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Xspray announces a rights issue of units of approximately SEK 300 million ahead of Dasynoc product launch

2 May 2023

The Board of Directors of Xspray Pharma AB (publ) ("Xspray" or the "Company"), (NASDAQ Stockholm: XSPRAY) today announces a rights issue of units of approximately SEK 300 million (the "Rights Issue"), with two warrant series approximately amounting together up to an additional SEK 300 million upon full exercise. An extraordinary general meeting (the "EGM") is proposed to authorize the Board of Directors to resolve on a rights issue. The EGM is set to be held on 25 May 2023 and the notice will be announced through a separate press release. The Board of Directors will resolve on the Rights Issue by virtue of the authorization around 30 May 2023. The purpose of the Rights Issue is primarily to finance the pre-launch activities for Dasynoc in the US as well as general corporate purposes, ongoing operating costs and the continued development of product candidates XS003 nilotinib and XS008 axitinib. In total, approximately 83 percent of the Rights Issue is secured by subscription commitments and intentions, as well as guarantee commitments, corresponding to approximately SEK 251 million.

Summary

- The Board of Directors in Xspray today announces the Rights Issue. The EGM is proposed to authorize the Board of Directors to resolve on a rights issue. The EGM is set to be held on 25 May 2023 and the notice will be announced through a separate press release.
- All existing shareholders will receive one (1) unit right for each share held on the record date expected to be around 7 June. Six (6) unit rights entitle the holder to subscribe for one (1) unit. One (1) unit consists of two (2) new shares, one (1) warrant of series TO5 and one (1) warrant of series TO6.
- The subscription price is SEK 80.00 per unit, corresponding to a subscription price of SEK 40.00 per share. The warrants are issued free of charge. The exercise price of the warrants of series TO5 and TO6 will be SEK 40.00 per warrant.
- The subscription price of SEK 40.00 per share corresponds to a discount of approximately 25 percent compared to the theoretical price after separation of unit rights, based on the closing price of Xspray's share on Nasdaq Stockholm on 28 April 2023, the last trading day before announcement of the Rights Issue.
- Upon full subscription of the Rights Issue, Xspray will receive approximately SEK 300 million before deductions for costs related to the Rights Issue.

- Upon full exercise of the warrants of series TO5, lapsing 30 November 2023, the Company will receive additional funding of up to approximately SEK 150 million.
- Upon full exercise of the warrants of series TO6, lapsing 2 May 2024, the Company will receive an additional funding of up to approximately SEK 150 million.
- The subscription period in the Rights Issue is expected to run from 9 June 2023, up to and including 26 June 2023.
- Existing shareholders including the seven largest shareholders Flerie Invest AB, Östersjöstiftelsen, Ribbskottet AB, Fjärde AP-fonden, Unionen, Tredje AP-fonden and Andra AP-fonden, as well as CEO Per Andersson, CFO Kerstin Hasselgren and Chairman of the Board Anders Ekblom, have undertaken or expressed their intention to subscribe for units representing approximately 50 percent of the Rights Issue corresponding to approximately SEK 152 million.
- A number of investors, including existing shareholders Fjärde AP-fonden and Unionen, have undertaken to guarantee approximately 33 percent of the Rights Issue, corresponding to approximately SEK 99 million, at an underwriting commission of nine (9) percent of the guaranteed amount in cash. Fjärde AP-fonden and Unionen will receive no underwriting commission.
- In total, approximately 83 percent of the Rights Issue is secured by subscription commitments and intentions, as well as guarantee commitments, corresponding to approximately SEK 251 million.
- Existing shareholders, representing approximately 57 percent of the total votes in the Company, have undertaken or expressed their intention to vote in favor of the authorization at the EGM.

Xspray's CEO Per Andersson comments: *"We have now reached a significant milestone in our company's history. With the capital raised in this rights issue we will transform Xspray Pharma from an innovative research company into an established commercial and profitable pharma company. The capital will primarily finance the pre-launch activities for Dasynoc in the US, as the first of a series of oral PKI-based products with improved properties for cancer treatment, based on our patented HyNap technology."*

Background and motive

Xspray is a pharmaceutical company that specializes in using its patented HyNap-technology to develop improved versions of existing protein kinase inhibitors (PKIs) for cancer treatment.

The company's goal is to become a leader in the development of improved PKIs for cancer treatment. In 2022, there were around 80 such drugs available in the US market.

Xspray's lead candidate, Dasynoc (XS004 dasatinib) is currently under FDA regulatory review for approval in the US with a PDUFA date in beginning of July 2023. Dasynoc is an amorphous version of dasatinib with improved properties compared to the reference listed drug Sprycel®. Significant advantages of Dasynoc compared to the crystalline reference listed drug include:

- compatibility with proton pump inhibitors (PPIs), which are pH-modifying agents commonly co-prescribed to many chronic myeloid leukemia (CML) patients
- bioequivalence with a 30 percent lower dose compared to the reference drug

Concurrently, there is an ongoing patent litigation process with Bristol Myers Squibb.

