NANOLOGICA

INTERIM REPORT

JAN - MAR 2021

SUMMARY OF THE PERIOD

FINANCIAL OVERVIEW

Net revenue TSEK 5,622
Net revenue increased by 54 percent to TSEK 5,622 (3,654).

Operating loss TSEK -6,768
The operating loss for the period was TSEK -6,768 (-6,032).

Loss after tax TSEK -7,845
Loss after tax for the period was TSEK -7,845 (-6,705).

Earnings per share SEK -0.28
Earnings per share amounted to SEK -0.28 (-0.40).

Cash and cash equivalents TSEK 57,069
Cash and cash equivalents at the end of the period amounted to TSEK 57,069 (1,273).

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- Test material from upscaling to large-scale production of silica approved
- Scientific advisory board within inhalation formed
- Collaboration agreement with the pharmaceutical company Zentiva for the use of the NLAB platforms for drug delivery
- SVP Sales and Senior Advisor for chromatography recruited for the US market

SIGNIFICANT EVENTS AFTER THE PERIOD

- Thomas Eldered proposed as new board member

IMPORTANT MILESTONES ACHIEVED IN BOTH BUSINESS AREAS

Successful upscaling of the production of silica to ton scale advances Nanologica's position in the preparative chromatography field. At the same time, the company's platform for inhalation advances through a toxicology program, with eyes set on clinical studies.

Sales for the first quarter amounted to TSEK 5,622, where the majority is derived from our partner project with Vicore Pharma. This is our strongest first quarter yet and we expect the growth to continue overtime, first driven by partner projects within Drug Development, then by preparative chromatography. Preparative chromatography is expected to start generating revenue late this year or in the first half of 2022.

Our venture in preparative chromatography has yet again taken a giant leap forward, with the approval of test material from the upscaling to large-scale manufacturing of silica. This concludes that we have successfully transferred kilo scale methods into ton scale and that the risk of upscaling the production has been eliminated. Production of commercial material is now ongoing at ton scale and the first commercial product is expected late this year, after which we can start delivering on customer contracts.

Securing further customers within preparative chromatography is one of our main targets for the year. Customer dialogues are progressing and having large-scale manufacturing capacity in place makes it possible for us to cater to the customers' needs of evaluating larger quantities of silica before moving into contract negotiations. Our sales organization has also been strengthened by the recruitment of an SVP Sales and Senior Advisor for Chromatography.

In Drug Development, we are currently preparing toxicity studies on our NLAB Spiro® platform for inhalation. We are also preparing animal studies with interesting APIs for inhalation, with the aim of showcasing the versatility of the technology. These pre-clinical Proof of Concept studies are expected to be finalized during 2021.

Our NLAB Spiro® platform is also advancing with the first batch of GMP manufactured NLAB Spiro® silica particles under production. The batch is expected to be completed during the second quarter and material from the batch will be delivered to Vicore Pharma for the VP02 program. Furthermore, we have formed a scientific advisory board for inhalation with the purpose of advancing the NLAB Spiro® platform towards clinic in the best possible way.

All in all, the year has started on a high note. The work currently carried out by the team may not yet be visible in our books, but I am convinced that the growth of the company will take off later this year or in the first half of 2022.

/Andreas Bhagwani, CEO

OPERATING INCOME AND RESULT

Net revenue for the first quarter amounted to TSEK 5,622 (3,654). The increase is mainly related to increased revenue from the partner project with Vicore Pharma within Drug Development.

The operating loss for the first quarter amounted to TSEK -6,768 (-6,032). The operating loss was affected by higher costs due to an increased number of permanent and temporary employees.

The loss after tax for the first quarter amounted to TSEK -7,845 (-6,705).

The average number of permanent employees during the first quarter was 18 (18), whereof 13 (12) female and 5 (6) male.

INVESTMENTS, CASH FLOW AND FINANCIAL POITION

As per March 31, 2021, capitalized expenses for development work and similar work amounted to TSEK 15,187 (11,068). These expenses mainly relate to costs for products within Chromatography and Drug Development, and development costs for upscaling to large-scale production of silica. The book value of right-of-use assets amounted to TSEK 27,920 (28,822), relating to equipment for large-scale production of silica located at the contract manufacturer Sterling Pharma Solutions.

The book value of the patent portfolio was TSEK 1,760 (1,316), whereof the majority relates to patents and patent applications within Drug Development. Investments in tangible fixed assets amounted to TSEK 1,997 (953) on the closing day.

Total cash flow for the quarter amounted to TSEK -9,304 (86).

Cash flow from operating activities amounted to TSEK -3,476 (-7,957). Cash flow from operating activities has improved due to higher sales in Drug Development.

Cash flow from investing activities amounted to TSEK -4,598 (-477). Investments relate to development costs at the contract manufacturer Sterling Pharma Solutions.

Cash flow from financing activities amounted to TSEK -1,230 (8 520).

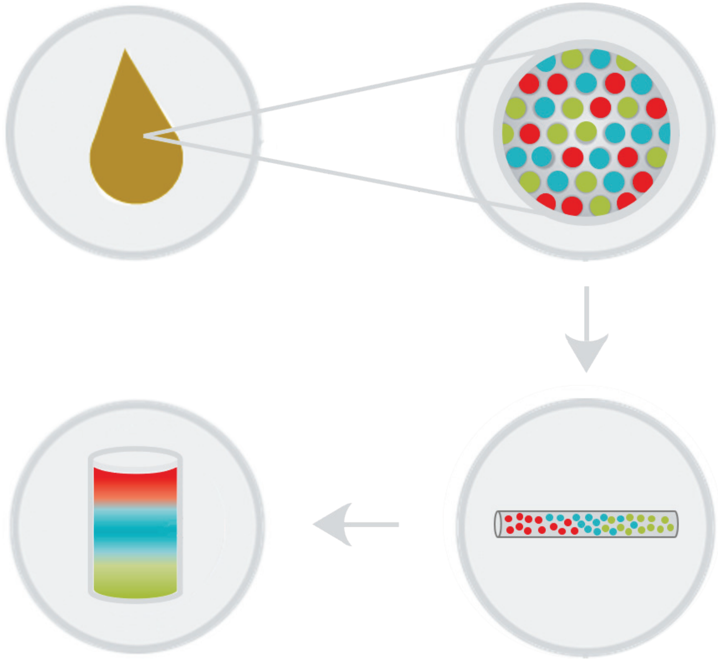
As per March 31, 2021, cash and cash equivalents amounted to TSEK 57,069 (1,273).

