nomination Committee's proposals that the following Directors' fees would be payable: SEK 350,000 to the Chairman of the Board, SEK 175,000 to each of the other Directors, SEK 45,000 to the Chairman of the Audit Committee and SEK 20,000 each to the Audit Committee's other members, and SEK 30,000 to the Chairman of the Remuneration Committee, and SEK 15,000 to the Remuneration Committee's other members.

Work of the Board of Directors in 2020

In 2020, the Board of Directors held 21 meetings where minutes were taken. Individual Directors' participation at these meetings is stated in the table below. All the year's meetings followed an approved agenda, which Directors received before Board meetings. The CEO and CFO participate at the greater part of Board meetings. The Board annually preforms a self-assessment. The Self-assessment is designed to follow up the annual performance. Board meetings include a review of current business status, the

Name	Position	Elected	Independent in relation to		Attendance, Board meetings
			The Company and Company management	Major shareholders	
Michael Wolff Jensen	Chairman of the Board	2013	Yes	Yes	21 (21)
Hans Arwidsson	Board member (resigned 14 May)	2006	Yes	Yes	10 (21)
Maris Hartmanis	Board member	2015	Yes	Yes	21 (21))
Torbjörn Koivisto	Board member	2017	Yes	Yes	21 (21)
Carl-Johan Spak	Board member	2015	Yes	Yes	21 (21)
Gunnar Gårdemyr	Board member	2019	Yes	Yes	20 (21)
Christine Lind	Board member	2019	Yes	Yes	20 (21)

Company's results of operations and financial position, and outlook for the remainder of the year. The work of the Board of Directors in the year largely focused on:

- Developing the project portfolio
- The Company's clinical phase I (pivotal) studies on HyNap-Dasa
- Strategy, business development and business intelligence
- Financial performance and raising capital
- Interim reports, annual financial statement and annual accounts

Chief Executive Officer and other senior executives

The CEO is subordinate to the Board of Directors and is responsible for the Company's continuous administration and daily operation. The segregation of duties between the Board of Directors and CEO is stated in the rules of procedure for the Board of Directors and instructions for the CEO. The CEO is also responsible for preparing financial statements and compiling information from management for Board meetings, and presents this material at Board meetings. Pursuant to the instructions for financial reporting, the CEO is responsible for the Company's financial reporting, and consequently, should ensure that the Board of Directors receives sufficient information for the Board to be able to evaluate the Company's financial position continuously.

They CEO should keep the Board of Directors continuously informed on progress of the Company's operating activities, of its sales, the Company's results of operations and financial position, the liquidity and credit position, significant business events, and each other event, circumstance or relationship that could be assumed to be of material significance to the Company's shareholders.

The CEO and other senior executives are presented on page 58–60.

Audit

The auditor should review the Company's annual accounts and accounting records, and the Board of Directors' and CEO's administration.

The auditor should present an audit report to the AGM after each financial year.

Pursuant to the Company's Articles of Association, the Company should have a minimum of one and a maximum of two auditors, and a minimum of zero and maximum of two Deputy Auditors. The Company's auditor is KPMG AB, with Duane Swanson as Auditor in Charge. The Company's auditor is presented above under the heading "Board of Directors, CEO and auditors."

Total compensation to the company's auditors in 2020 was SEK 391 thousand (250), see note 6.

Internal controls

Pursuant to the Swedish Companies Act and the Swedish Annual Accounts Act, the Board of Directors is responsible for internal controls. The purpose of internal controls is to achieve expedient and effective operating activities, ensure reliable financial reporting and information on operating activities, and compliance with applicable laws, regulations, policies and guidelines.

The Company's internal controls are based on principles produced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Internal controls over financial reporting

Internal controls over financial reporting are designed to create reasonable reliability and assurance in financial reporting and to ensure that external financial reporting complies with applicable laws and accounting standards. The Board of Directors bears ultimately responsibility for internal controls, and evaluates the Company's risk management controls continuously through the Audit Committee.

The Company ensures internal controls over financial reporting through qualitative and quantitative analysis of the Consolidated Balance Sheet and Consolidated Income Statement. The purpose of the quantitative analysis is to identify risks associated with material and transaction-intensive items. The qualitative analysis is intended to identify risks associated with complexity and impropriety. Based on the outcome of this analysis, significant financial processes and risks have been identified.

The Company has designed procedures and activities to monitor financial reporting and ensure that any misstatements are discovered and rectified. Key controls have been designed and followed up as part of the work of maintaining good internal controls.

Control environment and risk assessment

The Company's control environment sets a framework for the orientation and culture the Company's Board of Directors and Management communicate to the organization. To ensure expedient risk management and good internal controls, over and above policy documents such as the Board of Directors' rules of procedure, instructions for the CEO and associated delegation schedule and approvals list, the Company has adopted a number of internal guidelines, business processes and procedures.

Additionally, the Board of Directors has established an Audit Committee whose main duty is to monitor the Company's financial position, the effectiveness of the Company's internal controls, internal audit and risk management to stay informed on the audit of the annual accounts and consolidated accounts, and review and monitor auditor impartiality and independence. Responsibility for continuous work on internal controls over financial reporting has been delegated to the Company's CEO.

Each year, the company's group management should conduct a risk assessment regarding strategic, operational, legal and financial risks with the aim of identifying potential problem areas, and assess the company's risk exposure. The risk assessment includes identifying risks that may arise and could prevent the company from realizing its vision and achieving its goals, for example if the fundamental requirements of the Company's financial reporting are not satisfied. Within each risk segment, the individual responsible for each risk segment identifies risks and the potential

consequences, as well as likelihoods, and proposes actions. The Audit Committee is responsible for continuously evaluating the Company's risk situation and should support the Board of Directors by making proposals for managing the Company's financial risk exposure and risk management.

Control activities

The Board of Directors has adopted a risk management policy to identify and manage the risks associated with the Company's operating activities. Risk management is a high priority within the company. The Board of Directors bears ultimate responsibility for risk management. The Company's risk situation should be evaluated each year, with an action plan then produced. The Company has based its control environment on the risks identified during the risk assessment process. The Company has also appointed process owners who are responsible for individual processes. The CEO and other senior executives all participate in ongoing work in managing risk associated with operating activities.

The Company has formulated procedures and activities to monitor financial reporting and ensure that any misstatements are discovered and rectified. These activities include monitoring and comparing earnings performance with accounting items, account reconciliations and balance specifications, as well as approvals of banking transactions and collaborative agreements, powers of attorney and approvals lists, as well as accounting and valuation policies. The Company's CFO plays a key role in analyzing and monitoring the Company's financial reporting and results of operations. Access to the accounting system is limited by authority, responsibility and role.

Information and communication

The Company also has internal control functions for information and communication intended to ensure accurate financial and other corporate information is communicated to employees and other stakeholders.

The Company's internal instructions and policies are available to all staff and offer detailed information on applicable procedures in all parts of the Company, and review the control functions and how they are implemented.

Monitoring

Compliance and effectiveness of internal controls is regularly monitored. The CEO ensures that the Board of Directors receives regular reports on progress of the Company's operating activities including progress of the Company's results of operations and financial position, and information on significant events, such as research outcomes and important agreements and contracts. The CEO reports on these issues to the Board of Directors. The Company's compliance with applicable policies and control documents, as well as the effectiveness of internal controls, are subject to annual review. The outcome of this evaluation is compiled by the Company's CEO and reported to the Board of Directors each year. The Board of Directors discusses all interim reports and annual accounts prior to their publication and monitors the review of internal controls through the Audit Committee. The Audit Committee supports the Board of Directors by consulting on issues and offering the Board of Directors support in its work on performing its duties within the segments of internal and auditing, as well as quality-assuring the Company's financial reporting.

Financial Statements

Consolidated Income Statement

Amount in SEK thousand	Note	2020	2019
Net sales		-	-
		-	**-**
Other operating income	4	1,364	374
Research and development expenses		-6,549	-3,429
Administration and sales expenses	6	-47,101	-42,327
Other operating expenses	5	-1,171	-1,182
Operating loss	3	**-53,457**	**-46,564**
Finance income	8	1,053	862
Finance costs	9	-6	-69
Finance net		**1,047**	**793**
Loss before Income tax		**-52,410**	**-45,771**
Tax	10	-	-
Loss for the year*		**-52,410**	**-45,771**
Earnings per share for the period before dilution, SEK	28	-3.05	-3.01
Earnings per share for the period after dilution, SEK		-3.05	-3.01
Average number of shares before dilution		17,211,467	15,216,057
Average number of shares after dilution		17,679,463	15,670,648

Consolidated Statement of Comprehensive Income

Amount in SEK thousand	2020	2019
Loss for the year	**-52,410**	**-45,771**
Other comprehensive income	-	-
Total comprehensive income for the year*	**-52,410**	**-45,771**

**The profit for the year and the profit of the comprehensive income are entirely attributable to the Parent Company's shareholders.*

Consolidated Balance Sheet

Amount in SEK thousand	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	11	231,618	141,515
Patent	12	-	-
Total intangible assets		**231,618**	**141,515**
Property, plant and equipment			
Machinery and installations	13	20,746	26,465
Right-of-use assets	14	5,207	6,831
Equipment	15	970	1,266
Fixed assets under construction and prepayments	16	15,746	8,467
Total Property, plant and equipment		**42,669**	**43,030**
Financial assets			
Financial investments		1	1
Total financial assets		**1**	**1**
Total non-current assets		**274,288**	**184,545**
Current assets			
Current tax asset		546	421
Current receivables	18	2,121	5,017
Prepaid expenses and accured income	19	2,750	816
Cash and cash equivalents	20	325,598	209,872
Total current assets		**331,015**	**216,126**
TOTAL ASSETS		**605,303**	**400,672**

Consolidated Balance Sheet *cont.*

Amount in SEK thousand	Note	31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES			
Equity	21		
Share capital		18,893	16,752
Other contributed capital		709,407	450,266
Reserves		976	976
Retained earnings including loss for the year		-146,689	-94,279
Total equity attributable to the Parent Company's shareholders		**582,587**	**373,715**
Non–current liabilities			
Lease liabilities	14	2,898	4,454
Total non-current liabilities		**2,898**	**4,454**
Current liabilities			
Trade accounts payable	18	8,438	11,876
Lease liabilities		1,958	876
Other current liabilities		768	743
Accrued expenses and deferred income	22	8,627	9,007
Total current liabilities		**19,818**	**22,503**
TOTAL EQUITY AND LIABILITIES		**605,303**	**400,672**

