



naneXa

Year-end report
2020

Nanexa AB (publ)

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Nanexa AB is a nanotechnology drug delivery company focusing on the development of PharmaShell®, a new and groundbreaking drug delivery system with great potential in a number of medical indications. Within the framework of PharmaShell®, Nanexa has partnership agreements with among others, AstraZeneca.

Significant events during 2020

- Nanexa completed a rights issue that was fully subscribed and provided the company with SEK 45.5 million before issue costs
- Nanexa received approval for admission to trading on the Nasdaq First North Growth Market and the first day for trading was 29 May. In connection with this, Nanexa's shares were delisted from Spotlight Stockmarket.
- It was decided at the AGM on 2 June, among other things, to elect Göran Ando as the new chairman of the board and Mårten Rooth as a new board member, as well as to establish two warrant-based incentive programmes for employees and board members, respectively. A total of 1,116,000 warrants of series TO3 and TO4 were subscribed for, corresponding to a maximum dilution of 5.0%.
- The patent portfolio was strengthened by the approval of a patent application in the United Kingdom for an ALD reactor adapted for the commercial production of drugs coated with PharmaShell®.
- Nanexa obtained a GMP certificate from the Swedish Medical Products Agency, which grants a permit for the manufacture of clinical trial material in the company's pilot plant in Uppsala.
- The Japanese Patent Office approved another patent application for Nanexa, which provides broader protection than the patent approved previously.
- Nanexa received permission from the Swedish Medical Products Agency to start a clinical trials of the drug candidate NEX-18.
- Nanexa signed a collaboration agreement with the leading materials engineering solutions company Applied Materials, Inc. to establish a scaled-up, GMP-classified production facility for ALD-coated drugs at Nanexa in Uppsala. In parallel, an investment agreement was entered into with the venture capital branch Applied Ventures, which will invest up to USD 3 million in Nanexa in 2021 through directed issues of shares and subscription warrants.

Significant events after the end of the period

- Applied Ventures invested USD 1 million in a directed share issue in accordance with the investment agreement entered into at the end of 2020, which provided the company with approximately SEK 8 million after issue costs.
- Nanexa decided that the company's other proprietary product project, NEX-20, will focus on developing a long-acting formulation of lenalidomide for the treatment of multiple myeloma.
- Nanexa signed an evaluation agreement with an unnamed European biotech company. The company runs a development project in the cardiovascular area, where PharmaShell® can enable a long-acting injectable product.
- Redemption of warrants of series TO2 was carried out during the period 1-15 February 2021, where a subscription rate of 97.5% was achieved, which brings SEK 24.9 million to the company before transaction costs. The number of shares and votes in the company will thereby increase by 2.956.588 to 24.866.934 shares and votes.

Summary of the reporting period 1 October - 31 December 2020

- Turnover amounted to: TSEK 549 (714)
- Operating profit (EBIT) amounted to: TSEK -7,768 (-5,242)
- Profit after tax amounted to: TSEK -7,814 (-5,298)
- Earnings per share amounted to: SEK -0.37 (-0.35)
- Cash flow for the period amounted to: TSEK -13,300 (-5,689)
- Cash and cash equivalents at end of period: TSEK 12,691 (11,378)

Summary of the reporting period 1 January - 31 December 2020

- Turnover amounted to: TSEK 2,367 (1,710)
- Operating profit (EBIT) amounted to: TSEK -21,489 (-12,709)
- Profit after tax amounted to: TSEK -21,736 (-12,950)
- Earnings per share amounted to: SEK -1.09 (-0.88)
- Cash flow for the period amounted to: TSEK 1,313 (627)
- Cash and cash equivalents at end of period: TSEK 12,691 (11,378)

Figures in brackets refer to the corresponding period in the previous year.

The CEO's comments

The fourth quarter of 2020 was one of the most eventful in Nanexa's history. We received a GMP certificate for drug manufacturing and a clinical trial permit for our NEX-18 project. We signed a collaboration agreement with Applied Materials and an investment agreement with Applied Ventures and, after careful evaluation, we decided shortly after the end of the quarter to choose lenalidomide for our NEX-20 project.

A cornerstone of the NEX-18 project for improved treatment of myelodysplastic syndrome (MDS), which is a serious form of blood cancer, is a permit to manufacture clinical trial material in accordance with GMP (Good Manufacturing Practice). The permit we received during the quarter is evidence of the hard work we invested in quality assurance and GMP regulatory compliance, and it applies to the manufacture and release of trial drugs in our pilot plant in Uppsala.

