Xspray Pharma
Interim report Q2 2020

JANUARY - JUNE 2020

"We are in the final development phase of our first protein kinase inhibitor (PKI) project, HyNap-Dasa. HyNap-Dasa has shown good results in previous clinical studies and we are looking forward to seeing positive result this time as well. We have ahead of us an exciting and eventful second half of the year, with the results of the clinical studies and intensify the work of finding a commercial partner for our first product."

Per Andersson, CEO
Xspray Pharma AB (publ)

Significant events during the second quarter, 2020

April - June 2020

- In May, the Annual General Meeting resolved, in accordance with the Nomination Committee's, re-election of all former members. Former member Hans Arwidsson declined re-election.
- In May, it was announced that the start of the pivotal clinical bioequivalence studies with HyNap-Dasa had started.

Significant events after the end of the reporting period

- In July, Xspray announced that all healthy volunteers in the first of two groups have now been dosed. The study is being conducted to demonstrate that HyNap-Dasa is bioequivalent to the original drug Sprycel® (dasatinib).

April - June 2020, Group

- Net sales amounted to SEK 0 thousand (0)
- Earnings before tax amounted to SEK -15,346 thousand (-9,359)
- Earnings per share before dilution amounted to SEK -0.92 (-0.62)
- Cash flow from operating activities amounted to SEK -9,822 thousand (-1,019)
- Cash flow from investing activities amounted to SEK -25,115 thousand (-29,475)

January - June 2020, Group

- Net sales amounted to SEK 0 thousand (0)
- Earnings before tax amounted to SEK -25,878 thousand (-17,112)
- Earnings per share before dilution amounted to SEK -1.54 thousand (-1.14)
- Cash flow from operating activities amounted to SEK -23,311 thousand (-13,945)
- Cash flow from investing activities amounted to SEK -49,033 thousand (-44,948)
- Cash and cash equivalents and current investments at the end of the period totaled SEK 137,766 thousand (162,338)

April - June 2020, Parent Company

- Net sales amounted to SEK 0 thousand (0)
- Earnings before tax amounted to SEK -15,328 thousand (-9,349)
- Earnings per share before dilution amounted to SEK -0.92 (-0.62)
- Cash flow from operating activities amounted to SEK -9,580 thousand (-794)

January - June 2020, Parent Company

- Net sales amounted to 0 thousand (0)
- Earnings before tax amounted to SEK -25,841 thousand (-17,141)
- Earnings per share before dilution amounted to SEK -1.54 (-1.14)
- Cash flow from operating activities amounted to SEK -22,825 thousand (-13,980)
- Cash and cash equivalents and current investments at the end of the period totaled SEK 137,716 thousand (162,288)

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

A message from the CEO

We are in the final development phase of our first protein kinase inhibitor (PKI) project, HyNap-Dasa. HyNap-Dasa has shown good results in previous clinical studies and we are looking forward to seeing positive result this time as well. We have ahead of us an exciting and eventful second half of the year, with the results of the clinical studies and intensify the work of finding a commercial partner for our first product.

I am very pleased that we reached a very important milestone during Q2 for our lead product candidate, HyNap-Dasa, when the clinical bioequivalence studies were initiated. The two studies are conducted on healthy volunteers under fasted and fed conditions, respectively. The purpose of these studies is to demonstrate that HyNap-Dasa has a similar effect to the original drug Sprycel® (dasatinib). HyNap-Dasa has shown good results in previous clinical studies and we are looking forward to the results this time as well. The studies are ongoing during the current Covid-19 pandemic and we are impressed by our clinical partner's work to ensure the safety of the participants. The preliminary results from the now completed first study are expected in August, the preliminary results from the second study will be available during the third quarter.

In parallel with the clinical studies, stability studies on the final tablets of HyNap-Dasa are ongoing. The results will also be available during the third quarter and, together with the results from the clinical studies, will form the basis for the upcoming ANDA submission to the US FDA. As soon as we have the results of both bioequivalence studies and the stability study in hand, we will together with our financial advisor initiate a process to find a partner for our HyNap-Dasa project.