Consolidated Statement of Changes in Equity

Amount in SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings including profit/loss for the period	Total Equity
Opening balance as of January 1, 2019	**15,076**	**336,991**	**976**	**-48,506**	**304,537**
Loss for the year	-	-	-	-45,771	**-45,771**
Other comprehensive income for the year	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-45,771**	**-45,771**
Transactions with shareholders					
New share issue	1,675	120,612	-	-	**122,287**
Transaction costs	-	-7,337	-	-	**-7,337**
Total	**1,675**	**113,275**	**-**	**-**	**114,950**
Closing balance as of December 31, 2019	**16,752**	**450,266**	**976**	**-94,279**	**373,715**
Opening balance as of January 1, 2020	**16,752**	**450,266**	**976**	**-94,279**	**373,715**
Loss for the year	-	-	-	-52,410	**-52,410**
Other comprehensive income for the year	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-52,410**	**-52,410**
Warrant program	-	310			**310**
Redemption of warrants / new shares	280	11,560			**11,840**
Transactions with shareholders					
New share issue	1,861	263,373	-	-	**265,234**
Transaction costs	-	-16,102	-	-	**-16,102**
Total	**1,861**	**247,271**	**-**	**-**	**249,132**
Closing balance as of December 31, 2020	**18,893**	**709,407**	**976**	**-146,689**	**582,587**

Consolidated Statement of Cash Flow

Amount in SEK thousand	Note	2020	2019
Operating activities			
Operating loss		-53,457	-46,564
Non-cash adjustments			
Depreciation		7,689	4,803
Capital gains		-113	-
Dissolved prepaid leasing costs, during the year		-1,262	-1,892
Interest received		674	591
Interest paid		-8	-69
Cash flow from operating activities before changes in working capital		**-46,477**	**-43,131**
Changes in working capital			
Change in operating receivables		2,479	-1,963
Change in operating liabilities		-3,794	10,857
Cash flow from operating activities		**-47,792**	**-34,237**
Investing activities			
Capitalized development costs		-88,983	-68,891
Acquisition of property, plant and equipment		-4,572	-23,103
Sales of tangible fixed assets		383	-
Prepayments		-3,656	-
Cash flow from investing activities		**-96,828**	**-91,994**
Financing activities			
New share issue		249,320	114,949
Capital raising costs		-188	-112
Payment of lease liability	14	-936	-
Redemption of warrants	7	11,840	-
Repurchased warrants		-74	-
Allocated warrants	7	384	-
Cash flow from financing activities		**260,345**	**114,837**
Cash flow for the year		**115,726**	**-11,394**
Cash and cash equivalents at the beginning of year	20	209,872	221,266
Cash and cash equivalents at year-end		**325,598**	**209,872**

Parent Company Income Statement

Amount in SEK thousand	Note	2020	2019
Net sales		-	-
		-	**-**
Other operating income	4	1,364	374
Research and development expenses		-6,379	-3,363
Administration and sales expenses	6	-47,194	-42,417
Other operating expenses	5	-1,172	-1,182
Operating loss	3	**-53,381**	**-46,589**
Finance income	8	1,053	862
Finance costs	9	-5	-69
Finance net		**1,048**	**793**
Loss before Income tax		**-52,333**	**-45,796**
Tax	10	-	-
Loss for the year		**-52,333**	**-45,796**

Parent Company Comprehensive Income

Amount in SEK thousand	2020	2019
Loss for the year	**-52,333**	**-45,796**
Other comprehensive income	-	-
Total comprehensive income for the year	**-52,333**	**-45,796**

Parent Company Balance Sheet

Amount in SEK thousand	Note	31 Dec. 2020	31 Dec. 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	11	231,512	141,414
Patent	12	-	-
Total intangible assets		**231,512**	**141,414**
Property, plant and equipment			
Machinery and installations	13	20,747	26,465
Equipment	15	970	1,266
Fixed assets under construction and prepayments	16	15,746	8,467
Total Property, plant and equipment		**37,463**	**36,198**
Financial assets			
Shares in subsidiaries	17	50	50
Financial investments	18	1	1
Total financial assets		**51**	**51**
Total fixed assets		**269,026**	**177,663**
Current assets			
Current receivables			
Current tax-asset		545	421
Other current receivables	18	2,121	5,017
Prepaid expenses and accured income	19	3,232	2,393
Total current receivables		**5,898**	**7,831**
Cash and bank	20	325,548	209,822
Total current assets		**331,446**	**217,653**
TOTAL ASSETS		**600,472**	**395,316**

Parent Company Balance Sheet *cont.*

Amount in SEK thousand	Note	31 Dec. 2020	31 Dec. 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity	21		
Share capital		18,893	16,752
Statutory reserve		976	976
Development expenditure reserve		231,512	141,414
Total restricted equity		**251,381**	**159,142**
Non-restricted equity			
Other contributed capital		709,408	450,266
Accumulated earnings		-325,816	-189,922
Loss for the year		-52,333	-45,796
Total non-restricted equity		**331,259**	**214,548**
Total equity		**582,640**	**373,690**
Current liabilities			
Trade accounts payable	18	8,437	11,876
Other current liabilities		768	743
Accrued expenses and deferred income	22	8,627	9,007
Total current liabilities		**17,832**	**21,626**
TOTAL EQUITY AND LIABILITIES		**600,472**	**395,316**

Paraent Company Statement of Change in Equity

Amount in SEK thousand	Share capital	Statutory reserve	Development expenditure reserve	Total restricted equity	Other contributed capital	Retained earnings	Loss for the year	Total non-restric-ted equity	Total Equity
Opening balance as of January 1, 2019	**15,076**	**976**	**71,850**	**87,902**	**336,991**	**-99,665**	**-20,691**	**216,635**	**304,537**
Transfer of loss from previous year	-	-	-	**-**	-	-20,691	20,691	-	**-**
Loss for the year	-	-	-	**-**	-	-	-45,796	-45,796	**-45,796**
Other comprehensive income for the year	-	-	-	**-**	-	-	-	-	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-45,796**	**-45,796**	**-45,796**
Transactions with shareholders									
New share issue	1,675	-	**-**	**1,675**	120,612	**-**	**-**	**120,612**	**122,287**
Transaction costs	-	-	-	**-**	-7,337	-	-	-7,337	**-7,337**
Total	**1,675**	**-**	**-**	**1,675**	**113,275**	**-**	**-**	**113,275**	**114,950**
Development expenditure reserve									
Provisions for the year	-	-	69,565	**69,565**	-	-69,565	-	-69,565	**-**
Total	**-**	**-**	**69,565**	**69,565**	**-**	**-69,565**	**-**	**-69,565**	**-**
Closing balance as of December 31, 2019	**16,752**	**976**	**141,414**	**159,142**	**450,266**	**-189,922**	**-45,796**	**214,548**	**373,690**
Opening balance as of January 1, 2020	**16,752**	**976**	**141,414**	**159,142**	**450,266**	**-189,922**	**-45,796**	**214,548**	**373,690**
Transfer of loss from previous year	-	-	-	**-**	-	-45,796	45,796	**-**	**-**
Loss for the year	-	-	-	**-**	-	-	-52,333	**-52,333**	**-52,333**
Other comprehensive income for the year	-	-	-	**-**	-	-	-	**-**	**-**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-52,333**	**-52,333**	**-52,333**
Transactions with shareholders									
Allocated warrants	-	-	-	-	310	-	-	**310**	**310**
Redemption of war-rants / new shares	280	-	-	**280**	11,560	-	-	**11,560**	**11,840**
New share issue	1 861	-	-	**1 861**	263 373	-	-	**263,373**	**265,234**
Transaction costs	-	-	-	**-**	-16 102	-	-	**-16,101**	**-16,101**
Total	**2 141**	**-**	**-**	**2 141**	**259 141**	**-**	**-**	**259 142**	**259,283**
Development expenditure reserve									
Provisions for the year	-	-	90,098	**90,098**	-	-90,098	-	**-90,098**	**-**
Total	**-**	**-**	**90,098**	**90,098**	**-**	**-90,098**	**-**	**-90,098**	**-**
Closing balance as of December 31, 2020	**18,893**	**976**	**231,512**	**251,381**	**709,407**	**-325,816**	**-52,333**	**331,259**	**582,640**

Conditional shareholder contributions amounted to SEK 50 thousand (50).

Parent Company Statement of Cash Flow

Amount in SEK thousand	Note	2020	2019
Operating activities			
Operating loss		-53,381	-46,589
Non-cash adjustments			
Depreciation		6,694	3,837
Capital gains		-113	-
Interest received		674	591
Interest paid		-5	-69
Cash flow from operating activities before changes in working capital		**-46,131**	**-42,230**
Changes in working capital			
Change in operating receivables		2,311	-1,965
Change in operating liabilities		-3,794	10,857
Cash flow from operating activities		**-47,614**	**-33,338**
Investing activities			
Purchase of intangible assets		-90,098	-69,902
Acquisition of property, plant and equipment		-8,227	-23,103
Sales of tangible fixed assets		383	-
Prepayments		-3,656	-
Cash flow from investing activities		**-97,942**	**-93,005**
Financing activities			
New share issue		249,320	114,949
Transaction costs		-188	-
Redemption of warrants		11,840	-
Repurchased warrants		-74	-
Allocated warrants		384	-
Cash flow from financing activities		**261,282**	**114,949**
Cash flow for the year		**115,726**	**-11,394**
Cash and cash equivalents at the beginning of year	20	209,822	221,216
Cash and cash equivalents at year-end		**325,548**	**209,822**

Notes – applicable to both consolidated and parent company financial statements

Note 1 Accounting policies

General information, consistency with IFRS and going concern assumptions

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU).

The consolidated accounts also comply with recommendation RFR1 "Supplementary Accounting Rules for Groups" from the Swedish Financial Reporting Board.

The Parent Company applies the same accounting policies as the Group, apart from certain instances stated below in the section "Parent Company accounting policies."

The financial statements of Xspray Pharma for the financial year ending 31 December 2020 were approved by the Board of Directors and CEO on 19 March 2021 and will be presented for adoption by the Annual General Meeting (AGM) on 20 May 2021.

Assets and liabilities are recognized at historical cost.

New standards, amendments and interpretation statements that came into effect on 1 January 2019

IFRS 16 came into effect for financial years beginning on or after 1 January 2019, and was adopted by the Group effective from 1 January 2019.

Pursuant to this new standard, lessees must recognize their operating lease liability obligations in the Balance Sheet. The right-of-use of the underlying leased asset during the lease term is recognized as an asset and the present value of the remaining lease payments is recognized as a lease liability. Amortization of the asset is recognized in profit or loss, as is interest on the lease liability. Payments made to lessors are recognized partly as payment of interest, and partly as amortization of the lease liability. The standard exempts leases with terms of less than 12 months and leases determined to be of low value.

The Group is applying the modified retrospective approach in its initial application of IFRS 16, under which the cumulative effect of initial application is recognized in retained earnings at 1 January 2019. Accordingly, there is no restatement of comparative information for 2018. The Group has applied the transition relief permitted on initial adoption of IFRS 16, which means recognizing leases with a remaining term of less than 12 months as of 1 January 2019 as short-term leases. After the date of initial adoption, the Group will also apply transition relief when recognizing leases with maximum terms of 12 months and leases of low value as a straight-line expense in the Income Statement. Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information. For quantification of the transition impact, please refere to Note 14 in the annual report of 2019.

New standards and interpretations that have not yet been applied by the group

The changed standards that came info effect in 2020 have not had any significant effect on the Group. These new standards and interpretation statements are not expected to have a material impact on the consolidated financial statements in current or future periods.

