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PHARMA

Xspray Pharma
Annual Report 2023

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Xspray Pharma

Xspray Pharma AB (publ) is a pharmaceutical company with multiple product candidates in clinical development. Xspray Pharma uses its innovative, patented HyNap technology to develop improved versions of marketed protein kinase inhibitors (PKIs) for treatment of cancer. The segment is the largest in the field of oncology, and drug prices are extremely high.

Xspray Pharma's business strategy centers on using the company's technology to enable its product candidates to step in as the first competitor to the current original drugs before their secondary patents expire and the market opens up to generics. Xspray Pharma's goal is to become a leading developer of improved versions of PKIs that are already being marketed for the treatment of cancer, of which there were just over 80 in the US at the end of 2023.

The year in brief

First quarter, January-March

- 2023 started off with Xspray Pharma partnering with EVERSANA in preparation for the launch and commercialization of the company's product candidate Dasynoc® in the US. This partnership gives Xspray Pharma access to a dedicated sales and marketing team with deep experience in commercialization of cancer drugs. Xspray Pharma maintains full financial and strategic control over the launch of Dasynoc®, with the goal of launching the product in the beginning of September 2024.
- Xspray Pharma announced a new product candidate: XS008. The product candidate is based on the original substance axitinib, which is used for treatment of kidney cancer.
- Xspray Pharma's Italian production partner NerPharMa obtained approval from AIFA, the Italian Medicines Agency, for commercial production of Dasynoc®.

Second quarter, April-June

- As expected, the US court rejected Xspray Pharma's motion to dismiss in the ongoing patent dispute with Bristol Myers Squibb concerning Dasynoc®. The lawsuit thus proceeded further with evidence including expert statements, with the counterparty BMS demonstrating that Dasynoc® contains a patented crystalline compound.
- Xspray Pharma announced the outcome of a completed preferential rights issue of units including two shares and two warrant series. The preferential rights issue was subscribed to 83 percent, thereby raising a total of approximately SEK 251 million in proceeds before transaction expenses for Xspray Pharma. The proceeds were provided after the end of the period. The two warrant series comprise TO5, which matured on November 30, 2023, and TO6, which matures on May 2, 2024. Together, these could raise approximately a further SEK 251 million upon full subscription.

Third quarter, July-September

- Xspray Pharma received a complete response letter (CRL) from the US Food and Drug Administration, in which the FDA requested supplementary information concerning how physicians and patients are to dose Dasynoc®, as well as supplementary information regarding a third-party manufacturing facility. At the same time, the FDA accepted key aspects of the application by not identifying any deficiencies in stability or the clinical data submitted to date.
- In September, Xspray Pharma announced that the patent litigation with BMS regarding Dasynoc® has been settled through mediation. The settlement clears all pending claims from BMS, paving the way for Xspray Pharma to introduce Dasynoc® to the US market in the beginning of September 2024, pending final FDA approval.
- Edward P. Jordan was appointed Chief Commercial Officer to lead the launch and commercialization of both Dasynoc® and other drug products in the company's product portfolio, as well as to build up the US organization.

Fourth quarter, October-December

- Xspray Pharma released the findings that had been published in the October issue of the European Journal of Haematology: Nearly half of all patients suffering from chronic myeloid leukemia (CML) who were treated with tyrosine kinase inhibitors (TKIs) such as Sprycel® were, despite clear advice to the contrary, being simultaneously treated with proton-pump inhibitors (PPIs) for peptic ulcers, which increases the risk of less efficacious treatment. This can be mitigated with an enhanced amorphous dasatinib formulation such as Dasynoc®, which thus facilitates the avoidance of undesirable interactions between drugs and simultaneous treatment with TKIs and PPIs.[1]
- The findings for product candidate XS003 nilotinib – the company's amorphous non-crystalline version of nilotinib, demonstrated comparable bioavailability with Tasigna at a lower dose.

Events after the period

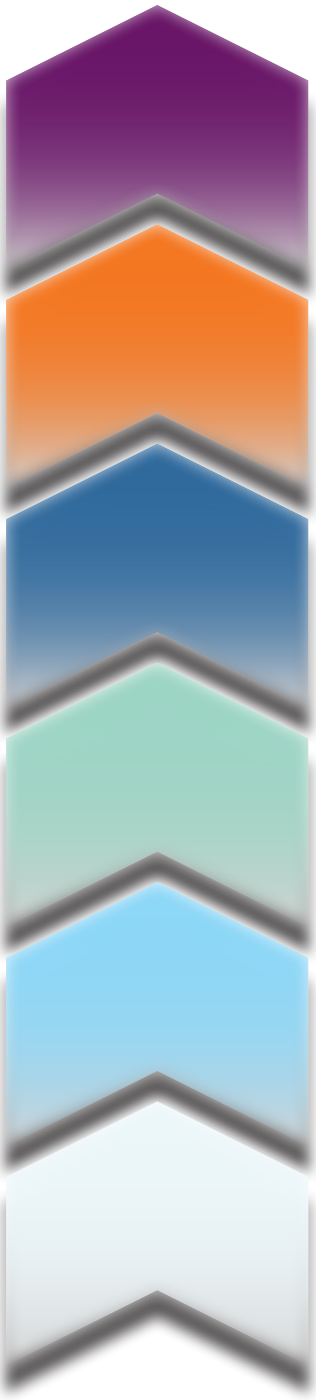
- In February, Kerstin Hasselgren chose to step down as CFO for personal reasons, however she remains as Senior Advisor and Head of Investor Relations.
- In February, Michael af Winklerfelt was appointed acting CFO and took office on February 8.
- In February, Xspray Pharma received a response to its CRL and the FDA set July 31, 2024 as the date on which they are expected to reach a decision on approval of Dasynoc®, known as the PDUFA date.

1 (Larfors, et al. Eur. J. Haematol. 2023; 1–11. DOI: 10.1111/ejh.14059)

History

With Xspray Pharma's unique technology platform and a focus on development of improved PKI drugs for cancer treatment, the company has several exciting product candidates in development. Repeated studies show clear advantages with Xspray Pharma's products compared to currently marketed PKI drugs.

When Xspray Pharma was founded in 2003, the company focused on development of particle technology in connection to production of drugs, which later became known as the company's HyNap technology. In 2021, the company transitioned from development of both improved and generic drugs to focusing solely on improved drugs. This was an important decision which resulted in increased focus on development of new product candidates with advantages for improved patient outcomes that are not limited by a requirement to be an exact copy of the reference product. An improved product also has a larger economic potential, both during and after the patent window.



2023

Xspray Pharma strengthened its commercial organization ahead of the launch of Dasynoc® and signed a partnership agreement with EVERSANA ahead of the launch and commercialization of Dasynoc® in the US. The company reached a settlement with Bristol Myers Squibb that clears all pending claims on Dasynoc® and paves the way for Xspray Pharma to launch Dasynoc® in the beginning of September 2024, pending final FDA approval. Xspray Pharma received a complete response letter (CRL) in which the FDA requested supplementary information ahead of the FDA's decision on market approval. A completed registry study revealed that nearly half of all patients suffering from chronic myeloid leukemia (CML) who were treated with tyrosine kinase inhibitors (TKIs) such as Sprycel® were, despite clear advice to the contrary, received concurrent treatment with proton-pump inhibitors (PPIs) for conditions such as peptic ulcers. This increases the risk of less efficacious treatment. Xspray Pharma continued it's work on two additional publicized product candidates derived from the company's HyNap technology platform: XS003 nilotinib and XS008 axitinib. Bioavailability comparable to Tasigna® was achieved with XS003 nilotinib.

2022

In January 2022, the FDA announced that they would commence a full review of the application for market approval of Dasynoc®. Bristol Myers Squibb filed a lawsuit against Xspray Pharma for patent infringement in February 2022. The FDA granted Dasynoc® orphan drug status during the year for treatment of both chronic myeloid leukemia and acute lymphoblastic leukemia.

2021

Bioequivalence was achieved in a study comparing Xspray Pharma's Dasynoc® and the reference product Sprycel®. The study confirmed that the dose of Dasynoc® can be reduced by 30% and still achieve the same absorption as the reference product. Xspray Pharma made a final application to the FDA for market approval of Dasynoc® according to the 505(b)(2) NDA process. The company decides to focus its development efforts exclusively on improved protein kinase inhibitors (PKIs) instead of both improved and generic PKIs.

2020

Xspray Pharma secured the supply chain for Dasynoc®, from production of active substance until production of a finished pill. A clinical study showed that the body's absorption of Dasynoc® is not impacted by the stomach's pH value nor by co-medication with pharmaceuticals for peptic ulcers such as omeprazole. Development also continued for the company's next product candidate, XS003 nilotinib, a product candidate that was granted orphan drug status by the FDA for treatment of chronic myeloid leukemia.

2011–2019

The company's HyNap technology is developed with a focus on protein kinase inhibitors (PKIs) for treatment of cancer patients. Positive results were shown from three clinical studies of an improved as well as a generic version of dasatinib. Xspray Pharma initiated a collaboration with its Italian partner NerPharMa that would manage production of Dasynoc® in a new facility that is Good Manufacturing Practice-approved. The company successfully produces the amorphous material for Dasynoc® on a commercial scale.

2003

Xspray Pharma was founded and focuses initially on the development of a new nozzle that enables larger production volumes for a specific particle technology.

CEO letter

Dear Shareholder,

Throughout 2023, we continued to make significant progress on the exciting journey toward the launch of our product Dasynoc®. The settlement with Bristol Myers Squibb (BMS) in the patent dispute over Dasynoc® was a crucial milestone for the company, paving the way for the launch of our product in the beginning of September 2024 pending final FDA approval. We are working diligently to ensure a successful market launch of Dasynoc®.

Dasynoc® – an improved PKI

Dasynoc® is a trailblazer, in the sense that the advantages in its product profile can provide patients suffering from CML and ALL with an improved treatment of their cancers. Dasatinib is a protein kinase inhibitor, or PKI, administered to patients in lifelong – and life-sustaining – treatment for CML and ALL.

The advantages of Dasynoc include increased bioavailability, a drastic reduction in variability and 30 percent lower dosages than Sprycel®, the currently existing formulation of dasatinib in the market. Moreover, co-medication with pH-increasing drugs such as omeprazole, which a large proportion of patients need, becomes possible. Dasynoc® thus has great potential to improve quality of life for patients.

Timetable confirmed by FDA after CRL response

During the year, we received a Complete Response Letter (CRL), which is a request from the FDA for supplementary information. It concerned primarily information for doctors and patients regarding the dosing for the six different strengths of Dasynoc® (15 mg, 36 mg, 50 mg, 57 mg, 70 mg and 100 mg).

To ensure that the information for doctors is safe and cannot be misunderstood, we conducted a comprehensive survey among doctors. At the same time, the FDA had no comment on such critical aspects as stability or clinical data.

After our response was registered with the FDA, in February 2024 we received a PDUFA date set for July 31, 2024, which is thus the date on which the FDA is expected to conclude its approval process for Dasynoc®.

We are thus keeping to our timetable for launch in the beginning of September 2024.

We are confident that the FDA's review will result in approval for marketing Dasynoc® in the US as an improved version of dasatinib/Sprycel® for the treatment of CML and ALL.

Commercialization

In early 2023, we signed a partnership agreement with the US company EVERSANA, under which we will retain full financial and strategic control over Dasynoc®. This partnership grants us access to a complete and cost-effective approach to US commercialization for Dasynoc®. EVERSANA will provide us with services in market access, sales organization, patient support programs and compliance in the US. They have experts with years of documented experience in selling PKI drugs to the specific physicians, insurance companies, and other paying customers we intend to target. We are now intensively engaged in preparatory activities to ensure a quick and successful launch of Dasynoc®.

Financing

The commercialization and launch of a drug product in the US is associated with high costs. To finance preparatory activities ahead of the launch of Dasynoc®, a preferential rights issue was conducted in June that included two warrant programs, TO5 and TO6. The rights issue raised SEK 251 million before issue expenses for the company, and TO5 – whose subscription period ended on November 30 – raised a further SEK 92.3 million for the company. We are pleased and grateful that we have achieved a high subscription rate. Achieving that level of subscription at a time that was extremely challenging in the financial markets, once again, demonstrates the strong support we have from our shareholders. Our cost increases are in accordance with plans, and a consequence of our current focus on commercialization and adapting our organization for this phase. At the same time, our choice of carrying out the launch of Dasynoc® in partnership with EVERSANA means that it is being done in a highly cost-efficient and flexible manner.

By spring, it will be possible to use the warrants of series TO6 to subscribe for new shares in Xspray Pharma on the same terms as TO5. The subscription period for TO6 runs between April 18 and May 2, 2024. If TO6 is fully subscribed, Xspray Pharma will raise an additional SEK 125 million.

Positive results in the XS003 study

During the last quarter of the year, we published positive findings for our product candidate XS003, Xspray Pharma's amorphous non-crystalline form of nilotinib, that demonstrated comparable bioavailability with Tasigna® at a lower dose. We are continuing to conduct the remaining studies, with the goal of submitting applications to the FDA for market approval of XS003 in the US as soon as these have concluded.

In December, we moved our lab and head office to Campus Solna – one of the strongest life science clusters in the world. We thus gain access to larger, ultramodern laboratories, which facilitates continued development of our exciting pipeline of improved protein kinase inhibitors.

We are entering a very exciting year, and I look forward to Xspray Pharma completing the next stage of its journey toward becoming a commercial-stage, profitable pharmaceutical company and a global leader in enhanced versions of established protein kinase inhibitors.

Per Andersson,
CEO Xspray Pharma

Market

Continuous demand 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), 20 million new cases of cancer were diagnosed globally in 2022 and 9.7 million patients died as a result of their cancer. It is also estimated that approximately 54 million people were still living within five years of receiving their cancer diagnosis.

Global sales of cancer drugs in 2022 totaled USD 185 billion. The expectation is that this will continue to grow steadily, with forecasts that point toward an increase from USD 205 billion in 2023 to USD 484 billion in 2030. This corresponds to an annual growth rate of 13 percent in the period from 2023 to 2030. North America was the leader in the global market, with a significant market share of 46 percent in 2022. [1]

[1] "Fortune Business Insights." Market Research Report. Aug 2023. www.fortunebusinessinsights.com/oncology-drugs-market-103431

Marketed protein kinase inhibitors (PKIs) and their therapeutic indications

Indication	Marketed PKIs
Liver cancer and bile duct cancer	Sorafenib, Cabozantinib, Regofarein, Lenvatinib, Pemigatinib, Futibatinib, Infigratinib
Leukemia	Imatinib, **Dasatinib**, **Nilotinib**, Ponatinib, Bosutinib, Asciminib, Ibrutinib, Idelalisib, Midostaurin, Ivosidenib, Duvelisib, Gilteritinib, Olutasidenib
Rheumatoid arthritis	Tofacitinib, Baricitinib, Upadacitinib
Lung cancer	Afatinib, Erlotinib, Gefitinib, Dabrafenib, Crizotinib, Ceritinib, Alectinib, Osimertinib, Brigatinib, Dacomitinib, Loratinib, Entrectinib, Capmatinib, Pralsetinib, Selpercatinib, Tepotinib, Mobocertinib, Trametinib
Gastrointestinal cancer/ Gastrointestinal stromal cell tumor	Imatinib, Regorafenib, Ripretinib
Kidney cancer	Sorafenib, Cabozantinib, Levatinib, Tivozanib, Sunitinib, Pazopanib, **Axitinib**
Thyroid cancer	Sorafenib, Cabozantinib, Levatinib, Dabrafenib, Pralsetinib, Selpercatinib, Vandetanib
Lymph node cancer	Imatinib, Idelalisib, Duvelisib, Crizotinib, Loratinib, Acalabrutinib, Copanlisib, Zanubrutinib, Pirtobrutinib
Melanoma	Ibrutinib, Dabrafenib, Vemurafenib, Trametinib, Cobimetinib, Binimetinib, Encorafenib
Breast cancer	Lapatinib, Palbociclib, Neratinib, Ribociclib, Abemaciclib, Alpelisib, Tucatinib
Idiopathic pulmonary fibrosis	Nintedanib
Glaucoma	Rhopressa
Bladder cancer	Erdafitinib
Pancreatic cancer	Erlotinib, Gefitinib
Endometriecancer	Levatinib
Neurofibrom	Erdafitinib, Selumetinib
Other	Trilaciclib, Ruxolitinib, Fedratinib, Fostamatinib, Larotrectinib, Pexidartinib, Belumosudil, Pacritinib, Deucravacitinib, Tirbanibulin, Abrocitinib

Xspray Pharma's announced product candidates are derived from the following substances: Dasatinib, Nilotinib and Axitinib.

Protein kinase inhibitors

Protein kinase inhibitors (PKIs) have quickly become one of the most effective treatments of cancer and for certain types of cancer, PKIs are the only available option. PKIs are the largest segment in the field of oncology, with over 1,800 ongoing clinical studies in a late phase (Phase II or III), and just over 80 of them are approved drugs in the US market. All Xspray Pharma's product candidates in development are currently PKIs.

The increases in cancer and autoimmune diseases are important factors that are expected to drive the growth of PKIs. PKIs have demonstrated an ability to prevent the growth of cancer, which means that cancer patients can be treated for several years – sometimes for life. Sales of PKI drugs are estimated to be just over one third of the total oncology market in the US, a segment in which drug prices are very high. At the end of 2023, there were approximately 80 marketed PKIs for cancer treatment in the US. As many as 23 of these drug substance patents are expected to expire in the US by 2030. The drug substance patents that are expiring include the original drugs that contain the active substances on which Xspray Pharma's product candidates are based.