Total equity amounted to TSEK 85,103 (1,525). The equity/assets ratio as of March 31 was 61 percent (-3).

SEASONAL FLUCTUATIONS

Nanologica does not experience seasonal fluctuations. However, large projects and orders may impact individual quarters Therefore, revenues, profit and loss should be assessed over a longer period.

CHROMATOGRAPHY



Net revenues for the Chromatography business area amounted to TSEK 141 (694) for the first quarter. Revenue solely relates to sales of analytical columns. The decrease is related to a decline in sales in China, which are still heavily affected by the pandemic. The operating loss amounted to TSEK -3,324.

In analytical chromatography, sales are largely dependent on the ability to visit customers and to have the columns tested in their labs. As the possibility to travel in China is still partly restricted, and as there are visiting restrictions at pharmaceutical companies, the ability for Nanologica's distributor Yunbo to reach customers remains very limited. Until that changes, Nanologica does not expect increase in sales of analytical columns in China.

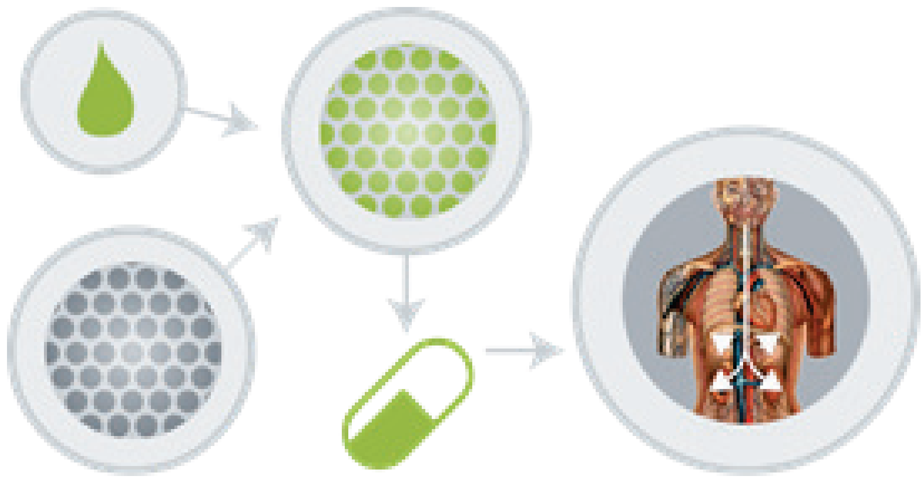
Within preparative chromatography, test material from the large-scale production facility was approved in January. The quality of the material is identical to what has previously been produced at the plant in Södertälje, validating a successful upscaling from kilo scale to ton scale. Customer dialogues are ongoing where the next step is to deliver test material in requested volumes to customers for further evaluation.

Following the successful upscaling, production of commercial silica for preparative chromatography in ton scale has started and is progressing according to plan. The first commercial product is expected at the end of the year.

In February, an SVP Sales and Senior Advisor for chromatography was recruited. The position is based in the US and will handle business development and sales of preparative and analytical chromatography products with primary focus on North America.

Chromatography	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Net sales, TSEK	141	694	4 466
Raw materials, consumables and change in inventory. TSEK	131	-1 552	-2 945
Gross profit, TSEK	272	-858	1 521
Gross margin (gross profit/net sales), %	193%	-124%	34%
Operating profit/loss, TSEK	-3 324	-3 621	-10 492
Average number of employees	9	9	9

DRUG DEVELOPMENT



Net revenues for the Drug Development business area amounted to TSEK 5,482 (2,960). The increase mainly relates to revenues from the partner project with Vicore Pharma. The operating loss amounted to TSEK -113.

Nanologica's pre-clinical development program with the NLAB Spiro® platform toxicology studies are being prepared. Animal studies with interesting APIs loaded in NLAB Spiro® for inhalation are also being prepared to showcase the versatility of the technology and to identify assets for potential clinical development. These pre-clinical Proof of Concept studies are expected to be finalized during 2021.

To advance the platform towards clinical studies, a scientific advisory board was formed in January. The advisors' expertise within the respiratory field and drug delivery to lung will further complement the inhouse knowledge in the field.

Production of the first batch of GMP classified NLAB Spiro® material is progressing according to plan. The batch is expected to be finalized during the second quarter of 2021 and the first deliveries from the batch will be made to Vicore Pharma for the VP02 program.

In January, Nanologica entered into a collaboration agreement with the Czech pharmaceutical company Zentiva, for the use of the drug delivery platforms NLAB Silica™ and NLAB Spiro®. The aim of the agreement is to future product specific agreements.

Nanologica's inhouse project with the drug candidate NIC-001 is still paused due to the Corona pandemic. The company will give an update regarding the project during the second quarter.

