KLARIA

Annual report

2019

KLARIA PHARMA HOLDING AB (PUBL)

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Selected events in 2019

Klaria signs an agreement with Purdue Pharma within emergency treatment of anaphylactic reactions worth 55 MUSD plus royalty

In January, Klaria announced that the company had signed an exclusive development, license and supply agreement with Purdue Pharma (Canada) for the emergency treatment of anaphylactic reactions.

Klaria initiates large-scale production of Sumatriptan Alginate Film for its clinical registration trial

In September, Klaria announced that large-scale production of the company's lead product Sumatriptan Alginate Film for the treatment of acute migraine (KL-00119) has been initiated. Initially, the product is produced for the clinical registration trial that is scheduled for 2020. After the trial is completed, Klaria plans to apply for market approval in Europe and the United States.

Klaria creates the new company Cannabis Delivery Sciences/CDS Functional Film (CDS) to fully realize the commercial opportunities of cannabis in its Alginate Film Technology

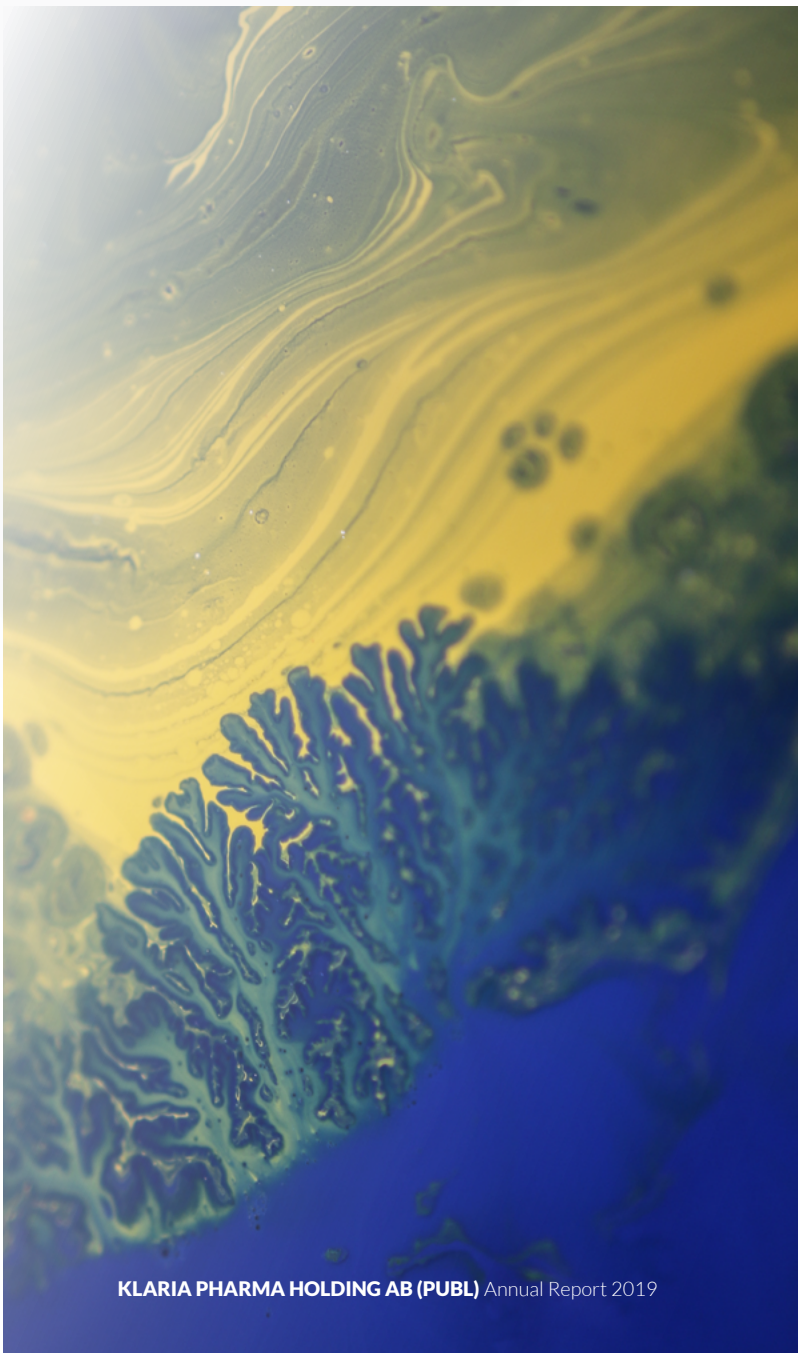
In October, Klaria announced the formation of Cannabis Delivery Sciences (CDS). The new company is a separate entity operating within the Klaria group with exclusive focus on the commercialisation of cannabis products formulated with Klaria's Alginate Film Technology.