Trends

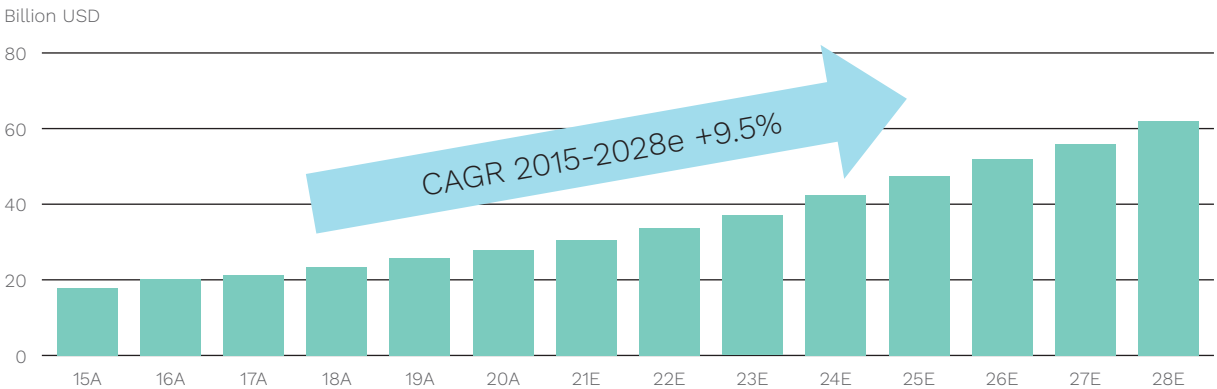
Demographic trend

The demographic trend is resulting in an aging population due to increased life expectancy and fewer children being born primarily in Europe, the US and Japan. For instance, the share of the population over the age of 80 is expected to double between 2016 and 2050 in Europe. This demographic trend is also leading to increased needs for medication, innovative medical technology products and digital solutions.

Increased use of drugs

The use of more expensive and patented original drugs will increase, primarily driven by developing countries. At the same time, the use of generics will be more prevalent when patents expire and demand for generics is primarily expected to increase in developing countries. Orphan drugs will account for a growing share of patented drugs since the prevalence of rare diseases is increasing, which has led to greater interest in development of these drugs among both pharmaceutical companies and authorities.

Annual sales of PKI drugs in the US



Source: EvaluatePharma, Industry and Broker Research, U.S. FDA.

Strategy

Xspray Pharma uses its innovative and patented HyNap technology to develop amorphous product candidates that are improved versions of marketed protein kinase inhibitors (PKIs) for treatment of cancer.

Vision

Xspray Pharma's vision is to become a world-leading player in improved PKIs through its HyNap technology, aiming to provide cancer patients with a better quality of life.

Financial and operational vision

By 2030, the company will have:

- Net sales exceeding USD 400 million
- Profit margin exceeding 65 percent (profit before tax)
- 5 commercialized products
- 3 product candidates in development

Xspray Pharma has revised its 2030 vision after entering a partnership agreement with EVERSANA for commercialization and launch of Dasynoc®. The company had previously estimated net sales based on a royalty agreement but since Xspray Pharma now retains financial and strategic control, the vision has been revised.

Business model

The illustration below shows the typical product cycle for both traditional pharmaceutical companies and Xspray Pharma. A traditional pharmaceutical company initiates a lengthy development process for the drug before it can be sold with market exclusivity for a number of years until the secondary patent expires and the market is opened up to generics. When a traditional pharmaceutical company develops a new drug, the development requires Phase I, II and III studies, which take both a long time and require significant investments. In addition, very few potential drugs make it all the way from Phase I to market launch, so the risk for investors is significant

Xspray Pharma has a significantly shorter development period for its improved product candidates compared with the original product. Since the original product was approved after Phase I, II and III studies, only Phase I studies in healthy volunteers are required when improved product candidates are developed. These studies are considerably shorter and require less capital. Xspray Pharma's amorphous product candidates are not covered by the patents of the crystalline original compounds, which facilitates launch as soon as a drug substance patent has expired.

Xspray Pharma calls the time between the primary and secondary patent the patent window. When it comes to PKIs, the primary patent protects the original sub-

stance and the secondary patent protects other aspects of the original drug, for instance crystalline forms of the active compound. Since Xspray Pharma through its HyNap technology develops drugs that are amorphous, Xspray Pharma is not affected by the original drug's secondary patent. This means that Xspray Pharma's products can be marketed directly after the original company's drug substance patent has expired, which leads to a favorable environment for a launch since competition is very limited. Also after the expiry of the secondary patent, Xspray Pharma's product candidates have advantages that are favorable to patients compared to generics that replicate the original drug.

Strategic focus areas

Research and development

Xspray Pharma has chosen to develop its product candidates as improved versions of marketed protein kinase inhibitors and are approved according to the FDA 505(b)(2) New Drug Application regulatory process. Xspray Pharma has chosen this regulatory path since parts of the application can be supported by a previously approved reference product and Phase 2 and Phase 3 clinical studies therefore do not need to be conducted. This facilitates a shorter development period and lower costs, and entails lower regulatory risk.
Of the approximately 80 PKIs that are currently being marketed in the US, 23 drug substance patents are expected to expire before 2030. To date, Xspray Pharma has tested its HyNap technology on approximately 20 PKIs that are marketed in the US, with positive results.

The HyNap technology is the foundation for Xspray Pharma's product portfolio. The product portfolio consists of carefully chosen product candidates for which Xspray Pharma see the greatest improvement and market potential.

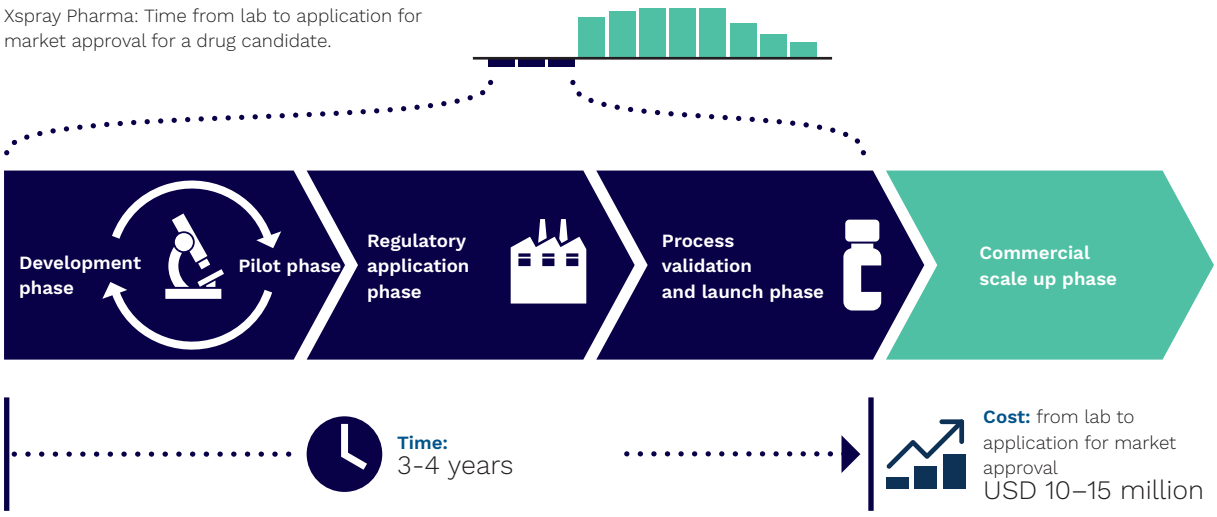
Active patent strategy

Xspray Pharma is pursuing a patent strategy critical to its operations, for the purpose of protecting its ownership position. This is achieved by patenting the company's internally developed technology platform and product candidates. Exhaustive preparatory work minimizes the intellectual property rights risk in the projects where the company is developing improved versions of products that are already being marketed. Moreover, this preliminary work ensures that the company will be well prepared for any litigation in conjunction with the registration application for a new product candidate.

Production

The production strategy focuses on securing a supply chain, from production of the amorphous formulation of the active drug substance until a final pill, which secures sufficient production capacity for both clinical studies and commercial needs. The amorphous substance material for Xspray Pharma's clinical programs and commercial sales is manufactured using the company's patented manufacturing equipment, which can be installed at the sites of well-established contract manufacturing organizations (CMOs). Even though production takes place with an external CMO, Xspray Pharma maintains full ownership of the manufacturing equipment.

Xspray Pharma: Time from lab to application for market approval for a drug candidate.



Commercialization

Since Xspray Pharma's product candidates have an amorphous structure instead of a crystalline one, they can be launched after the original drug substance patent expires. They can thus be marketed in parallel with the original company's product, which creates an advantageous competitive situation for Xspray Pharma's products. Even after the expiry of the secondary patent and the market opens up to generics, Xspray Pharma's products will continue to have strong and patented advantages based on the HyNap technology.

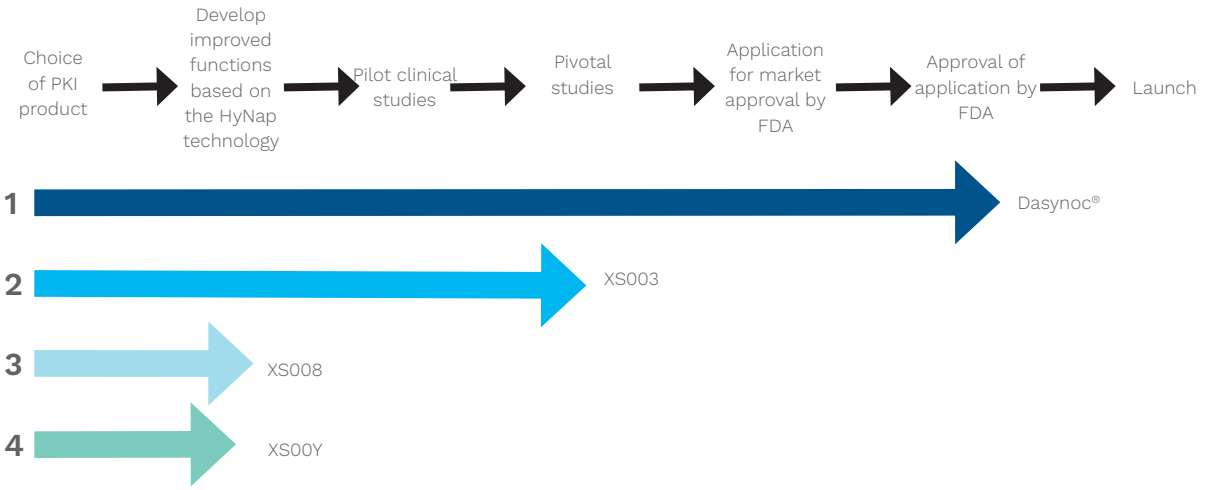
By offering clear benefits to patients, Xspray Pharma's products are expected to gain sizable market shares from the original drug. As a first step, Xspray Pharma plans to introduce its products to the US market. Profit margins are deemed higher in the US than in rest of the world since PKIs are highly priced on the US market.

Xspray Pharma strives to generate revenue by taking the company's product candidates to registration on its own, to subsequently either sell the product itself with possible contracted support, or sign licensing agreements with an external partner who manages marketing and sales or sell the product candidates. The company's product candidates can be commercialized in various ways, depending on which factors are deemed to be most advantageous for the respective product candidates.

In February 2023, Xspray Pharma entered a partnership agreement with EVERSANA for the commercialization of Dasynoc®. Xspray Pharma maintains financial and strategic control, and grants EVERSANA exclusive commercial rights to assist in commercializing and launching Dasynoc® in the US. According to the agreement, EVERSANA will provide Xspray Pharma with a dedicated commercialization team with long experience of successfully commercializing cancer drugs, such as tyrosine kinase inhibitors (TKIs), which includes PKIs.

Facts: Launch of Dasynoc®	
Expected launch	Beginning of September 2024
Place	US
Commercialization parter	EVERSANA
Market size	USD 1.5 billion (sales of original product in 2023)

Overview R&D status – product portfolio




EtOH

Technology platform – HyNap

All product candidates are developed based on the company's patented HyNap technology. This technology enables production of amorphous materials, which provide advantages such as bioequivalence at lower dosages, not being affected by pH-value and a more even absorption of the drug in the body.

HyNap's function

Xspray Pharma's HyNap technology, developed in-house, is a particle technology that creates what is known as an amorphous solid dispersion (ASD) of a drug's active substance. The HyNap technology is based on a state of matter known as supercritical fluid (SCF).

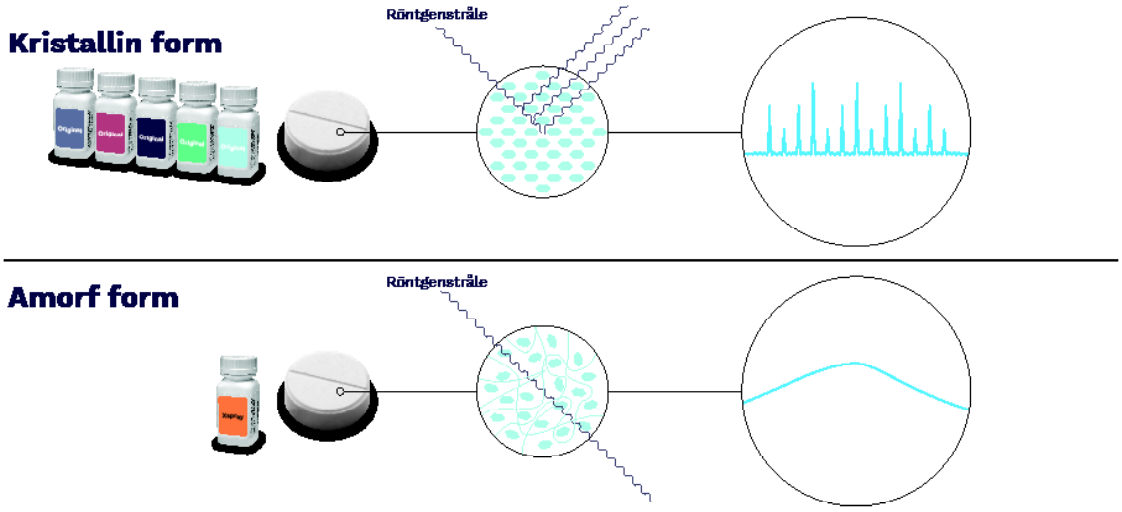
Molecules in a supercritical state can move quickly, as in a gas, while the capacity to dissolve substances is good, as in a liquid. The supercritical fluid is used as an anti-dissolvent for controlling the active pharmaceutical ingredient, with or without aiding elements.

Back in the 1990s, many major players in the pharmaceutical industry tried to develop methods for SCF technology. Despite major investments in SCF facilities, the technology could not be commercialized due to difficulties in scaling up production. Xspray Pharma has resolved these issues through the company's HyNap technology. The patented design allows scaling up from smaller quantities for laboratory needs to a commercial scale for clinical studies and commercial production.

Xspray Pharma produces amorphous drugs

The PKI drugs that are being marketed today are produced in crystalline forms. A known problem with crystalline PKI drugs is that they are difficult to dissolve, and that the absorption can vary based on the stomach's pH-value. This often results in an uneven absorption of the drug in the body, especially combined with intake of food or pH-increasing drugs such as omeprazole. The variability in the body's ability to take up the drug both reduces the therapeutic benefits and produces undesirable side effects. When the uptake is too low, the benefits are likely to not materialize and as consequence the cancer can start to grow again and spread. When the uptake is too high, the risk often increases for serious side effects.

Xspray Pharma's innovative and patented HyNap technology addresses many of the deficiencies existing PKIs generally have. The company produces amorphous drugs that are more easily dissolved and are not affected by the pH-value as opposed to marketed PKIs. This results in a better ability to absorb the drug, also when consuming



Xspray Pharma's amorphous formula based on its in-house developed HyNap technology is of great significance to both the product candidates' improved qualities and for the legal possibility to launch products without being hindered by the original drug's secondary patent, which relates to their crystalline formula.

food or in combination with pH-increasing drugs. In addition, the amorphous version of the drug leads to improved pharmacokinetic qualities that give the product a more advantageous therapeutic profile for patients. For instance, lower dosages can be administered with therapeutic effects maintained while more stable uptake can reduce side effects.

Stability during storage

An important aspect of developing amorphous products is stability during storage. Amorphous formulas have higher energy and dissolve faster than crystalline formulas, but amorphous products tend to return to a crystalline state during storage, thereby eliminating the advantages with the amorphous drug. However, Xspray Pharma's products have demonstrated an ability to remain entirely amorphous during long storage periods.

The company's Dasynoc® pills have been examined by an extremely sensitive instrument that is used to detect crystalline materials. No traces of crystalline materials were found in the analyses that were conducted, which confirms earlier studies that have shown that the company's materials remain amorphous for more than two years' of storage at room temperature.

New product candidates

The HyNap technology has been tested on approximately 20 PKIs with positive results and the company believes the technology can create patient benefits for a majority of the approximately 80 currently marketed PKIs. All of Xspray Pharma's product candidates are based on the HyNap technology, which generates the amorphous structures that lead to product qualities that are advantageous for patients.

The company's selection of PKIs for future development is based on strategic considerations, market potential, patent window and patient benefits. This approach creates the greatest possible value for the company's product portfolio. The process from initiated development in laboratory until final market approval for the same product candidate is estimated at 3-4 years.

The company's new product candidates are being developed in the same manner as the company's initial product, Dasynoc®. Many parts of the process are replicable and effectively shortens the development time for future product candidates in the company's product portfolio.

Product portfolio

Xspray Pharma's announced product portfolio to date includes three product candidates that are based on the company's HyNap technology: Dasynoc®, XS003 and XS008. The product candidates are developed to create increased patient benefits compared to marketed cancer drugs in the protein kinase inhibitor (PKI) product category. Additional product candidates are under review but have not yet been communicated.

The company's patented HyNap technology enables development of improved drugs that improve the life quality of cancer patients. Medication is life-long in several of the indications that the company focuses on, and Xspray Pharma's products can create increased benefit for these patients.

Focus on improved patient outcome

Protein kinase inhibitors (PKIs) are effective in treatment of different forms of cancer but unfortunately many patient suffer from their serious side effects. Xspray Pharma's HyNap technology platform has the potential of reducing or entirely eliminating some of these side effects. Many PKIs are associated with variable and pH-sensitive bioavailability, which means that the uptake in the body varies – thereby increasing the risk for insuf-

ficient therapeutic effects at too low absorption and the risk for serious side effects at too high absorption. Many PKIs demonstrate significant variability in absorption both among patients and in the same patient, as well as over time.

An additional problem associated with PKIs is the interaction with food and other medication. PKIs usually have an absorption that is affected by co-medication and the stomach's pH-value, which are in turn affected by the patient's food intake. These factors can negatively affect the drug's safety profile and efficiency, which is why patients are recommended to not eat or take other medication for a period before and after intake of the PKIs.

With Xspray Pharma's technology platform, drugs can be developed that lead to significant clinical benefits by:

- Increasing the drug's solubility and thereby its bio-availability.
- Reducing variability in absorption.
- Reducing or eliminating the impact of variability in the pH-dependent absorption of the drug.
- Reducing or eliminating the drug's food interaction (i.e. reducing the effect that food in the stomach has on uptake of the drug).
- Facilitating co-medication with pH-increasing drugs such as omeprazole.