Drug Development	2021 Jan - Mar	2020 Jan - Mar*	2020 Jan - Dec
Net sales, TSEK	5 481	2 960	11 670
Raw materials, consumables and change in inventory. TSEK	-2 475	-6	-278
Gross profit, TSEK	3 006	2 954	11 391
Gross margin (gross profit/net sales), %	55%	100%	98%
Operating profit/loss, TSEK	-111	942	2 497
Average number of employees	6	4	6

**Due to the transition to IFRS/RFR2, recalculations have been made resulting in the net income being decreased by TSEK 250 for the first quarter of 2020.*

EFFECTS OF COVID-19

The pandemic continues to have a strong negative impact on Nanologica. The largest effect is seen on sales of analytical columns within Chromatography, where travelling and visiting customers is vital to reach new customers and to increase sales. Nanologica's assessment is that travelling and customer visits, particularly in China, will not be able to resume to previous levels during the coming quarters and is hence pessimistic regarding the possibilities to increase sales of analytical columns.

Within the business area of Drug Development, the work on the company's study with the drug candidate NIC-001 is paused. An update on the project will be released during the second quarter of 2021.

THE SHARE AND OWNERS

Nanologica's share is listed on Spotlight Next, a premium segment of Spotlight Stock Market, with the ticker NICA. As of March 31, 2021, the total number of shares amounted to 27,794,480 shares and the market capitalization was MSEK 457. The share capital amounted to SEK 11,396,509.12 with a share quota of SEK 0.41.

Owners as of March 31, 2021	Shares	Share %
Flerie Invest AB	8,982,639	32.3
Swedbank Robur Medica	2,500,000	9.0
Vega Bianca AB	2,115,198	7.6
Försäkringsaktiebolaget Avanza Pension	1,277,002	4.6
Konstakademien	1,067,036	3.8
Mikael Lönn	500,000	1.8
Rahal Investment AB	480,000	1.7
Niklas Sjöblom	475,394	1.7
Nordnet Pensionsförsäkring AB	411,520	1.5
CJ Hall Invest AB	373,000	1.3
The ten largest shareholders	**18,181,789**	**65.3**
Other shareholders (2 582)	**9,612,691**	**34.7**
Total	**27,794,480**	**100.0**

SHARE-BASED INCENTIVE PROGRAMS

A share-based incentive program of a maximum of 483,883 options to a strike price of SEK 9.30 was implemented in 2019. The total number of allocated options are 467,199, corresponding to a dilution of approximately 1.7 percent, if exercised. A total of 17,630 options were exercised February 2021, which increased the total number of shares in Nanologica AB to 27,794,480 and the share capital to SEK 11,396,509.12. A total of 371,796 options remain in the program that expires July 1st, 2021.

Two further share-based incentive programs are active. In the stock option program 2020/22 for the Board of Directors, all 350,000 options were subscribed and allocated. In the stock option program 2020/22 for the Management and employees, 569,949 of the total 698,577 options were subscribed and allocated. Both these programs have a strike price of SEK 18 and expire July 1st, 2022.

RELATED PARTY TRANSACTIONS

During the first quarter the following related party transactions have been made:

- TSEK 362 has been paid to Recipharm AB for rendered services within Drug Development. Recipharm is related to Nanologica through Thomas Eldered who during the period was the CEO of Recipharm AB, also the largest shareholder of Nanologica AB.
- Interest rate of TSEK 437 has been paid to Flerie Invest AB (owned by Thomas Eldered) for loan taken in 2019.

ACCOUNTING PRINCIPLES

The group reporting of Nanologica is based on International Financial Reporting Standards as adopted by the EU. The group's interim report is prepared in accordance with IAS 34 Interim Reporting and the Swedish Accounting Act. The parent company's interim report is prepared in accordance with the Swedish Accounting Act and The Swedish Financial Reporting Board's recommendation RFR 2 Reporting for Legal Entities. Further information regarding accounting principles is found in note 2.

Amounts are expressed in TSEK and MSEK which in this report refer to thousands and millions of Swedish Kronor. Amounts in brackets refer to the corresponding period for the previous year.

FINANCIAL CALENDAR

Annual report 2020	May 5, 2021
Interim report Jan-Jun	July 9, 2021
Interim report Jan-Sep	Oct 29, 2021

ANNUAL GENERAL MEETING

Nanologica's Annual General Meeting 2021 will be held on Thursday May 27, 2021. Notice will be published on the company's website no later than April 29, 2021. Due to the pandemic, the Annual General Meeting will be carried out through advance voting (postal voting), in accordance with temporary legislation being in effect in 2021.

AUDIT REVIEW

This interim report has not been reviewed by the Company's auditor.

ASSURANCE

The board of directors and the CEO provide their assurance that the interim report provides a fair and true overview of the parent company's and the group's operations, financial position and results, and describes material risks and uncertainties faced by the parent company and the companies in the group

April 22, 2021

Gisela Sitbon
Chairman of the board

Mattias Bengtsson
Board member

Eva Byröd
Board member

Tomas Kramar
Board member

Anders Rabbe
Board member

Lena Torlegård
Board member

Andreas Bhagwani
Chief Executive Officer

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CFO Eva Osterman, ph. +46-72-180 30 75

ABOUT NANOLOGICA AB (publ)

Nanologica manufactures, develops, and sells nanoporous silica particles for applications within life science. Nanologica is world-leading in controlling the shape, size, porosity, and surface characteristics of silica particles. Through the two business areas, Drug Development and Chromatography, we are serving the industry by providing products for developing better and cheaper medicine for the benefits of patients. Nanologica operates from the headquarters in Södertälje, Sweden and Nanologica's stock (NICA) is listed on Spotlight Stock Market. For further information, please visit www.nanologica.com.