The GMP certificate we obtained is extremely important, not only for our own projects, but also in order to be able to produce clinical trial material for our partner projects with large pharmaceutical companies and smaller biotech companies. Right now we are working on several evaluation projects with our partners, which clearly shows that the PharmaShell® technology meets the high standards required by leading pharmaceutical companies. A couple of our partners contacted us just days after the news of the GMP certificate was announced, with increased interest in deeper cooperation.

During the quarter, we received a clinical trial permit for the phase-I study in our own NEX-18 project. The study, which will be carried out at Karolinska University Hospital in Huddinge and Uppsala University Hospital, will be conducted to study pharmacokinetics, safety and tolerability. The results will form the basis for the upcoming clinical programme for a clinical Proof of Concept study and will also be very valuable in our business contacts and discussions with the major pharmaceutical companies. For the first time, we will have clinical study results from a product based on PharmaShell®. The study is expected to start at the end of the current quarter and be completed during the third quarter of this year.

On the way to becoming a pharmaceutical company, it is absolutely crucial to be able to show that a new technology like PharmaShell® will be applicable to large-scale drug production. It is therefore incredibly satisfying that during the quarter, we succeeded in signing a collaboration agreement to scale up the manufacturing process with Applied Materials, which is a world leader in large-scale ALD production. We will build a new complete GMP-classified pilot plant in Uppsala, where Applied Materials' production equipment will be installed and we will be able to produce in a scale sufficient for clinical phase II and III trials. Through close cooperation, we now have a clear path to the market. Having our own facility will create flexibility and give us control over the important scaling up of the process. In the long run, it will also be significantly more cost-effective than engaging external contract manufacturers for these activities.

Applied Materials' venture capital branch, Applied Ventures, also chose to invest in Nanexa, with an initial investment that was made shortly after the turn of the year and an option for further investments in 2021. We welcome them as long-term industrial investors and we see the investment as an important signal of strength and a validation of our strategy.

After the end of the quarter, we announced that in our other propriety product project, NEX-20, we will develop a long-acting formulation of lenalidomide for the treatment of multiple myeloma, which is also a severe form of blood cancer. This means that we now have two projects in the area of haematological cancer. Lenalidomide is an excellent substance to develop further, because it is and will remain an important drug for the treatment of multiple myeloma for many years to come and because a long-acting depot formulation of the substance addresses a major medical need.

After the end of the quarter, we were also able to announce that we have signed another new evaluation agreement with a European biotech company in the cardiovascular area. The intention is that PharmaShell® will enable an injectable product that releases the relevant drug for 1-2 weeks. We look forward to starting the evaluation soon and generating valuable results. The studies that have been carried out in our other partner projects have been consistently successful and show that PharmaShell technology is applicable to many different types of active drug substances, and they lay the foundation for long-term collaborations where the goal is licensing and product development agreements.

Nanexa has been relatively mildly affected by the corona pandemic during the year, although we have had a small number of cases, one of which is a long-term Covid. External activities such as partnering conferences have been held at a distance or cancelled, which has dragged out and made various processes more difficult. Despite this, we have managed to deliver largely according to plan for the year, of which I am very proud.

For all of us who work at Nanexa, 2020 has been a revolutionary year with an absolutely fantastic development of the company. I want to take this opportunity to thank all Nanexa's employees for their strong efforts during the year and, on behalf of all of the Nanexa team, thank all of our shareholders for your continued support. In 2020, we have taken greater steps towards becoming a real pharmaceutical company than any year before and are now entering a very exciting period.

In 2021, we will receive the results of our first clinical study, in NEX-18, we will get important preclinical results in our second project, NEX-20, and finally we will continue to work with and develop the collaborations with our existing and new partner companies. We will also intensify the important collaboration with Applied Materials and together with them we will build a new complete GMP-rated plant for scaling up the production process. I look forward to keeping you updated about our continued progress.

David Westberg

CEO Nanexa

Comments on the result and the company's financial position

Turnover for the period January-December 2020 amounted to TSEK 2,367 (1,710) and is mainly attributable to deliveries in the evaluation agreements signed with partners during the previous years. Sales revenues are also to a significant extent, approximately SEK 1 million, attributable to orders for surface treatment of sensors. Capitalised development costs during the period amounted to TSEK 18,492 (7,020) and is mainly attributable to investments in the NEX-18 project and GMP certification. Other external costs amounted to TSEK -24,445 (-10,269), an increase mainly attributable to the above-mentioned development projects and, to a lesser extent, also to increased costs for patents, consultants and administration. Personnel costs increased to TSEK -12,553 (-7,687), primarily as a result of the significant growth of the organisation.