Product portfolio – overview

Xspray Pharma's product portfolio is continually being developed, and three product candidates have been announced to date: Dasynoc®, XS003 and XS008. These product candidates are improved versions of already marketed PKIs.

The original drugs have secondary patents that will expire between 2026 and 2032, and the combined annual sales for these three PKIs in 2023 exceeded USD 3.0 billion in the US market and USD 4.8 billion globally.

At the end of 2023, there were approximately 80 approved PKIs in the US market. To date, Xspray Pharma has conducted initial testing on some twenty PKIs with the company's patented technology, with positive results.

Dasynoc®

Xspray Pharma has developed Dasynoc®, an improved version of Sprycel®, for treatment of chronic myeloid leukemia (CML) and acute lymphoblastic leukemia (ALL). Dasynoc® has achieved bioequivalence with a 30 percent lower dose compared with the original drug, Sprycel®. Studies confirm that Dasynoc®:

- is unaffected by the pH value and can thus be used together with omeprazole without affecting the absorption of the drug. This enables simultaneous treatment of common diseases in the stomach such as peptic ulcers and gastritis with proton-pump inhibitors while the patient is being treated for cancer.
- yields a more even and consistent uptake in the body without those variations in uptake seen for the original product in previous studies.
- can be administered at a lower dosage than the original product.

Product candidate	Project	Dasynoc®	XS003	XS008	XS00Y
	Substance	dasatinib	nilotinib	axitinib	Not communicated
	Indication	Leukemia (CML, ALL)	Leukemia (CML)	Kidney cancer (RCC)	
	Regulatory path	505(b)(2)	505(b)(2)	505(b)(2)	
	Original product/company	Sprycel®/BMS	Tasigna®/Novartis	Inlyta®/Pfizer	
Patent	Substance patent expiry	Dec 2020	Jan 2024	Apr 2025	
	Secondary patent expiry	Sep	Oct	Dec	
Development phase	New candidate evaluation				
	Formulation development				
	Pilot clinical study				
	Pivotal clinical study				
	Regulatory review FDA/EMA				

Dasynoc's product benefits

Dasynoc® has been granted orphan drug status for both CML and ALL in the US by the US Food and Drug Administration. Due to the pH-resistant properties of the formulation, Xspray Pharma's product candidate could make a positive contribution to the treatment of patients and the significant incidence of co-medication with PPI drugs in CML and ALL patients.

In 2023, Xspray Pharma published study findings in the European Journal of Haematology showing the high incidence of CML patients being simultaneously treated with tyrosine kinase inhibitors (TKIs) and proton-pump inhibitors (PPI) could increase the risk of poorer treatment outcomes. This is despite the warning text on the original drugs cautioning against co-medication with PPIs. Once again, the study showed that Dasynoc® has a key function to fulfill by facilitating simultaneous treatment for conditions such as peptic ulcers.

During the last quarter, the company demonstrated in a study that when Sprycel® is taken together with omeprazole, which is a common medication for stomach ulcers, the body's ability to take up Sprycel® decreases significantly. If Sprycel® is taken 10 hours after intake of omeprazole, only 12 percent of the amount of dasatinib administered is taken up. Previous research that involved the approval of Sprycel® also showed that dasatinib is absorbed less effectively with stomach ulcer medication, although the effect was less pronounced than in Xspray Pharma's study. These older studies showed that only 57 percent of the intended amount of dasatinib was taken up if Sprycel® was administered 22 hours after omeprazole. This study therefore shows that treatment of peptic ulcers impacts the uptake of dasatinib more than was previously known.

Moreover, the company's study with Dasynoc® showed that absorption of dasatinib was not affected by the administration of Dasynoc® 10 hours after intake of omeprazole (107% of intended $AUC_{0\text{-}24h}$). Overall, this strengthens our competitiveness when we launch Dasynoc®.

Additional research data that Xspray Pharma previously presented together with scientists from Uppsala University and Karolinska University Hospital shows that an amorphous version with our patented HyNap technology results in an absorption of Dasynoc® that is less pH sensitive than the crystalline version, Sprycel®. Co-medication with PPIs is common in the treatment of CML and ALL. Moreover, the study that was presented at the American Society of Hematology in 2022 demonstrated that CML patients who co-medicated crystalline PKIs with PPIs showed a five-year survival rate of 79 percent, compared to 94 percent for those who did not use PPIs.

At the end of 2021, Xspray Pharma submitted an application to the FDA for market approval in the US for its product candidate Dasynoc® under the 505(b)(2) NDA process, the registration path that applies to drugs that are improvements on a previously known active substance. The FDA initiated a full review of Xspray Pharma's application, which was ongoing as of the publication date of this Annual Report. In a Complete Response Letter (CRL) that the company received in July 2023, the FDA requested additional information in support of the company's application, particularly regarding information for doctors and users on administering the dosages of Dasynoc as well as information regarding a third-part manufacturing facility. In the autumn of 2023, the company cooperated with the FDA and the third-party producer to ensure these questions were addressed, and a response was sent to the FDA in January 2024.

Xspray Pharma was assigned a PDUFA date – July 31, 2024 – by the FDA, which is the Administration's target

Despite the warnings, co-medication with proton-pump inhibitors and dasatinib is common with chronic myeloid leukemia, but
Dasynoc®, a new oral dasatinib formulation, yields decreased pH-dependent absorption, which minimizes undesirable interactions between drugs

Co-medication with proton-pump inhibitors (PPIs) and dasatinib is common in the treatment of CML, with an increased risk of mortality; this can be addressed with Dasynoc®.

In the October 2023 issue of the European Journal of Haematology, researchers from Xspray Pharma together with colleagues from Karolinska Institute and Uppsala University published an article with results showing that:

- Nearly half of all patients suffering from chronic myeloid leukemia (CML) who were treated with tyrosine kinase inhibitors (TKIs) were being co-medicated with proton-pump inhibitors (PPIs), despite clear warnings against it
- The risk of a fatal outcome increased markedly among CML patients who were co-medicated with both TKIs and PPIs
- Crystalline dasatinib (Sprycel®) is difficult to dissolve and has a low and pH-dependent uptake of dasatinib, which results in uneven absorption of the drug in the body
- Dasynoc® (amorphous, non-crystalline dasatinib) is a TKI developed by Xspray Pharma that is more easily soluble than Sprycel® (crystalline dasatinib) at higher pH levels, and in clinical studies showed that the concentration in the blood was not affected by co-medication with PPIs

date for concluding the approval process for Dasynoc®. The company's timetable for launch by beginning of September thus remains firm.

Shortly after Xspray Pharma submitted its application for market approval to the FDA in 2021, Bristol Myers Squibb ("BMS") filed a lawsuit against Xspray Pharma in the US district court in New Jersey for patent infringement as regards Dasynoc®. Xspray Pharma's position has always been that the litigation lacks merit since the company's product does not contain a crystalline substance. In September 2023, it was announced that the patent dispute had been concluded. The settlement cleared all patent claims from BMS, paving the way for Xspray Pharma to launch Dasynoc® in the beginning of September 2024, pending final FDA approval.

The confirmed profile benefits, which were supported by both patient representatives and client in market surveys that were conducted, gives Dasynoc® a favorable position for launch in a well-established, stable and valuable market. In 2023, the global market for Sprycel® – whose secondary patent expires in 2026 – amounted to approximately USD 1.93 billion, of which the US market accounted for approximately USD 1.45 billion.

Xspray Pharma signed a partnership agreement with EVERSANA in preparation for the launch and commercialization of Dasynoc® in the US. Xspray Pharma maintains financial and strategic control, and grants EVERSANA exclusive commercial rights to assist in commercializing and launching Dasynoc® in the US, with the goal of launching the product by the beginning of September. EVERSANA will provide Xspray Pharma with a dedicated commercialization team that has an established infrastructure and long experience in successfully commercializing and launching cancer drugs, such as tyrosine kinase inhibitors (TKIs). This partnership will create conditions for an efficient launch on an optimized budget, with all revenue accruing to Xspray Pharma.

XS003

Xspray Pharma's product candidate XS003 is amorphous non-crystalline nilotinib for the targeted treatment of chronic myeloid leukemia (CML). XS003 is the company's second product candidate that is based on its HyNap technology. It was developed as an improved version of the crystalline original drug Tasigna®. XS003 has been developed to avoid food interaction, something that Tasigna® has problems with and can increase the risk of sudden death owing to serious arrhythmia caused by a prolonged QT interval, which Tasigna® warns about in a boxed warning. The FDA has granted orphan drug status to XS003 for the treatment of chronic myeloid leukemia (CML).
In a clinical study with XS003 in healthy volunteers, bioavailability ranging from 80 percent to 125 percent was achieved in relation to Tasigna® after oral administration at a lower dose of XS003. This means that the concentration of nilotinib in the blood plasma is comparable to Tasigna®. Since Tasigna® is a highly variable product with low and pH-dependent solubility, optimizing the lower dosage of XS003 to achieve comparable bioavailability has been a challenge. Continued clinical studies and stability studies of the final product formulation of XS003 now remain, which are required to submit an application to the FDA for market approval in the US under the 505(b)(2) process.

XS003 is being developed in the same manner as the company's initial product, Dasynoc®. Parts of the process are replicable and thus shorten development time. The manufacturing process for the product candidate has been established on a commercial scale.

Global sales of Tasigna® amounted to USD 1.85 billion in 2023, of which the US market accounted for USD 0.88 billion. The Tasigna® drug substance patent expired in January 2024 and the secondary patent expires in October 2032.

XS008

Xspray Pharma's new product candidate, XS008. was announced during the year. The product candidate is based on the original substance axitinib, which is used for treatment of kidney cancer. The PKI market for kidney cancer had sales of approximately USD 3 billion in the US in 2023.

The currently marketed product, which is based on axitinib, is Inlyta® and the expiration of its patents creates an attractive patent window between April 2025 and December 2030 in the US.

Sales of Inlyta in 2023 amounted to USD 0.64 billion in the US and USD 1.04 billion globally.

Preparations for the launch of DASYNOC®

2023 was a year of preparations ahead of the coming launch of the company's first improved product, Dasynoc®, which is planned for beginning of September 2024.

In 2023, Xspray Pharma focused on establishing the commercial structure, with a significant step taken in February 2023 when the company entered into a partnership agreement with EVERSANA.

EVERSANA – Xspray's commercialization partner

The partnership with EVERSANA provides Xspray Pharma with exclusive access to a complete and cost-effective countrywide sales organization that is ready to go. EVERSANA will provide Xspray Pharma with services including market access, medical and commercial sales organization, and patient support programs. EVERSANA has several skilled experts with years of documented experience in selling PKI drugs to the specific physicians, insurance companies, and other paying customers Xspray Pharma will be targeting, which creates conditions for a rapid launch of Dasynoc® on an optimized budget. Xspray Pharma retains financial and strategic control but gives EVERSANA exclusive commercial right to carry the launch of Dasynoc® in the US.

Market outlook

The US market is a robust one, offering major commercial opportunities. The market for CML drugs is valued at USD 3.7 billion and is growing by approximately 12 percent per year. Sprycel® is the market leader, with a market share of 53 percent and a list price of more than USD 200,000 per patient per year. Sprycel's net sales for 2023 totaled USD 1.45 billion in the US.

Dasynoc® has improved properties compared with Sprycel®, the only current dasatinib product in the US market. Dasynoc® should therefore be regarded as premium value proposition compared to Sprycel®, a stance that is supported by both caregivers and clients through market surveys.
The improved characteristics include:

- Comparable bioavailability at a 30 percent lower dose
- Precision pharmacokinetics, meaning precision for dose absorbed
- No drug interactions with PPIs, H2 antagonists or antacids

With its premium profile, Dasynoc® will enter a well-established, robust and valuable market. CML and ALL patients are living longer with therapy alternatives such as Sprycel®, with the median period for treatment with Sprycel® now being six years. Medical databases in both the US (38 percent) and Sweden (47 percent) show a significant portion of CML patients are taking prescribed PPIs and/or antacids. This patient group will benefit from Dasynoc® and its premium product profile, including the absence of any interaction with PPIs or antacids.

After approval, Xspray Pharma's US commercial team, supported by EVERSANA, will focus on a relatively small group of physicians. Data indicates that 80 percent of all Sprycel prescriptions will come from approximately 4,000 healthcare professionals (HCPs) located in approximately 600 clinics. This manageable customer base will be handled by a goal-oriented and focused customer team. The initial patient population will include newly diagnosed patients, patients with absorption problems and existing patients in PKI therapy.

The partnership with EVERSANA will continue to support Xspray Pharma's current and future commercial needs. This will make it possible for us to enter the market efficiently, together with EVERSANA's infrastructure and experience, while Xspray Pharma retains control of the product and receives 100 percent of its revenue.

Dasynoc® – Major commercial potential

CML **89,226** patients in the US
8,930 new patients/yr

USD 214,957 **Sprycel®**
List price per patient/yr (WAC, 2024)

USD 3.7 bn
CML & ALL market value (gross)

ALL **111,425** patients in the US
6,540 new patients/yr

53% **Sprycel®**
market share of
the CML market

12%
Increase in **CML & ALL market**

6 yrs median duration of
PKI treatment of CML

USD 1.4 bn **Sprycel®**
Net sales, 2023

85% of HCPs* are willing to introduce Dasynoc©
*Healthcare Professionals; people who work in the health and medical care sector

47% / 38%
estimated CML patients in PPI treatment

Source: EVERSANA Open Claims Data. Registry data. Bristol Myers Squibb interim report. Own market survey

Commercial highlights, 2023

- The company entered a partnership agreement with EVERSANA for the commercialization and launch of Dasynoc®
- The company hired Edward P. Jordan as Chief Commercial Officer in September 2023. Ed has more than 30 years of commercialization experience in the US drug and biotech sector
- The company conducted several market surveys and gained valuable insights from clients, care providers, patients and oncologists.
- The company signed agreements with manufacturing and distribution partners in the US.
- EVERSANA's commercial and therapeutic experts have made preparations to facilitate launch with a rapid market uptake after approval of Dasynoc®

Sustainability

UN's 17 Sustainability Development Goals, Agenda 2030, aim to slow down global climate change and reduce world poverty by 2030. Below, Xspray Pharma describes its sustainability activities that are focused on patients, collaboration, employees and the environment.

Xspray Pharma has a sustainability agenda that aims to minimize the company's environmental impact by taking action to increase energy efficiency and reduce waste from the company's work processes. In addition, as a company in the pharmaceutical industry, Xspray Pharma plays an important role in improving people's health and well-being. Through the company's patented HyNap technology, Xspray Pharma can develop protein kinase inhibitors (PKIs) that have the potential to reduce or even eliminate some of the challenges associated with PKIs for cancer treatment, thereby providing cancer patients with better quality of life.

Patients

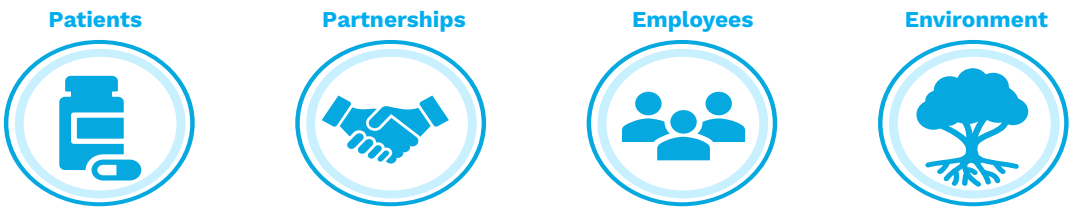
Under applicable rules and regulations, Xspray Pharma must ensure that the company's product candidates meet requirements for safety and patient outcomes. Regulations affect everything from development of product candidates to clinical studies and how the finished product should be stored and handled.
National supervisory authorities routinely request information during inspections, revisions and reviews. Xspray Pharma works to continuously comply with laws, regulations and guidelines, and always acts in a transparent and professional way when dealing with authorities. When required, Xspray Pharma works with external experts to meet regulatory requirements. In the US, the Food and Drug Administration (FDA) is the responsible supervisory authority, and in Europe it is the European Medicines Agency (EMA).

Partnerships

Even if the pharmaceutical industry is strictly regulated, there are several risks in the supply chain that concern living wages, trade union affiliation, and occupational health and safety work. Xspray Pharma strives to ensure that partners' operations are pursued sustainably and in line with the UN's Sustainable Development Goals. This includes working to ensure respectful treatment of people, as well as preserving human rights and fundamental labor rights. Since Xspray Pharma did not have any sales during the year, focus was on responsible purchases of goods and services. Sustainability requirements are set on suppliers and partners, and efforts to use environmentally friendly raw materials and processes. Good Manufacturing Practice (GMP) ensures production quality, and Xspray Pharma conducts regular audits to ensure that suppliers and contract manufacturers meet the highest standards of quality.

Employees

Since its founding in 2003, Xspray Pharma has recruited competent employees with lengthy experience. To attract and retain competence, Xspray Pharma is engaged in offering a dynamic, inspiring and inclusive workplace where employees have the opportunity to grow and develop their skills and their abilities. Xspray Pharma prioritizes long-term employment with a focus on equality and diversity. All new employees undergo customized onboarding programs to get to know the company and their colleagues better. As a result of its establishment in the US, Xspray Pharma is an international company whose standpoints include equality, inclusion and diversity. Zero tolerance prevails against all types of discrimination, victimization, harassment on the basis of gender,



disability, sexual orientation, identity, expression of faith or age. This is described in the company's Code of Conduct. The company works actively to achieve an equal distribution of gender in the company's divisions and functions. In 2023, the Management Group consisted of three men and three women. Xspray Pharma earned a place on Allbright's Green List of the most equitable listed companies. This is a good testimonial that confirms Xspray Pharma's efforts at diversity and inclusion. Xspray Pharma values a good work environment highly and has invested in modern laboratory and office environments. The move to new premises in Campus Solna in December 2023 facilitated this and enables the company to continue being an attractive employer.