FINANCIAL STATEMENTS AND NOTES

Statement of comprehensive income (TSEK)	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Operating income			
Net sales	5 622	3 654	16 135
Change in inventory, finished goods	723	-311	797
Capitalized work for own account	578	342	2 089
Other operating income	58	-380	1 009
Total operating income	6 982	3 305	20 030
Operating expenses			
Raw materials and consumables	-3 067	-1 259	-4 028
Other external expenses	-3 380	-2 566	-11 511
Personnel costs	-5 086	-4 020	-18 037
property, and equipment	-1 763	-1 275	-5 672
Other operating expenses	-454	-218	-354
Total operating expenses	-13 750	-9 337	-39 601
Operating profit/loss	**-6 768**	**-6 032**	**-19 571**
Financial investments			
Valuation of financial assets at fair value	-256	-226	851
Financial income	8	0	0
Financial costs	-828	-447	-3 479
Total financial investments	-1 077	-673	-2 627
Profit/loss before income tax	**-7 845**	**-6 705**	**-22 199**
Income tax	0	0	0
Profit/loss for the period attributable to owners of parent company	**-7 845**	**-6 705**	**-22 199**
Other comprehensive income	0	0	0
Total comprehensive profit/loss for the period attributable to owners of parent company	**-7 845**	**-6 705**	**-22 199**
Earnings per share (basic and diluted), SEK	-0,28	-0,40	-0,93
Average number of ordinary shares during the period	27 788 212	16 619 447	23 888 809
Ordinary shares outstanding at the closing date	27 794 480	16 619 447	27 776 850

Consolidated financial position (TSEK)	2021 Mar 31	2020 Mar 31	2020 Dec 31
ASSETS			
Noncurrent assets			
Intangible assets			
Capitalized expenses for development work and similar work	15 187	11 068	12 108
Concessions, patents, licenses, trademarks and similar rights	1 760	1 316	1 627
Total intangible assets	16 946	12 385	13 734
Tangible fixed assets			
Equipment, tools and installations	1 997	953	2 018
Right-of-use assets			
Right-of-use assets	27 920	28 822	29 428
Total noncurrent assets	**46 864**	**42 159**	**45 180**
Current assets			
Inventories			
Inventories	5 312	3 481	4 589
Current receivables			
Accounts receivable	2 966	1 559	6 812
Other receivables	146	498	180
Prepaid expenses and accrued income	24 828	5 519	21 604
Total current receivables	27 941	7 576	28 597
Financial assets (current)			
Financial assets at fair value through profit or loss	1 359	538	1 615
Cash and cash equivalents			
Cash and cash equivalents	57 069	1 273	66 364
Total current assets	**91 681**	**12 867**	**101 165**
TOTAL ASSETS	138 545	55 027	146 345

Consolidated financial position (TSEK)	2021 Mar 31	2020 Mar 31	2020 31 Dec
EQUITY AND LIABILITIES			
Equity			
Share capital including ongoing issues	11 397	6 814	11 397
Additional paid-in capital	231 349	125 965	231 368
Retained earnings incl. profit/loss from actual period	-157 642	-134 305	-149 799
Total equity	85 103	-1 525	92 966
Total equity attributable to parent company shareholders	85 103	-1 525	92 966
Noncurrent liabilities			
Liabilities to credit institutions	3 013	5 733	3 693
Lease liabilities	3 881	6 010	4 434
Provisions	528	572	518
Other noncurrent liabilities	27 000	27 000	27 000
Total noncurrent liabilities	34 422	39 315	35 645
Current liabilities			
Liabilities to credit institutions	2 720	2 720	2 720
Advanced payment from customers	2 590	5 643	2 444
Accounts payable	5 982	3 270	3 009
Lease liabilities	2 149	2 014	2 116
Other liabilities	884	698	1 727
Accrued expenses and deferred income	4 695	2 893	5 719
Total current liabilities	19 021	17 237	17 735
Total liabilities	53 442	56 552	53 379
TOTAL EQUITY AND LIABILITIES	138 545	55 027	146 345

Consolidated statement of changes of equity (TSEK)	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Total equity at the beginning of the period	92 966	5 411	5 411
Rights issue	0	0	113 345
Premiums for issued warrants	-18	0	724
Issue costs	0	-231	-4 315
Total comprehensive income for the period	-7 845	-6 705	-22 199
Total equity at the end of the period	85 103	-1 525	92 966

Consolidated statement of cash flows (TSEK)	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Operating activities			
Operating profit/loss	-6 768	-6 032	-19 571
Adjustment for items not affecting cash flow	1 719	1 275	5 663
Interest paid	-3 435	-403	-1 696
Income taxes received/paid	0	0	0
Cash flow from operating activities before changes in working capital	-8 485	-5 161	-15 605
Cash flow from changes in working capital			
Increase (-) / decrease (+) of inventories	-723	311	-797
Increase (-) / decrease (+) of operating receivables	2 838	-4 831	-25 949
Increase (+) / decrease (-) of operating liabilities	2 894	1 724	-989
Cash flow from operating activities	-3 476	-7 957	-43 340
Investing activities			
Acquisitions in intangible assets	-3 328	-388	-1 928
Acquisitions in right-of-use assets	-29	-88	-3 097
Acquisitions in tangible fixed assets	-1 241	0	-1 499
Cash flow from investing activities	-4 598	-477	-6 523
Financing activities			
Rights issue for the year	0	0	113 345
Premiums for issued/reissued warrants	-19	0	724
Issue costs	0	-292	-4 315
New borrowings	0	10 000	10 000
Amortization of lease liabilities	-520	-487	-1 982
Amortization of financial loans	-690	-701	-2 720
Cash flow from financing activities	-1 230	8 520	115 052
Total cash flow for actual period	-9 304	86	65 189
Cash and cash equivalents, opening balance	66 364	1 176	1 176
Exchange rate difference in cash and cash equivalents	9	11	0
Cash and cash equivalents, closing balance	57 069	1 273	66 364