Functional currency and presentation currency

The Group and Parent company's functional currency is Swedish kronor, which is also the presentation currency of the Parent Company and the Group. All amounts are rounded to the nearest thousand unless otherwise indicated.

Classification

Non-current assets comprise of amounts that are expected to be recovered or the risks and rewards associated with ownership are expected to be realized after at least 12 months from the reporting date, whilst current assets comprise of amounts that are expected to be recovered or the risks and rewards associated with ownership are expected to be realized within 12 months of the reporting date. Non-current liabilities comprise of amounts that Xspray Pharma has an unconditional right to defer settlement until a time at least 12 months from the reporting date. If Xspray Pharma does not possess this entitlement as of the reporting date, or if the liability is expected to be settled within the normal business cycle, the liability amount is recognized as a current liability.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiaries are recognized according to the acquisition method when control is transferred to the group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with subsidiaries are eliminated to the extent of the Group's interest in the subsidiary. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no impairment.

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the rate of exchange ruling on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the reporting date. Exchange gains and exchange losses on trade receivables and trade payables are recognized in operating profit or loss, while exchange gains and exchange losses on financial receivables and liabilities are recognized in Finance net within the income statement.

Revenue from contracts with customers

Revenue is measured based on the compensation specified in the contract with the customer. The Group recognizes revenue when control over a product transfers to the customer. Control arises at a point in time, or over time, depending on the contract terms with the customer.

The Group does not expect to generate any revenues before the Group's products are launched on the market. Sales are not expected to increase until the Company according to the current business plan obtains market approval of its first product or a business agreement is made.

Segment reporting

Xspray Pharma does not divide its operations into different operating segments. This reflects the Group's organizational structure and reporting system. The Chief Operating Decision Maker (CODM) is the CEO.

The Group has no operating segments, but rather, has a single development operation that consists of developing protein kinase inhibitors for targeted cancer therapy. Within this narrow operational focus, there are three similar product candidates, all based on the same technology. Development operations are conducted as a single segment without any sub-groups or specialization into any of the three products. The Head of R&D is responsible for all development projects and reports to the Parent Company's CEO. The Parent Company's CEO is responsible for operational governance, monitoring and allocation of resources. Accordingly, these operations are reflected in the consolidated financial statements.

Finance income and expenses

Finance income consists of interest income and exchange gains on bank balances and other interest-bearing investments. Finance expenses consist of interest expenses relating to lease liabilities; for more information see below under "Leases".

Interest income and interest expenses are recognized in accordance with the effective interest method. The effective interest rate is the interest rate that discounts estimated future receipts and payments during the anticipated term of the financial instrument to the financial asset's recognized gross value or at the amortized cost of the financial liability. Interest income and interest expenses include allocated amounts of transaction expenses, and any discounts or premiums.

For financial assets that have been credit-impaired after first-time recognition, interest income is measured by applying the effective interest rate on the financial asset's amortized cost. If the asset is no longer credit-impaired, interest income is measured by applying effective interest on the recognized gross value.

Interest expenses are recognized in profit or loss in the period to which they relate, apart from to the extent that they are included in an asset's cost. An asset for which interest is included in cost is an asset that by necessity takes significant time to complete for intended use or sale. Interest is capitalized in the Group's capitalized development expenditure.

Exchange gains and exchange losses on financial items are recognized on a net basis as finance income or finance expenses, respectively.

Leases

Leases mainly relate to premises and vehicles. The Standard implies that identified leases are recognized in the Balance Sheet and classified as a right-of-use asset and a corresponding lease liability. Leases of low value are expensed as associated costs are incurred. The Group defines leases of low value as associated leased assets with a value as new condition of less than SEK 50 thousand. When the Group enters a lease, a judgement is made as to whether this arrangement confers entitlement to control use of the identified asset for a period in exchange for compensation paid to the lessor. An asset for right-of-use and a lease liability is recognized at the commencement date of the lease, which is the date that the Group gains access to and is able to commence use of the underlying asset. Initially, the right-of-use asset is of the same amount as the lease liability, adjusted for any lease payments made prior to the start date, plus any initial direct expenses, and an estimate of expenses to restore the underlying asset, less any discounts received.

The lease asset is subsequently amortized on a straight-line basis over its useful life, which is assumed to correspond to the lease term.

The lease liability, divided into a long-term and short-term portion, is initially measured at the present value of remaining lease payments over the estimated lease term. The lease term consists of the irrevocable period plus additional periods in the lease arrangement, if at the start date, it is reasonably certain that they will be utilized. Lease payments are normally discounted at the Group's incremental borrowing rate, which in addition to the Group's credit risk, reflects the lease term of each arrangement and the quality of the underlying asset as intended security. However, in those cases where the implicit interest of the lease arrangement can be readily determined, this rate is applied. This is generally the case for leased vehicles. The value of the liability reduces with amortization over the term, which amounts to the net of the lease payments and interest expense over the term.

For premises leases, no distinction is made between lease and non-lease components included in lease payments. Instead, lease and non-lease components are recognized as a single lease component..

Rent payments are restated when changes to future lease payments arise through changes to indexes or altered judgements of the contract resulting from circumstances such as a purchase, contract extension or contract termination. A corresponding restatement of the right-of-use is recognized. For more information, see Note 15.

Employee benefits

Short-term benefits

Short-term benefits to employees such as salary, social security contributions, vacation pay, and bonuses are expensed during the period in which the employees render services to the Group.

Pensions

The Group's pension obligations are comprised of defined contribution plans only. A defined contribution pension plan is a pension plan by which the Group pays fixed premiums to a separate legal entity. The Group has no legal or informal obligations to pay further premiums if this legal entity has insufficient assets to pay all benefits to employees associated with employee service during current or previous periods. Accordingly, the Group bears no further risk associated with pension obligations. The Group's obligations regarding premiums to defined contribution plans are recognized as an expense in profit or loss for the year at the rate that they are accrued by employees rendering services for the Group during the period.

Share-based payment

The Group makes share-based payments to all employees and certain key individuals that are settled with shares in the Parent Company (warrants), and thus recognized in equity. Social security contributions attributable to share-based remuneration are expensed over the vesting period. Warrants acquired by employees at market value are not reported as share-based compensation but as financial instruments. For all warrant programs, warrant prices have been determined at fair value through application of the Black & Scholes valuation model. Please refer to Note 7 for further information.

Termination benefits

A provision for benefits in connection with the termination of staff is only recognized if the Group is obligated to terminate employment before the normal time without any realistic possibility of withdrawal, and the affected groups of employees have been informed of the corresponding redundancy plan. A provision is made for that portion of termination benefits that will be paid without requiring employees to render services.

Tax

Income tax consists of current tax and deferred tax. Income tax is recognized in profit or loss for the year with the exception of when the underlying transaction is recognized in other comprehensive income or in equity; when the associated tax effect is recognized in other comprehensive income or equity, respectively.

Current tax is tax to be paid or received for the current period, including restatement of current tax attributable to previous periods. Current and deferred tax is computed by applying those tax rates and tax regulations that are enacted or substantively enacted on the reporting date.

Deferred tax is recognized according to the balance sheet method on all temporary differences arising between the taxable value of assets and liabilities and their carrying amounts. Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognized only to the extent it is likely that they can be utilized. The value of deferred tax receivables is impaired when it is no longer considered likely that they can be utilized.

As the Group is in a development phase and has yet to launch any products for sale, tax loss carry-forwards have been generated since the Group commenced operations. The underlying potential tax value of loss carry-forwards has not been recognized as a deferred tax asset because IFRS does not permit the recognition of deferred tax in deductible deficits if there are not convincing factors indicating that the loss carry-forwards can be utilized within the foreseeable future. The deferred tax receivable in loss carry-forwards is recognized in those cases where offset is possible against deferred tax liabilities. Deferred tax receivables are recognized on a net basis against deferred tax liabilities only if they can be settled on a net basis.

Non-current assets

Intangible assets

Limited-life intangible assets are recognized at cost less amortization and any impairment. Intangible assets are amortized systematically over the asset's estimated useful life. The useful life is reassessed at each reporting date and adjusted as required. Amortization of the asset commences once economic benefits associated with the asset are realized by the entity.

When the asset's amortizable amount is determined, the asset's residual value is considered where appropriate.

Development expenditure is capitalized when it satisfies the criteria of IAS 38 "Intangible Assets." Otherwise, development expenditure is expensed as it occurs as operating expenses. The criteria for capitalization are:

- it is technically or commercially feasible to complete the product or process for use,
- the entity intends to complete development of the asset and use or sell it,
- the ability to sell the asset exists,
- the means by which the asset will generate future economic benefits can be demonstrated,
- adequate technical, financial and other resources to complete development to use the asset are available, and
- the costs related to the asset during its development can be measured reliably.

Expenditure directly related to the development of the asset that is capitalized as part of capitalized development expenditure includes expenditure for employees, external consultants, amortization of a right-of-use asset in the form of premises used, and interest.

The following useful lives are applied:

Capitalized development expenditure	5 years
Patents	5 years

Property, plant and equipment

Property, plant and equipment consists of machinery and technical plant and is recognized in the Group at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and any costs directly attributable to bringing the asset to the location and

condition for it to be capable of operating in the manner intended by its acquisition. The carrying amount of an asset is derecognized from the balance sheet on disposal or sale, or when no future economic benefits are expected from use or disposal/sale of the asset. A gain or loss on the sale or disposal of an asset consists of the difference between the selling price and that asset's carrying amount less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

The Group presents right-of-use assets in the balance sheet jointly with owned assets of the same class as the underlying leased asset. The leased assets are specified by asset class in Note 14.

The following useful lives are applied	
Machinery and other technical plant	3–10 years
Equipment	3–5 years
Leasehold improvements	Estimated lease term

The depreciation of owned property, plant and equipment is recognized on a straight-line basis over the asset's estimated useful life. The depreciation methods and useful lives applied are re-evaluated at each reporting date. Right-of-use assets from leases are amortized over estimated useful lives based on the irrevocable term of arrangements, plus extension options, initially assumed as reasonably certain.

Impairment of non-financial assets

Assets with indefinite useful lives such as the Group's intangible assets where amortization has not yet commenced because they are not yet in use are subject to impairment testing at least annually and when there are indications of impairment. Assets that are amortized are assessed for impairment at any time events or changes in circumstances indicate that the carrying amount is not recoverable. Assets are impaired by the amount that its carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less selling expenses and its value in use. Impairment is recognized as an expense in profit or loss for the year.

If, during the impairment test, it is not possible to determine largely independent cash flows for an individual asset, assets are grouped at the lowest level where it is possible to identify largely independent cash flows, known as cash-generating units.

To test the value of intangible assets, XsprayPharma applies a discounted cash flow model. The measurement of current development projects is computed by measuring the present value of future cash flows. This measurement considers cash flow over the next five years and does not include measurement of any residual value.

Previously recognized impairment is reversed if the recoverable amount is judged to exceed the carrying amount. However, the reversal is not of an amount greater than the carrying amount would have been if no impairment had been recognized in previous periods. However, goodwill impairment is never reversed.