Klaria acquires the patent rights to the company's technology platform and merges with Karessa Pharma

In November, Klaria announced that the company has acquired Uppsalagruppen Medical AB and thereby the patent that protects Klaria's alginate film and drug delivery technology. With this acquisition, Klaria will now have full freedom to develop new drug candidates in the future. Thereafter, a plan for the merger with Karessa Pharma, which also develops drugs based on the Alginate Film Technology, was presented. The merger was then approved by the respective company's shareholders, and it was formally completed in Q1 2020.

Klaria Pharma appoints Jesper Wiklund as Chief Executive Officer

In November, Klaria announced the appointment of Jesper Wiklund as the company's CEO as of November 28, 2019. He brings over 25 years of international commercial experience in the biotechnology and pharmaceutical industry to Klaria. He will succeed Scott Boyer, who will continue his full-time involvement with the company in the newly created role of Chief Scientific Officer.



The year in brief

- Net sales 4.2 MSEK (0.0 MSEK)
- R&D costs for the period amounted to 24.2 MSEK (22.6 MSEK)
- Profit/loss after tax for the period amounted to -22.5 MSEK (-27.3 MSEK)
- Earnings per share amounted to -0.72 SEK (-0.89 SEK)
- Cash flow from operations amounted to -14.8 MSEK (-9.1 MSEK)
- Shareholder's equity as of December 31, 2019 amounted to 82.1 MSEK (94.7 MSEK)
- Cash and cash equivalents as of December 31, 2019 amounted to 2.9 MSEK (8.0 MSEK)

Summary of the results

The Klaria Group TSEK (unless otherwise stated)	2019	2018
Net sales	4,223	0
Research and development costs	-24,208	-22,620
Profit/loss after tax	-22,492	-27,306
Cash flow from operating activities	-14,796	-9,139
Cash and cash equivalents on the balance day	2,917	7,959
Equity on the balance day	82,108	94,700

New strategy maximizes the company's potential to create shareholder value

During the latter part of 2019, Klaria launched a new strategy for the company's operations with the purpose of focusing all of its resources on areas and projects where Klaria's Alginate Film technology is deemed to have the greatest medical and commercial potential.

According to the strategy, Klaria's focus areas consist of medical conditions where treatments are currently available only as nasal sprays or injections, and where this constitute a major problem for patients, caregivers or payers.

Effective drug development

With its unique drug delivery technology and efficient development process, Klaria has significant advantages compared to traditional pharmaceutical companies and their products.

Unique medical benefits

- An innovative, patented drug delivery platform consisting of alginate-based films that adhere to the oral mucosa allows for a range of patient benefits and new applications: faster uptake into the bloodstream, the same dose every time and no delay or side effects due to the gastrointestinal tract.

Efficient products in a small and convenient format

- The format of the stamp-sized films can also contribute to new opportunities, such as replacing large and difficult-to-handle adrenaline syringes with flexible Klaria films in a stamp-sized case.

Time and cost-effective development

- Klaria films with well-known substances can be introduced faster and more cost-effectively to market at a lower risk compared to the development of new substances, as the clinical effect of the substances is already validated.

The Klaria group's four leading projects:

Sumatriptan Alginate Film for migraine-related pain

The product is developed by the company together with the EU's Horizon 2020 program. A pivotal registration study is scheduled to be completed in 2020. Klaria will then submit market approval applications in Europe and the United States.

Naloxone Alginate Film for opioid overdose

Provides a rapid treatment effect for opioid overdose, and could become an important tool in countries that are plagued by extensive opioid abuse, such as the United States.

The product is developed by the company with a focus on establishing it in the co-prescription segment (to prevent the risk of overdose) along with opioid pharmaceuticals.