Key Figures	2021 Jan - Mar	2020 Oct - Dec	2020 Jul - Sep	2020 Apr - Jun	2020 Jan - Mar	2020 Jan-Dec	2019 Jan-Dec
Net sales (TSEK)	5 622	6 071	2 089	4 321	3 654	16 135	9 227
Operating profit/loss (TSEK)	-6 768	-3 648	-5 795	-4 097	-6 032	-19 571	-20 066
Profit/loss before income tax (TSEK)	-7 845	-5 427	-5 899	-4 168	-6 705	-22 199	-21 080
Cash flow from operating activities (TSEK)	-3 476	-12 854	-4 422	-18 046	-8 018	-43 340	-9 771
Cash and cash equivalents (TSEK)	57 069	66 364	82 203	89 970	1 273	66 364	1 176
Total equity (TSEK)	85 103	92 966	98 604	103 802	-1 525	92 966	5 411
Average number of shares	27 788 212	27 723 273	27 699 077	23 513 439	16 619 447	23 888 809	16 619 447
Number of shares, end period	27 794 480	27 776 850	27 699 077	27 699 077	16 619 447	27 776 850	16 619 447
Earnings per share (basic and diluted) (SEK)	-0,28	-0,20	-0,21	-0,18	-0,40	-0,93	-1,27
Equity per share (SEK)	3,06	3,35	3,56	3,75	-0,09	3,35	0,33
Equity ratio (%)	61,4%	63,5%	65,9%	64,4%	-2,8%	63,5%	10,5%
Average number of employees	18	19	20	19	18	19	18
Number of employees at end of period	20	19	20	19	19	19	19

***DEFINITIONS KEY FIGURES**

Earnings per share = Earnings after tax divided by the average number of shares for the period
Equity ratio = Equity on the closing day divided by the balance sheet total
Equity per share = Equity on the closing day divided by the number of shares on the closing day

NOTES

NOTE 1 GENERAL INFORMATION

This report covers the Swedish parent company Nanologica AB (publ), corporate registration number 556664-5023, and its subsidiaries. The parent company is a limited liability company with its registered office in Stockholm, Sweden. The address of the main office is Forskargatan 20 G, 151 36 Södertälje, Sweden. The main operation of the group is sales of silica-based chromatography products, and research and development of pharmaceutical products. The report for the first quarter 2021 was approved for publication on April 23, 2021, in accordance with a board decision on April 22, 2021.

NOTE 2 ACCOUNTING PRINCIPLES

This interim report for the group has been prepared in accordance with IAS 34 Interim Financial Reporting.

The group reporting of Nanologica is based on International Financial Reporting Standards (IFRS) as adopted by the EU. The group's interim report is prepared in accordance with IAS 34 Interim Reporting and the Swedish Accounting Act.

Information according to IAS 34 Interim Reporting is given in notes as well as in other places in the interim report.

Basis of preparation

The group applies International Financial Reporting Standards (IFRS) as endorsed by the EU Commission and interpretations of these (IFRIC). The group also applies the Swedish Annual Accounts Act and the recommendation from the Swedish Financial Reporting Board, RFR 1, Supplementary accounting rules for groups.

The consolidated financial statements have been prepared in accordance with the acquisition value method, with the exception of certain financial assets that are valued at fair value.

ACCOUNTING PRINCIPLES

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of judgements and estimates by management. The actual outcome can later, to some extent, differ from the estimates and the assumptions made. Areas that are in particular associated with critical judgements and estimates are described in note 3.

New standards, interpretations, and amendments not yet effective

There is a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. None of these are expected to have a significant impact of the financial reports of the group.

Consolidation

Subsidiaries are all entities over which the group has control. Control exists when Nanologica is exposed to variability in returns from its investments in another entity and has the ability to affect those returns through its power over the other entity. Intragroup transactions and balances between the consolidated group undertakings are eliminated. The group undertakings are included in the consolidated accounts as from the date on which control is transferred to Nanologica and are no longer consolidated as from the date on which control ceases.

Receivables and liabilities in foreign currencies

The functional currency of the parent company and the reporting currency of the group is Swedish Kronor (SEK). Items in the financial reports of the different entities in the group are measured in the currency of the financial environment where each entity operates (functional currency).
Transactions in foreign currencies are translated to the functional currency at the closing rate. Currency exchange gains and losses which arise on payment of those transactions and in translation of monetary assets and liabilities in foreign currency at closing rate, are recognized in the operating profit/loss. Foreign exchange gains and losses applicable to liabilities and cash are recognized as financial income or financial expense in the income statement.
In the consolidation, assets and liabilities of foreign subsidiaries are translated at the closing rate. Revenue and expenses are translated at the average exchange rate for the reporting period. Foreign exchange rate differences are recognized as other comprehensive income, as part of the translation reserve.

Segment information

An operating segment is a part of a group that conducts operations from which it can generate revenue and incur costs and for which independent financial information is available. The group's division into operating segments is in line with the internal reports that the group's highest executive decision-makers use to monitor operations and allocate resources between operating segments. The CEO is the group's highest executive decision-maker. In Nanologica, it is therefore the reports that the CEO receives on the results in different parts of the group that form the basis for the segment information. Two segments have been identified in the group; Drug Development and Chromatography. Segment information is provided only for the group.

Revenue

The group reports revenues from sales of goods, distribution agreements, and from service assignments in the form of research and development assignments. Revenue recognition is performed in accordance with the five-step model specified in IFRS 15.

Distribution agreement
These agreements usually consist of a number of components (products in the form of silica, sales rights, marketing services and materials). As customers cannot benefit from each specific component separately or with other resources available to the customer, the agreements as a whole have been deemed to constitute a performance commitment. Revenue for performed performance, delivery of products, is reported at a given time when control passes to the customer. Control is expected to be transferred to the customer when delivery to the carrier takes place upon delivery from Nanologica's warehouse. The shipping terms mean that the buyer bears the risk of the shipping and legal ownership then passes to the customer. The transaction price is fixed and there are no significant financing components in the agreements.

Any advances from customers are debited and settled as quantities are purchased.