Environment

By using Xspray Pharma's HyNap technology, hybrid nanoparticles are developed in a way that minimizes and sometimes avoids waste during the production process. This manufacturing method not only decreases environmental impact but also improves efficacy in drug products. Xspray Pharma's production process includes reclaimed pure carbon dioxide that is a byproduct from another source of emissions (e.g. brewery products, biogas or fertilizer production). Xspray Pharma strives to minimize the environmental impact of its products as much as possible. Since the company's products have greater bioavailability than the original products, dosages can be reduced using a decreased amount of active substance. This means that the patient ingests a lower dose of the active substance, but with efficacy retained. In turn, this promotes a reduced environmental impact throughout the supply chain.


3 l
2 l

The share

Founded in 2003, Xspray Pharma was listed on Nasdaq First North Growth Market in 2017 and has been listed on Nasdaq Stockholm under the symbol XSPRAY since 2020.

Share information

Xspray Pharma's share is traded on Nasdaq Stockholm. The company's share has the ticker XSPRAY with ISIN code SE0009973563 and belongs to the Small Cap segment. The number of shares in the company amounted to 31,253,542 (22,680,408) on December 31, 2023. The share is included in the health care sector of Nasdaq Stockholm.

Share price performance and turnover

At the end of 2023, Xspray Pharma's share had a closing price of SEK 40.00 (closing price on December 29, 2023). At the beginning of the year, the share was traded at SEK 56.50 (opening price on January 2, 2023), which means that the share price decreased by –29.2% during full-year 2023. At the end of 2023, Xspray Pharma's market capitalization amounted to SEK 1.25 billion based on the closing price of SEK 40.00. During the year, 5,109,070 shares were traded at a total value of SEK 218 million.

Number of shareholders

According to the shareholder register maintained by Euroclear Sweden AB, Xspray Pharma had 5,101 shareholders (4,882) on December 31, 2023. Information regarding shareholders and shareholdings is updated quarterly on the company's website.

Allocation of size classes, December 31, 2023

Year	Number of shareholders	Number of shares	% of capital	% of votes
1–500	3,817	435,890	1.39%	1.39%
501–1,000	437	328,567	1.05%	1.05%
1,001–5,000	593	1,329,998	4.25%	4.25%
5,001–10,000	120	853,208	2.73%	2.73%
10,001–20,000	64	876,824	2.83%	2.83%
20,001–	70	26,640,674	85.35%	85.35%
Unknown holding size	—	788,381	2.38%	2.38%
Total	**5,101**	**31,253,542**	**100.00%**	**100.00%**

Specific entitlements associated with shares

The company has one share class. The rights associated with the company's shares, including rights from the Articles of Association, may only be amended pursuant to provisions of the Swedish Companies Act (2005:551). Each share in the company entitles its holder to one vote at Annual General Meetings.

Share issues

Largest shareholders (December 31, 2023)	Number of shares	Capital/ votes, %
Flerie Invest	5,221,566	16.71%
Anders Bladh (private and through Ribbskottet)	3,822,205	12.23%
The Foundation for Baltic and East European Studies	3,717,626	11.90%
Fourth Swedish National Pension Fund	3,122,228	9.99%
Unionen	1,237,749	3.96%
Third Swedish National Pension Fund	1,166,666	3.73%
Nordnet Pension Insurance	1,117,619	3.58%
Avanza Pension	1,012,829	3.24%
Second Swedish National Pension Fund	933,480	2.99%
Carl Erik Norman	609,913	1.95%
Top 10 shareholders	**21,961,881**	**70.27%**
Other shareholders	9,291,661	29.73%
Total number of shares	**31,253,542**	**100.00%**

In July 2023, Xspray Pharma completed a preferential rights issue of 6,265,892 new shares, which resulted in proceeds of SEK 251 million before transaction costs. The subscription price amounted to SEK 40.00 per share and the rights issue increased share capital by SEK 6,265,892 and resulted in a dilution of 27.6% for existing shareholders. Apart from the subscription for new shares, the preferential rights issue included two warrant series. TO5, which expired on November 30, 2023 and was subscribed to 73.6 percent, thus raising SEK 92.3 million. TO6 expires on May 2, 2024 and could raise approximately SEK 125 million upon full subscription, thereby yielding a maximum dilution of 10.0 percent for existing shareholders.

Incentive programs

The Annual General Meeting on May 16, 2023 approved a new long-term incentive program LTI 2023. LTI 2023, in the form of warrants and employee stock options, was fully subscribed and in total 298,728 options were issued. The strike price amounts to SEK 89.80 per share and can be exercised in the period from June 15 to July 16, 2026. Maximum dilution of share capital upon full exercise of the warrants amounts to 0.1 percent based on the current number of shares.

For more information on other incentive programs, see page 70.

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	New share issue	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
2021	Redemption of warrants	175,000	19,067,504	175,000	19,067,504	1.00
2021	New share issue	1,612,904	20,680,408	1,612,904	20,680,408	1.00
2022	New share issue	2,000,000	22,680,408	2,000,000	22,680,408	1.00
2023	New share issue	6,265,892	28,946,300	6,265,892	28,946,300	1.00
2023	Redemption of warrant series 5 (TO5)	2,307,242	31,253,542	2,307,242	31,253,542	1.00

Corporate governance report

Xspray Pharma AB is a Swedish public limited liability company and its shares have been traded on Nasdaq Stockholm since March 27, 2020.
Previously, the company's shares were traded 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 rules of the Code to report on for financial year 2023. The corporate governance report has been reviewed by the company's auditor in accordance with the Swedish Annual Accounts Act.

Principles for corporate governance

Corporate governance refers to the systems through which the shareholders, directly or indirectly, control Xspray Pharma. Good corporate governance is an essential component in the work to create value for Xspray Pharma's shareholders. Xspray Pharma's corporate governance is based on Swedish law, Nasdaq Stockholm's regulations for issuers and internal rules and regulations. The company also applies the Swedish Code of Corporate Governance (the Code). The code applies to all Swedish companies whose shares are listed on a regulated market in Sweden. The company does not have to follow all the rules in the Code as the Code itself provides the opportunity to deviate from the rules provided that such possible deviations, and the chosen alternative solution, are described and the reasons for this are explained in the corporate governance report (according to the "comply or explain principle"). However, the company continued to fully apply the Code during the year.

Steering documents

- Articles of Association
- The rules of procedure of the Board and the committees
- CEO instruction
- Policy documents
- Important external regulations
- Swedish Companies Act
- Swedish Accounting Act
- Nasdaq Stockholm's rulebook
- Swedish Code of Corporate Governance

Shareholders

The share capital amounted to 31,253,542 shares with a quota value of SEK 1.00 on December 31, 2023. Flerie Invest, Anders Bladh (in private and through Ribbskottet) and Östersjöstiftelsen (the Foundation for Baltic and East European Studies) were the shareholders on December 31, 2023 with holdings in Xspray Pharma exceeding 10 percent of the votes for all shares of the company. Flerie Invest's share of capital and votes amounted to 16.7 percent, Anders Bladh's holdings of shares and votes (in private and through Ribbskottet AB) were 12.2%, and Östersjöstiftelsen's holdings were 11.9% at year-end.

All shares are ordinary shares and have equal rights to the company's earnings, and to one vote at the Annual General Meeting. All shareholders entitled to vote may vote at the Annual General Meeting 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 six 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 six days prior to the Meeting.

AGM 2023

Xspray Pharma's AGM 2023 was held on 16 May 2023 in Stockholm. Apart from customary business, the AGM made the following resolutions:

- In accordance with the Nomination Committee's proposal to re-elect Anders Ekblom (chair), Anders Bladh, Maris Hartmanis, Torbjörn Koivisto, Christine Lind, Robert Molander and Carl-Johan Spak as Board members for the period up until the end of the next AGM.
- In accordance with the Nomination Committee's proposal, principles were decided for election of a Nomination Committee. To summarize, the principles mean that the Nomination Committee shall consist of the Chairman of the Board and a representative of each of the four largest shareholders based on the ownership in the company as of 31 August.
- A long-term incentive program (LTIP 2023) was adopted and involves the issuance of at most 298,728 warrants.
- The Board of Directors was authorized to take decisions on share issues, with a waiver of the shareholders' preferential rights, on one or more occasions in the period until the following AGM, corresponding to a maximum of 20% of the total number of shares of the Xspray Pharma at the time of the AGM resolution.

Extraordinary General Meeting 2023

Xspray Pharma held an Extraordinary General Meeting on May 25, 2023 in Stockholm. The Extraordinary General Meeting resolved on the following:

- The Board of Directors was authorized to take decisions, on one or more occasions, on issues of new shares, warrants and/or convertibles, with a waiver of the shareholders' preferential rights, corresponding to a maximum of 20 percent of the total number of shares outstanding at the time of the EGM's resolution on authorization.
- The Board of Directors was authorized to take decisions, on one or more occasions, on issues of new shares, warrants and/or convertibles, without a waiver of the shareholders' preferential rights. Such decisions on issuances can be made with or without provisions on payments in kind, set-off or other conditions.

2024 AGM

The AGM will be held on Tuesday, May 21, 2024. The notice will be published in a press release and announced in the Swedish Official Gazette and in Svenska Dagbladet, and published on Xspray Pharma's website.
The Board of Directors has decided that shareholders may exercise their right to vote at the AGM through physical presence, proxies or pre-voting.
Shareholders wishing to have a matter addressed by the AGM should make a written request to the Nomination Committee no later than March 2, 2024, seven weeks prior to the AGM. The Nomination Committee can be contacted by email at: 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 Monday, May 13, 2024, and
- notify the company of their intention to participate by registering no later than Tuesday, May 14, 2024. Registration can be submitted via e-mail to generalmeeting@xspray.com or in writing to: Xspray Pharma AB, Scheeles väg 2, SE-171 65 Solna, Sweden.

NOMINATION COMMITTEE

Companies that comply with the Code must have a Nomination Committee with the task of, ahead of the AGM, preparing decisions on election and remuneration issues and, where appropriate, procedural issues for the next 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 voting rights, or the 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 it plays material role in the composition of the Board of Directors, and the Nomination Committee intends to attain an equal gender balance.

Instructions for the work and composition of the Nomination Committee

Pursuant to a resolution by the company's AGM on May 16, 2023, the Chairman of the Board should make contact with the four largest shareholders of the company in terms of voting rights according to Euroclear Sweden AB's printed register as of August 31, 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 a member defers to the next largest shareholder in terms of voting rights that has not already been entitled to appoint a member of the Nomination Committee. This process should continue until the Nomination Committee consists of four 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 voting rights. 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 forthcoming 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 August 31, 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 four 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 four largest shareholders in terms of voting right 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 voting right 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 these occur.

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 Board members' fees, divided between the Chairman and other Board members,
- 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 Board members and on amending the Articles of Association.

Nomination Committee for the 2024 AGM

The members of the company's Nomination Committee for the 2024 AGM are

- Thomas Eldered, appointed by Flerie Invest AB
- Johan Gyllenswärd, appointed by Ribbskottet AB
- Gillis Cullin, appointed by Östersjöstiftelsen
- Jan Särlvik, appointed by AP4
- Anders Ekblom, Chairman of the Board, Xspray Pharma AB

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 organization, 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. Board members 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 should have a minimum of three and a maximum of seven Board members, 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 concerning management of the company. 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 Board members 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: Anders Ekblom (Chairman), Anders Bladh 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

Board members

			Independent in relation to		
Name	Position	Elected	Company and company management	Major shareholders	Attendance, Board meetings
Anders Ekblom	Chairman of the Board	2021	Yes	No	24/24
Maris Hartmanis	Board member	2015	Yes	Yes	24/24
Torbjörn Koivisto	Board member	2017	Yes	Yes	20/24
Carl-Johan Spak	Board member	2015	Yes	Yes	24/24
Christine Lind	Board member	2019	Yes	Yes	23/24
Anders Bladh	Board member	2021	Yes	No	22/24
Robert Molander	Board member	2022	Yes	Yes	22/24

Committee are formalized by the company's rules of procedure for the Audit Committee. The Committee's duties include supporting the Board of Directors in its efforts to ensure quality in the financial reporting, consider and prepare issues related to the company's internal control, and risk management. The Committee should also continuously monitor and appraise the work of the auditors, their independence and impartiality, as well as approve additional services that the company acquires from its auditor.

Remuneration for Board members

Remuneration to Xspray Pharma's Board members is resolved by the AGM. The AGM on May 16, 2023 resolved, in accordance with the Nomination Committee's proposal, to pay Board fees of SEK 450,000 to the Chairman of the Board, SEK 225,000 to each of the other Board members, SEK 110,000 to the Chairman of the Audit Committee and SEK 55,000 each to the Audit Committee's other members, and SEK 75,000 to the Chairman of the Remuneration Committee, and SEK 35,000 to the Remuneration Committee's other members.

Work of the Board of Directors in 2023

The Board of Directors held 24 minuted meetings in 2023. Individual Board members' participation at these meetings are stated in the table above. All meetings during the year followed an approved agenda, which members received before Board meetings. The CEO and CFO participate in the majority of the number of Board meetings. The Board annually performs a self-assessment that is designed to monitor its annual performance. Board meetings include a review of current business status, the 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
- Launching the company's first product candidate, Dasynoc®
- Strategy, business development and business intelligence
- Financial performance and raising capital
- Interim reports, year-end report and the annual report

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 Xspray Pharma's operations and 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 40-41.

Audit

The auditor should review the company's annual report and financial statements, and the Board of Directors' and CEO's administration of the business. 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. Total compensation to the company's auditors in 2023 was SEK 889 thousand (677), for more information 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 ultimate responsibility for internal controls, and continuously evaluates the company's risk management and internal control 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 that 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.

The Audit Committee's main duty is to monitor the company's financial position and effectiveness of the company's internal controls, internal audit and risk management, and to stay informed on the audit of the annual report and consolidated accounts, and review and monitor auditor impartiality and independence, and this work has continued during the year. 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 Xspray Pharma's operations. Risk management is a high priority within the company. The Board of Directors bears ultimate responsibility for risk management. The company's risk situation is evaluated each year, including an action plan. 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. Xspray Pharma 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.

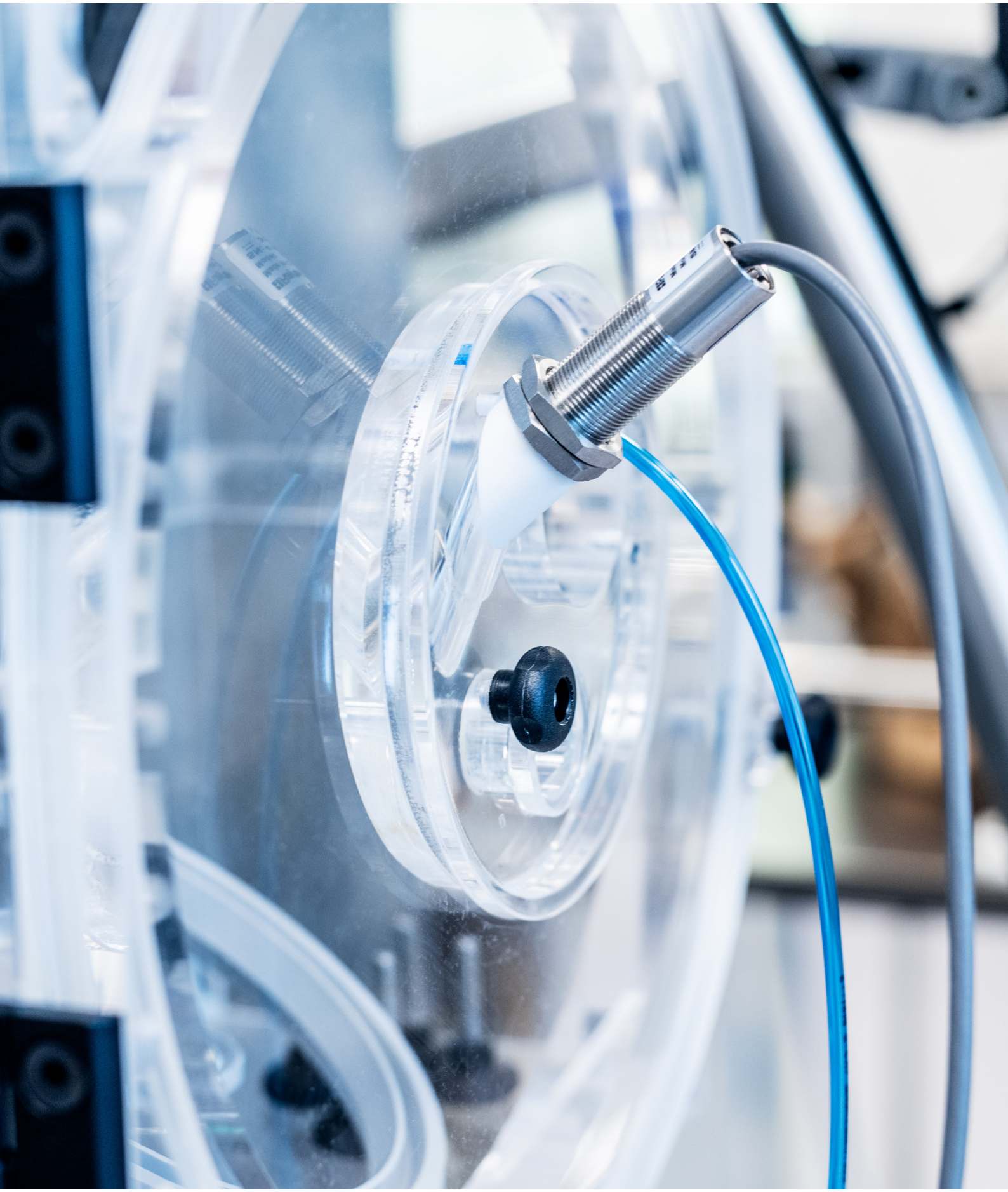
Information and communication

Xspray Pharma has internal control functions for information and communication intended to ensure that 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 describe 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 Xspray Pharma'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 areas of internal control and auditing, as well as quality assurance of the company's financial reporting.



Board and auditor

Anders Ekblom
Board member and Chairman of the Board since 2021. Chairman of the Remuneration Committee.
Born 1954
Education: M.D., Board certified in Anesthesiology and Intensive Care, D.D.S., Associate Professor in Physiology, Karolinska Institutet.
Other current assignments: Chairman of the Board of Alligator Bioscience AB, Atrogi AB and Elypta AB; Board member of AnaMar AB, Flerie Invest AB and Mereo BioPharma Group plc; and Deputy Board member of Xspray Pharma Futurum AB.
Holding in the company on December 31, 2023: 4,500 shares, 500 warrants (TO6), 13,214 warrants (LTIP2021/2026).