We are in the final development phase of our first PKI-project, HyNap-Dasa. Our product candidate is developed with our own amorphous technology and manufacturing process, where we have developed and scaled up an advanced tablet formulation. During the development work we have also had a dialogue with the FDA in order to avoid delays during the review process. The experience gained together with the knowledge of our future product candidates allows us to increase the pace of the development of other candidates in our product portfolio. The next two product candidates are HyNap-Dasa 2.0 and HyNap-Nilo, which are improved versions of Sprycel® (dasatinib), respectively Tasigna® (nilotinib). For both product candidates the 505(b)(2) regulatory pathway will be utilized. The manufacturing facility in Milan is ready to scale up the production of amorphous material for both candidates and for the manufacturing of clinical trial materials. Since the facility is qualified for HyNap manufacturing and approved by the Italian Medicines Agency AIFA, scaling up of the future products will take significantly less time as compared to our first product candidate.

I feel confident in the way the team together with our partners drive our various projects forward. That we have successfully met our goals to date is largely due to our committed and skillful employees with many years of experience in both drug development and taking products to market. We have ahead of us an exciting and eventful second half of the year, with the results of the clinical studies and intensify the work of finding a commercial partner for our first product first HyNap-Dasa product.

Per Andersson, CEO
Solna, July 2020

Business focus and prospects

Xspray Pharma AB (publ) is a product development company with multiple product candidates in clinical development phase. Xspray uses its innovative, patented RightSize technology to develop improved and generic versions of marketed drugs, primarily protein kinase inhibitors (PKIs) for the treatment of cancer. Sales of the PKI drugs constitute around 25 percent of the total oncology market in a segment where drug prices are extremely high.

The innovative RightSize technology allows Xspray, through licensing to suitable pharmaceutical companies, to gain entry as the first competitor to today's original drugs before secondary patents expire. Xspray's goal is to become the leader in the development of improved drugs or generic versions of PKIs already marketed for the treatment of cancer.

At the end of 2019, there were 54 approved PKIs in the U.S market. The Company's leading product candidates, HyNap-Dasa, HyNap-Sora and HyNap-Nilo, are stable amorphous versions of the three blockbuster cancer drugs Sprycel® (dasatinib), Nexavar® (sorafenib) and Tasigna® (nilotinib). The launch of HyNap-Dasa, the first product candidate, is planned to take place in 2021. The U.S substance patent for the original drug Sprycel® (dasatinib) expires at the end of 2020, and the secondary patents in 2026, which offers Xspray's HyNap-Dasa a period of several years in a unique position before other competitors gain access to the market. The Company has patented the manufacturing technology, the equipment and the resulting products. The Company's development has proceeded according to plan and prospects for achieving its business plan targets are good.

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

Launching with limited competition

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

Low development expenditure

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

Limited risk

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

Short development time

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

Financial overview, Group

	Q2		Jan-Jun		Full year
Key figures group	**2020**	**2019**	**2020**	**2019**	**2019**
Net sales (SEK thousand)	-	-	-	-	-
Loss before Income tax (SEK thousand)	-15,346	-9,359	-25,878	-17,112	-45,771
Earnings per share before dilution (SEK)	-0.92	-0.62	-1.54	-1.14	-3.01
Earnings per share after dilution (SEK)	-0.92	-0.62	-1.54	-1.14	-3.01
Research and development expenses as % of operating expenses	10.1	17.1	12.1	16.2	7.3
Cash and cash equivalents (SEK thousand)	137,766	162,338	137,766	162,338	209,872
Total assets (SEK thousand)	371,014	307,755	371,014	307,755	400,672
Equity/assets ratio (%)	95.2	93.3	95.2	93.3	93.3
Average number of employees	20	16	20	13	17

Total research and development expenditures for the quarter amounted to SEK -27,292 thousand, of which SEK -1,634 thousand is expensed and SEK -25,658 thousand recorded as capitalized development cost.

Total research and development expenditures for the period January - June amounted to SEK -49,388 thousand of which SEK -3,256 thousand is expensed and SEK -46,133 thousand is recorded as capitalized development cost.

Financial overview, Parent Company

	Q2		Jan-Jun		Full year
Key figures parent company	**2020**	**2019**	**2020**	**2019**	**2019**
Net sales (SEK thousand)	-	-	-	-	-
Loss before Income tax (SEK thousand)	-15,328	-9,349	-25,841	-17,141	-45,796
Earnings per share before dilution (SEK)	-0.92	-0.62	-1.54	-1.14	-3.01
Earnings per share after dilution (SEK)	-0.92	-0.62	-1.54	-1.14	-3.01
Research and development expenses as % of operating expenses	9.8	17.9	11.8	16.1	7.2
Cash and cash equivalents (SEK thousand)	137,716	162,288	137,716	162,288	209,822
Total assets (SEK thousand)	365,639	302,448	365,639	302,448	395,316
Equity/assets ratio (%)	95.2	94.9	95.2	94.9	94.5
Average number of employees	20	16	20	13	17

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

Comments on the report

The comments below refer to the Group. As the Group consists of the Parent Company and a dormant subsidiary, the differences between the Parent Company and the consolidated accounts is the difference between RFR2 and IFRS. Net sales for the company are still SEK 0. The launch of the first product onto the market is planned to take place in 2021.