Adrenaline Alginate Film for acute allergic reaction

An excellent opportunity to replace the dominating and obsolete injection product EpiPen with a needle-free and effective product in a very small and easy-to-handle format.

The product is being developed together with Mundipharma/ Elvium Pharma through an agreement worth more than 50 million USD in milestones and additional royalties.

Alginate films with cannabis/cannabinoids through the group company Cannabis Delivery Sciences

Klaria has filed a patent application for a unique cannabinoid formulation that provides a more reliable and faster effect than edible products while being free from the negative health effects of smoking.

The project has been transferred to the group company Cannabis Delivery Sciences (CDS), which is fully focused on further developing cannabis applications based on Klaria's Alginate films and signing license agreements with companies in the cannabis segment.

A comment from Klaria's CEO Jesper Wiklund

In 2019, Klaria achieved several important milestones, both regarding the maturity of the company and in our various development projects. We are entering 2020 with a strong and well-qualified team, full intellectual property rights to a potentially revolutionary drug delivery technology, a product with just a EU Horizon 2020-funded bioequivalence study to be completed before market application, and several additional projects in global billion dollar markets about to enter the clinical phase.

For traditional early-stage drug development companies, there are several challenges and potential pitfalls to avoid. It may become evident that the substance or substances the development work is based are not sufficiently safe or not working satisfactorily, that development efforts have been invested in a suboptimal field of application, or that the preclinical phase takes longer and costs more money than expected. Thereafter, there are just as many challenges in the clinical phase, where the stakes are also significantly higher. Finally, in most cases, an agreement with a major international company is required to reach the market.

Klaria's advantages are starting to show its merits

Compared to these traditional drug development companies, which we are often compared to, Klaria has several advantages that enable us to manage the above challenges in a time- and cost-effective manner with a significantly reduced risk level.

- We only work with well-known and proven effective substances, and our own Alginate film technology is already commercially proven as it is manufactured on a large scale and used for various dietary supplements such as vitamins.

- Our risk is divided between several projects in global billion-dollar markets, all characterized by major problems connected to the current drug delivery methods that our Alginate Film Technology can solve.

- By only working with well-known substances, we can reach the clinical phase relatively quickly, and the clinical phase for our projects usually consists of only a dose-ranging study and a bioequivalence study.

- For our leading product Sumatriptan Alginate Film, only a bioequivalence study remains before the application for market approval. We also receive full funding for this study from our collaboration with the EU Horizon 2020 program.

- We have already collaborated for several years with the large international pharmaceutical group Mundipharma/Elvium Pharma. The collaboration includes an exclusive development agreement for an acute adrenaline treatment worth 55 million USD plus royalties as we announced in January 2019.

It is these advantages that have enabled us to build a broad product pipeline, with one project in late clinical phase and several projects on the way into clinical phase, with relatively small resources. As we now look ahead, our next interim goal is to establish Klaria at a new level where our two main focuses are clinical development and a goal-oriented effort aimed at signing additional collaboration and license agreements.

A reinforced team and a more focused strategy

Although Klaria has been able to benefit from several advantages compared to traditional drug development companies, we have also faced challenges along the way. These challenges have mainly consisted of a fragmented resource utilization with two companies (Klaria and Karessa) that ran many different projects simultaneously, while our technology was owned by a third company. This created an ambiguity towards partners and shareholders while the research and development work was held back by unnecessary bottlenecks.

During the end of 2019 and the beginning of 2020, we have worked hard to remedy this. We have acquired the patent rights to our technology, merged Karessa with Klaria and broadened our team with several key recruitments that contribute with expertise and extensive experience in both business development and financing as well as important clinical areas such as large-scale manufacturing and regulatory issues. Finally, we launched a new strategy in February which means that we are now focusing on the development projects where our technology has the greatest medical and commercial potential.

A company positioned for the future

With several important structural changes implemented, we are now ready to take full advantage of Klaria's unique drug delivery platform and our broad, pharmaceutical-focused product portfolio. At the same time, we have also created a cannabis-focused group company, Cannabis Delivery Sciences (CDS), which gives us another exciting potential source of revenue while avoiding losing focus on our drug development projects.