In February 2023, Xspray announced a partnership with EVERIANA for the commercialization of Dasynoc in the US market once FDA approval has been granted, targeting a launch in the

second half of 2023. Xspray also has multiple improved PKI product candidates at various development stages, including XS003-nilotinib (an improved version of Tasigna®) and XS008-axitinib (an improved version of Inlyta®).

Use of proceeds

The use of proceeds will be dependent on timing of different milestones achieved in respect of tentative approval from the FDA and the ongoing patent litigation process. The timing of these events may allow for a launch towards the end of 2023. In this scenario, accelerating the Dasynoc program will be prioritized over further development of the broader product pipeline in the near term.

The net proceeds from the Rights Issue will primarily finance:

- i. Carrying out of pre-launch activities, including ongoing litigation, in order to be ready to launch Dasynoc in the US with partner, EVERIANA (c. 73%)
- ii. General corporate purposes and ongoing operating costs (c. 17%)
- iii. Development of pipeline candidates, XS003 nilotinib and XS008 axitinib (c. 10%)

Upon full exercise of the warrants of series TO5 the Company is expected to raise up to approximately SEK 150 million, which the Company would use towards:

- i. Launch of Dasynoc in the US, provided full approval from FDA (c. 70%)
- ii. Further development of the pipeline candidates, including XS003 nilotinib to FDA registration and advancement of XS008 axitinib (c. 30%)

Upon full exercise of the warrants of series TO6, the Company is expected to raise up to SEK 150 million, which the Company would use towards:

- i. Accelerating the market uptake of Dasynoc in the US, provided full approval from FDA (c. 50%)
- ii. Further development of the pipeline candidates, including advancement of both XS003 nilotinib and XS008 axitinib to FDA registration (c. 50%)

Terms of the Rights Issue

Shareholders who are registered in the share register in Xspray on the record date, expected for 7 June 2023, will receive one (1) unit right for each share held in the Company. The unit right entitles the holder to subscribe for new units with preferential rights. Six (6) unit rights entitle the holder to subscribe for one (1) unit. One (1) unit consists of two (2) newly issued shares, one (1) warrant of series TO5 and one (1) warrant of series TO6. The subscription price is SEK 80.00 per unit, corresponding to SEK 40.00 per share (the warrants are issued free of charge), which means that Xspray will receive gross proceeds of approximately SEK 300 million before deduction of transaction costs, provided that the Rights Issue is fully subscribed. In addition, investors are offered the opportunity to subscribe for units without the support of unit rights.

Each warrant of series TO5 entitles the holder to subscribe for one (1) new share in the Company during the period starting 16 November 2023 up to and including 30 November 2023. The exercise price of the warrants of series TO5 will be SEK 40.00.

Each warrant of series TO6 entitles the holder to subscribe for one (1) new share in the Company during the period starting 18 April 2024 up to and including 2 May 2024. The exercise

price of the warrants of series TO6 will be SEK 40.00.

Provided that the Rights Issue is fully subscribed, the number of shares in Xspray will increase by a maximum of 7,560,136 shares, from 22,680,408 shares to a maximum of 30,240,544 shares. The share capital will increase by a maximum of SEK 7,560,136, from SEK 22,680,408 to a maximum of SEK 30,240,544. Shareholders who choose not to participate in the Rights Issue will have their ownership diluted by up to 25 percent through the Rights Issue (based on the total maximum outstanding shares after the Rights Issue). These shareholders have the opportunity to compensate themselves financially for the dilution effect by selling their unit rights received.

Upon full exercise of the warrants of series TO5 covered by the Rights Issue, the number of shares will increase by 3,780,068 and the share capital will increase by approximately SEK 3,780,068 which, provided that the Rights Issue is fully subscribed, will correspond to a dilution effect of approximately 11 percent of the total number of shares and votes in the Company.

Upon full exercise of the warrants of series TO6 covered by the Rights Issue, the number of shares will increase by 3,780,068 and the share capital will increase by approximately SEK 3,780,068 which, provided that the Rights Issue and the warrants of series TO5 are fully subscribed, will correspond to a dilution effect of approximately 10 percent of the total number of shares and votes in the Company.

The complete terms and conditions of the Rights Issue and information about the Company will be presented in a prospectus that is expected to be published on the Company's website around 30 May 2023.