April - June 2020

The Group´s operating expenses for the period amounted to SEK -15,639 thousand (-9,688). The costs consist mainly of administrative and sales costs which amounted to SEK -14,319 thousand of the total operating costs. Of these, personnel costs classified as administrative and sales costs amount to SEK -8,810 thousand (-3,032).

The Group´s expensed research and development costs for the period were SEK-1,634 (-268) thousand and capitalized development expenses were SEK 25,658 thousand (17,084).

January - June 2020

The Group´s operating expenses for the two first quarters amounted to SEK -26,352 kSEK (-17,553). The costs consist mainly of administrative and sales costs, which amount to SEK -22,871 thousand (-16,130) of the total operating costs. Of these, personnel costs that are classified as administrative and sales costs amount to SEK -12,051 thousand (-6,161).

Revenue and earnings

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

The Group´s operating losses for the second quarter amounted to SEK -15,639 thousand (-9,688), which is higher than the second quarter of 2019. The corresponding figure for the Parent Company is SEK -15,620 thousand (-9,610). The increase in costs compared with the previous year is attributable to the planned increase in costs for the company's clinical program, strengthened organization and change of list to Nasdaq Stockholm, which took place during the first quarter of 2020.

Financial position

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

The equity/assets ratio was 95.2 percent (93.3) as of June 30, 2020 in the Group and the corresponding figure for the parent company was 95.2 percent (94.9).

Cash flow and investments

Total cash flow for the Group during the period amounted to SEK -34,974 thousand (-30,512). The increase is mainly due to increased capitalized development cost during the quarter. Cash flow from operating activities amounted to SEK -9,822 thousand (-1,019), of which the effect of working capital was SEK 4,479 thousand (7,984).

The total cash flow for the parent company during the second quarter amounted to SEK -34,974 thousand (-30,512). Cash flow from operating activities amounted to SEK -9,580 thousand (-794), of which the effect from changes in working capital amounted to SEK 4,479 thousand (7,984).

Cash flow from investing activities in the Group amounted to SEK -25,115 thousand (-29,475), it consists of capitalized development costs of SEK -25,377 thousand (-16,530). The investment in tangible fixed assets amounted to SEK -121 thousand

(-12,945) and sales of tangible fixed assets to SEK 383 thousand, for the Group. The cash flow from investing activities are in line with expectations.

Cash flow from financing activities amounted to SEK -37 thousand (-18) for the Group. Which is an effect of IFRS 16, amortization of leasing debt, is reported.

The Group had SEK 137,766 thousand (162,338) in cash and cash equivalents as of June 30, 2020 and the corresponding figure for the Parent Company was SEK 137,716 thousand (162,288).

Intangible assets

Development expenses related to the projects have been capitalized according to plan. Capitalized development costs for the second quarter in the Group amounted to SEK 25,658 thousand (17,084) and the corresponding figure for the Parent Company amounted to SEK 25,656 thousand (17,017). As of June 30, 2020, the Group's capitalized expenses for development work and similar work amounted to SEK 187,647 thousand (98,683) and the corresponding figure for the Parent Company was SEK 187,542 thousand (98,616).

Parent Company

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

Personnel

During the quarter, the organization has grown by one full time employee. At the end of the quarter the number of employees in the Group was 20 (16). The subsidiary has still no employees at the period end.

Related Party Transactions

The company´s Chairman of the Board carries out consultancy assignments in business development and legal advice for the company. The cost for this in the quarter was SEK -70 thousand (0).

Corporate governance

The Audit and Remuneration Committees have continued to assist the Board with oversight tasks and remuneration issues.

Share information

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

On June 30, 2020, the number of shares in the Company were 16,751,622 and the last share price was SEK 110.00.