At the time of writing, the news flow is dominated by the new coronavirus (Covid-19). Our projects are not significantly affected by this at present. We are working with focus on the completion of the bioequivalence study for our leading migraine product Sumatriptan Alginate Film as the main target for 2020. It is uncertain whether these activities or any of our suppliers will be affected by the corona crisis in the future. At present, we have no indication that this is the case. We do however continue to closely monitor the global development of the corona crisis.

Jesper Wiklund

CEO Klaria Pharma Holding AB (publ)
Uppsala, April, 2020

> "With several important structural changes implemented, we are now ready to take full advantage of Klaria's unique drug delivery platform and our broad, pharmaceutical-focused product portfolio.

Klaria's vision is to contribute to an improved quality of life for people with serious medical conditions by utilizing the company's unique Alginate Film technology.

Business idea

The company's business idea is to create treatments with unique properties by combining the company's unique Alginate Film technology with well-established active substances. Each project is evaluated in order to decide how long the development shall be conducted by the company, and when to bring in a development or licensing partner. Decisions on the adequate business model are based on income potential, regulatory complexity and the cost of conducting studies if this is required.

Income is obtained in the form of initial and conditional payments when out-licensing, and as royalties based on sales to end-customers.

Strategy

Klaria's strategy is to maximize shareholder value by focusing its development resources on projects where the current treatment fulfills two criteria: 1) the treatment is given as a nasal spray or injection due to weak or non-existing oral uptake, and 2) this presents a significant problem for patients, caregivers or paying entities.

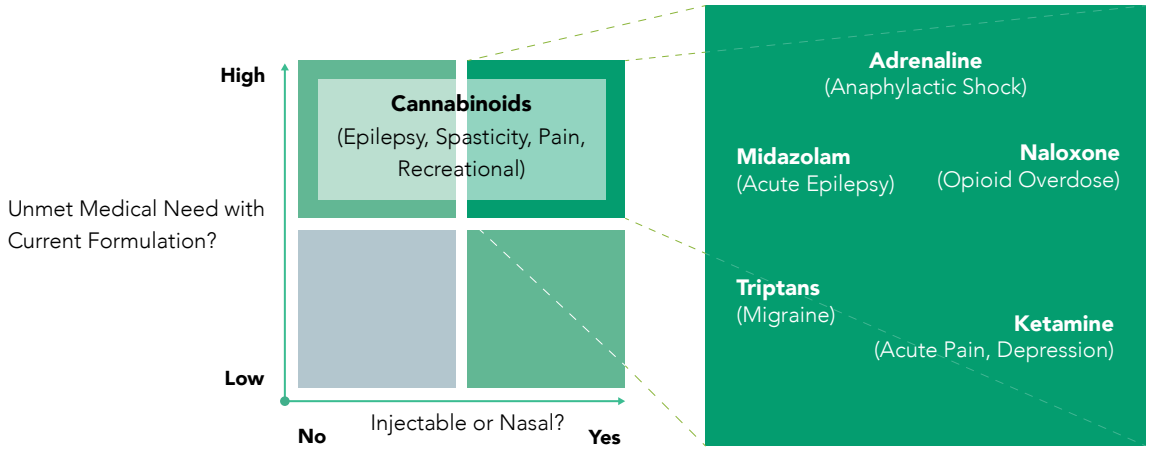
Klaria's existing projects for epinephrine (adrenaline) against acute allergic reaction, naloxone against opioid overdose, midazolam against acute epilepsy and ketamine against acute pain and depression are excellent examples of projects fulfilling both these criteria.

Klaria's strategy utilizes the key feature of Alginate films; true and full transmucosal drug delivery that does not involve the stomach and oral delivery. This differentiates Alginate films from other oral transmucosal technologies such as starch based oral films, fast-dissolving tablets and oral sprays, where a significant portion of the active substance is mixed with saliva and swallowed, which creates a partly oral administration. In contrast to these technologies, Klaria's Alginate films are able to deliver pharmaceuticals which are not orally available (i.e. uptake from the stomach/intestines to the blood stream is low or non-existent). This is why Klaria has been able to for example develop fully working transmucosal films for adrenaline, naloxone and ketamine. All of these drugs are not orally available.

With this strategy, Klaria will be able to create substantial shareholder value by developing products which delivers an improved clinical outcome while also improving the userfriendliness compared to the products available on the market today.