Research and development assignments
These agreements mean that Nanologica performs specific research or development services for customers. The work is performed based on the customer's specific substances/drugs (API) but using Nanologica's technology (process) and input in the form of silica.

The agreements with customers are framework agreements from which the customer can then make calls in specific work orders. A work order together with a framework agreement constitutes an agreement by definition in IFRS 15.

The commitments delivered to the customer are in many agreements a combination of the following:
- Research and development service according to established work orders - milestones
- License
- Patent

Each part of the agreements has been assessed to constitute separate performance commitments. For the research and development services, each separate work order/milestone is considered to constitute a separate performance commitment as each phase has its own value for the customer.

The transaction price is a fixed price per work order/milestone, or a fixed price per hour worked and materials performed. A variable component regarding “success fees” exists. Variable fees have been assessed as uncertain to be included in the initial transaction price. These are recognized as income as soon as the assessment is made that it is very probable that the compensation will not have to be reversed in the subsequent period. In some cases, there are "up-front fees". These are not treated as payment for a separate commitment but are seen as advance payment for research and development services and are indebted until the commitment is delivered. Part of the compensation has been received in shares. These have been valued at fair value and are included in the transaction price/revenue for the sales license.

Performance commitments in the form of research and development services are reported over time as Nanologica creates a product/service without alternative use and is entitled to compensation for work performed. In some cases, the customer also owns and controls a product (API) that is developed together with Nanologica. The degree of completion is measured based on output (completed milestones) or on input (costs incurred, hours worked and materials).

The sale of a license has been assessed to constitute a right-to-use license and thus revenue recognition of this takes place at a given time.

Revenue for patent sales is reported at a given time when control of the patent has been transferred to the customer.

The group applies the exemption, which means that information on remaining performance commitments attributable to agreements with a shorter term than one year is not provided.

Government grants
Income from government grants without future fulfilment conditions are recognized as revenue when the group fulfils the conditions of the grant, the group is likely to receive the economic rights and advantages associated with the grant, and the income can be reliably measured.

Income from government grants with future fulfilment conditions are recognized as revenue as the performance obligation is performed and the group is likely to receive the economic rights and advantages associated with the transaction and the income can be reliably measured.

Government grants are measured at the fair value of the goods received.

Government grants that have been received before the conditions of the grant have been fulfilled are recognized as liabilities.

Financial items
Interest income and interest expense are recognized in profit or loss by using the effective interest rate method. Financial expense is comprised of interest and other financing expenses.

Employee benefits
Employee benefits such as salaries and social expenses, paid vacation and paid sick leave are recognized as expenses in the period when the employees have performed services to Nanologica.
Post-employment benefits are funded with defined contribution plans. Plans where Nanologica’s obligation is limited to the agreed fee are defined as defined contribution plans. For those plans, the size of the employee benefit depends on the fees paid by Nanologica to the plan and the return on that capital, thus the employee takes the actuarial risk and the investment risk. Nanologica’s obligation for fees to defined contribution plans are recognized as expenses in the period when the employees have performed services to Nanologica.

Income taxes
The item ”Income tax expense” in the income statement comprises current and deferred income tax. The current tax expense is the expected tax expense on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are recognized, using the balance sheet method, for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences arising on initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary

differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.
Deferred tax assets are recognized only to the extent that there is a high probability that future taxable profits will be available against which the temporary differences, tax losses carry forward and unused tax credits can be utilized.

Intangible assets
Separate acquisitions
Separately acquired intangible assets are recognized at cost less accumulated amortization and impairment. The assets are depreciated on a straight-line basis over the estimated useful life of the asset. Current estimated useful life for patents is 5 years.

Internally generated intangible assets
Product development is divided into a research phase and a development phase. All expenses during the research phase are recognized as expenses in the income statement as they are incurred. All expenditures are capitalized if the following conditions are fulfilled:

It is technically feasible to complete the intangible asset so that it will be available for use or sale
- The group has the intention of completing the asset
- The group has the ability to use or sell the asset
- It is probable that the asset will generate future economic benefits
- The group has the adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- The expenditure attributable to the asset can be reliably measured

Capitalized directly attributable expenses include employee expenses, expenses for services and direct material.

At each balance sheet date internally generated intangible assets are recognized at cost less accumulated amortization and impairment. Amortization begins when the asset can be taken into use. Capitalized expenses are depreciated on a straight-line basis over an estimated useful life of five years.

Reassessment of useful life
Estimated useful lives and amortization methods are reassessed when there is an indication of a change since the estimate on the prior balance sheet date. The effect of changes in estimates are recognized forward-looking. Amortization begins when the asset can be taken into use.

Removal from the balance sheet
An intangible asset is removed from the balance sheet when the asset is scrapped or sold or when no future economic advantages are expected from the use of the asset. Any profit or loss that arises upon removal of the asset from the balance sheet is the difference between consideration received, after deduction of direct selling expenses, and the carrying amount of the asset. This profit or loss is recognized as other operating income or other operating expenses.

Tangible assets
Tangible assets are recognized at cost less accumulated amortization and impairment. Cost includes all expenditure directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost also includes the estimated cost of its dismantlement, removal or restoration. Additional expenses that qualify for asset recognition are added to the carrying amount of the asset. Expenses for repairs are recognized as expenses as they are incurred. Tangible assets are depreciated on a straight-line basis over the estimated useful life of the asset. Amortization begins when the asset can be taken into use. Tangible assets of the group consist of equipment and have an estimated useful life of 5-10 years.

Any profit or loss from sales of a tangible asset is recognized as Other operating income or Other operating expenses.

Impairment of intangible and tangible assets
At each balance sheet date, the group analyzes the carrying amounts of tangible and intangible assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is calculated in order to determine the amount of an impairment. If the recoverable amount for an individual asset cannot be determined, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. Development not yet taken into use are not amortized but tested for impairment annually irrespective of any indications of impairment.