Financial instruments

Financial instruments recognized in the balance sheet as assets include cash and cash equivalents, financial investments, accounts receivable, contract assets (accrued operating income) and loans receivable. Financial instruments recognized in the balance sheet as liabilities consist of accounts payable. Lease liabilities are described above and do not constitute financial instruments.

Recognition and de-recognition from the Balance Sheet

Financial assets are recognized when the group becomes a contract party in the matter of the financial instrument's contracted terms. Receivables are recognized when the group has delivered and there is a contracted obligation for the counterparty to pay, even if no invoice has been sent. Accounts receivable are recognized in the Balance Sheet when an invoice has been sent to the counter party concurrent with the timing of goods or services rendered.

Financial liabilities are recognized when the counterparty has delivered a good or service and there is a contracted obligation to pay, even if no invoice has been received. Trade accounts payable are recognized when an invoice has been received from a counter party concurrent with the timing of goods or services rendered.

Financial assets are derecognized from the balance sheet when the contracted rights to cash flows ceases or if the right to cash flows transfers through a transaction where essentially, all risks and rewards are transferred to the counterparty.

A financial liability is derecognized from the balance sheet when it has been discharged, cancelled, or expired.

Classification and measurement of financial assets on initial recognition

The Group initially classifies financial assets and financial liabilities in accordance with the following measurement categories

- Amortized cost
- Fair value through profit or loss
- Fair value through other comprehensive income

The classification by measurement category determines how the financial assets and liabilities are measured and recognized initially and subsequently thereafter.

The Group's policies for classifying and measuring financial assets are based on a judgement of both (i) the Group's business model for managing financial assets, and (ii) the characteristics of the contracted cash flows from the financial asset. The Group's financial assets, except from the item "financial investments" of SEK 1 thousand that belong to the valuation category financial assets valued at fair value through profit or loss, are valued at accrued acquisition value due to the assets being held within the auspices of a business model which aims to obtain financial assets with the purpose of collecting contracted cash flows, and at predetermined times, the contracted assets give rise to cash flows that are exclusively payment of principal and interest on the outstanding amounts.

Financial assets and financial liabilities are measured at fair value on initial recognition. For financial instruments not measured at fair value through profit or loss, transaction expenses directly attributable to the purchase or issuance are added to the value of the associated asset or liability. Accounts receivable are typically measured at transaction price.

Subsequent measurement

After initial recognition, financial assets and financial liabilities classified in the amortized cost category are measured at amortized cost by applying the effective interest method. Interest including allocated transaction expenditure, exchange gains or losses and gains or losses on de-recognition from the balance sheet are recognized in profit or loss as financial income and expenses, with the exception of impairment of accounts receivable and contract assets, which are classified as other operating expenses.

Set-off

A financial asset and financial liability are offset and recognized at a net amount in the balance sheet only when there is a legal right of set-off these amounts and there is an intention to settle the items with a net amount or simultaneously realize the asset and settle the liability.

Impairment of financial assets

Impairment of financial assets is recognized in accordance with the expected credit loss (ECL) model. Impairment calculations are also based on forward-looking information to report expected credit losses. The impairment rules in IFRS 9 cover all financial assets that are valued at accrued acquisition value and fair value via other comprehensive income.

When measuring expected credit losses, previous events, current circumstances and reasonable and substantiated forecasts that influence the expected likelihood of receiving future cash flows from the asset are considered.

When applying a forward-looking view, a distinction is drawn between:

- financial instruments whose credit quality has not materially deteriorated since initial recognition or have low credit risk (Step 1) and
- financial instruments whose credit quality has deteriorated materially since initial recognition or whose credit risk is not low (Step 2).

Step 3 is for financial assets where, on the reporting date, the Company has objective evidence of impairment (that a credit loss event has occurred). For the first category, 12 months of expected credit losses are reported, while for the second category, expected credit losses for the remaining term are reported. Measurement of expected credit losses is based on a probability-weighted amount of estimated credit losses over the expected life of the assets.

Accounts receivable and other receivables

The Group applies a simplified methodology for recognizing accounts receivable, contract assets and lesing receivables and recognizes expected credit losses over remaining terms. In its measurement, the Group uses historical experience, external indications and forward-looking information to measure expected credit losses using a provision matrix. The Group judges impairment of accounts receivable collectively, where receivables are grouped on the basis of a number of overdue days, because they have shared credit characteristics. In 2020, the Company has reported no accounts receivable.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash and bank balances.

Earnings per share

The measurement of basic earnings per share is based on the Group's profit or loss for the year attributable to equity holders of the parent and the weighted average number of shares outstanding in the year. When measuring diluted earnings per share, earnings and the average number of shares are revalued to consider the effect of potential ordinary shares that are sourced from warrants issued to employees during the reporting period. The dilution from warrants is based on the measurement of how many shares could hypothetically have been purchased in the period at an exercise price and value of the remaining shares pursuant to IFRS 2 Share-based Payment. Those shares that could not be acquired result in dilution. That number of warrants, and thus shares, that would have been vested if that degree of satisfaction of the vesting conditions applicable at the end of the current reporting period also applied at the end of the vesting period are also included. Potential ordinary shares are only considered diluting in those periods when they result in a lower gain or loss per share.

Basic earnings per share

Basic earnings per share is calculated by dividing:

- earnings attributable to equity holders of the parent by
- the weighted average number of outstanding ordinary shares in the period, adjusted for the bonus issue component of ordinary shares issued in the year, and excluding repurchased shares held in treasury by the Parent Company.

Diluted earnings per share

For calculating diluted earnings per share, the amounts used for calculating basic earnings per share are adjusted to consider:

- the effect after tax of dividends and interest expenses on potential ordinary shares, and
- the weighted average of the additional ordinary shares that would have been outstanding given conversion of all potential ordinary shares.

Provisions

A provision is recognized when there is uncertainty about the payment date or the amount to settle a future obligation of the Group. A provision is recognized in the balance sheet when there is an existing legal or informal obligation resulting from an event that has occurred, it is likely that an outflow of economic resources will be necessary to fulfil this obligation, and the amount can be measured reliably. Provisions are recognized at an amount that is the best estimate of what is necessary to settle the existing obligation on the reporting date. When the effect of the timing of payment is material, provisions are estimated by discounting the expected future cash outflows.

Contingent liabilities
A disclosure on contingent liabilities is presented when there is a potential obligation resulting from events that have occurred, and this occurrence is confirmed only by one or several uncertain future events, or when there is an undertaking that is not recognized as a liability or provision because it is not likely that an outflow of resources will be required.

Equity
Equity consists of the following items:

- *Share capital* that represents the nominal amount (par value) of issued and registered shares.
- *Additional paid in capital* includes premiums received on the new issue of share capital and shareholders' contributions from the Parent Company's owners. Any transaction expenses associated with the new share issue are deducted from Additional paid in capital.
- *Statutory reserve* originates from when the Swedish Companies Act stipulated provisions to a statutory reserve in the parent company. In the consolidated accounts, the statutory reserve is disclosed in the Reserves item.
- *Retained earnings* relates to all earnings/losses brought forward for current and previous periods, and purchases of treasury shares.

Shareholders' contributions
Shareholders' contributions received without being exchanged for issued shares or other equity instruments are reported directly in equity. Shareholders' contributions repaid to owners are recognized as a dividend paid (value transfer) in the balance sheet. The above policies apply equally to conditional and unconditional shareholders' contributions.

Parent Company accounting policies
The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 "Accounting for Legal Entities." RFR2 stipulates that in its annual accounts for the legal entity, the parent company should apply all IFRS and statements as endorsed by the EU as far as possible within the auspices of the Swedish Companies Act and considering the relationship between accounting and taxation.

The Parent Company's annual accounts are presented in the Company's presentation currency, Swedish kronor.

Revised accounting policies
The Parent Company's accounting policies for 2020 are unchanged compared to those applied in the annual accounts for 2019.

Differences between the Parent Company and Group accounting policies
The Parent Company's accounting and valuation policies are consistent with the Group's equivalent policies with the exception of items stated below.

Format
The income statement and balance sheet comply with the Swedish Annual Accounts Act in the Parent Company. The statement of income and other comprehensive income, the statement of changes in equity and cash flow statement are based on IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows*. The differences in the Group's statements applying to the Parent Company's income statement and balance sheet primarily relate to the presentation of equity.

Participations in subsidiaries
Participations in subsidiaries are recognized at cost after deducting for any impairment. Cost includes acquisition-related expenses and any contingent considerations. When there is an indication that participations in subsidiaries are impaired, their recoverable amount is measured. If this is lower than the carrying amount, they are impaired. Impairment is recognized in the "Profit/loss from participations in group companies" item in the Parent Company income statement.

Leases
The Parent Company does not apply IFRS 16 Leases pursuant to the exemption in RFR 2. As lessee, lease payments are recognized as an expense on a straight-line basis over the lease term, and accordingly, right-of-use assets and lease liabilities are not recognized in the balance sheet.

Financial instruments
The Parent Company has elected not to apply IFRS 9 for its financial instruments. However, parts of the policies of IFRS 9 remain applicable to impairment, recognition/derecognition and the effective interest method for interest income and interest expenses.

Within the Parent Company, financial non-current assets are measured at cost less any impairment and financial current assets are measured at the lower of cost or market value. For financial assets recognized at amortized cost, the impairment regulations of IFRS 9 are applied in the same manner as in the consolidated accounts.

Equity
The Parent Company has a fund for development expenditure which is increased each year by the amount of the Company's own development work capitalized. The fund is reduced annually by amortization of capitalized development work.

Shareholders' contributions
Shareholders' contributions made to subsidiaries without issued shares or other equity instruments being received in exchange are recognized in the balance sheet as an increase in the carrying amount of the shares.

Shareholders' contributions received from owners without issued shares or other equity instruments being provided in exchange are recognized directly in equity.

Shareholders' contributions repaid to owners are recognized as a dividend paid (value transfer) in the balance sheet. Repaid shareholders' contributions from subsidiaries are recognized as a dividend received in financial income, concurrent with an impairment test of the carrying amount of shares in subsidiaries being conducted. The above policies apply equally to conditional and unconditional shareholders' contributions.

Note 2 Judgements and estimates

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 in-volve a significant risk that the value of assets or lia-bilities may require restatement to a material extent during the forth-coming financial year are impair-ment 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 capital-ized expenditure may have been exposed to impairment is assessments both initially and on an ongoing basis. There is an ongoing analysis of whether the capitalized expenses may be subject to a depreciation. The 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 remain-ing development phases. These assumptions involve sector and marketspecific data, are made by Management, then reviewed by the Board of Directors. For more information on the impairment testing of intangible assets with indefi-nite useful lives, see Note 11.

Another source of uncertainty is the judgement of the extent to which deferred tax assets can be recognized based on a judgement of the likelihood of the Group's future taxable revenues that the deferred tax assets can be applied against. Additionally, significant consideration of judge-ments of the effect of certain legal and financial limitations, or uncertainty in differing jurisdictions is also necessary.