Subscription undertakings and guarantee commitments

Existing shareholders including Flerie Invest AB, Östersjöstiftelsen, Fjärde AP-fonden, Unionen and Tredje AP-fonden have undertaken to subscribe for units representing approximately 42 percent of the Rights Issue corresponding to approximately SEK 126 million. In addition, Andra AP-fonden, Ribbskottet AB, CEO Per Andersson, CFO Kerstin Hasselgren and Chairman of the Board Anders Ekblom have expressed their intention to subscribe for units representing approximately 8 percent of the Rights Issue corresponding to approximately SEK 25 million. In total, these subscription commitments and intentions represent approximately 50 percent of the Rights Issue corresponding to approximately SEK 152 million.

A number of investors, including existing shareholders Fjärde AP-fonden and Unionen, have undertaken to guarantee approximately 33 percent of the Rights Issue, corresponding to approximately SEK 99 million, at an underwriting commission of nine (9) percent of the guaranteed amount in cash. Fjärde AP-fonden and Unionen will receive no underwriting commission.

In total, approximately 83 percent of the Rights Issue is secured by subscription commitments and guarantee commitments, corresponding to approximately SEK 251 million.

Furthermore, the largest existing shareholder Flerie Invest AB has agreed to pre-fund its pro-rata participation, corresponding to approximately SEK 45 million, by way of a shareholder loan issued at an interest rate of 8 percent per annum. The loan converts to a corresponding amount of shares and warrants of TO5 and TO6 upon settlement of the Rights Issue, effectively providing the Company an interim financing solution until settlement of the Rights Issue. The Company's cash position as of 31 March 2023 is approximately SEK 59 million. Further information regarding the parties who have entered into subscription commitments and guarantee commitments will be presented in the prospectus to be made public before the commencement of the subscription period.

The Board of Directors' resolution on the Rights Issue will be made by virtue of an

authorization to be granted at the EGM. Existing shareholders, representing approximately 57 percent of the total votes in the Company, have undertaken to vote in favor of the authorization at the EGM.

Lock-up undertakings

Prior to the announcement of the Rights Issue, members of the Board of Directors and shareholding members of Senior Management of the Company have entered into lock-up undertakings, which, among other things and with customary exceptions, mean that they have undertaken not to sell shares in the Company. The lock-up undertakings expire on the day that falls 90 days after the announcement date of the outcome in the Rights Issue.

Furthermore, the Company has undertaken towards the Joint Bookrunners, subject to customary exceptions, not to issue additional shares or other share-related instruments for a period of 180 days after the end of the subscription period.

Preliminary time table of the Rights Issue

The below timetable for the Rights Issue is preliminary and may be adjusted.

25 May 2023	Extraordinary general meeting for approval of an authorization for the Board to resolve on the Rights Issue
30 May 2023	Board resolution on Rights Issue
30 May 2023	Publication of the prospectus
2 June 2023	Last day of trading including the right to receive subscription rights
5 June 2023	First day of trading without the right to receive subscription rights
7 June 2023	Record date for participation in the Rights Issue with preferential rights
9 June –20 June 2023	Trading in unit rights
9 June – 26 June 2023	Subscription period
9 June – on or about 11 July 2023	Trading in BTUs (paid subscription units)
27 June 2023	Expected announcement of the outcome of the Rights Issue
17 July 2023	Expected first day of trading in warrants of series TO5
17 July 2023	Expected first day of trading in warrants of series TO6
16 November – 30 November 2023	Exercise period for warrants of series TO5

18 April – 2 May,
2024

Exercise period for warrants of series TO6

Advisors

Pareto Securities and Zonda Partners have been appointed Joint Bookrunners. Advokatfirman Vinge KB is acting as legal adviser to the Company. Baker & McKenzie Advokatbyrå KB is acting as legal adviser to the Joint Bookrunners in connection with the Rights Issue.

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This information is information that Xspray Pharma AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, on 2 May 2023 07.00 CEST.

About Xspray Pharma

Xspray Pharma AB (publ) is a pharmaceutical company with numerous product candidates in clinical development, utilizing its innovative, patented HyNap-technology to create improved versions of marketed protein kinase inhibitors (PKI), the largest oncology segment often with high drug prices. The company's goal is to become a market leader of enhanced PKIs for cancer treatment. Xspray Pharma's primary drug candidate, Dasynoc (XS004-dasatinib), is currently undergoing FDA review. It is an amorphous form of dasatinib, demonstrating bioequivalence at a 30% lower dose because of better solubility profile. Its compatibility with proton pump inhibitors (PPIs), commonly co-prescribed to chronic myeloid leukemia patients, provides a significant advantage. Xspray Pharma is building a robust product portfolio, including XS003-nilotinib (an optimized version of Tasigna®) and XS008-axitinib (an optimized version of Inlyta®).