Independent in relation to the company and its management, but not in relation to major shareholders.

Maris Hartmanis
Board member since 2015. Chairman of the Audit Committee.
Born 1953
Education: Ph.D. in Biochemistry and Associate Professor, KTH Royal Institute of Technology.
Other current assignments: CEO and Chairman of the Board of the research foundation FINGERS Brain Health Institute; Affiliated Professor, Karolinska Institutet.
Holding in the company on December 31, 2023: 35,774 shares. and 2,385 warrants (TO6).

Robert Molander
Board member since 2022.
Born 1965
Education: MBA from Washington University as well as two Bachelor degrees from Miami University in Economics and International Studies.
Other current assignments: CEO of Stratfox Healthcare Group LLC.
Holding in the company on December 31, 2023: 5,000 shares.

Carl-Johan Spak
Board member since 2015. Member of the Audit Committee.
Born 1956
Education: Dr. of Odontology, Degree in Dentistry, Karolinska Institutet.
Other current assignments: Board member of Provell Pharmaceuticals LLC, Atrogi AB, EpiEndo ehf, KAHR Medical Ltd., Pharmacolog i Uppsala AB and Symcel Sverige AB; and Deputy Board member of Buzzard Pharmaceuticals AB.
Holding in the company on December 31, 2023: None.

Torbjörn Koivisto
Board member since 2017. Member of the Remuneration Committee.
Born 1969
Education: LL.M., Uppsala University.
Other current assignments: Board member of Cinclus Pharma Holding AB and IARU Institutet för Affärsjuridisk Rådgivning i Uppsala AB; Deputy Board member of RJC Roger Johansson Consulting AB and Virdings Allé Invest AB.
Holding in the company on December 31, 2023: 9,000 shares and 1000 warrants (TO6) via the company IARU.

Christine Lind
Board member since 2019. Member of the Audit Committee.
Born 1974
Education: 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: VP Commercial of NDA Group AB, Chairman of the Board and CEO of Lind Growth Strategy AB, Chairman of the Board of Mendus AB, Deputy Board member of Shinka Life Sciences AB.
Holding in the company on December 31, 2023: 5,998 shares and 666 warrants (TO6).

Anders Bladh
Board member since 2021. Member of the Remuneration Committee.
Born 1958
Education: Bachelor of Science in Business Administration and Economics, University of Uppsala.
Other current assignments: Principal owner and Chairman of the Board of Intervalor AB; Chairman of the Board of DistIT AB; CEO of Rimturs AB and Ribbskottet AB.
Holding in the company on December 31, 2023: 3,600,000 shares via Ribbskottet AB and 217,321 shares in private and 300,00 warrants (TO6) via Ribbskottet AB and 24,145 warrants (TO6) in private.

Independent in relation to the company and its management, but not in relation to major shareholders.

Auditor
KPMG AB (PO Box 382, 101 27 Stockholm, Sweden) were elected the company's auditor at the AGM on May 16, 2023. 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: Chief Executive Officer of Xspray Pharma Inc; Chairman of the Board of Xspray Pharma Futurum AB and Robotic Lawn Care Sweden AB; and Deputy Board member of Journeyman Stockholm AB
Holding in the company on December 31, 2023: 205,885 shares, 70,892 warrants and 103,784 employee stock options and 1,875 warrants (TO6).

Michael af Winklerfelt
Acting CFO since 2024.
Born: 1972
Education: MBA, Stockholm School of Economics and MBA from Emory University.
Other current assignments: Board member of Ramén Valves AB and Bostadsrättsföreningen Kattan Större 6.
Holding in the company on December 31, 2023: —

Kerstin Hasselgren
Senior Advisor and Head of IR since 2024. Previously CFO since 2019.
Born: 1961
Education: MBA, Stockholm School of Economics.
Other current assignments: Board member in SynAct Pharma AB.
Holding in the company on December 31, 2023: 8,248 shares, 79,788 warrants and 42,500 employee stock options.

Charlotta Liljebris
Senior Vice President Research & Development since 2018.
Born: 1964
Education: Ph.D. in Pharmaceutical Chemistry, M.Sc. in Organic Chemistry, Uppsala University.
Other current assignments: Deputy Board member of Liljebris Consulting AB.
Holding in the company on December 31, 2023: 3,000 shares, 24,140 warrants and 21,280 employee stock options

Christer Hällgren
Senior Vice President Intellectual Property since 2018, and part of executive management since 2024.
Born: 1962
Education: Certified European Patent Attorney; Ph.D. in Organic Chemistry from Stockholm University.
Other current assignments: —
Holding in the company on December 31, 2023: 29,996 shares, 25,770 warrants and 24,540 employee stock options. 5,777 warrants in TO6.

Anette Abrahamsson
Senior Vice President Regulatory Affairs since 2021 and part of executive management since 2024.
Born: 1969
Education: Pharmacist, Uppsala University.
Other current assignments: —
Holding in the company on December 31, 2023: 1,500 shares, 12,722 warrants and 15,890 employee stock options. 175 warrants in TO6.

Edward Jordan
Chief Commercial Officer of Xspray Pharma Inc since 2023 and part of executive management since January 2024.
Born: 1967
Education: Bachelor's in Insurance and Finance, University of Rhode Island. MBA, Southern University of New Hampshire.
Other current assignments: —
Holding in the company on December 31, 2023: —

Linda Glimberg
Senior Vice President Legal, consultant, since 2019 and part of executive management since January 2024.
Born:1974
Education: LL.M., Uppsala University. Master of Laws (LLM), Cambridge University (UK)
Other current assignments: Board member of Robotic Lawn Care Sweden AB. Owner and Board member of Glimberg Holding AB and Glimberg Consulting AB
Holding in the company on December 31, 2023: 1,800 shares via company. 200 warrants in TO6 via company.

After the end of the financial year, Anna-Karin Ekberg resigned from executive management and Christer Hällgren, Anette Abrahamsson, Edward Jordan, Linda Glimberg and Michael af Winklerfelt joined.

Board of Directors' Report

The Board of Directors and Chief Executive Officer of Xspray Pharma AB (publ), with registered office in Solna, Sweden, hereby present the annual report for the financial year 2023.
This annual report has 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 referred to as
"Xspray Pharma" alternatively the "Company" below unless otherwise stated.

Group structure

The Group structure comprises the Parent Company, Xspray Pharma AB (publ), corporate identity number 556649-3671, and its wholly owned subsidiaries Xspray Pharma Futurum AB, corporate identity number 559178-7642, and Xspray Pharma Inc, corporate identity number 93-13127793. The two Swedish limited liability companies have their registered offices in Solna, Sweden, and the US subsidiary has its offices in Delaware. The address of the head office is Scheeles väg 2, SE-171 65 Solna, Sweden. Figures in the following section apply to the Group unless otherwise stated. Comparison figures are presented in parentheses and pertain to the corresponding period in 2022.

Operations – general

Xspray Pharma AB (publ) is a product development company with several product candidates in clinical development. Utilizing the company's innovative HyNap technology, Xspray Pharma develops improved versions of already marketed drugs, primarily protein kinase inhibitors (PKI) for treating cancer. Protein kinase inhibitors are the largest segment within cancer drugs, and continued high growth is forecast for them over the coming years. There were more than 80 approved protein kinase inhibitors on the US market in December 2023. Xspray Pharma's technology has the potential for application on the majority of these pharmaceuticals. The company has a partner, EVERSANA, for commercializing the product candidate Dasynoc® in the US. The agreement means that EVERSANA will provide Xspray Pharma with services in market access, medicine and commercial sales organization, patient-supporting programs and compliance with US regulations. Xspray Pharma has been listed on Nasdaq Stockholm since March 27, 2020. Prior to that, the shares were listed on Nasdaq First North Growth Market, Stockholm.

Significant events during the year

- In January, Xspray Pharma established its American subsidiary, Xspray Pharma Inc.
- In February, Xspray Pharma partnered with EVERSANA
  prior to the launch and commercialization of the company's product candidate Dasynoc® in the US. Xspray Pharma retains financial and strategic control but gives EVERSANA exclusive commercial right to conduct the launch.
- In July, Xspray Pharma announced the outcome of the preferential rights issue of units including two shares and two warrant series. The preferential rights issue was subscribed to 83 percent, raising approximately SEK 251 million in proceeds before issue expenses.
- In July, Xspray Pharma received a complete response letter (CRL) in which the FDA requested supplementary information for the approval of Dasynoc®.
- In September, Xspray Pharma signed a settlement with Bristol Myers Squibb (BMS) regarding the patent dispute over its product, Dasynoc®. The settlement removed all claims from BMS regarding patent infringement, including the possibility of appeal, and paved the way for Xspray Pharma to launch Dasynoc® in the US market in the beginning of September 2024, pending final FDA approval.
- In September, Xspray Pharma announced that it had recruited Edward P. Jordan to the position of Chief Commercial Officer of Xspray Pharma Inc. Edward Jordan will lead the launch and commercialization of Dasynoc® in the US.
- In October, Xspray Pharma presented new data that the concomitant use of PPIs and TKIs in the treatment of CML increases the risk of mortality, which could be mitigated with Dasynoc®.
- In November, Xspray Pharma presented data showing that concentrations of Dasynoc® in the blood remained unchanged in the presence of omeprazole, while the uptake of Sprycel® was significantly lower than previously shown.
- In November, Xspray Pharma presented study data for XS003 showing that XS003 achieved superior bioavailability that matched Tasigna® at reduced dosage.
- In December, Xspray Pharma announced the outcome of the TO5 series of warrants. In total, 2,307,242 warrants were exercised for subscription of an equal number of new shares. Issue proceeds of SEK 92.3 million were thereby raised.

Significant events after the end of the reporting period

- In February, Kerstin Hasselgren chose to resign as CFO for personal reasons. However, she will remain as Senior Advisor and Head of Investor Relations.
- In February, Michael af Winklerfelt was appointed acting CFO and took office on February 8.
- In February, Xspray Pharma received a response to its CRL and the FDA set July 31, 2024 as the date on which they are expected to reach a decision on approval of Dasynoc®, known as the PDUFA date.

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

Xspray Pharma has three product candidates in development: Dasynoc®, XS003 nilotinib and XS008 axitinib. All are improved versions of established PKIs for treating cancer. For the company's leading product candidate, Dasynoc®, a decision on market approval is expected in the summer of 2024, see further information on the company's product candidates under *Product Portfolio*. Xspray Pharma is constantly seeking new products with attractive patent windows by analyzing patent and business opportunities within the PKI area. Xspray Pharma's operational strategy is to first introduce the products in the US market and prepare selected product candidates for launch at favorable patent-specific timings.

For more information, please see *Strategy*.

Financial overview

The Group's figures comprise primarily the Parent Company's figures, but figures from Xspray Pharma Inc, which commenced operations in the autumn of 2023, are also included. Apart from this, the differences comprise Group adjustments that are submitted in accordance with IFRS, see further information in Note 1, *Parent Company accounting policies*. In addition to Xspray Pharma Inc there is the subsidiary Xspray Pharma Futurum AB, which remained dormant during the financial year.

Revenue and profit (Group)

Net sales for the full year were SEK – thousand (–). Sales are not expected to increase until the company obtains market approval for its first product and a launch takes place in the US. Total expenses for the full year amounted to SEK –181,734 thousand (–133,073). Costs consist mainly of administration and sales expenses, which amounted to SEK –169,567 thousand (–109,601) of the total operating expenses. Of these, personnel costs amounted to SEK –36,452 thousand (–29,177). The cost increase during the year was due to market preparations ahead of the planned launch in the US, legal counseling for Dasynoc® and other development costs in order to broaden the product portfolio. For full-year 2023, the company recognized an operating loss of SEK –181,734 thousand (–133,073). Net loss for 2023 amounted to SEK –179,667 thousand (–131,670). Earnings per share for the full year were SEK –6.76 (–6.25).

Financial position (Group)

Total equity amounted to SEK 693,413 thousand (556,019) as of December 31, 2023, and the equity/assets ratio as of December 31, 2023, was 91 percent (95). The total number of shares as of December 31, 2023, was 31,253,542 (22,680,408).

The preferential rights issue and redemption of warrant series 5 (TO5) were concluded in July and December 2023, respectively, which raised SEK 251 million and SEK 92 million, respectively, before transaction costs. Xspray Pharma had SEK 166,303 thousand (120,166) in cash and cash equivalents on December 31, 2023.

Considering that operations are 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 2024. For further information regarding the company's financial position, please see *Financing risk and continued operations* on page 47.

Cash flow and investments (Group)

Total cash flow for 2023 amounted to SEK 46,443 thousand (–151,715). Cash flow from operating activities was SEK –203,275 thousand (–110,179). The effect from working capital was SEK –31,581 thousand (–3,575). Cash flow from investing activities was SEK –65,876 thousand (–135,345). The largest portion consisted of ongoing development expenditure that has been capitalized according to plan. Capitalized development expenditure for development activities was SEK 436,780 thousand (385,597) as of December 31, 2023. The capitalizations are attributable to development activities in the company's projects. New investments have been made in a new manufacturing facility that is under construction, as well as in new laboratory and office premises in Solna. Cash flow from financing activities was SEK 315,594 thousand (93,809). The increase is mainly attributable to the preferential rights issue and the redemption of warrant series 5 (TO5) that took place in July and December 2023, respectively; see below under *Share issues*.

Corporate structure

The corporate structure comprises the two subsidiaries, Xspray Pharma Futurum AB and Xspray Pharma Inc. Operations in Xspray Pharma Inc commenced during the year, with activity attributable to Edward P. Jordan who was appointed Chief Commercial Officer in September. Xspray Pharma Futurum AB remains dormant. The majority of activities were pursued in the Parent Company, Xspray Pharma AB (publ).

Human resources & remuneration of senior executives

During the year, the organization remained relatively unchanged compared with the preceding year. At the end of the financial year, the number of employees in the Group was 26 (25). One person is employed in Xspray Pharma Inc as of the balance-sheet date. Xspray Pharma offers remuneration levels and employment terms in line with the market that enable senior executives and core skills to be hired and retained.

All pension obligations 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 2024 AGM has the following members:

- Thomas Eldered, appointed by Flerie Invest AB
- Johan Gyllenswärd, appointed by Ribbskottet AB
- Gillis Cullin, appointed by The Foundation for Baltic and East European Studies
- Jan Särlvik, appointed by AP4
- Anders Ekblom, Chairman of the Board, Xspray Pharma AB

In its work ahead of the AGM, the Nomination Committee's goal has been to ensure that as a group, the Board of Directors possess 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 it plays a material role in the composition of the Board of Directors, and the Nomination Committee intends to attain an equal gender balance.

The Nomination Committee believes that the proposed Board includes a broad and diversified group of qualified individuals who are motivated and appropriate for the required work. The Nomination Committee also believes that Board members complement each other in terms of qualifications and experience. Prior to the 2024 AGM, the Nomination Committee will consult on proposals regarding the election of a Chairman and other Board members, 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. Since the company has no product sales that impact the environment, it focuses instead on the responsible procurement of goods and services, manufacturing, energy consumption and transportation.

Consistent with the company's sustainability activities, pure CO2 – a residual product of other emission sources such as brewing products, biogas or fertilizer production – is used in its manufacturing process. For more information, please see *Sustainability*.

Work of the Board of Directors

The company's Board of Directors has seven regular members including the Chairman, elected by the AGM for the period until the end of the 2024 AGM.

The AGM in May 2023 resolved, in accordance with the Nomination Committee's proposal, on the re-election of Anders Ekblom, Anders Bladh, Maris Hartmanis, Torbjörn Koivisto, Christine Lind, Robert Molander and Carl-Johan Spak as Board members for the period up until the end of the next AGM. The Board of Directors met 24 (19) times in 2023.

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 work and that of its Committees and the CEO's 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 March 27, 2020. Prior to that, First North Growth Market since September 28, 2017. As of December 31, 2023, the company had 31,253,542 shares (22,680,408). The share is part of the Healthcare sector.

All shares are ordinary shares and carry 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 Annual General Meeting for the full number of shares held or represented, without limitation of the number of votes. Flerie Invest, Anders Bladh (in private and via Ribbskottet AB) and Östersjöstiftelsen are the shareholders with holdings of shares and capital that exceed 10 percent. Flerie Invest's holdings were 16.7 percent, Anders Bladh's holdings (private and via Ribbskottet AB) were 12.2 percent and Östersjöstiftelsen's holdings were 11.9 percent as of 31 December 2023.

Share issues

The company completed a preferential rights issue of 6,265,892 new shares, which resulted in proceeds of SEK 251 million before transaction costs. The subscription price was SEK 40.00 per share. Apart from the subscription for new shares, the preferential rights issue included two warrant series. Warrant series 5 (TO5) expired on November 30, 2023, and was also subscribed at SEK 40.00 per share, which raised SEK 92.3 million. TO6 expires on May 2, 2024, and could raise an additional approximately SEK 125 million upon full subscription.

The Board of Directors' proposal for guidelines for remuneration to senior executives

These guidelines relate to the company's executive management, including the CEO and Board members. The guidelines are forward-looking, i.e. they are applicable to agreed remunerations, and amendments to remuneration after adoption of the guidelines by the 2024 AGM. These guidelines do not apply to any remuneration decided or approved by the general meeting.

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 HyNap technology to develop improved versions of marketed drugs, primarily PKIs for the treatment of cancer. The segment is the largest in the field of oncology, and drug prices are extremely high. Using the company's innovative technology, Xspray Pharma can come in as the first competitor to the current original drugs before the secondary patents expire. For more information regarding the company's business strategy, please see page 12-15. 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 competitive total remuneration to executive management. Long-term share and share-price related incentive programs have been implemented in the company. The programs include the Chairman of the Board, members of executive management, including the CEO, and employees in the company. Previous long-term share and share-price related incentive programs have been, and future long-term share and share-price related incentive programs 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 defined-premium. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for defined-premium pension shall amount to not more than 30 per cent of the fixed annual cash salary. For other senior executives, pension benefits, including health insurance, shall be defined-premium. The pension premiums for defined-premium 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 on 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.

When the performance review period for variable remuneration has ended, the Remuneration Committee and Board shall determine to which extent the criteria has been met.

The Remuneration Committee is responsible for evaluating the remuneration to members of 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 preparing 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 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 report will be presented at the AGM and will be available on the company's website.