The recoverable amount is the highest of fair value less costs of disposal and the value in use of the asset. Fair value less costs of disposal is the price expected to be received in a transaction less costs directly attributable to the transaction. When determining value in use future cash flows are discounted to present value using a discount rate before tax reflecting current market conditions of the time value of money and the risks associated with the asset.

At each balance sheet date, the group estimates whether a previous impairment is no longer motivated. If this is the case, the impairment is reversed. A reversal of an impairment is recognized in the income statement.

The group as a lessee
The group has lease agreements for premises and production equipment. The group recognizes all lease agreements in the balance sheet as a lease liability for the obligation to pay future fixed lease payments, and a right-of-use asset reflecting the right to use an underlying asset. The lease liability is recognized at amortized cost using the effective interest rate method which distributes lease payments between amortization of the lease liability and interest expense. Lease liabilities are recognized as the present value of all remaining lease payments in the balance sheet and includes the following lease payments:
- Fixed payments
- Variable payments that depend on an index or a rate
- The exercise price of a purchase option if the group is reasonably certain to exercise that option

The lease liability is measured as the lease payments discounted with the incremental borrowing rate of the lessee. To calculate the lease liability, the lease payments are discounted with the implicit interest in the lease agreement. If this interest rate cannot be easily determined, the lessee's marginal borrowing rate is used.

The right-of-use asset is measured at cost and recognized at the amount of the lease liability with adjustment for initial expenses and expenses for restoring the lease asset according to the lease agreement. Right-of-use assets are amortized on a straight-line basis over the shortest of the useful life of the asset or the lease term. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is amortized over the useful life of the underlying asset.

The group has chosen not to report in the statement of financial position leasing agreements for which the underlying asset is of low value or with a leasing period (including an extension period that the group is reasonably sure is expected to utilize) of less than 12 months. The group reports leasing fees that are covered by the exemption rules as a leasing cost on a straight-line basis over the leasing period. The group has chosen to apply the practical solution that gives a lessee the opportunity to choose not to separate leasing components from non-leasing components for premises leases and instead report each leasing component and non-leasing component as a single leasing component.

The group has identified that part of a supplier agreement, a service and contract manufacturing agreement, constitutes a leasing agreement. The agreement contains explicitly identified assets that cannot be used by the supplier other than to manufacture Nanologica's products. The supplier does not have the right to replace the equipment and use other assets to produce the products. In addition, the group has an option to buy out the assets at the end of the agreement, which will probably be exercised. The equipment is reported as a right-of-use asset in the group. As the group has already paid the supplier for the equipment, has been responsible for the investment, no leasing debt is reported in the balance sheet.

Financial instrument

The group's financial instruments consist of:

- Accounts receivable
- Short-term investments
- Cash and bank
- Liabilities to credit institutions
- Other long-term liabilities
- Accounts payable

The group has no derivatives and does not use hedge accounting.

Financial assets

Financial assets at amortized cost

Assets in this category primarily arise from the sales of goods and services to customers but also include other types of financial assets where the objective is to hold the assets to collect the contractual cash flows and these cash flows are exclusively payments of principal and interest. These assets are initially recognized at fair value plus costs of transaction directly attributable to the acquisition, and are carried at amortized cost in subsequent periods, using the effective interest rate method.

Impairment

Impairment requirements for account receivables are reported based on the simplified approach using the expected credit losses for the entire remaining life of the contract. To calculate the credit loss reserve on accounts receivable, the group uses a matrix. The historical loss rates are adjusted to reflect current and forward-looking information that affects customers' ability to pay the claim. For account receivables, which are reported net, provisions are reported in a separate reserve for feared customer losses, and the cost is reported as a sales cost in the income statement. Upon confirmation that the accounts receivable will not be payable by the customer, the gross value of the asset is depreciated against the associated reserve. The group has historically reported low customer losses, customer loans are relatively short-term, and the company has relatively few unpaid outstanding overdue accounts receivable. The credit risk is assessed as low.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, other short-term high-liquidity investments with original maturities of three months or less. Cash and cash equivalents in the cash flow analysis also include, for example, overdrafts on bank accounts and overdraft facilities. However, these are reported as current liabilities in the consolidated balance sheet.

Financial assets valued at fair value via the income statement

Financial assets valued at fair value via the income statement refer to the group's holdings in listed shares. All changes in value in these items are reported directly in the income statement.

Financial liabilities

The financial liabilities are classified and valued as liabilities valued at accrued acquisition value.
Financial liabilities include the following items:

- **Bank loans and other loans** are initially reported at fair value less transaction costs directly attributable to the instrument's issue. These interest-bearing liabilities are then measured at amortized cost using the effective interest method, which ensures that the interest expense is calculated based on a fixed interest rate on the reported amount of the liability in the balance sheet. The reported effective interest rate includes initial transaction costs and any premiums to be paid upon redemption as well as interest or coupons that are paid while the debt is outstanding.
- **Accounts payable** are obligations to pay for goods or services that have been acquired in the current accounts. Accounts payable and are classified as current liabilities if they fall due within a year or earlier (or during the normal business cycle if this is longer).

Inventories

Inventories have been valued according to the lowest value principle, i.e. at the lower of acquisition value and net sales value. The acquisition value consists of direct cost of goods, direct salary, and attributable indirect manufacturing costs (based on normal manufacturing capacity). The acquisition value for individual items in the inventory is distributed based on weighted average costs calculated according to the manufacturing price calculation. In determining the acquisition value, the first-in-first-out principle has been applied. The net sales value consists of estimated sales value less estimated sales cost.