Xspray Pharma's shares are traded at Nasdaq Stockholm (Nasdaq Stockholm: XSPRAY).
www.xspraypharma.com

Important information

The release, announcement or distribution of this press release may, in certain jurisdictions, be subject to restrictions. The recipients of this press release in jurisdictions where this press release has been published or distributed shall inform themselves of and follow such legal restrictions. The recipient of this press release is responsible for using this press release, and the information contained herein, in accordance with applicable rules in each jurisdiction. This press release does not constitute an offer, or a solicitation of any offer, to buy or subscribe for any securities in Xspray in any jurisdiction, neither from Xspray nor from someone else.

This press release is not a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “**Prospectus Regulation**”) and has not been approved by any regulatory authority in any jurisdiction. A prospectus regarding the Rights Issue described in this press release will be prepared and published by the Company prior to the commencing of the subscription period.

This announcement does not identify or suggest, or purport to identify or suggest, the risks (direct or indirect) that may be associated with an investment in the Company. The information contained in this announcement relating to the Rights Issue is for background purposes only and does not purport to be full or complete. No reliance may be placed for any purpose on the information contained in this announcement or its accuracy or completeness. Pareto Securities and Zonda Partners are acting for Xspray in connection with the Rights Issue and no one else and will not be responsible to anyone other than Xspray for providing the protections afforded to its clients nor for giving advice in relation to the Rights Issue or any other matter referred to herein. Pareto Securities and Zonda Partners are not liable to anyone else for providing the protection provided to their customers or for providing advice in connection with the Rights Issue or anything else mentioned herein.

This press release does not constitute or form part of an offer or solicitation to purchase or subscribe for securities in the United States. The securities referred to herein may not be sold in the United States absent registration or an exemption from registration under the US Securities Act of 1933, as amended (the “**Securities Act**”), and may not be offered or sold within the United States absent registration or an applicable exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. There is no intention to register any securities referred to herein in the United States or to make a public Rights Issue of the securities in the United States. The information in this press release may not be announced, published, copied, reproduced or distributed, directly or indirectly, in whole or in part, within or into the USA, Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, South Africa, South Korea, Switzerland or in any other jurisdiction where such announcement, publication or distribution of the information would not comply with applicable laws and regulations or where such actions are subject to legal restrictions or would require additional registration or other measures than what is required under Swedish law. Actions taken in violation of this instruction may constitute a crime against applicable securities laws and regulations.

In the United Kingdom, this document and any other materials in relation to the securities described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this document relates is available only to, and will be engaged in only with, “qualified investors” who are (i) persons having professional experience in matters relating to investments who fall within the definition of “investment professionals” in Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “**relevant persons**”). In the United Kingdom, any investment or investment activity to which this communication relates is available only to, and will be engaged in only with, relevant persons. Persons who are not relevant persons should not take any action on the basis of this press release and should not act or rely on it.

Forward-looking statements

This press release contains forward-looking statements that reflect the Company's intentions, beliefs, or current expectations about and targets for the Company's and the group's future results of operations, financial condition, liquidity, performance, prospects, anticipated growth,

strategies and opportunities and the markets in which the Company and the group operates. Forward-looking statements are statements that are not historical facts and may be identified by words such as "believe", "expect", "anticipate", "intend", "may", "plan", "estimate", "will", "should", "could", "aim" or "might", or, in each case, their negative, or similar expressions. The forward-looking statements in this press release are based upon various assumptions, many of which are based, in turn, upon further assumptions. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements as a result of many factors. Such risks, uncertainties, contingencies and other important factors could cause actual events to differ materially from the expectations expressed or implied in this release by such forward-looking statements. The Company does not guarantee that the assumptions underlying the forward-looking statements in this press release are free from errors and readers of this press release should not place undue reliance on the forward-looking statements in this press release. The information, opinions and forward-looking statements that are expressly or implicitly contained herein speak only as of its date and are subject to change without notice. Neither the Company nor anyone else undertake to review, update, confirm or to release publicly any revisions to any forward-looking statements to reflect events that occur or circumstances that arise in relation to the content of this press release, unless it is not required by law or Nasdaq Stockholm's rule book for issuers.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the offered shares have been subject to a product approval process, which has determined that such shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, distributors should note that: the price of the shares in the Company may decline and investors could lose all or part of their investment; the shares in the Company offer no guaranteed income and no capital protection; and an investment in the shares in the Company is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares in the Company.

Each distributor is responsible for undertaking its own target market assessment in respect of

the shares in the Company and determining appropriate distribution channels.

The English text is an unofficial translation of the original Swedish text. In case of any discrepancies between the Swedish text and the English translation, the Swedish text shall prevail.

This information is information that Xspray Pharma AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 2023-05-02 07:00 CEST.

Attachments

[Xspray announces a rights issue of units of approximately SEK 300 million ahead of Dasynoc product launch](#)