The result for the period January-December amounted to TSEK -21,736 (-12,950).

Cash and cash equivalents as of 31 December 2020 amounted to TSEK 12,691 (11,378). The company raised SEK 39 million after issue costs through a rights issue during the first quarter. After the end of the financial year, the company raised around SEK 8 million through a directed issue to Applied Ventures. Applied Ventures intends to invest an additional USD 2 million through issued, non-binding warrants that can be exercised during two subscription periods in April and December 2021, respectively. In February 2021, redemption of series TO2 warrants is carried out, which will provide the company with approximately SEK 24.5 million after issue costs. All in all, the board's assessment is that the current cash and these upcoming capital injections will provide financing for the operations for the next 12 months.

The number of employees at the end of the period was 10 (7), of which 3 (2) were women and 7 (5) were men. The average number of employees during 2020 was 10 (6). In addition to employed staff, Nanexa regularly hires about ten consultants with specialist expertise.

The share

Nanexa AB (publ) was listed on the Nasdaq First North Growth Market on 29 May 2020. The share was previously listed on the Spotlight Stock Market since 17 June 2015.

Earnings per share

Earnings per share before and after dilution for the period January-December 2020 amounted to SEK -1.09 (-0.88).

Number of shares

As of 31 December 2020, Nanexa AB (publ) had 21,223,854 outstanding shares with a quotient value of SEK 0.13. The number of shares at full dilution of outstanding warrants was 25,371,832.

The average number of shares during the period January-December 2020 was 19,914,967 (14,690,784). Including full dilution of outstanding warrants, the average number of shares was 22,655,354 (15,171,267). During the fourth quarter, the average number of shares was 21,223,854 (15,159,898) and including full dilution 25,371,832 (15,159,898).

Principles for preparing the report

The interim report has been prepared in accordance with the same accounting principles as in the company's most recent annual report, i.e. in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board's general recommendations BFNAR 2012:1 Annual Report and Consolidated Accounts (K3).

Upcoming reporting

Nanexa AB provides recurring financial information according to the following plan.

| | |
|------------------|---------------------------------------|
| 27 April 2021 | Annual Report 2020 |
| 6 May 2021 | Interim report January-March 2021 |
| 20 August 2021 | Interim report January-June 2021 |
| 10 November 2021 | Interim report January-September 2021 |
| 17 February 2022 | Year-end report 2021 |

The company's financial year is 1 January - 31 December.

This interim report has not been subject to a comprehensive audit by the company's auditors.

Uppsala 18/02/2021

The board of directors, Nanexa AB

| | | |
|-----------------------|---------------------------|--------------------------|
| Göran Ando (chairman) | Bengt Gustavsson (member) | Urban Paulsson (member) |
| Mårten Rooth (member) | Otto Skolling (member) | Magnus Westgren (member) |

David Westberg, CEO Nanexa AB

Income statement

| Amount in TSEK | 01/10/2020- 31/12/2020 | 01/10/2019- 31/12/2019 | 01/01/2020- 31/12/2020 | 01/01/2019- 31/12/2019 |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Operating revenue | | | | |
| Net sales | 549 | 714 | 2,367 | 1,710 |
| Capitalised work on own account | 5,184 | 1,881 | 18,492 | 7,020 |
| Other income | 7 | 0 | 119 | 0 |
| Total operating revenue | 5,740 | 2,595 | 20,978 | 8,730 |
| Operating expenses | | | | |
| Other external expenses | -7,457 | -3,996 | -24,445 | -10,269 |
| Personnel costs | -4,400 | -2,837 | -12,553 | -7,687 |
| Depreciation | -1,535 | -1,006 | -5,205 | -3,452 |
| Other operating expenses | -116 | 2 | -264 | -31 |
| Total costs | -13,508 | -7,836 | -42,467 | -21,439 |
| Operating profit (EBIT) | -7,768 | -5,241 | -21,489 | -12,709 |
| Profit/loss from financial items | | | | |
| Interest income and similar income statement items | 0 | 0 | 0 | 0 |
| Interest expenses and similar income statement items | -48 | -58 | -255 | -249 |
| Total profit/loss from financial items | -48 | -58 | -255 | -249 |
| Taxes | | | | |
| Tax revenue | 2 | 2 | 8 | 8 |
| Profit/loss for the period | -7,814 | -5,297 | -21,736 | -12,950 |
| Earnings per share (SEK) | -0.37 | -0.35 | -1.09 | -0.88 |