Incentive program

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

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

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

Owners as of June 30, 2020	Number of shares	Number of shares & votes
Östersjöstiftelsen	2,500,826	14,93%
Ribbskottet AB	1,870,000	11,16%
Swedbank Robur Fonder	1,390,000	8,30%
Fjärde AP-fonden	1,368,500	8,17%
Avanza Pension	717,054	4,28%
Unionen	666,000	3,98%
TIN Fonder	600,000	3,58%
Tredje AP-fonden	495,000	2,95%
Futur Pension	383,487	2,29%
Länsförsäkringar Fonder	350,121	2,09%
Total, ten largest owners	10,340,988	61,73%
Total, other shareholders	6,410,634	38,27%
Total number of shares	**16,751,622**	**100.00%**

Financial calendar

Interim report Q3, 2020	November 20, 2020
Year-end report, 2020	February 25, 2021

Analysts covering the Company:

Jacob Svensson, Redeye

Financial Statements and Notes

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

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

Consolidated income statement

	Q2		Jan-Jun		Full year
SEK thousand	**2020**	**2019**	**2020**	**2019**	**2019**
Net sales	-	-	-	-	-
Other operating income	579	57	579	65	374
Research and development expenses	-1,634	-268	-3,256	-811	-3,429
Administration and sales expenses	-14,319	-9,257	-22,871	-16,130	-42,327
Other operating expenses	-264	-220	-805	-677	-1,182
Operating loss	**-15,639**	**-9,688**	**-26,352**	**-17,553**	**-46,564**
Finance income	293	264	479	486	862
Finance costs	-0	65	-5	-45	-69
Finance net	**292**	**329**	**474**	**441**	**793**
Loss before Income tax	-15,346	-9,359	-25,878	-17,112	-45,771
Tax	-	-	-	-	-
Loss for the period	**-15,346**	**-9,359**	**-25,878**	**-17,112**	**-45,771**
Earnings per share for the period before dilution, SEK	-0.92	-0.62	-1.54	-1.14	-3.01
Earnings per share for the period after dilution, SEK	-0.92	-0.62	-1.54	-1.14	-3.01
Average number of shares before dilution	16,751,622	15,076,460	16,751,622	15,076,460	15,216,057
Average number of shares after dilution	17,285,287	15,531,051	17,285,287	15,531,051	15,670,648

Consolidated statement of comprehensive income

	Q2		Jan-Jun		Full year
SEK thousand	**2020**	**2019**	**2020**	**2019**	**2019**
Loss for the period	-15,346	-9,359	-25,878	-17,112	-45,771
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	**-15,346**	**-9,359**	**-25,878**	**-17,112**	**-45,771**

Consolidated balance sheet

SEK thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	187,542	98,616	141,414
Patent	-	21	-
Total intangible assets	**187,542**	**98,637**	**141,414**
Property, plant and equipment			
Machinery and installations	23,801	19,909	26,464
Equipment	1,183	1,405	1,266
Fixed assets under construction	11,459	12,678	8,467
Total Property, plant and equipment	**36,442**	**33,991**	**36,198**
Financial assets			
Shares in subsidiaries	50	50	50
Financial investments	1	1	1
Total financial assets	**51**	**51**	**51**
Total non-current assets	**224,035**	**132,679**	**177,663**
Current assets			
Current receivables			
Current tax asset	368	311	421
Other current receivables	1,612	4,134	5,017
Prepaid expenses and accured income	1,907	3,036	2,393
Total current receivables	**3,887**	**7,481**	**7,831**
Cash and bank	137,716	162,288	209,822
Total current assets	**141,604**	**169,769**	**217,653**
TOTAL ASSETS	**365,639**	**302,448**	**395,316**

Consolidated balance sheet, cont.

SEK thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	16,752	15,076	16,752
Other contributed capital	450,576	336,991	450,266
Reserves	976	976	976
Retained earnings including profit/loss for the period	-120,157	-65,619	-94,279
Total equity attributable to the Parent Company's shareholders	**348,147**	**287,424**	**373,715**
Non–current liabilities			
Lease liabilities	3,620	5,138	4,454
Total non-current liabilities	**3,620**	**5,138**	**4,454**
Current liabilities			
Trade accounts payable	6,583	10,281	11,876
Lease liabilities	1,767	139	876
Other current liabilities	997	722	743
Accrued expenses and deferred income	9,900	4,051	9,007
Total current liabilities	**19,247**	**15,193**	**22,503**
TOTAL EQUITY AND LIABILITIES	**371,014**	**307,755**	**400,672**

Consolidated statement of changes in equity

SEK thousand	Share capital	Other contributed capital	Reserves	Retained earnings incl profit/loss for the period	Total equity
Opening balance as of January 1, 2020	**16,752**	**450,266**	**976**	**-94,279**	**373,715**
Loss for the period	-	-	-	-25,878	-25,878
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**-25,878**	**-25,878**
Warrant program	-	310	-	-	310
Closing balance as of 30 June 2020	**16,752**	**450,576**	**976**	**-120,157**	**348,147**