Provisions

Provisions are recognized when the group has a present obligation as a result of a past event and it is likely that payments will be required to settle the obligation. One condition is that it is possible to make a reliable estimate of the amount to be paid. The provisions are calculated as the present value of the amounts expected to be paid to settle the obligation. In the calculation, a discount rate before tax is used, reflecting a current valuation of the time value of money and of the risks associated with the provision. Any increase in the provision caused by the passage of time is accounted for as a financial expense.

Contingent liabilities
The group provides information on contingent liabilities if there is a possible commitment that is confirmed only by several uncertain future events and it is not probable that an outflow of resources is required or that the size of the commitment cannot be determined with sufficient certainty.

Contingent assets
The group provides information on contingent assets as a result of events that have occurred, the occurrence of which will only be confirmed by the occurrence or absence of one or more uncertain future events, which are not entirely within the company's control.

Statement of cash flows
The group prepares its statement of cash flows using the indirect method, whereby adjustments have been made for transactions not generating any payments during the reported period. Adjustments have also been made for cash flows of revenue and expenses belonging to investment or financing activities.

Earnings per share
Basic earnings per share are calculated by dividing the profit or loss attributable to shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. For the periods reported there were no potential ordinary shares requiring an adjustment for dilution.

NOTE 3 IMPORTANT SOURCES OF UNCERTAINTY IN ESTIMATES

Important sources of uncertainty in estimates
The most important assumptions about the future and other important sources of uncertainty in estimates as of the balance sheet date, which entails a significant risk of significant adjustments in reported values of assets and liabilities during the coming financial year, are described below.

Important assessments when applying the group's accounting principles
The following sections describe the most important assessments, in addition to those that include estimates (see above), that management has made in applying the group's accounting principles and that have the most significant effect on the reported amounts in the financial statements.

Intangible assets - capitalization of development expenses
The group conducts development activities. An intangible asset that arises through development shall only be recognized as an asset in the balance sheet if all the conditions in IAS 38 are met. For each development project, the group's management team takes an ongoing position on whether there are conditions for selling the finished product and whether there are technical expertise and financial resources to complete the supply.

NOTE 4 SEGMENTS

An operating segment is a part of a group that conducts operations from which it can generate revenue and incur costs and for which independent financial information is available. The group's division into operating segments is in line with the internal reports that the group's highest executive decision-makers use to monitor operations and allocate resources between operating segments. The CEO is the group's highest executive decision-maker. In Nanologica, it is therefore the reports that the CEO receives about the results in different parts of the group that form the basis for the segment information. Two segments have been identified in the group; drug development and chromatography. Segment information is provided only for the group.

	2021 Jan - Mar			
	Chroma	DD	Corporate functions	Total
Net sales	141	5 481	0	5 622
Raw materials, consumables and change in inventory	131	-2 475	0	-2 344
Gross profit	272	3 006	0	3 278
Gross margin (gross profit/net sales)	*193%*	*55%*	*n/a*	*58%*
Other operating items	-3 596	-3 118	-3 333	-10 047
Operating profit/loss	-3 324	-111	-3 332	-6 768
Net finance			-1 077	-1 077
Profit/loss after financial items	-3 324	-111	-4 409	-7 845

	2020 Jan - Mar			
	Chroma	DD	Corporate functions	Total
Net sales	694	2 960	0	3 654
Raw materials, consumables and change in inventory	-1 552	-6	-12	-1 570
Gross profit	-858	2 954	-12	2 084
Gross margin (gross profit/net sales)	*-124%*	*100%*	*n/a*	*57%*
Other operating items	-2 763	-2 012	-3 342	-8 117
Operating profit/loss	-3 621	942	-3 354	-6 032
Net finance			-673	-673
Profit/loss after financial items	-3 621	942	-4 027	-6 705

	2020 Jan - Dec			
	Kroma	DD	Corporate functions	Total
Net sales	4 466	11 669	0	16 135
Raw materials, consumables and change in inventory	-2 945	-278	-8	-3 231
Gross profit	1 521	11 391	-8	12 904
Gross margin (gross profit/net sales)	*34%*	*98%*	*n/a*	*80%*
Other operating items	-12 013	-8 894	-11 569	-32 476
Operating profit/loss	-10 492	2 497	-11 577	-19 571
Net finance			-2 627	-2 627
Profit/loss after financial items	-10 492	2 497	-14 204	-22 199

Composition of net sales, region (TSEK)	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Chromatography	141	694	4 466
Sweden	*0*	*0*	*319*
China	*13*	*532*	*3 324*
USA	*0*	*0*	*410*
Rest of the World	*128*	*163*	*414*
Drug development	5 481	2 960	11 670
Sweden	*4 879*	*2 595*	*9 718*
Rest of the World	*602*	*365*	*1 952*
	5 622	3 654	16 135

Composition of net sales, large customers (TSEK)	2021 Jan - Mar	2020 Jan - Mar	2020 Jan - Dec
Customer A - Drug Development	4 880	2 595	9 655
Customer A (%)	*87%*	*71%*	*60%*
Customer B - Drug Development	602	365	1 952
Customer B (%)	*11%*	*10%*	*12%*
Customer C - Chromatography	13	443	3 235
Customer C (%)	*0%*	*12%*	*20%*
Others	127	251	1 293
Others (%)	*2%*	*7%*	*8%*
	5 622	3 654	16 135

NOTE 5 TRANSITION TO IFRS

Nanologica AB has previously applied the Annual Accounts Act and BFNAR 2012: 1 Annual Report and Consolidated Accounts ("K3"). As of 1 January 2020, Nanologica AB prepares its consolidated financial statements in accordance with EU approved International Financial Reporting Standards (IFRS) and interpretations from the IFRS Interpretations Committee (IFRIC). First time reporting IFRS in interim reports was in the fourth quarter of 2020.

Consolidated financial statements in accordance with IFRS have been calculated from 2019 and are reported as comparative values.

NANOLOGICA

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