Note 3 Expenses classified by type

Operating profit/loss, expenses classified by type

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Net sales	-	-	-	-
Capitalized work on own account	88,983	68,892	90,098	69,904
Other operating income	1,364	374	1,364	374
Other external expenses	-105,657	-83,103	-107,691	-85,105
Personnel expenses	-29,272	-26,743	-29,272	-26,743
Depreciation and amortization	-7,703	-4,802	-6,709	-3,837
Other operating expenses	-1,171	-1,182	-1,171	-1,182
Operating profit/loss	**-53,457**	**-46,564**	**-53,381**	**-46,589**

Note 4 Other operating income

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Exchange gains	1,246	371	1,246	371
Insurance claims	-	3	-	3
Sales of tangible fixed assets	113	-	113	-
Other operating income	5	-	5	-
Total	**1,364**	**374**	**1,364**	**374**

Note 5 Other operating expenses

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Exchange losses	-1,171	-1,182	-1,172	-1,182
Total	**-1,171**	**-1,182**	**-1,172**	**-1,182**

Other operating expenses consist entirely of exchange rate losses that relates to foreign payments . Other operating expenses during 2020 amount to SEK -1,171 thousand (-1,182).

Note 6 Audit fees

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Grant Thornton Sweden AB				
Auditing	-	346	-	346
Other	-	86	-	86
Total	**-**	**432**	**-**	**432**
KPMG AB				
Auditing	285	250	285	250
Audit-related activities in addition to audit assignment	106	-	106	-
Other	668	4,343	668	4,343
Total	**1,059**	**4,593**	**1,059**	**4,593**

Auditing

Auditing means the statutory audit of annual accounts and consolidated accounts, as well as accounting records and the Board of Directors' and CEO's administration, and auditing and other reviews conducted in accordance with agreement or contract.

This includes the duties incumbent on the Company's auditor, as well as consulting or other services resulting from observations from such review or performing other such duties.

Audit-related activities in addition to audit assignment

Audit-related activities in addition to audit assignment refers to audit of quarterly report, internal controls and share issue- and warrants certificates.

Other

Essentially, other means consulting in segments such as certifications, internal processes and support on preparations for the Company's IPO process that were initiated during 2019 and ended in Q1, 2020.

Note 7 Employees and personnel expenses

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Average number of employees				
Women	8	8	8	8
Men	12	9	12	9
Total	**20**	**17**	**20**	**17**
Salaries and other benefits				
Salaries for the Board of Directors and CEO	3,296	2,606	3,296	2,606
Bonuses, etc. for the Board of Directors and CEO	218	413	218	413
Other employees	15,469	12,547	15,469	12,547
Total	**18,983**	**15,566**	**18,983**	**15,566**
Social security expenses				
Pension expenses for the Board of Directors and CEO	454	381	454	381
Pension expenses for other employees	2,467	2,090	2,467	2,090
Other statutory or contractual social security charges	5,413	5,057	5,413	5,057
Total	**8,333**	**7,528**	**8,333**	**7,528**
Total salaries, benefits, social security expenses and pension expenses	**27,317**	**23,093**	**27,317**	**23,093**

Remuneration to senior executives

Remuneration 2020, SEK thousand	**Basic salary/ Directors' fee**	**Variable compensation**	**Other benefits**	**Pension expense**	**Other compensation**	**Total compensation**
Chairman Michael Wolff Jensen	355					355
Director Hans Arwidsson (resigned 14 May)	35					35
Director Gunnar Gårdemyr	178					178
Director Maris Hartmanis	204					204
Director Carl-Johan Spak	178					178
Director Torbjörn Koivisto	178					178
Director Christine Lind	181					181
CEO, Per Andersson	1,989	218	44	454		2,704
Other senior executives (3)	2,655	219	80	616	1,111*	4,680
Total	**5,951**	**436**	**124**	**1,070**	**1,111**	**8,692**

Remuneration to senior executives

Remuneration 2019, SEK thousand	**Basic salary/ Directors' fee**	**Variable compensation**	**Other benefits**	**Pension expense**	**Other compensation**	**Total compensation**
Chairman Michael Wolff Jensen	280					280
Director Hans Arwidsson	140					140
Director Gunnar Gårdemyr	140					140
Director Maris Hartmanis	155					155
Director Carl-Johan Spak	125					125
Director Torbjörn Koivisto	140					140
Director Christine Lind	140					140
CEO, Per Andersson	1,833	413	48	381		2,675
Other senior executives (3)	2,053	336	51	450	981*	3,870
Total	**5,006**	**749**	**98**	**831**	**981**	**7,665**

**Other compensation for other senior executives is consulting fees from a senior executive, not considered as a related party.*

Cont. Note 7

There are no pension obligations to the Board of Directors. The Company's CEO has been allocated a pension solution via Skandia in the form of an occupational pension policy.

Warrant program

The Company has issued four series of warrants via incentive programs targeting all employees and certain key individuals with the aim of creating greater unity between employees' at shareholders' interests.

Warrant program 1 (LTIP 2015/2021)

In 2015, all employees and the chairman of the board were granted 255,000 warrants with an exercise price of SEK 25.00 per share. They can be exercised until 21 January 2021. On full exercise, these remaining warrants cause maximum dilution of 0.93% based on the current number of shares. The program has no vesting conditions. Recipients of these warrants paid market price, with no subsidy granted. By the end of 2020, 80,000 warrants had been exercised, the remaining part amouted to 175,000.

Warrant program 2 (LTIP 2017/2020)

In 2017, all employees were granted one warrant free of charge per share purchased at market price at the Company's IPO on Nasdaq First North. No subsidy was granted. A total of 199,591 warrants were granted, which may be exercised by August 2020 at an exercise price of SEK 49.30 per share. This program is conditional on the holder remaining an employee of the Company. The warrants can be exercised in the period 1 January to 21 January 2018 inclusive, or 1 August to 21 August 2018 inclusive, 1 January to 21 January 2019 inclusive, or 1 August to 21 August 2019 inclusive and 1 January to 21 January 2020 inclusive, or 1 August to 21 August 2020 inclusive. All warrants have been exercised as of 31 December 2020.

Warrant program 3 (LTIP 2018/2022)

An Extraordinary General Meeting on 28 November resolved to introduce an incentive program (LTIP 2018) involving a maximum of 234,505 warrants with the aim of creating greater unity between key employees' and shareholders' interests. LTIP 2018 was offered to all employees and other key individuals. The Company's directors were not eligible for LTIP 2018. The CEO, senior executives and other employees of the Company, and other individuals that had entered employment contracts with Xspray Pharma during the subscription period were entitled to subscribe for warrants, waiving shareholders' preferential rights. The warrants were subscribed on market terms at a price (premium) determined on the basis of computed market value of the warrants by an independent valuation institute applying the Black & Scholes valuation model. The value was computed at SEK 5.83 per warrant based on a subscription price per share of SEK 116.50. Assuming full exercise of the warrants already issued in previously adopted incentive programs, LTIP 2018 corresponds to a maximum of approx. 1.13% of the share capital and votes after dilution (with a reservation for potential restatement pursuant to the warrants terms & conditions). The warrants can be exercised until 17 January 2022. The Company subsidized the participants' premium with an amount corresponding to the premium paid, which has been reported as personnel costs in 2018. If the warrant holder's employment ends during the program's term, warrant will be redeemed proportionately based on the remaining term in relation to the program's original terms. In 2019, 20,583 warrants were redeemed, the payment for the redemption took place in January 2020. No warrants had been returned or exercise as of 31 December 2020.

Warrants program 4 (LTIP 2020/2023)

The program (LTIP 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 employees and shareholders interest. LTI 2020 involved five persons, including the CFO. The warrants were subscribed on market terms at a price determined on the basis of an estimated market valuation (Black & Scholes) by an independent valuation institute. The value of the warrant 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 0.42% on the current number of shares. The warrants can be exercised in the period 1 April 2023 to 4 May 2023. The Company subsidized the participants' premium with an amount corresponding to the premium paid, which has been reported as personnel costs in 2020. If the warrant holder's employment ends during the program's term, warrant will be redeemed proportionately based on the remaining term in relation to the program's original terms. No warrants had been returned or exercised during the year.

Parent company and group

No. of warrants per incentive program

2020	2015/2021	2017/2020	2018/2022	2020/2023
Outstanding at beginning of period, 1 Jan. 2020	255,000	199,591	234,505	-
Granted in the period	-	-	-	79,074
Forfeited in the period	-	-	-	-
Exercised in the period	-80,000	-199,591	-	-
Redeemed in the period	-	-	-20,583	-
Outstanding at end of period	175,000	-	213,922	79,074
Exercisable at end of period, 31 Dec. 2020	**175,000**	**-**	**213,922**	**79,074**

Cont. Note 7

2019	2015/2021	2017/2020	2018/2022
Outstanding at beginning of period, 1 Jan. 2019	255,000	199,591	234,505
Granted in the period	-	-	-
Forfeited in the period	-	-	-
Exercised in the period	-	-	-
Redeemed in the period	-	-	-20,583
Outstanding at end of period	255,000	199,591	213,922
Exercisable at end of period, 31 Dec. 2019	**255,000**	**199,591**	**213,922**

Outstanding warrants as of 31 December 2020 have a subscription price in the interval SEK 25 (25) to 116.50 (116.50) and a weighted average remaining contracted term of 3.7 (2.7) years. The fair value of warrants has been estimated using the Black & Scholes model.

Fair value and assumptions at the time of granting warrants

	Incentive program			
	2015/2021	2017/2020	LTI 2018	LTI 2020
Fair value at grant date				
Share price (SEK)	10	22	69.2	52.4
Volume weighted share price at the exercise price (SEK)	-	32.89	70.61	52.41
Exercise price (SEK)	25	49.3	116.5	89.1
Expected volatility (%)	25	35	35	35
Warrant term (years)	5	3	3.1	3.1
Expected dividend	0	0	0	0
Risk-free interest rate (%)	-1.5	-0.44	-0.28	-0.30

The input data stated in the above table is for valuation at the grant date. The expected volatility is based on historical volatility based on a weighted average maturity of warrants adjusted for any expected change in future volatility resulting from officially available information. The expected term of the warrant has been determined considering expected subscription prior to the end of each program's subscription period, and has been assumed at 3–5 years. The expected maturity has been completed by using historical data on how early individuals in different staff categories have exercised their warrants.

The following executives held shares in the Company at the end of the year:

Michael Wolff Jensen (via MIWO Invest ApS)	25,000 shares
Per Andersson	185,260 shares
Maris Hartmanis	28,619 shares
Torbjörn Koivosto (via IARU)	4,000 shares
Gunnar Gårdemyr	4,400 shares
Christine Lind	4,000 shares
Carl-Johan Spak	– shares
Other senior executives	80,055 shares

The number of warrants granted to senior executives of the Company at the end of year

Per Andersson	116,267 warrants
Other senior executives	82,066 warrants

Agreements on severance pay and notice periods

At present, there are no agreements on severance pay for senior executives.

The notice period for termination initiated by the CEO is six months. For termination initiated by the Company, the CEO's notice period is nine months. If the CEO is discharged during the notice period, the CEO is not entitled to variable compensation, otherwise normal compensation is payable during the notice period.