Consolidated statement of cash flow

	Q2		Jan-Jun		Full year
SEK thousand	**2020**	**2019**	**2020**	**2019**	**2019**
Operating activities					
Operating loss	**-15,639**	**-9,688**	**-26,352**	**-17,553**	**-46,565**
Non-cash adjustments					
Depreciation	1,925	1,126	3,832	1,959	4,803
Capital gains	-113	-	-113	-	-
Dissolved prepaid leasing costs, during the period	-473	-473	-946	-946	-1,892
Interest received	-	35	149	257	591
Interest paid	-1	-3	-8	-45	-69
Cash flow from operating activities before changes in working capital	**-14,301**	**-9,003**	**-23,438**	**-16,328**	**-43,131**
Changes in working capital					
Change in operating receivables	1,207	-1,183	4,273	-1,901	-1,963
Change in operating liabilities	3,272	9,167	-4,146	4,284	10,857
Cash flow from operating activities	**-9,822**	**-1,019**	**-23,311**	**-13,945**	**-34,237**
Investing activities					
Capitalized development costs	-25,377	-16,530	-45,570	-26,279	-68,891
Acquisition of property, plant and equipment	-121	-12,945	-3,846	-18,669	-23,103
Sales of tangible fixed assets	383	-	383	-	-
Cash flow from investing activities	**-25,115**	**-29,475**	**-49,033**	**-44,948**	**-91,994**
Financing activities					
New share issue	-	-	-	-	114,949
Lease liability	-	-	-	-	-
Payment of lease liability	-37	-18	-72	-35	-112
Repurchased warrants	-	-	-74	-	-
Allocated warrants	-	-	384	-	-
Cash flow from financing activities	**-37**	**-18**	**238**	**-35**	**114,837**
Cash flow for the period	**-34,974**	**-30,512**	**-72,106**	**-58,928**	**-11,394**
Cash and cash equivalents at the beginning of the period	172,740	192,850	209,872	221,266	221,266
Cash and cash equivalents at the end of the period	**137,766**	**162,338**	**137,766**	**162,338**	**209,872**

Parent Company Income statement

	Q2		Jan-Jun		Full year
SEK thousand	**2020**	**2019**	**2020**	**2019**	**2019**
Net sales	-	-	-	-	-
Other operating income	579	57	579	65	374
Research and development expenses	-1,593	-336	-3,172	-797	-3,363
Administration and sales expenses	-14,342	-9,111	-22,918	-16,173	-42,417
Other operating expenses	-264	-220	-805	-677	-1,182
Operating loss	**-15,620**	**-9,610**	**-26,315**	**-17,582**	**-46,589**
Finance income	293	264	479	486	862
Finance costs	-0	-3	-5	-45	-69
Finance net	**292**	**261**	**474**	**441**	**793**
Loss before Income tax	-15,328	-9,349	-25,841	-17,141	-45,796
Tax	-	-	-	-	-
Loss for the period	**-15,328**	**-9,349**	**-25,841**	**-17,141**	**-45,796**
Earnings per share for the period before dilution, SEK	-0.92	-0.62	-1.54	-1.14	-3.01
Earnings per share for the period after dilution, SEK	-0.92	-0.62	-1.54	-1.14	-3.01
Average number of shares before dilution	16,751,622	15,076,460	16,751,622	15,076,460	15,216,057
Average number of shares after dilution	17,285,287	15,765,556	17,285,287	15,765,856	15,670,648

Parent Company balance sheet

SEK thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
ASSETS			
Non-current assets			
Intangible assets			
Capitalized development costs	187,542	98,616	141,414
Patent	-	21	-
Total intangible assets	**187,542**	**98,637**	**141,414**
Property, plant and equipment			
Machinery and installations	23,801	19,909	26,464
Equipment	1,183	1,405	1,266
Fixed assets under construction	11,459	12,678	8,467
Total Property, plant and equipment	**36,442**	**33,991**	**36,198**
Financial assets			
Shares in subsidiaries	50	50	50
Financial investments	1	1	1
Total financial assets	**51**	**51**	**51**
Total non-current assets	**224,035**	**132,679**	**177,663**
Current assets			
Current receivables			
Current tax asset	368	311	421
Other current receivables	1,612	4,134	5,017
Prepaid expenses and accured income	1,907	3,036	2,393
Total current receivables	**3,887**	**7,481**	**7,831**
Cash and bank	137,716	162,288	209,822
Total current assets	**141,604**	**169,769**	**217,653**
TOTAL ASSETS	**365,639**	**302,448**	**395,316**

Parent Company balance sheet, cont.