Balance sheet

| Amount in TSEK | 31/12/2020 | 31/12/2019 |
|---|---------------|---------------|
| Assets | | |
| Fixed assets | | |
| Intangible fixed assets | 33,542 | 16,954 |
| Tangible fixed assets | 3,595 | 4,588 |
| Financial fixed assets | 123 | 14 |
| Total fixed assets | 37,260 | 21,556 |
| Current assets | | |
| Stock | 62 | 93 |
| Current receivables | 3,678 | 2,411 |
| Cash and cash equivalent | 12,691 | 11,378 |
| Total current assets | 16,431 | 13,882 |
| Total assets | 53,691 | 35,438 |
| Equity and liabilities | | |
| Equity | | |
| Share capital | 2,747 | 1,962 |
| Restricted equity | 29,105 | 13,016 |
| Profit and loss account reserve brought forward | 33,235 | 22,850 |
| Loss for the period | -21,736 | -12,950 |
| Total equity | 43,351 | 24,878 |
| Non-current liabilities | | |
| Liabilities to credit institutions | 2,850 | 3,886 |
| Total non-current liabilities | 2,850 | 3,886 |
| Current liabilities | | |
| Accounts payable | 2,177 | 2,419 |
| Bank overdraft facilities | 0 | 173 |
| Other current liabilities | 5,313 | 4,081 |
| Total current liabilities | 7,490 | 6,674 |
| Total equity and liabilities | 53,691 | 35,438 |

Cash flow analysis in summary

| Amount in TSEK | 01/10/2020 - 31/12/2020 | 01/10/2019 - 31/12/2019 | 01/01/2020 - 31/12/2020 | 01/01/2019 - 31/12/2019 |
|--|----------------------------|----------------------------|----------------------------|----------------------------|
| Cash flow from operating activities | -7,300 | -2,989 | -17,777 | -9,417 |
| Cash flow from investment activities | -5,730 | -2,424 | -20,801 | -10,655 |
| Cash flow from financing activities | -270 | -276 | 39,890 | 20,699 |
| Cash flow for the period | -13,300 | -5,689 | 1,313 | 627 |
| Cash and cash equivalents at start of period | 25,990 | 17,066 | 11,378 | 10,751 |
| Cash and cash equivalents at end of period | 12,691 | 11,378 | 12,691 | 11,378 |

Changes in equity

| Amount in TSEK | Share capital | Fund for development work | Share premium reserve | Profit brought forward (including profit for the period) | Total equity |
|--|---------------|---------------------------|-----------------------|--|---------------|
| Amount as of 01/01/2020 | 1,962 | 13,016 | 69,905 | -60,005 | 24,878 |
| New share issue | 785 | | 44,695 | | 45,480 |
| Subscription warrants | | | 1,283 | | 1,283 |
| Issue expenses | | | -6,554 | | -6,554 |
| The period's capitalised development costs | | 18,492 | | -18,492 | 0 |
| Depreciation for the period on Capitalized development costs | | -2,403 | | 2,403 | 0 |
| Profit/loss for the period | | | | -21,736 | -21,736 |
| Amount as of 31/12/2020 | 2,747 | 29,105 | 109,329 | -97,830 | 43,351 |

| Amount in TSEK | Share capital | Fund for development work | Share premium reserve | Profit brought forward (including profit for the period) | Total equity |
|--|---------------|---------------------------|-----------------------|--|---------------|
| Amount as of 01/01/2019 | 1,480 | 7,623 | 48,847 | -41,663 | 16,287 |
| New share issue | 482 | | 21,815 | | 22,297 |
| Issue expenses | | | -757 | | -757 |
| The period's capitalised development costs | | 6,582 | | -6,582 | 0 |
| Depreciation for the period on Capitalized development costs | | -1,189 | | 1,189 | 0 |
| Profit/loss for the period | | | | -12,950 | -12,950 |
| Amount as of 31/12/2019 | 1,962 | 13,016 | 69,905 | -60,005 | 24,877 |

Pledged assets

| | 31/12/2020 | 30/12/2019 |
|---------------------|------------|------------|
| Corporate mortgages | 6,300 | 6,300 |

Contingent liabilities

| | 31/12/2020 | 31/12/2019 |
|------------------------------|------------|------------|
| Other contingent liabilities | 250 | 250 |

Nanexa AB

Virdings Allé 32B, SE-754 50 Uppsala, Sweden

Phone: +46 (0) 18 100 300

Org. no. 556833-0285

info@nanexa.se