Gender division on the Board of Directors and senior executives	2020	2019
Share of women on the Board of Directors	17%	14%
Share of men on the Board of Directors	83%	86%
Share of women in other senior executives	50%	50%
Share of men in other senior executives	50%	50%

Note 8 Financial income

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
External interest income	1,053	862	1,053	862
Total	**1,053**	**862**	**1,053**	**862**

Note 9 Financial expenses

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
External interest expenses	-5	-69	-5	-69
Total	**-5**	**-69**	**-5**	**-69**

Interest income and costs deriving from financial assets and liabilities are valued to amortized cost.

Note 10 Tax

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Current tax	-	-	-	-
Total reported tax	**-**	**-**	**-**	**-**
Reconciliation of effective tax				
Reported profit/loss before tax	-52,410	-45,771	-53,333	-47,795
Tax at applicable rate 21.4% (22.0)	11,216	9,795	11,199	9,800
Tax effect of deductible costs that are not included in the reported profit	3,446	1,570	3,446	1,570
Tax effect of non-deductible expenses	-23	-34	-23	-34
Tax effect of non-taxable revenues	-	-	-	-
Other	-16	5	-	
Increase in loss carry-forwards without the corresponding capitalization of deferred tax	-14,622	-11,336	-14,622	-11,336
Reported effective tax	**-**	**-**	**-**	**0**

The Company has tax items in respect of emissions expenses reported directly against equity

In February 2020, the Company started a case with the Swedish Tax Authority to get their opinion on the tax-related loss carry-forwards that have arisen from 2015. The potential effect can lead to reductions of previous tax-related loss carry-forwards in 2015 due to the special limitation rules for change of the Company's ownership. Tax-related loss carry-forwards that have arisen after the 2015 tax year are not considered to be affected, but may have an effect for the opening tax-related balances for each year.

After reduction of loss carryforwards and reduction from incorrect depreciation, the tax loss carry-forwards for which deferred tax assets have not been reported in the balance sheet, amounted to SEK 114,654 thousand as of 31 December 2019. Accumulated loss carry-forwards as of 31 December 2020 amounted to SEK 182,981 thousand, thus the tax loss for the current year amounted to SEK 68,326 thousand (52,973).

Deferred tax assets have not been reported for these items as the Company most likely will continue to make losses next year. Furthermore, significant parts of the loss carry-forward may be lost owing to the special limitation and blocking rules that apply when there are changes in ownership. The size of the remaining loss carry-forward is analyzed every year and the likelihood of their ability to be used against future gains is assessed.

Note 11 Capitalized development costs

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	141,515	71,850	141,414	71,850
Purchases	90,103	70,004	90,098	69,904
Reclassification	-	-339	-	-339
Closing accumulated acquisition cost	**231,618**	**141,515**	**231,512**	**141,414**
Closing residual value according to plan	**231,618**	**141,515**	**231,512**	**141,414**

Costs for research and development expensed in the period is SEK 6,549 thousand (3,363) for the parent company and SEK 6,379 thousand (3,429) for the group.

In the consolidated accounts, interest of SEK 511 thousand (25) was capitalized as capitalized development expenditure in 2020. Interest is attributable to the group's lease liability. The average interest rate in the period was 5%.

Critical estimates and judgements

Several critical estimates and judgements are made when Xspray Pharma conducts impairment tests of the group's and parent company's capitalized development expenditure.

Primarily, the most critical assumptions are assumptions guarding the size of the market, market share and pricing levels. The Company remains in the development phase, and judgements cannot be backed by financial history, which presents difficulties in assessing the reasonableness of forecasts. However, the Company can refer to relevant products on the market at present. The Company has conducted sensitivity analyses based on narrower margins, delays in time in terms of estimated sales, and the scale of estimated sales, these analyses offer indications that impairment is necessary. The weighted average cost of capital after tax could also double without any indication of impairment.

The impairment test is based on forecasted sales revenue based on current sales statistics. Furthermore, cost of goods sold has been calculated based on cost estimates from suppliers, partners and personnel costs. Other external costs and personnel costs for the projects have been considered. Furthermore, consideration has also been made for depreciation of the intangible asset.

Capitalized development expenditure begins amortization when each product is launched on the market.

Note 12 Patents

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	2,699	2,699	2,699	2,699
Closing accumulated acquisition cost	**2,699**	**2,699**	**2,699**	**2,699**
Depreciations brought forward	-2,699	-2,656	-2,699	-2,656
Depreciations for the year	-	-43	-	-43
Accumulated depreciations carried forward	**-2,699**	**-2,699**	**-2,699**	**-2,699**
Closing residual value according to plan	**-**	**-**	**-**	**-**

SEK 0 thousand (29) of amortization of patents is in the Income Statement under research and development expenditure, and SEK 0 thousand (14) is included in administration and selling expenses. Maintenance costs for existing patents have not been activated as patents.

Note 13 Machinery and other technical plant

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	36,885	12,554	36,885	12,554
Purchases	831	6,799	831	6,799
Reclassification	-	17,676	-	17,676
Scrapping	-270	-144	-270	-144
Closing accumulated acquisition cost	**37,446**	**36,885**	**37,446**	**36,885**
Depreciations brought forward	-10,420	-7,107	-10,420	-7,107
Depreciations for the year	-6,280	-3,457	-6,279	-3,457
Scrapping	-	144	-	144
Accumulated depreciations carried forward	**-16,700**	**-10,420**	**-16,700**	**-10,420**
Closing residual value according to plan	**20,746**	**26,465**	**20,747**	**26,465**

SEK 6,280 thousand (3,457) of depreciation on equipment and other technical plant is in the Income Statement under research and development expenses.

Note 14 Leases

The effects of the transition to IFRS 16 on the group's leases is reviewed in accounting policies and below. The transition approach the group has decided to apply on the transition to IFRS 16 implies that the comparative information has not been restated to reflect the new requirements. The group is only a lessee in the matter of lease contracts entered, and is not a lessor.

The Group has a rental agreement for premises. The lease was signed during the last quarter of 2018 and runs until October 31, 2023.

Extension options are included in the agreement regarding the premises. When determining the length of the lease, management considers all available information that provides a financial incentive to exercise an extension option. The possibility of extending an agreement is only included in the duration of the lease if it is considered reasonably certain that the agreement will be extended. Possible future cash flows of SEK 4,300 thousand have not been included in the lease debt as it is not certain that the agreements will be extended or terminated.

The Group also has a small number of leasing contracts for cars with lease periods of 3 years.

Right-of-use asset

SEK thousand	**Real estate used in business operations**	**Vehicles**	**Total**
Closing balance, 31 December 2020	4,977	230	5,207
Depreciations during the year	861	134	995

Additional right-of-use assets in 2020 were SEK 125 thousand (211). This amount includes cost for right-of-use assets relating to vehicles newly acquired in the year.

Cont. Note 14

Lease liabilities

SEK thousand	2020	2019
Short-term lease liabilities	1,985	876
Long-term lease liabilities	2,898	4,455
Total lease liabilities	**4,883**	**5,331**

Amounts recognized in profit or loss

SEK thousand	2020	2019
Depreciations of right-of-use assets	995	966
Interest on lease liabilities	-	-
Variable lease payments not included in measurement of lease liability	382	146
Expense for short-term leases	-	8
Expense for leases of low value, not short-term leases of low value	88	118

Future lease payments:

	Group		Parent company	
SEK thousand	**2020**	**2019**	**2020**	**2019**
Within one year	2,052	919	2,052	919
Between one year and five years	3,175	5,920	3,175	5,920
After more than five years	-	-	-	-

The group's future lease payments for 2020 are disclosures pursuant to IFRS 16 including expected usage of extension options.

Expense payments for operating leases pursuant amount to:

	Parent company	
SEK thousand	**2020**	**2019**
Minimum payments	2,034	2,023
Variable payments	382	146

Total lease expenses
Amounts recognized in the Statement of Cash Flows

SEK thousand	2020	2019
Total cash outflows attributable to leases	1,406	383

The above cash outflow includes amounts for leases recognized as lease liabilities, and amounts paid for variable lease payments, short-term leases and leases of low value.

Note 15 Equipment

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	2,300	1,979	2,300	1,979
Purchases	119	321	119	321
Disposals/scrapping	-	-	-	-
Closing accumulated acquisition cost	**2,419**	**2,300**	**2,419**	**2,300**
Depreciation brought forward	-1,033	-696	-1,033	-696
Depreciations for the year	-416	-337	-416	-337
Disposals/ scrapping	-	-	-	-
Accumulated depreciations carried forward	**-1,449**	**-1,033**	**-1,449**	**-1,033**
Closing residual value according to plan	**970**	**1,266**	**970**	**1,266**

Depreciation on equipment is reported in the Income Statement under administration and selling expenses at SEK 330 thousand (230), as well as research and development expenses, at SEK 86 thousand (107).

Note 16 Fixed assets under construction and prepayments

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	8,467	9,821	8,467	9,821
Expenses incurred in the year	3,623	15,983	3,623	15,983
Reclassification in the year	-	-17,337	-	-17,337
Prepayments in the year	3,656	-	3,656	-17,337
Closing accumulated acquisition cost	**15,746**	**8,467**	**15,746**	**8,467**

During 2020 a new manufacturing agreement was signed with Pharmacare Premium Ltd., Malta. A prepayment of SEK 3,656 thousand was made during December.

The new manufacturing plant will take place in facility owned by Pharmacare Premium.

Note 17 Shares in subsidiaries

Parent company, SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**
Acquisition costs brought forward	50	50
Purchases	-	-
Accumulated cost carried forward	**50**	**50**
Closing carrying amount	**50**	**50**

Namn	**Share of equity (%)**	**Share of votes (%)**	**No. of shares**	**Book value (SEK thousand)**
Xspray Pharma Futurum AB	100	100	50,000	50

Name	**Corp ID no.**	**Reg. office**	**Equity (SEK thousand)**	**Profit/ loss for the year**
Xspray Pharma Futurum AB	559178-7642	Stockholm	50	0

Note 18 Financial instruments and financial risks

Financial assets and liabilities for the parent company and group as of year-end 2020 and 2019. All financial assets and liabilities below are recognized at amortized cost apart from the financial investment in shares of SEK 1 thousand, which is in the financial assets at fair value through profit or loss measurement category.

SEK thousand	31 Dec. 2020	31 Dec. 2019
Financial assets in the Balance Sheet		
Financial investments	1	1
Current receivables	2,121	5,017
Accrued income	649	271
Cash and cash equivalents	325,548	209,872
Total	**328,319**	**215,161**
Financial liabilities in the Balance Sheet		
Trade accounts payable	8,437	11,876
Other current liabilities	-	-
Accrued expenses	8,627	506
Total	**17,064**	**12,382**

The carrying amounts of financial assets and liablities that are valued above are reasonable approximations of fair value.

For lease liabilities in the consolidated accounts, see note 14.