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 AGM. 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 remuneration to senior executives 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 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

As of December 31, 2023, the company has four series of warrants to senior executives and other key individuals. Warrant program 2019/2023 expired during 2023. No warrants were exercised.
The four 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.

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 for delays. Manufacturing 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 adversely impact the company's operations and financial position.

When a pharmaceutical gains approval, the risk remains that sales do not meet expectations and that the product does not become commercially successful. There is a risk that Xspray Pharma will be subject to lawsuits

from original drug companies for patent infringement, risking being blocked from launching its products for up to 30 months. Xspray Pharma works actively to reinforce its patent portfolio to protect itself against such lawsuits and 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. In September 2023, Xspray Pharma signed a settlement with Bristol Myers Squibb (BMS) regarding the patent dispute over its product, Dasynoc®. The settlement removed all claims from BMS regarding patent infringement, including the possibility of appeal.

Financial risk management and the company's asset management procedures

Through its operations, the company is exposed to various financial risks such as currency risk, market risk, credit risk and liquidity risk. The company collaborates with international parties and there is some exposure to fluctuations in different currencies, mainly the USD, EUR and GBP. 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 and launch. 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 to generate reasonable returns on the company's investments.

Financing risk and going concern

Depending on the outcome of the TO6 warrant series and other funding, there is a risk that the Group's cash and cash equivalents for the next 12 months could be insufficient. The company's capital requirements depend on several factors, including the launch date of its first product candidate, Dasynoc®, as well as the findings of and costs for ongoing and future drug trials. In light of this, the Board is monitoring the situation and is evaluating different financing options including timing and scope for raising capital that can be beneficial to the company. The Board believes that the prospects for raising capital are good. However, if financing is insufficient, this indicates material uncertainty, which could lead to significant doubts on the Group's ability to continue its operations.

In accordance with the policy by the Board of Directors, the Group must maintain a strong financial position, which will help the company retain investor and market confidence. It also creates a foundation for further development of company operations, with continued long-term support for its goal of securing dividends for the company's owners. Until the company has achieved long-term, sustainable profitability, its policy is to maintain a low level of debt and a high level of equity.

Historical summary Group	2023	2022	2021	2020	2019
Net sales (SEK thousand)	—	—	—	—	—
Loss before tax (SEK thousand)	−179,684	−131,670	−96,698	−52,410	−45,771
Earnings per share before dilution (SEK)	−6.76	6.25	−5.03	−3.05	−3.01
Earnings per share after dilution (SEK)	−6.76	6.25	−5.03	−3.05	−3.01
Research and development expenses as % of operating expenses	18.9	16.4	39.1	11.7	7.2
Cash and cash equivalents (SEK thousand)	166,303	120,166	271,881	325,598	209,872
Total assets (SEK thousand)	765,263	585,430	622,903	605,303	400,672
Equity/assets ratio (%)	91	95	95	96	93
Average number of employees	26	25	23	20	17

For definitions of key figures, see Note 26.

Historical summary Parent Company	2023	2022	2021	2020	2019
Net sales (SEK thousand)	—	—	—	—	—
Loss before tax (SEK thousand)	−181,781	−133,017	−97,116	−52,333	−45,796
Earnings per share before dilution (SEK)	−6.84	−6.31	−5.05	−3.04	−3.01
Earnings per share after dilution (SEK)	−6.84	−6.31	−5.03	−3.04	−3.01
Research and development expenses as % of operating expenses	19.2	16.6	39.1	11.7	7.2
Cash and cash equivalents (SEK thousand)	165,658	120,116	271,831	325,548	209,822
Total assets (SEK thousand)	726,507	581,592	619,305	600,472	395,316
Equity/assets ratio (%)	95	95	96	97	95
Average number of employees	26	25	23	20	17

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 pipeline. Accordingly, available financial resources and reported results of operations should be reinvested in operations to finance the company's long-term strategy. 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	1,219,092,682
Loss brought forward	–814,952,372
Loss for the year	–181,780,954
Total	**222,359,356**
Board of Directors proposes that these funds are appropriated as follows:	
Share premium reserve	1,219,091,682
Loss brought forward	–996,733,326
Carried forward	**222,359,356**

Financial statements

Consolidated Income Statement

Amount in SEK thousand	Note	2023	2022
Net sales		—	—
		—	**—**
Other operating income	4	31,767	2,180
Research and development expenses		−40,259	−22,219
Administration and sales expenses	3	−169,567	−109,601
Other operating expenses	5	−3,675	−3,433
Operating loss		**−181,734**	**−133,073**
Finance income	8	2,725	1,415
Finance costs	8	−675	−12
Finance net		**2,049**	**1,403**
Loss before tax		**−179,684**	**−131,670**
Tax	9	17	—
Loss for the year*		**−179,667**	**−131,670**
Earnings per share for the year before dilution, SEK	28	−6.76	−6.25
Earnings per share for the year after dilution, SEK		−6.76	−6.25
Average number of shares before dilution		26,593,910	21,070,518
Average number of shares after dilution		26,593,910	21,070,518

Consolidated Statement of Comprehensive Income

Amount in SEK thousand	2023	2022
Loss for the year	**−179,667**	**−131,670**
Translation difference	−184	—
Comprehensive income for the year*	**−179,851**	**−131,670**

* Loss for the year and comprehensive income are attributable in their entirety to the Parent Company's shareholders.

Consolidated Balance Sheet

Amount in SEK thousand	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	10	436,780	385,597
Total intangible assets		**436,780**	**385,597**
Property, plant and equipment			
Machinery and installations	11	8,581	15,407
Right-of-use assets	12	37,649	2,477
Equipment	13	2,056	147
Fixed assets under construction and prepayments	14	59,365	46,573
Total Property, plant and equipment		**107,651**	**64,603**
Financial assets			
Financial investments		1	1
Other long-term receivables	17	3,016	2,999
Total financial assets		**3,017**	**3,000**
Total non-current assets		**547,448**	**453,200**
Current assets			
Inventories	18	43,781	8,552
Current receivables		4,165	2,362
Prepaid expenses and accrued income	19	3,566	1,150
Cash and cash equivalents	20	166,303	120,166
Total current assets		**217,815**	**132,229**
TOTAL ASSETS		**765,263**	**585,430**

Consolidated Balance Sheet cont.

Amount in SEK thousand	Note	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES			
Equity	21		
Share capital		31,254	22,680
Other contributed capital		1,216,092	907,420
Reserves		792	976
Retained earnings including profit/loss for the year		–554,724	–375,057
Total equity attributable to the Parent Company's shareholders		**693,413**	**556,019**
Non–current liabilities			
Lease liabilities	12	31,947	560
Total non-current liabilities		**31,947**	**560**
Current liabilities			
Trade accounts payable	16	12,472	14,786
Lease liabilities	12	4,861	1,566
Other current liabilities		6,263	1,043
Accrued expenses and deferred income	22	16,307	11,456
Total current liabilities		**39,903**	**28,851**
TOTAL EQUITY AND LIABILITIES		**765,263**	**585,430**

Consolidated Statement of Changes in Equity

Amount in SEK thousand	Share capital	Other contributed capital	Translation reserves	Reserves	Retained earnings including profit/ loss for the year	Total equity
Opening balance as of January 1, 2022	**20,680**	**813,483**	**—**	**976**	**–243,387**	**591,752**
Loss for the year	—	—	—	—	–131,670	**–131,670**
Other comprehensive income for the year	—	—	—	—	—	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**–131,670**	**–131,670**
Transactions with shareholders						
Warrant program	—	813	—	—	—	**813**
New share issue	2,000	98,000	—	—	—	**100,000**
Transaction costs	—	–4,876	—	—	—	**–4,876**
Total	**2,000**	**93,937**	**—**	**—**	**—**	**95,937**
Closing balance as of December 31, 2022	**22,680**	**907,420**	**—**	**976**	**–375,057**	**556,019**
Opening balance as of January 1, 2023	**22,680**	**907,420**	**—**	**976**	**–375,057**	**556,019**
Loss for the year	—	—		—	–179,667	**–179,667**
Other comprehensive income for the year	—	—	–184	—	—	**–184**
Total comprehensive income for the year	**—**	**—**	**–184**	**—**	**–179,667**	**–179,851**
Transactions with shareholders						
Warrant program	—	522		—	—	**522**
New share issue	8,573	334,352		—	—	**342,925**
Transaction costs	—	–26,201		—	—	**–26,201**
Total	**8,573**	**308,673**		**—**	**—**	**317,246**
Closing balance as of December 31, 2023	**31,253**	**1,216,093**	**–184**	**976**	**–554,724**	**693,413**

Consolidated Statement of Cash Flow

Amount in SEK thousand	Note	2023	2022
Operating activities			
Operating loss		−181,734	−133,073
Non-cash adjustments			
Depreciation and amortization		9,194	9,533
Unrealized currency effect		41	—
Disposal of intangible asset	10	—	15,472
Disposal of property, plant and equipment	11	5	—
Interest received		1,969	1,611
Interest paid		−1,169	−147
Cash flow from operating activities before changes in working capital		**−171,694**	**−106,604**
Changes in working capital			
Change in inventory		−35,229	—
Change in operating receivables		−4,109	−2,942
Change in operating liabilities		7,757	−633
Cash flow from operating activities		**−203,275**	**−110,179**
Investing activities			
Capitalized development expenditure		−49,855	−103,820
Acquisition of property, plant and equipment		−2,692	−24,466
Advance payments pertaining to right-of-use assets		−1,556	—
Prepayments		−11,773	−7,059
Cash flow from investing activities		**−65,876**	**−135,345**
Financing activities			
New share issue		297,924	100,000
Loans raised*		45,000	
Capital-raising costs		−26,201	−4,876
Payment of lease liability	12	−1,651	−2,128
Repurchased warrants		—	−52
Issuance of warrants	7	522	865
Cash flow from financing activities		**315,594**	**93,809**
Cash flow for the year		**46,443**	**−151,715**
Cash and cash equivalents at the beginning of the year	20	120,166	271,881
Exchange rate differences		−306	—
Cash and cash equivalents at the end of the year		**166,303**	**120,166**

*SEK 45,000 thousand from loans raised was contributed in the set-off issue in the third quarter.

Parent Company Income Statement

Amount in SEK thousand	Note	2023	2022
Net sales		—	—
		—	**—**
Other operating income	4	31,669	2,180
Research and development expenses		–41,100	–22,592
Administration and sales expenses		–169,705	–109,710
Other operating expenses	5	–3,633	–3,500
Operating loss	3	**–182,769**	**–133,622**
Finance income	8	1,664	617
Finance costs	8	–675	–12
Finance net		**988**	**605**
Loss before tax		**–181,781**	**–133,017**
Tax	9	—	—
Loss for the year		**–181,781**	**–133,017**

Parent Company Statement of Comprehensive Income

Amount in SEK thousand	2023	2022
Loss for the year	**–181,781**	**–133,017**
Other comprehensive Income	—	—
Total comprehensive income for the year	**–181,781**	**–133,017**

Parent Company Balance Sheet

Amount in SEK thousand	Note	Dec 31, 2023	Dec 31, 2022
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development expenditure	10	435,182	384,944
Total intangible assets		**435,182**	**384,944**
Property, plant and equipment			
Machinery and installations	11	8,581	15,407
Equipment	13	2,056	147
Fixed assets under construction and prepayments	14	57,156	45,383
Total Property, plant and equipment		**67,793**	**60,936**
Financial assets			
Shares in subsidiaries	15	2,238	50
Financial investments	16	1	1
Other long-term receivables	17	2,999	2,999
Total financial assets		**5,237**	**3,050**
Total non-current assets		**508,213**	**448,930**
Current assets			
Inventories	18	**43,781**	**8,552**
Current receivables			
Other current receivables		4,364	2,362
Prepaid expenses and accrued income	19	4,491	1,632
Total current receivables		**8,855**	**3,994**
Cash and bank	20	165,658	120,116
Total current assets		**218,294**	**124,110**
TOTAL ASSETS		**726,507**	**581,592**

Parent Company Balance Sheet cont.

Amount in SEK thousand	Note	Dec 31, 2023	Dec 31, 2022
EQUITY AND LIABILITIES			
Equity	21		
Restricted equity			
Share capital		31,254	22,680
Statutory reserve		976	976
Development expenditure reserve		435,182	384,944
Total restricted equity		**467,412**	**408,601**
Non-restricted equity			
Share premium reserve		1,216,092	907,420
Loss brought forward		–811,952	–628,697
Loss for the year		–181,781	–133,017
Total non-restricted equity		**222,358**	**145,705**
Total equity		**689,771**	**554,306**
Current liabilities			
Trade accounts payable		14,166	14,786
Other current liabilities		6,263	1,043
Accrued expenses and deferred income	22	16,307	11,456
Total current liabilities		**36,736**	**27,285**
TOTAL EQUITY AND LIABILITIES		**726,507**	**581,592**

Parent Company Statement of Change in Equity

Amount in SEK thousand	Share capital	Statutory reserve	Development expenditure reserve	Total restricted equity	Share premium reserve	Retained earnings	Loss for the year	Total non-restricted equity	Total equity
Opening balance as of January 1, 2022	**20,680**	**976**	**296,005**	**317,662**	**813,483**	**–442,642**	**–97,116**	**273,724**	**591,386**
Transfer of loss from previous year	—	—	—	—	—	–97,116	97,116	—	**—**
Loss for the year	—	—	—	—	—	—	–133,017	–133,017	**–133,017**
Other comprehensive income for the year	—	—	—	—	—	—	—	—	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**–133,017**	**–133,017**	**–133,017**
Transactions with shareholders									
Allocated warrants	—	—	—	—	813	—	—	813	**813**
New share issue	2,000	—	—	2,000	98,000	—	—	98,000	**100,000**
Transaction costs	—	—	—	—	–4,876	—	—	–4,876	**–4,876**
Total	**2,000**	**—**	**—**	**2,000**	**93,937**	**—**	**—**	**93,937**	**95,937**
Development expenditure reserve									
Provisions for the year	—	—	88,939	88,939	—	–88,939	—	–88,939	**—**
Total	**—**	**—**	**88,939**	**88,939**	**—**	**–88,939**	**—**	**–88,939**	**—**
Closing balance as of December 31, 2022	**22,680**	**976**	**384,944**	**408,601**	**907,420**	**–628,697**	**–133,017**	**145,705**	**554,306**
Opening balance as of January 1, 2023	**22,680**	**976**	**384,944**	**408,601**	**907,420**	**–628,697**	**–133,017**	**145,705**	**554,306**
Transfer of loss from previous year	—	—	—	—	—	–133,017	133,017	—	**—**
Loss for the year	—	—	—	—	—	—	–181,781	–181,781	**–181,781**
Other comprehensive income for the year	—	—	—	—	—	—	—	—	**—**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**–181,781**	**–181,781**	**–181,781**
Transactions with shareholders									
Allocated warrants	—	—	—	—	522	—	—	522	**522**
New share issue	8,573	—	—	8,573	334,352	—	—	334,352	**342,925**
Transaction costs	—	—	—	—	–26,201	—	—	–26,201	**–26,201**
Total	**8,573**	**—**	**—**	**8,573**	**308,673**	**—**	**—**	**308,673**	**317,246**
Development expenditure reserve									
Provisions for the year	—	—	50,238	50,238	—	–50,238	—	–50,238	**—**
Total	**—**	**—**	**50,238**	**50,238**	**—**	**–50,238**	**—**	**–50,238**	**—**
Closing balance as of December 31, 2023	**31,254**	**976**	**435,182**	**467,412**	**1,219,092**	**–814,952**	**–181,781**	**222,359**	**689,771**

Parent Company Statement of Cash Flow

Amount in SEK thousand	Note	2023	2022
Operating activities			
Operating loss		–182,769	–133,622
Non-cash adjustments			
Depreciation and amortization		7,604	8,341
Disposal of intangible assets	10	—	15,472
Disposal of property, plant and equipment		5	—
Interest received		1,969	647
Interest paid		–675	–12
Cash flow from operating activities before changes in working capital		**–173,866**	**–109,174**
Changes in working capital			
Changes in inventory		–35,229	—
Change in operating receivables		–4,861	–1,911
Change in operating liabilities		9,450	–631
Cash flow from operating activities		**–204,506**	**–111,716**
Investing activities			
Purchase of intangible assets		–50,238	–104,411
Acquisition of property, plant and equipment		–2,693	–24,466
Contribution to Group companies		–2,188	—
Prepayments		–11,773	–7,059
Cash flow from investing activities		**–66,892**	**–135,936**
Financing activities			
New share issue		297,924	100,000
Loans raised*		45,000	—
Capital-raising costs		–26,201	–4,876
Repurchased warrants		—	–52
Issuance of warrants		522	865
Cash flow from financing activities		**317,245**	**95,937**
Cash flow for the year		**45,847**	**–151,715**
Cash and cash equivalents at the beginning of the year	20	120,116	271,831
Exchange rate differences		–305	—
Cash and cash equivalents at the end of the year		**165,658**	**120,116**

*SEK 45,000 thousand from loans raised was contributed in the set-off issue in the third quarter.

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 RFR 1 "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 December 31, 2023 were approved by the Board of Directors and CEO on March 27, 2024 and will be presented for adoption by the Annual General Meeting (AGM) on May 21, 2024.

Assets and liabilities are recognized at historical cost.

New standards and interpretations

The Group's and the Parent Company's accounting principles are unchanged compared with the Annual Report 2022.

The changed standards that came info effect in 2023 have not had any material 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. New and amended IFRSs with future application adopted by the IASB are not expected to have any material effect on the Group's financial statements.

Functional currency and presentation currency

The Group and Parent company's functional currency is the Swedish krona, which is also the presentation currency of the Parent Company and the Group. This means that the financial statements are presented in Swedish kronor. 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 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.

Subsidiaries are recognized according to the acquisition method. 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.

Transactions eliminated on consolidation

Intra-Group receivables and payables, and any unrealized income and expenses arising from intra-Group transactions, are eliminated entirely when consolidating accounts.. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no impairment requirement.

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 rate 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 the cost of an asset. 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 rate gains and 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 judgment 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 judgments 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 12.

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 has incentive programs that include warrants for all employees as well as key individuals. Warrants that are distributed to employees free of charge or subsidy, constitute a share-based payment and are accounted for as personnel expenses in the Group's profit, considering the number of warrants that are expected to be exercised. The cost is expensed over the vesting period and is accounted for 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 at the time of allocation. Please refer to Note 7 for further information on all incentive programs.