SEK thousand	30 Jun 2020	30 Jun 2019	31 Dec 2019
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	16,752	15,076	16,752
Statutory reserve	976	98,616	976
Development expenditure reserve	187,542	976	141,414
Total restricted equity	**205,270**	**114,668**	**159,142**
Non-restricted equity			
Other contributed capital	450,576	336,991	450,266
Accumulated earnings	-281,846	-147,123	-189,922
Profit/loss for the period	-25,841	-17,141	-45,796
Total non-restricted equity	**142,889**	**172,726**	**214,548**
Total equity	**348,159**	**287,394**	**373,690**
Current liabilities			
Trade accounts payable	6,583	10,281	11,876
Other current liabilities	997	722	743
Accrued expenses and deferred income	9,900	4,051	9,007
Total current liabilities	**17,480**	**15,054**	**21,626**
TOTAL EQUITY AND LIABILITIES	**365,639**	**302,448**	**395,316**

Parent Company statement of cash flow

	Q2		Jan-Jun		Full year
SEK thousand	**2020**	**2019**	**2020**	**2019**	**2019**
Operating activities					
Operating loss	**-15,620**	**-9,610**	**-26,315**	**-17,582**	**-46,589**
Non-cash adjustments					
Depreciation	1,675	800	3,332	1,250	3,837
Captial gains	-113	-	-113	-	-
Interest received	-	35	149	257	591
Interest paid	-1	-3	-5	-45	-69
Cash flow from operating activities before changes in working capital	**-14,059**	**-8,778**	**-22,952**	**-16,120**	**-42,230**
Changes in working capital					
Change in operating receivables	1,207	-1,183	4,273	-2,144	-1,965
Change in operating liabilities	3,272	9,167	-4,146	4,284	10,857
Cash flow from operating activities	**-9,580**	**-794**	**-22,825**	**-13,980**	**-33,338**
Investing activities					
Purchase of intangible assets	-25,656	-16,773	-46,128	-26,279	-69,902
Acquisition of property, plant and equipment	-121	-12,945	-3,846	-18,669	-23,103
Other financial assets	383	-	383	-	-
Cash flow from investing activities	**-25,394**	**-29,718**	**-49,591**	**-44,948**	**-93,005**
Financing activities					
New share issue	-	-	-	-	114,949
Repurchased warrants	-	-	-74	-	-
Allocated warrants	-	-	384	-	-
Cash flow from financing activities	**-**	**-**	**310**	**-**	**114,949**
Cash flow for the period	**-34,974**	**-30,512**	**-72,106**	**-58,928**	**-11,394**
Cash and cash equivalents at the beginning of the period	172,690	192,800	209,822	221,216	221,216
Cash and cash equivalents at the end of the period	**137,716**	**162,288**	**137,716**	**162,288**	**209,822**

Not 1. Accounting and valuation principles

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

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

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

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

The figures given in this interim report refer to outcomes during April 1 - June 30, 2020 unless otherwise stated. Comparative figures have been presented in brackets and refer to the corresponding period 2019.

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

Key ratios, definitions

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

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

Not 2. Significant estimates and assumptions

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

Significant risks and uncertainties

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

Xspray has continually adapted the business for the current circumstances as a result of the Covid-19 pandemic. The company announced in April 2020 that the start of the planned clinical studies for HyNap-Dasa was postponed to minimize the risk of dropouts or interruptions linked to Covid-19 and these clinical studies were started in July in accordance with the revised time plan. Xspray's partners around the world have been operational during this complicated time. Xspray takes the necessary steps to reduce the impact of the pandemic on the business and continuously follows the recommendations of the Swedish Public Health Authority (Folkhälsomyndigheten).

Certification by the Board

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

Solna, July 31, 2020

Michael Wolff Jensen
Chairman

Gunnar Gårdemyr
Member

Maris Hartmanis
Member

Torbjörn Koivisto
Member

Christine Lind
Member

Carl-Johan Spak
Member

Per Andersson
Chief Executive Officer

The report has not been reviewed by the company´s auditors.

Information

Glossary

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

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

For further information, please contact:
Per Andersson, CEO
Telephone: +46 (0)8 730 37 00
Email: per.andersson@xspray.com
www.xspraypharma.com