Financial risks and asset management procedures

Through its operations, the Company is exposed to various financial risks such as market risk (currency risk in cash flow), credit risk and liquidity risk. The Board of Directors has adopted a finance policy for managing financial risks within the Group. The Board is responsible for the Group's long-term financing strategy and for any raising of capital. The CFO is responsible for managing financial risks in its day-to-day operations.

Currency risk

The Company collaborates with international counterparties and there is some exposure to fluctuations of different currencies, mainly USD and EUR. Exposure to currency risk arises in tandem with foreign currency payments and receipts, and in the translation of foreign currency receivables and liabilities. The scope of the Company's operations mean that at present, net exposure to foreign currencies is limited. A weakening of the Swedish Krona against these currencies will lead to increased costs for the Group, if all else being equal.

The current exposure for foreign currencies is limited. A change in the average exchange rate for USD and EUR by +/– 10%, with all other variables constant, will have an impact on the Group's profit before tax by SEK +/– 5,301 thousand and SEK +/– 2,705 thousand. However, since foreign currency expenditures are mainly capitalized in machinery and capitalized development expenditure, currency risks are only exposed for the time between delivery and payment.

The profit/loss for the year for the group and parent company include exchange differences in the operating profit/loss.

Credit- and interest risk

Credit is the risk of a counterparty of a financial transaction not fulfilling its obligations on the due date. Credit risk mainly relates to balances with reputable banks with credit ratings of A or higher, based on credit rating from Standard & Poor. These balances are available on demand. Considering their short maturity and banks' high credit ratings, the credit risk is considered low, and expected credit losses negligible.

To reduce financial credit risk and to have a high level of readiness for investments, liquidity is invested in bank accounts or interest-bearing securities with low interest rate risk, low credit risk and high liquidity. The Company has placed the cash and cash equivalents in a bank account or deposit account in Nordic banks where interest income can be obtained.

Liquidity risk/financing risk and going concern

The group had available liquidity of SEK 325,598 thousand as of 31 December 2020, consisting of bank balances. As of the reporting date, the group had no external borrowings.

Liquidity risk is the risk of the Company being unable to fulfil its obligations. The group manages this risk by monitoring and forecasting receipts and payments in daily business. The Company does not conduct trading in financial assets for speculation purposes.

Financing risk is the capability of being able to finance projects until commercialization. Available cash and cash equivalents are sufficient to cover the liquidity necessary to conduct planned operations over the next 12 months.

Capital structure

The Group's goal regarding the capital structure is to ensure the Group's ability to continue its operations, so that it can continue to generate returns to shareholders and benefit other stakeholders, and maintain an optimal capital structure to keep low costs.

Before the Company achieves profitability and positive cash flow, the Group needs to maintain its capital structure from new share issues and other equity instruments to finance the development costs and launch of new projects.

Note 19 Prepaid expenses and accrued income

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Prepaid rent	84	83	566	1,660
Other prepaid expenses	2,017	462	2,017	462
Accrued interest income	649	271	649	271
Total	**2,750**	**816**	**3,232**	**2,393**

Other prepaid expenses mainly consists of manufacturing costs for materials for the Company's clinical programs.

Note 20 Cash and cash equivalents

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Bank balances	325,598	209,872	325,548	209,822
Total	**325,598**	**209,872**	**325,548**	**209,822**

Cash and cash equivalents in the Balance Sheet and Cash Flow Statement consist of cash and bank balances only. All outstanding bank balances are wholly invested with banks with high credit ratings from leading credit institutions. See note 18 for more detail on credit risk.

Note 21 Equity

	2020	**2019**
Number/value at end of year	16,751,622	15,076,460
New share issue	1,861,291	1,675,162
Redemption of warrants	279,591	-
Number at the end of year	**18,892,504**	**16,751,622**

The share has been trading on Nasdaq Stockholm with the ticker XSPRAY since 27 March 2020. Before that, First North Growth Market since 28 September 2017. The share's price on the list change day was SEK 53.10. As of 31 December 2020, the Company had 18,892,504 (16,751,622) shares.

The shares have a quota value of SEK 1 per share.

Note 22 Accrued expenses and deferred income

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Accrued bonus incl. soc.security fee	2,318	2,301	2,318	2,301
Accrued research and development expenses	1,306	1,797	1,306	1,797
Accured legal cost	92	1,490	92	1,490
Accrued vacation pay incl. soc.security fee	2,507	1,198	2,507	1,198
Accrued special payroll tax	1,268	922	1,268	922
Accured consulting fee	17	793	17	793
Accrued Board fees	444	187	444	187
Other accrued expenses	676	319	676	320
Total	**8,627**	**9,007**	**8,627**	**9,007**

Note 23 Pledged assets

There are no pledged assets or liabilities for which collateral has been pledged.

Note 24 Contingent liabilities

There are no contingent liabilities, or contingent liabilities in favor of a separate legal entity.

Note 25 Transactions with related parties

The Management of the parent company, the Boards of Directors of the parent company and subsidiaries are defined as related parties. The subsidiary is fully dormant, and there have been no intra-group transactions, so no further disclosure will be made on this topic subject.
The following transactions with related parties occurred during the financial year and comparative year. For the comparative year, amounts are stated under other benefits, while for the financial year, information presented over and above that in note 7 – Employees and personnel expenses is provided.

Purchases of services from Directors in 2020 were consulting fees to MIWO Invest ApS (former MWJ Partners ApS), which is owned by Chairman of the Board Michael Wolff Jensen. Purchase of services from related senior executives refers to services which were purchased in 2019 from Liljebris Consulting AB. The services were consulting fees for investigating new rental space. Charlotta Liljebris is no longer a Board member of Liljebris Consulting AB.

These transactions were on an arm's length basis.

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Purchase of services from Directors	249	234	240	234
Purchase of services from related Senior Executives	-	21	-	21
Total	**249**	**255**	**240**	**255**

Note 26 Definitions of key ratios

Earnings per share computed as profit/loss for the period divided by the average number of shares in the period.

This key ratio is useful for readers of the financial reports as a complement to other key ratios for assessing Xspray Pharma's profit position.

Equity/assets ratio equity in relation to total assets.

This key ratio is useful for readers of the financial reports as a complement to other key ratios for assessing Xspray Pharma's capital position.

Research and development expenses as a percentage of operating expenses consists of research and development expenses divided by operating expenses, which include selling and administration expenses and other operating expenses.

This key ratio is useful for readers of the financial reports as a complement to other key ratios for assessing the degree of development of the Company's product candidates.

Note 27 Significant events after the reporting period

- As of January 4, 2021, the Company's shares were moved from Nasdaq Small Cap to the Mid Cap segment after a significant increase in share price during 2020.
- In January, Xspray Pharma announced results from the repeated fasting bioequivalence study conducted with HyNap-Dasa, the result did not show formal bioequivalence.
- In January, it was announced that CEO Per Andersson and other warrant holders subscribed for shares in Xspray Pharma through their respective exercise of the full number of warrants available in the warrant program LTIP 2015/2021.
- In February, the Nomination Committee of Xspray Pharma proposed to elect Anders Ekblom as new Chairman. The Nomination Committee further proposed to re-elect the former Board members and elect Anders Bladh as a new Board member. Resolutions will take place at the Annual General Meeting on May 20, 2021.
- In March, Xspray Pharma announced an update on the upcoming pivotal studies with its improved version of Sprycel® (dasatinib), based on the company's HyNap-Dasa formulation

No events causing restatements of the Income Statement and Balance Sheet have occurred between the reporting date and the date of approval of this Report.

Note 28 Earnings per share

	Group		Parent company	
SEK thousand	**31 Dec. 2020**	**31 Dec. 2019**	**31 Dec. 2020**	**31 Dec. 2019**
Basic earnings per share	-3.05	-3.01	-3.04	-3.01
Diluted earnings per share	-3.05	-3.01	-3.04	-3.01

Amounts used in numerators are consistent with profit/loss for the year of the group of SEK –52,410 thousand (–45,771), and SEK –52,333 thousand (–45,796) in the parent company. Amounts used in denominators are stated below.

The weighted average number of outstanding shares was 17,211,467 (15,216,057), which is affected by new share issues in the current and previous financial years. The number of outstanding shares at year-end was 18,892,504 (16,751,622).

Instruments that can have a dilution effect and changes after the reporting date

The weighted average number of shares after dilution and profit/loss after dilution are the same before and after dilution. Because the group is reporting a loss for the current and previous financial years, potential ordinary shares cause no dilution of the average number of shares. There are incentive programs, which once the Company reports a profit, will have a dilution effect. For more information on the terms & conditions of incentive programs, and the number of outstanding warrants, see note 7. No change to the number of shares before and after dilution occurred after the reporting date.

Not 29 Appropriation of profit/loss

SEK thousand	**31 Dec. 2020**
The following funds are at the disposal of the Annual General Meeting:	
Share premium reserve	709,407
Loss brought forward	-325,816
Loss for the year	-52,333
Total	**331,258**
Appropriated as follows:	
Share premium reserve	709,407
Loss carried forward	-378,149
Carried forward	**331,258**

Signatories to the Annual Report

The Board of Directors and Chief Executive Officer certify that these annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden, and the consolidated accounts have been prepared in in accordance with the international accounting standards as referred to in European Parliament and Regulation (EC) No 1606/2002 as of 19 July 2002 on the application of international accounting standards. The annual accounts and consolidated accounts give a true and fair view of the parent company's and the group's financial position and results of operations. The Report of the Board of Directors for the parent company and the group gives a true and fair view of the progress of the parent company and the group's operations, financial position and results of operations, and describes the significant risks and uncertainties faced by the parent company and group companies.

As stated above, the annual accounts and consolidated accounts were approved for issue by the Board of Directors and Chief Executive officer on 19-03-2021. The Consolidated Income Statement and Consolidated Statement of Comprehensive Income, the Balance Sheet and Other Comprehensive Income and Statement of Financial Position, and the Parent Company Income Statement and Balance Sheet will be subject to adoption at the Annual General Meeting on 20-05-2021.

Stockholm
19-03-2021

Michael Wolff Jensen
Chairman of the Board

Gunnar Gårdemyr

Maris Hartmanis

Torbjörn Koivisto

Christine Lind

Carl-Johan Spak

Per Andersson
CEO

Our Audit Report was presented on 19-03-2021

KPMG AB

Duane Swanson
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of XSpray Pharma AB (publ), corp. id 556649-3671

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of XSpray Pharma AB (publ) for the year 2020, except for the corporate governance statement on pages 39-43. The annual accounts and consolidated accounts of the company are included on pages 32-81 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 39-43. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and statement of financial position for the group.

Our opinions in this report on the the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Intangible assets

See note 11 and accounting principles on page 68 in the annual accounts and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The consolidated carrying value at 31 December 2020 of capitalized development costs amounted to 232 MSEK and refers to pharmaceuticals in the development phase. This equals approximately 38 % of the consolidated total assets and are subject to an impairment testing.

The impairment testing of these assets are dependent on management's estimates and judgments of future revenues, operating results, as well as required levels of working capital and investments. Another important assumption is the discount rate to be used in order to reflect the time value of money as well as the specfic risks associated with the operations.