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

Note 1 Accounting policies – cont.

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 assets 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 company operations commenced. 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 assets 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	5-10 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 the carrying amount of that asset 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 12.

The following useful lives are applied:

Machinery and installations	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 estimated useful life of the asset. 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, Xspray Pharma 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.

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.

Inventory
The inventory is accounted for according to the lowest of cost and net realizable value. The value of cost is determined through the use of the first in, first out method (FIFO). The cost of completed goods and ongoing work comprises raw materials, direct salaries, other direct costs and associated indirect production costs (based on normal production capacity). The net realizable value is the estimated sales price in the ongoing business, deducting for variable sales costs. Stock is tested for obsolescence on a quarterly basis based on future sales prognosis and the shelf-life of material in inventory.

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 liabilities recognized in the balance sheet as liabilities consist of trade accounts payable. Lease liabilities are described above and do not constitute financial instruments.

Recognition and derecognition 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.

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.

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 judgment 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 amortized cost 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 rate gains or losses and gains or losses on derecognition 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 calculations are based on forward-looking information to report expected credit losses. The impairment rules in IFRS 9 cover all financial assets that are valued at amortized cost 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 lease 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

Note 1 Accounting policies – cont.

receivables are grouped on the basis of a number of overdue days, because they have shared credit characteristics. In 2022, the company 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 earnings per share before dilution 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 earnings per share after dilution, 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 the warrants is based on a calculation of how many shares could hypothetically have been purchased during the period at the exercise price and the value of the remaining services in accordance with 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 considered as diluting only during periods when it leads to a lower gain or greater loss per share.

Earnings per share before dilution

Earnings per share before dilution is calculated by dividing:

- earnings attributable to Parent Company shareholders 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.

Earnings per share after dilution

For calculating earnings per share after dilution, earnings and the average number of shares are adjusted to take into account the effects of potential ordinary shares, which during reported periods derive from warrants issued to employees and the Chairman of the Board. The dilution from the warrants is based on a calculation of how many shares could hypothetically have been purchased during the period at the exercise price and the value of the remaining services in accordance with 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 considered as diluting only during periods when it leads to a lower gain or greater loss per share.

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 fulfill 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 (quota 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 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 consolidated accounts, the statutory reserve is disclosed in the Reserves item.
- Retained earnings and losses relate to all earnings/losses brought forward for current and previous periods, and purchases of treasury shares.

Parent Company accounting policies

The Parent Company's annual report has been prepared in accordance with the Swedish Annual Accounts Act and RFR 2 "Accounting for Legal Entities." RFR 2 stipulates that in its annual report 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 Annual Accounts Act and considering the relationship between accounting and taxation.

The Parent Company's annual report is presented in the company's presentation currency, the Swedish krona.

Revised accounting policies

The Parent Company's accounting policies for 2023 are unchanged compared to those applied in the Annual Report for 2022.

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.

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 Judgments and estimates

Preparing the financial statements in accordance with IFRS requires management to make judgments 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 source of uncertainty in estimations that entail a significant risk for the need to significantly adjust the value of assets or liabilities during the coming financial year is the carrying amount of "Capitalized development expenditure". Determining whether the requirements for capitalization of development expenditure have been met requires both initial and routine assessments. The capitalized expenditures are regularly tested as to whether they could be exposed to a decrease in value. The company holds capitalized intangible assets that have not yet been completed and are impairment tested either yearly or as soon as there is an indication of a potential decrease in value. 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 judgments involve expectations primarily regarding the selling price of products, market penetration, remaining development, sales and marketing expenses, and the likelihood that the product passes through the remaining development phases. These assumptions involve sector and market-specific data, are made by management, then reviewed by the Board of Directors. For more information on the impairment testing of intangible assets with indefinite useful lives, see Note 10.

Another source of uncertainty is the judgment of the extent to which deferred tax assets can be recognized based on a judgment of the likelihood of the Group's future taxable revenues that the deferred tax assets can be applied against. Additionally, significant consideration of judgments 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	**2023**	**2022**	**2023**	**2022**
Other external expenses	−205,802	−168,652	−208,853	−170,916
Personnel expenses	−44,587	−41,984	−44,587	−41,984
Depreciation and amortization	−9,194	−9,532	−7,604	−8,341
Write-down/disposal	0	−15,472	0	−15,472
Other operating expenses	−3,675	−3,433	−3,633	−3,500
Operating loss	**−263,258**	**−239,073**	**−264,677**	**−240,213**

Note 4 Other operating income

	Group		Parent Company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Exchange rate gains	2,706	1,742	2,706	1,742
Other operating income	29,061	438	28,963	438
Total	**31,767**	**2,180**	**31,669**	**2,180**

Other operating income is attributable to the legal proceedings in the US as well as advisory services and development efforts performed by Xspray Pharma for an external party.

Note 5 Other operating expenses

	Group		Parent Company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Exchange rate losses	–3,675	–3,433	–3,633	–3,500
Total	**–3,675**	**–3,433**	**–3,633**	**–3,500**

Other operating expenses consist entirely of exchange rate losses that arise in connection to foreign payments and re-calculation of currency accounts. Other operating expenses amounted to SEK –3,675 thousand (–3,433) in 2023.

Note 6 Remuneration to auditors

	Group		Parent Company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
KPMG AB				
Auditing	613	551	613	551
Audit-related activities in addition to audit assignment	252	126	252	126
Other services	24	—	24	—
Total	**889**	**677**	**889**	**677**

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 the prospectus and submitted certificates.

Other services
Other services mainly relate to advisory in areas such as other insurance, internal procedures and tax.
In 2022 and 2023, the company received advisory services from Öhrings Pricewaterhouse Coopers AB, related to structuring of new incentive programs.

Note 7 Employees and personnel expenses

	Group		Parent Company	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Average number of employees				
Women	12	11	12	11
Men	14	15	14	15
Total	**26**	**25**	**26**	**25**
Salaries and other benefits				
Salaries for the Board of Directors and CEO	4,735	4,418	4,735	4,418
Bonuses, etc. for the Board of Directors and CEO	520	520	520	520
Other employees	25,095	20,891	23,833	20,891
Total	**30,350**	**25,829**	**29,088**	**25,829**
Social security expenses				
Pension expenses for the Board of Directors and CEO	635	540	635	540
Pension expenses for other employees	4,245	4,367	4,245	4,367
Other statutory or contractual social security charges	7,100	7,175	7,002	7,175
Total	**11,980**	**12,082**	**11,882**	**12,082**
Total salaries, benefits, social security expenses and pension expenses	**42,357**	**37,911**	**40,996**	**37,911**

Remunerations to senior executives 2023, SEK thousand	**Basic salary/Directors' fee**	**Variable compensation**	**Other benefits**	**Pension expense**	**Other compensation**	**Total compensation**
Chairman of the Board Anders Ekblom	510	—	—	—	—	510
Board member Maris Hartmanis	323	—	—	—	—	323
Board member Carl-Johan Spak	270	—	—	—	—	270
Board member Torbjörn Koivisto	253	—	—	—	—	253
Board member Christine Lind	270	—	—	—	—	270
Board member Anders Bladh	253	—	—	—	—	253
Board member Robert Molander	218	—	—	—	—	218
CEO Per Andersson	2,640	396	66	635	6	3,743
Other senior executives (6)	6,426	873	249	1,478	984*	10,010
Total	**11,163**	**1,269**	**315**	**2,113**	**990**	**15,850**

* Other compensation for other senior executives pertains to consulting fees from one senior executive.

Note 7 Employees and personnel expenses – cont.

Remunerations to senior executives 2022, SEK thousand	Basic salary/Directors' fee	Variable compensation	Other benefits	Pension expense	Other compensation	Total compensation
Chairman of the Board Anders Ekblom	485	—	—	—	—	485
Board member Gunnar Gårdemyr (resigned on May 19, 2022)	100	—	—	—	—	100
Board member Maris Hartmanis	305	—	—	—	—	305
Board member Carl-Johan Spak	255	—	—	—	—	255
Board member Torbjörn Koivisto	240	—	—	—	—	240
Board member Christine Lind	255	—	—	—	—	255
Board member Anders Bladh	240	—	—	—	—	240
Board member Robert Molander (Appointed on May 19, 2022)	105	—	—	—	—	105
CEO Per Andersson	2,433	520	58	540	—	3,552
Other senior executives (6)	5,722	673	197	1,369	1 008*	8,968
Total	**10,140**	**1,193**	**255**	**1,909**	**1,008**	**14,505**

* Other compensation for other senior executives pertains to consulting fees from one senior executive.

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.

Incentive programs
As of December 31, 2023, 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 LTIP 2020/2023 (Completed)
The program was resolved at an Extraordinary General Meeting on March 26, 2020, and comprised 79,074 warrants. 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 0.3% on the current number of shares. The warrants could be exercised in the period from April 1, 2023, to May 14, 2023. The company subsidized the participants' premium with an amount corresponding to the premium paid, which has been reported as personnel expenses in 2020. None of the outstanding warrants were exercised and they were therefore forfeited in 2023.

Warrant program LTIP 2021/2024
Warrant program LTIP 2021/2024 encompasses 24 persons, including the company's CEO. The program involved 195,725 warrants and was subscribed under market terms at a price established by an independent appraisal institute using the Black & Scholes model. The value per option was calculated to be SEK 7.55 and the subscription price per share was calculated to be SEK 148.90. The warrant program runs for three years and is contingent upon the recipient remaining as a employee in the company. The program provides a maximum dilution effect of 0.6 percent on the current number of shares. The warrants can be exercised in the period June 3, 2024 to July 15, 2024. The company subsidized the participants' premium with an amount corresponding to the premium paid, which was reported as personnel expenses in 2021. 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 changes occurred in 2023.
After the end of the financial year, 4,112 warrants were redeemed owing to terminations of employment.

Warrant program 2021/2026
The warrant program (Chairman LTIP 2021/2026) included the company's new Chairman of the Board. The value per warrant was calculated to be SEK 16.38 and the subscription price per share to be SEK 129.00. The program runs for five years and encompasses 13,214
warrants. The warrants can be exercised in the period May 25, 2026, to June 15, 2026. If the warrant holder's assignment ends during the program's term, the warrants will be redeemed proportionately based on the term remaining in relation to the program's original term. No subsidy was paid.

Warrant and employee stock option program LTIP 2022/2025
The program was decided by an Extraordinary General Meeting on May 19, 2022. The program includes 140,625 warrants and 281,250 employee stock options that can be exercised from June 15, 2025, until July 15, 2025, with a subscription price of SEK 132.20 per share. The program is pegged to the company's growth in value for the purpose of creating a stronger link between employee and shareholder interests. The warrants were issued on market terms and no subsidy was used. No warrants were returned or deregistered in 2023. There is a maximum dilution effect of 1.27 percent on the current number of shares.
After the end of the financial year, 6,288 warrants and 25,154 employee stock options were redeemed owing to terminations of employment.

Warrant and employee stock option program LTIP 2023/2026
The program was resolved on at the Annual General Meeting on May 16, 2023. The program includes 94,576 warrants and 189,152 employee stock options that can be exercised from June 15, 2026, until July 15, 2026, with a subscription price of SEK 90.00 per share. The value per warrant was estimated to be SEK 5.52. The program is pegged to the company's growth in value for the purpose of creating a stronger link between

Note 7 Employees and personnel expenses – cont.

employee and shareholder interests. The warrants were issued on market terms and no subsidy was used. No changes occurred in 2023. There is a maximum dilution effect of 0.98 percent on the current number of shares.

After the end of the financial year, 5,118 warrants and 10,236 employee stock options were redeemed owing to terminations of employment.

Parent company and Group

No. of warrants per incentive program, 2023	2020/2023	2021/2024	2021/2026	2022/2025	2023/2026
Outstanding at beginning of period, Jan. 1, 2023	72,485	189,340	13,214	396,561	—
Granted in the period	—	—	—		283,728
Forfeited in the period	–72,485	—	—	—	—
Exercised in the period	—	—	—	—	—
Redeemed in the period	—	—	—		
Outstanding at end of period	0	189,340	13,214	396,561	283,728
Exercisable at end of period, Dec. 31, 2023	**0**	**189,340**	**13,214**	**396,561**	**283,728**

No. of warrants per incentive program, 2022	2018/2022	2020/2023	2021/2024	2021/2026	2022/2025
Outstanding at beginning of period, 1 Jan. 2022	213,922	72,485	189,340	13,214	—
Granted in the period	—	—	—	—	421,875
Forfeited in the period	–213,922	—	—	—	—
Exercised in the period	—	—	—	—	—
Redeemed in the period	—	—	—	—	–25,314
Outstanding at end of period	0	72,485	189,340	13,214	396,561
Exercisable at end of period, 31 Dec. 2022	**0**	**72,485**	**189,340**	**13,214**	**396,561**

Fair value and assumptions at the time of granting warrants

	Incentive programs				
Fair value at grant date	**2020/2023**	**2021/2024**	**2021/2026**	**2022/2025**	**2023/2026**
Share price (SEK)	52.4	88.95	88.95	59.66	77.50
Volume weighted share price at the exercise price (SEK)	52.41	87.57	85.97	60.1	44.99
Exercise price (SEK)	89.1	148.9	129	132.2	90.00
Expected volatility (%)	35	35	35	45	45
Warrant term (years)	3.1	3.1	5.1	3.15	3.16
Expected dividend	0	0	0	0	0
Risk-free interest rate (%)	–0.3	–0.15	–0.04	1.41	2.68

Outstanding warrants as of December 31, 2023 have a subscription price ranging from SEK 90.00 (89.10) to 148.90 (148.90) and a weighted average remaining contracted term of 3.6 (3.5) years. The fair value of warrants has been estimated using the Black & Scholes model.

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:

Anders Ekblom	4,500 shares
Per Andersson	205,885 shares
Maris Hartmanis	35,774 shares
Torbjörn Koivisto (via IARU)	9,000 shares
Christine Lind	5,998 shares
Carl-Johan Spak	– shares
Anders Bladh (private & via Ribbskottet)	3,817,321 shares
Robert Molander	5,000 shares
Other senior executives*	44,544 shares

*Senior executives are described on pages 40–41.

Note 7 Employees and personnel expenses – cont.

The number of warrants granted to senior executives of the company at the end of year	
Anders Ekblom	13,214 warrants
Per Andersson	70,892 warrants & 103,784 employee stock options
Other senior executives	96,672 warrants & 101,344 employee stock options

Agreements on severance pay and notice periods

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.

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

Gender division on the Board of Directors and senior executives	**2023**	**2022**
Share of women on the Board of Directors	14%	14%
Share of men on the Board of Directors	86%	86%
Share of women in other senior executives	50%	60%
Share of men in other senior executives	50%	40%

Note 8 Financial income & expenses

	Group		**Parent Company**	
SEK thousand	**2023**	**2022**	**2023**	**2022**
External interest income	2,725	1,415	1,664	617
Total	**2,725**	**1,415**	**1,664**	**617**

	Group		**Parent Company**	
SEK thousand	**2023**	**2022**	**2023**	**2022**
External interest income	–675	–12	–675	–12
Total	**–675**	**–12**	**–675**	**–12**

Note 9 Tax

	Group		**Parent Company**	
SEK thousand	**2023**	**2022**	**2023**	**2022**
Current tax	—	—	—	—
Total reported tax	**—**	**—**	**—**	**—**
Reconciliation of effective tax				
Reported profit/loss before tax	–179,667	–131,670	–181,781	–133,017
Tax at applicable rate 20.6%	37,011	27,124	37,447	27,401
Tax effect of deductible costs that are not included in the reported profit/loss	–5,398	1,004	–5,398	1,004
Tax effect of non-deductible expenses	–28	–46	–28	–46
Tax effect of non-taxable revenues	1	—	1	—
Other	435	278	0	—
Increase in loss carry-forwards without the corresponding capitalization of deferred tax	–32,022	–28,360	–32,022	–28,360
Reported effective tax	**—**	**—**	**—**	**—**

Note 9 Tax – cont.

The company has tax items in respect of issue expenses reported directly against equity.

In 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. The company, in consultation with its tax consultants, has chosen to correct the previous tax declarations and then claim back the losses carry-forward from previous years.

Accumulated loss carry-forwards as of December 31, 2023, amounted to SEK 585,131 thousand (420,378), thus the tax loss for the current year amounted to SEK 155,447 thousand (128,364). 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, for example, in connection with new share issues. 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 10 Capitalized development expenditure

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Acquisition costs brought forward	385,597	296,236	384,944	296,005
Purchases	51,183	104,834	50,238	104,412
Disposals	—	–15,472	—	–15,472
Closing accumulated acquisition cost	**436,780**	**385,597**	**435,182**	**384,944**
Closing residual value according to plan	**436,780**	**385,597**	**435,182**	**384,944**

In 2023, interest payments of SEK 1,080 thousand (863) were capitalized as development expenditure. The interest relates to the Group's leasing debt. The average interest rate during the period amounted to 5 percent (5).

No disposals occurred in 2023. Disposals of SEK –15,472 thousand in 2022 pertained to further development of XS005-sorafinib being discontinued.

Critical estimates and judgments

Several critical estimates and judgments 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 concerning the size of the market, market share and pricing levels. The company remains in the development phase, and judgments 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, and none of these analyses offer indications that impairment is necessary. The weighted average cost of capital after tax could also double without any need for impairment.

The impairment test is based on sales revenue forecasts derived from current sales statistics, since no sales have been reported. Furthermore, cost of goods sold has been calculated based on cost estimates from suppliers, partners and personnel costs. Other external costs and personnel expenses for the projects have been considered and included in the impairment test. The company has applied a discount rate of 11.5% in the impairment test. Furthermore, consideration has also been made for amortization of the intangible asset.

Capitalized development expenditure will begin to be amortized only when the respective products are launched in the market.

Note 11 Machinery and installations

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Acquisition costs brought forward	47,365	44,503	47,365	44,503
Purchases	622	2,862	622	2,862
Sales/disposals	–5	—	–5	—
Closing accumulated acquisition cost	**47,971**	**47,365**	**47,971**	**47,365**
Depreciation brought forward	–31,958	–24,045	–31,958	–24,045
Depreciations for the year	– 7,459	–7,913	–7,432	–7,913
Disposals	5	—	5	—
Accumulated depreciations carried forward	**–39,391**	**–31,958**	**–39,374**	**–31,958**
Closing residual value according to plan	**8,580**	**15,407**	**8 58**	**15,407**

Depreciation of machinery and installations amounting to SEK 6,536 thousand (7,913) is reported in the income statement under Research and development expenses.

Note 12 Leases

The Group has rental agreements for premises and cars. The rental agreement for the company's former premises was entered into in the final quarter of 2018 and extended until October 31, 2023. The company signed a supplementary agreement that extends until January 2024. A new lease for the period from December 2023 up through October 2030 was signed in 2022. This had an effect in 2023. Extension options are included in the agreement related to 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 17,993 thousand have not been included in the lease liability, as it is not certain that the agreements will be extended or terminated.

The Group also has a small number of leases for cars with lease periods of three years.

Right-of-use asset, SEK thousand	**Real estate used in business operations**	**Vehicles**	**Total**
Closing balance, December 31, 2023	36,822	827	**37,649**
Depreciations during the year	–2,222	–480	**–2,701**

Additional right-of-use assets in 2023 amounted to SEK 35,172 thousand (1,020). This amount includes the cost of right-of-use assets relating to vehicles newly acquired in the year.

Lease liabilities, SEK thousand	**2023**	**2022**
Short-term lease liabilities	4,861	1,566
Long-term lease liabilities	31,947	560
Total lease liabilities	**36,808**	**2,125**

Note 12 Leases – cont.

Amounts recognized in profit or loss, SEK thousand	2023	2022
Depreciations of right-of-use assets	2,701	1,191
Interest on lease liabilities	—	—
Variable lease payments not included in measurement of lease liability	970	475
Expense for short-term leases	—	—
Expense for leases of low value, not short-term leases of low value	204	109

Future lease payments:	Group		Parent Company	
SEK thousand	2023	2022	2023	2022
Within one year	6,528	2,861	6,528	2,861
Between one year and five years	25,140	24,575	25,140	24,575
After more than five years	11,288	17,243	11,288	17,243

The Group's future lease payments for 2023 are disclosures pursuant to IFRS 16 including expected usage of extension options. Future lease payments from one year and further on include the new lease.

	Parent Company	
Expensed payments for operating leases, SEK thousand	2023	2022
Minimum payments	34,648	1,750
Variable payments	970	475

Total lease expenses Amounts recognized in the statement of cash flows, SEK thousand	2023	2022
Total cash outflows attributable to leases	2,826	2,847

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 13 Equipment

	Group		Parent Company	
SEK thousand	Dec 31, 2023	Dec 31, 2022	Dec 31, 2023	Dec 31, 2022
Acquisition costs brought forward	2,458	2,458	2,458	2,458
Purchases	2,070	0	2,070	0
Sales/disposals	–398	—	–398	—
Closing accumulated acquisition cost	**4,130**	**2,458**	**4,130**	**2,458**
Depreciation brought forward	–2,311	–1,884	–2,311	–1,884
Depreciations for the year	–7,447	–427	–7,447	–427
Sales/disposals	393	—	393	—
Accumulated depreciations carried forward	**–9,366**	**–2,311**	**–9,366**	**–2,311**
Closing residual value according to plan	**–5,235**	**147**	**–5,235**	**147**

Depreciation on equipment is reported in the income statement under Administration and sales expenses at SEK 18 thousand (323), as well as Research and development expenses at SEK 138 thousand (104).

Note 14 Fixed assets under construction and prepayments

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Acquisition costs brought forward	46,573	20,043	45,383	19,719
Investments in the year	9,642	21,604	9,642	21,604
Reclassification in the year	0	—	0	—
Prepayments in the year	3,151	4,926	2,131	4,060
Closing carrying amount	**59,365**	**46,573**	**57,156**	**45,383**

Note 15 Shares in subsidiaries

Parent Company, SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**
Acquisition costs brought forward	50	50
Purchases	2,188	—
Closing accumulated acquisition cost	**2,238**	**50**
Closing carrying amount	**2,238**	**50**

Name	**Share of equity (%)**	**Share of votes (%)**	**No. of shares**	**Book value (SEK thousand)**
Xspray Pharma Futurum AB	100	100	50,000	50
Xspray Pharma Inc	100	100	1,000	2,188

Name	**Corp ID no.**	**Reg. office**	**Equity (SEK thousand)**	**Profit/loss for the year**
Xspray Pharma Futurum AB	559178-7642	Stockholm	50	0
Xspray Pharma Inc	93-13127793	Delaware	0	86,495

Note 16 Financial instruments

The company's financial instrument are recognized at amortized cost or fair value depending on how the instrument is classified according to IFRS 9. The items that have been measured at fair value are financial investment in shares of SEK 1 thousand, which is included in the financial assets at fair value through profit or loss measurement category. For non-interest-bearing asset and liability items such as current receivables, cash and cash equivalents and other current liabilities, trade accounts payable with a residual life of less than six months, the reported value is considered to be a reasonable approximation of fair value.

Group SEK thousand	Dec 31, 2023	Dec 31, 2022
Financial assets in the balance sheet		
Financial investments	1	1
Current receivables	2,362	2,362
Accrued income	—	—
Cash and cash equivalents	166,303	120,166
Total	**168,666**	**122,529**
Financial liabilities in the balance sheet		
Trade accounts payable	12,472	14,786
Other current liabilities	6,263	1,043
Accrued expenses	2,058	2,058
Total	**20,793**	**17,887**

The carrying amounts of financial assets and liabilities that are measured at the amortized cost above are reasonable approximations of fair value. For lease liabilities in the consolidated accounts, see Note 12.

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, EUR and GBP. The currency risk and the company's way of working to minimize the risk are managed in the company's treasury policy. Exposure to currency risk arises in tandem with foreign currency payments and receipts, and in the translation of foreign currency receivables and liabilities. A weakening of the Swedish krona against these currencies will lead to increased costs for the Group, all else being equal.

The company has actively chosen not to hedge any currencies since the company's business means that there is currently a limited net exposure to foreign currencies. A change in the average exchange rate for USD, EUR and GBP by +/–10 percent, with all other variables being constant, would have an impact on the Group's profit before tax of SEK +/–13,993 thousand, SEK +/–4,835 thousand and SEK +/–1,156 thousand, respectively. 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 includes exchange rate differences in operating profit/loss.

Credit and interest rate 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 the credit rating from Standard & Poor's. 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
As of December 31, 2023, the Group had available liquidity of SEK 166,303 thousand. Liquidity consists of bank balances. From a capital structure perspective, current investments and financial investments are also included in net debt even though they are not classified as cash and cash equivalents. At year-end, there were no external borrowings in the Group, as the company's operations are mainly financed by equity. The objective regarding the capital structure is to maintain the Group's ability to continue its operations in order to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to minimize the cost of capital. Depending on the outcome of the TO6 warrant series and other funding, there is a risk that the Group's cash and cash equivalents for the next twelve months will be insufficient. The company's capital requirement depends on several factors including market uptake of its initial product candidate, Dasynoc®, as well as the earnings from
and costs for ongoing and future drug trials. In light of this, the Board is monitoring the situation and is evaluating different financing options including timing and scope for raising capital that can be beneficial to the company. The Board believes that the prospects for raising capital are good. However, if financing is insufficient, this indicates material uncertainty, which could lead to significant doubts on the Group's ability to continue its operations. In accordance with the policy by the Board of Directors, the Group must maintain a strong financial position, which will help the company retain investor and market confidence. It also creates a foundation for further development of

company operations, with continued long-term support for its goal of securing dividends for the company's owners. Until the company has achieved long-term, sustainable profitability, its policy is to maintain a low level of debt and a high level of equity.

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.

The goal for the capital structure is that operations are financed with equity. Debt financing is not seen as an appropriate financing form, other than temporarily, until the company has achieved profitability and positive cash flow.

In order to maintain a solid capital structure, the Group must raise capital through issuance of new shares and other equity instruments to finance the development costs and launch of new projects.

Note 17 Other long-term receivables

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Provided depositions	3,016	2,999	2,999	2,999
Total	**3,016**	**2,999**	**2,999**	**2,999**

In the preceding year (2022), the company signed a new rental agreement with Akademiska Hus. A deposition of SEK 2,999 thousand was paid. The company gained access to new premises on December 1, 2023.

Note 18 Inventory

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Goods in transit	—	3,116	—	3,116
Inventory of tradeable goods	2,979	3,907	2,979	3,907
Products in work	40,803	1,528	40,803	1,528
Total	**43,781**	**8,552**	**43,781**	**8,552**

Inventories relate to the company's manufacturing of medical products.

Note 19 Prepaid expenses and accrued income

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Prepaid rent	1,010	160	1,935	642
Other prepaid expenses	2,556	768	2,556	768
Other accrued income	—	223	—	223
Accrued interest income	—	—	—	—
Total	**3,566**	**1,150**	**4,491**	**1,632**

Note 20 Cash and cash equivalents

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Bank balances	166,303	120,166	165,658	120,116
Total	**166,303**	**120,166**	**165,658**	**120,116**

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 16 for more detail on credit risk.

Note 21 Equity

Number of shares	**2023**	**2022**
Number/value at end of year	22,680,408	20,680,408
New share issue	8,573,134	2,000,000
Redemption of warrants	—	—
Number at the end of year	**31,253,542**	**22,680,408**

The share has been trading on Nasdaq Stockholm main market under the symbol XSPRAY since March 27, 2020. As of December 31, 2023, the company had 31,253,542 shares (22,680,408) and the closing price for the period was SEK 40.00. All shares are ordinary shares and have equal rights to Xspray Pharma's profit, and each share entitles to one vote at the Annual General Meeting. The shares have a quota value of SEK 1 per share.

Note 22 Accrued expenses and deferred income

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Accrued bonus incl. soc. security fee	2,558	3,632	2,558	3,632
Accrued research and development expenses	4,241	320	4,241	320
Accrued legal cost	0	50	0	50
Accrued vacation pay incl. soc. security fee	4,333	4,108	4,333	4,108
Accrued special payroll tax	2,375	2,058	2,375	2,058
Accrued consulting fee	327	120	327	120
Accrued Board fees	711	665	711	665
Other accrued expenses	1,762	503	1,762	503
Total	**16,307**	**11,456**	**16,307**	**11,456**

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 on behalf of another legal entity.

Note 25 Transactions with related parties

The management of the Parent Company, the Boards of Directors of the parent company and subsidiary 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 subject. The following transactions with related parties occurred during the financial year and comparative year.

Purchases of services from senior executives in 2023 relate to consultancy fees for InterCon HB, owned by Andreas Konar, who is a member of the company's management team, and consultancy fees for Stratfox Healthcare Group LLC, owned by Board member Robert Molander. Disclosed figures in the table also include figures that have been invoiced onward. Excluding these payments, the figure is SEK 984 thousand (1,008) to InterCon HB and SEK 532 thousand (—) to Stratfox Healthcare Group LLC. Transactions have occurred in line with market terms.

	Group		Parent Company	
SEK thousand	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Purchase of service from senior executives	1,516	1,246	1,516	1,246
Total	**1,516**	**1,246**	**1,516**	**1,246**

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 end of the financial year

- In February, Kerstin Hasselgren chose to resign as CFO for personal reasons. However, she will remain as Senior Advisor and Head of Investor Relations.
- In February, Michael af Winklerfelt was appointed acting CFO and took office on February 8.
- In February, Xspray Pharma received a response to its CRL and the FDA set July 31, 2024 as the date on which they are expected to reach a decision on approval of Dasynoc®, known as the PDUFA date.

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	**Dec 31, 2023**	**Dec 31, 2022**	**Dec 31, 2023**	**Dec 31, 2022**
Earnings per share before dilution	–6.76	–6.25	–6.84	–6.31
Earnings per share after dilution	–6.76	–6.25	–6.84	–6.31

Amounts used in numerators are consistent with profit/loss for the year of SEK –179,667 thousand (–131,670) in the Group and SEK –181,781 thousand (–133,017) in the Parent Company. Amounts used in denominators are stated below.

The weighted average number of outstanding shares was 26,593,910
(21,070,518), which is affected by new share issues and exercising of warrant series 5 (TO5) in the current and preceding fiscal years. The number of shares outstanding at year-end was 31,253,542 (22,680,408).

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 and 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.

Note 29 Appropriation of profit/loss

SEK thousand	**Dec 31, 2023**
The following funds are at the disposal of the Annual General Meeting:	
Share premium reserve	1,219,092
Loss brought forward	–814,952
Loss for the year	–181,781
Total	**222,358**
Appropriated as follows:	
Share premium reserve	1,219,092
Loss brought forward	–996,733
Carried forward	**222,358**

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 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 Report 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 March 27, 2024. 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 for adoption at the Annual General Meeting on May 21, 2024.

Stockholm
March 27, 2024

Anders Ekblom
Chairman

Anders Bladh

Carl-Johan Spak

Christine Lind

Maris Hartmanis

Robert Molander

Torbjörn Koivisto

Per Andersson
CEO

Our Audit Report was submitted on March 27, 2024

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 2023, except for the corporate governance statement on pages 32-41. The annual accounts and consolidated accounts of the company are included on pages 42-89 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 2023 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 2023 and their financial performance and cash flow for the year then ended in accordance with IFRS Accounting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 32-41. 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 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.

Material uncertainty as to going concern

We bring to your attention the information in the administration report (page 47) and in note16 (page 77) which states that dependent on the outcome of the T06 warrant series and other funding, there is a risk that the Group's cash and cash equivalents for the next 12 months could be insufficient. It also states in the administration report and note 16 that Board of Directors are monitoring the situation and evaluating different financing options including timing and scope for raising capital, however if sufficient financing is not arranged that there are material uncertainties that could lead to significant doubt on the Group's ability to continue its operations. We have not modified our opinions in regards to this.

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 10 and accounting principles on pages 61-62 in the annual account and consolidated accounts for detailed information and description of the matter.

Description of key audit matter

The consolidated carrying value at 31 December 2023 of capitalized development costs amounted to 437 MSEK. Thesee intangible assets equal approximately 57 % 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, 50-51 and 88-89. 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 Chief Executive Officer 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 Chief Executive Officer

The Board of Directors and the Chief Executive Officer 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 Accounting Standards as adopted by the EU. The Board of Directors and the Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer'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

Auditor's audit of the administration and the proposed appropriations of profit or loss

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 Chief Executive Officer of Xspray Pharma AB (publ) for the year 2023 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 Chief Executive Officer 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 Chief Executive Officer

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 Chief Executive Officer 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 Chief Executive Officer 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 Esef report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Chief Executive Officer have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Xspray Pharma AB (publ) for year 2023.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Xspray Pharma AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the Esef report in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Chief Executive Officer determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to

fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Chief Executive Officer, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of the assumptions made by the Board of Directors and the Chief Executive Officer.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 32-41 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s 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.

KPMG AB, Box 382, 101 27, Stockholm, was appointed auditor of Xspray Pharma AB (publ) by the general meeting of the shareholders on the 16 May 2023. KPMG AB or auditors operating at KPMG AB have been the company's auditor since 2019.

Stockholm 27 March 2024

KPMG AB

Duane Swanson
Authorized Public Accountant

Glossary

Amorphous • A chemical term that describes substances whose molecules lack an ordered structure.

ANDA • An Abbreviated New Drug Application is an application for generic drug approval in the US for an existing licensed medication or approved drug.

API • Active Pharmaceutical Ingredient

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

Bioavailability • (or biological availability) is a pharmacological term that shows what proportion of the drug reaches the blood.

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

CDMO • Contract Development and Manufacturing Organization

CMO • Contract Manufacturing Organization

CRO • Contract Research Organization. A service company active in contract research and service in the development of drugs.

Pharmacokinetics • Describes how the body processes a drug with regard to uptake, distribution in the body and elimination.

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.

Generics • Generic drugs are medically exchangeable drugs with the same function, quality and safety as an original drug.

GMP • Good Manufacturing Practice. Rules that describe how the pharmaceutical industry is to manufacture medicines so that patients can always be sure that they are taking the

right product with a high level of quality. The rules govern the manufacturing, 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.

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

Indication • In medical contexts, a symptom, disease or condition that requires treatment.

Clinical phase • The various stages in the study of the effects of a drug in humans (see also Clinical study). Phase I investigates safety in healthy subjects; Phase II investigates the effects in patients with the disease in question, and Phase III is a larger study to verify previously achieved outcomes. Phase III

studies are conducted after the drug has begun selling in the market, for example, in order to detect new and unusual side effects.

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

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

SEK thousand • Thousands of Swedish kronor.

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

Drug candidate • A substance selected during a preclinical phase for further testing in healthy subjects and later, in patients.

SEK million • Millions of Swedish kronor.

SEK billion • Billions of Swedish kronor.

Oncology • The study of cancers, and 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 US have the indication.

Preclinical • The phase of drug development that takes place before a drug candidate is tested in humans.

Primary and secondary patents • Primary patents protect the active pharmaceutical ingredient (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 the 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 inhibitor (PKI) • Drugs that block protein kinases. Protein kinase inhibitors act by blocking the activity of enzymes that drive the development and growth of cancer cells.

SCF • Supercritical fluid

Tyrosine kinase inhibitor (TKI) • A subgroup of protein kinase inhibitors.

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

Shareholder information

Financial calendar 2024	Date
Interim Report Q1, Jan–Mar 2024	May 8, 2024
2024 AGM	May 21, 2024
Interim Report Q2, Apr–Jun 2024	August 7, 2024
Interim Report Q3, Jul–Sep 2024	November 6, 2024
Year-End Report 2024	February 12, 2025

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

For more information on Xspray Pharma, please contact

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Annual General Meeting 2024

The Annual General Meeting (AGM) will be held on Tuesday, May 21, 2024 at 10:00 am CET on the premises of Advokatfirman Vinge at Smålandsgatan 20, Stockholm, Sweden.

Registration will commence at 9:30 am CET. Shareholders may exercise their right to vote at the AGM through physical presence, proxies or pre-voting.

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 Monday, May 13, 2024; and
- notify the company of their intention to participate by registering no later than Tuesday, May 14, 2024. Registration may be made in writing to: Xspray Pharma AB, Scheeles väg 2, SE-171 65 Solna, Sweden, or via e-mail to generalmeeting@xspray.com

Complete information on the 2024 AGM can be founds in the notice convening the meeting, which is available at Xspray Pharma's website, www.xspraypharma.com

xspray
PHARMA

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