Response in the audit

We have assessed whether the impairment tests related to intangible fixed assets have been prepared in accordance with the prescribed method as well as assessed the reasonableness in the group's test of the carrying value of the intangible assets.

Additionally, we have considered the reasonableness of the predicted future cash flows as well as the discount rates used through evaluation of the group's written documentation and forecasts. We have also examined the sensitivity analysis prepared by group management to evaluate how reasonable changes in the assumptions may impact the valuation.

We have also reviewed the compliance with the accounting principles and disclosures related to capitalized development costs as stated in the annual accounts and consolidated accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-31 and 82-86. The other information comprises also of the remuneration report which we obtained prior to the date of this auditor's report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

– Conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, measures that have been taken to eliminate the threats or related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of XSpray Pharma AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

– has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

– in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 39-43 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevR 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 19 March 2021

KPMG AB

Duane Swanson
Authorized Public Accountant

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of XSpray Pharma AB (publ) by the general meeting of the shareholders on the 14 May 2020. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Board of Directors and Auditor

Michael Wolff Jensen

Board member and Chairman of the Board since 2013.
Chairman of the Remuneration Committee.
Born 1971
Education: Master of Laws (LL.M.), University of Copenhagen.
Other current assignments: Chairman of the Boards of VISEN Pharmaceuticals Ltd, Ascendis Pharma A/S, MIWO Invest ApS and Vicore Pharma Holding. Deputy Director of Xspray Pharma Futurum AB.
Previous assignments (past five years): Chairman of the Boards of Eurocine Vaccines AB and VANX ApS.
Holding in the Company on 31 December 2020: 25,000 shares via MIWO Invest ApS (former MWJ Partners ApS).

Gunnar Gårdemyr

Board member since 2019. Member of the Remuneration Committee.
Born 1959
Education: B.A. in Marketing & Finance from Lund University.
Other current assignments: Chairman of the Board of RhoVac AB. Director of Iconovo AB and Asgard Therapeutics AB.
Previous assignments (past five years): CEO of Targpva AS, Norway and Director of CBO i Follicum AB.
Holding in the Company on 31 December 2020: 4,400 shares.

Maris Hartmanis

Board member since 2015. Chairman of the Audit Committee.
Born 1953
Education: M.Sc. in biotechnology, KTH Royal Institute of Technology, Stockholm. Dr. of Technology and Associate Professor in Biochemistry, KTH.
Other current assignments: CEO and Chairman of Hartmanis & Partners AB, Director of BioLamina AB and Chairman and CEO of the FINGERS Brain Health Institute foundation.
Previous assignments (past five years): Director of Xbrane Biopharma AB, karolinska Institutet Holding AB and Applied Photophysics Ltd., England, and vice Chairman of the Board in ProNova, a VINNOVA Center of Excellence for protein technology at Kungliga Tekniska Högskolan
Holding in the Company on 31 December 2020: 28,619 shares.

Torbjörn Koivisto

Board member since 2017. Member of the Remuneration Committee.
Born 1969
Education: LL.M., Uppsala University.
Other current assignments: Director of Cinclus Pharma Holding AB, Hemcheck Sweden AB, and IARU Institutet för Affärsjuridisk Rådgivning i Uppsala AB. Deputy director of RJC Roger Johansson Consulting AB and Virdings Allé Invest AB. Partner of KOL Arts & Craft Handelsbolag.
Previous assignments (past five years): Chairman and Director of Forslid & Co AB. Director of Moberg Pharma AB (publ)
Holding in the Company on 31 December 2020: 4,000 shares via the company IARU.

Christine Lind

Board member since 2019. Member of the Audit Committee.
Born 1974
Education: B.Sc. Finance & Information Systems from New York University, Stern School of Business, and MBA in Finance and Organizational Management from Columbia Business School.
Other current assignments: Chairman and CEO of Lind Growth Strategy AB. Deputy Director of Shinka Life Sciences AB and Interim Chairman of the Board of Immunicum AB.
Previous assignments (past five years): EVP Strategic Business Development of Medivir AB. Chairman and CEO of Medivir AB.
Holding in the Company on 31 December 2020: 4,000 shares.

Carl-Johan Spak

Board member since 2015
Born 1956
Education: Dr. of Odontology, Degree in Dentistry, Karolinska Institutet.
Other current assignments: Director of Atrogi AB, Empros Pharma AB, Follicum AB, Inject Pharma Sweden AB, KAHR Medical Ltd., Pharmacolog i Uppsala AB (publ), Prokarium Ltd., SwedenBIO Service AB, Binx Health Ltd., UK and Symcel AB. Chairman and CEO of Recipharm Venture Fund AB.
Previous assignments (past five years): Chairman of Bostadsrättsföreningen Smultronhyllan, Cobra Biologics Matfors AB, Cobra Biopharma Matfors AB, Cobra Biologics Holding AB, Recipharm OT Chemistry AB and Recipharm Pharmaceutical Development AB. Director of Synthonics Inc., Pharmanest AB, Recipharm OT Chemistry AB and Recipharm Strängnäs AB. Deputy Director of Cobra Biologics AB and Cormorant Pharmaceuticals AB. Director and CEO of RPH Pharmaceuticals AB.
Holding in the Company on 31 December 2020: None.

Auditor

KPMG AB (PO Box 382, 101 27 Stockholm, Sweden) were elected the Company's auditor at the AGM on 14 May 2020. Duane Swanson, Authorized Public Accountant and member of FAR (the Institute for the Accountancy Profession in Sweden) is Auditor in charge.

Management

Per Andersson

CEO since 2006.
Born 1967
Education: Ph.D. in Analytical Chemistry, Stockholm University.
Other current assignments: Chairman of the Board of Robotic Lawn Care Sweden AB and Director of Xspray Pharma Futurum AB. Deputy Director of Journeyman Stockholm AB.
Previous assignments (past five years): Deputy Director of Innovation TBD AB.
Holding in the Company on 31 December 2020: 185,260 shares and 116,267 warrants.

Kerstin Hasselgren

CFO since 2019.
Born 1961
Education: MBA, Stockholm School of Economics
Other current assignments: –
Previous assignments (past five years): –
Holding in the Company on 31 December 2020: 4,500 shares and 39,538 warrants.

Andreas Konar

Business Development since 2010.
Born 1949
Education: Professor and Ph.D. in organic chemistry, Lund University; M.Sc. (Eng.) Chalmers University of Technology, Gothenburg.
Other current assignments: Director of Ground Zero Pharmaceuticals Inc., Proprietor of Intercon Handelsbolag.
Previous assignments (past five years): -
Holding in the Company on 31 December 2020: 75,555 shares and 19,091 warrants.

Charlotta Liljebris

Head of R&D since 2018.
Born 1964
Education: Ph.D. in Pharmaceutical Chemistry, M.Sc. in Organic Chemistry, Uppsala.
Other current assignments: Director of Sprint Bioscience AB, Deputy Director of Liljebris Consulting AB.
Previous assignments (past five years): Director of Recipharm OT Chemistry AB , Connect Uppsala and Sprint Bioscience..
Holding in the Company on 31 December 2020: 2,000 shares and 23,437 warrants.

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.

API • Active Pharmaceutical Ingredient

Bioavailability • i.e. biological availability, is a pharmacological term that shows what proportion of the drug reaches the blood.

Bioequivalence • A term in pharmacokinetics used to assess the expected in vivo biological equivalence of two proprietary preparations of a drug. If two products are said to be bioequivalent it means that they would be expected to be, for all intents and purposes, the same.

Blockbusters • Drugs with annual global sales in excess of USD 1 billion.

Clinical phase • The various stages in the study of a drug's effects in humans (see also 'clinical study'). Phase I investigates safety in healthy subjects; Phase II investigates the effects in patients with the disease concerned, and Phase II is a larger study to verify previously achieved outcomes. Once a drug is sold on the market, Phase IV studies are conducted to discover unusual side effects, for example.

Clinical study • A study of healthy test subjects (Phase I) or patients (Phases II through III) in order to study safety and the effect of the drug or method of treatment.

CMO • Contract Manufacturing Organization

CRO • Contract Research Organization. A service provider that performs assignment research and drug development services.

Crystalline • Crystalline structure is a chemical term that describes substances whose molecules have an organized structure.

Drug candidate • A substance chosen during a pre-clinical phase for further testing in healthy subjects and later, in patients.

Excipient • Excipients facilitate/enable handling and use of a drug formulation; they include binding agents, fillers and stabilizing agents and other.

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.

Formulation • In the pharmaceutical industry, formulation is synonymous with preparation.

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.

Indication • In medical contexts an indication is a symptom, illness or a condition that requires treatment.

Oncology • The study of cancer and also a medical specialization that focuses on cancers and their treatment.

Orphan Drug • An individual drug for the treatment of a single serious or chronic illness where no more than 200,000 patients in the USA have the indication.

Patent window • The time between the start date of the primary substance patent for the original drug and the expiration date of the relevant secondary patents.

Preclinical • Part of drug development that takes place before a drug candidate is tested on humans.

Primary and secondary patents • The primary patent protects the active substance (API) in a drug. The secondary patent describes modified compounds, formulations, dosages, special medical uses etc.

Protein kinase • An enzyme that acts as a messenger in a cell. Protein kinases are crucial when a cell's functions are to be controlled by external signals e.g. hormones, by helping to pass on signals inside the cell. Protein kinases help cancer cells grow and spread.

Protein kinase inhibitors • Drugs that block protein kinases. Protein kinase inhibitors act by blocking the activity of enzymes that drive the development and growth of cancer cells.

SCF • Super Critical Fluid

SEK billion • Billions of Swedish kronor.

SEK million • Millions of Swedish kronor.

SEK thousand • Thousands of Swedish kronor.

505(b)(2) • Application for US drug approval for a new version of an existing licensed drug or approved drug.

Shareholder information

Financial calendar 2021	Date
Interim Report Q1, Jan–Mar 2021	6 May 2021
AGM 2021	20 May 2021
Interim Report Q2, Apr–Jun 2021	5 August 2021
Interim Report Q3, Jul–Sep 2021	4 November 2021
Year-end Report 2021	18 February 2022

All financial reports are available at Xspray Pharma's website, www.xspraypharma.com

For more information on Xspray Pharma, please contact
Per Andersson, CEO
Tel: +46 (0)8 730 3700
email: per.andersson@xspray.com

Annual General Meeting 2021

The AGM will be held on 20 May 2021, at Vinge's premises at Stureplan 8, Stockholm. Due to the ongoing pandemic, the Board of Directors has decided that the EGM should be executed without physical presence of shareholders, proxies or external participants and that voting may only be done by post prior to the EGM.

For entitlement to participate in the AGM, shareholders must:

- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB as of Thursday 12 May 2021
- notify the Company of their intention to participate at the AGM by voting in advance no later than Thursday 12 May 2021. Notifications can be by mail to: Xspray Pharma AB, Råsundavägen 12, 169 67 Solna, Sweden, or email to: generalmeeting@xspray.com

Complete information on the AGM 2021 is in the notice convening the meeting, which is at Xspray Pharma's website, www.xspraypharma.com

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