The methodology of combining Klaria's patented drug delivery platform with well-known active substances brings great benefits to Klaria as a company, including shorter time to market, lower development costs and a reduced risk level compared to traditional drug development.

Focus on enabling and transformative treatments



Klaria's drug delivery platform

Klaria's unique and patented drug delivery platform consists of an alginate-based polymer film that enables the absorption of a product's active substance through the oral mucosa. The film is similar to a stamp and is attached to the inside of the cheek or palate. Within ten minutes, the active substance is distributed directly into the bloodstream.

Klaria's Alginate films offer several clear advantages to nasal sprays and injections:

- The convenient size makes the films easy to carry around, enabling a dramatic improvement in cases such as patients with severe allergies, who currently have to bring a large injector with them.
- Patients, caregivers and family do not have to worry about injections. Needle phobia is a widespread problem, in addition to the risks of using needles including spreading of infections.
- The dosage will be more precise compared to nasal spray as the substance takes a more direct route into the bloodstream. Any risk of the patient vomiting and losing the drug dose is eliminated.
- Alginate films are uncomplicated to manufacture, enabling the production of medical products that can be cheaper to use for the patient.

> "The film is similar to a stamp and is attached to the inside of the cheek or palate. Within ten minutes, the active substance is distributed directly into the bloodstream.

Pipeline for Klaria's development projects

	Pre-Clinical	Clinical Dose Finding	Bioequivalence	File for Approval	Partner
Sumatriptan			Complete in 2020		
Epinepherine/Adrenaline	Complete in 2020	Start in 2020			
Naloxone		Start in 2020			
Ketamine		Start in 2020			
Midazolam	Complete in 2020				

Sumatriptan Alginate Film

Klaria's Sumatriptan Alginate Film is a novel treatment for migraine. The film achieves transmucosal delivery of sumatriptan, giving it unique and valuable benefits compared to any other currently available treatments. This is especially true for the 80 percent of migraine patients who suffer from nausea.

In 2018, Klaria received a grant of 21 MSEK in total from the innovation-focused EU Horizon 2020 program. The most recent milestone payment was received in February 2020.

Adrenaline Alginate Film

The aim of Klaria's Adrenaline Alginate Film is to:

1. Replace EpiPen (aged incumbent technology with expensive auto-injector pen that is imprecise and bulky) with epinephrine formulated into Klaria's Alginate Film.

2. Disrupt the 4.2 billion USD/year product EpiPen by offering a superior product with added value for the patient for the benefit of all stakeholders.

3. Become the market leader. This potential makes Epinephrine Alginate Film a massive commercial opportunity for Klaria.

The program is partnered with Mundipharma/Elvium Pharma through a deal worth in excess of 50 million USD in milestones, as well as additional royalties.

Naloxone Alginate Film

Klaria's Naloxone Film is a novel treatment for opioid overdose. There are several significant benefits of using a film as compared to nasal spray. Co-prescription of naloxone with opioids is a substantial and growing market with major unmet needs.

Klaria's formulation of naloxone is uniquely positioned to meet these unmet needs and the development of Naloxone Alginate Film is expected to result in a very valuable and competitive new product.

Cannabis Delivery Sciences

The mission of Cannabis Delivery Sciences (CDS) is to fully realize the commercial opportunities of cannabis/cannabinoids, including THC and CBD, in Klaria's unique film technology. CDS is a separate entity operating within the Klaria group, with focus on both medical and recreational applications. More information is available on its website, www.cannabisdeliverysciences.com.

Cannabis Delivery Sciences enables:

- An entirely new, patent protected category of cannabis products with a rapid and exact uptake of cannabinoids (effect after approx. 20 minutes), without the social/ health related drawbacks of smoking and edibles.
- Dedicated resources with initial focus to sign a first agreement with an established company on the cannabis market.
- Utilisation of a team with extensive marketing experience in several regions including the United States, Canada, Jamaica and the United Kingdom.

A fast-growing market worth over 30 billion USD by 2022

The total cannabis market is estimated to be worth 30 billion USD by 2020. Cannabis edibles (oils, drinks, cookies and gummies) constitutes one of the segments and is expected to be worth over 4 billion USD in 2022. Absorption via edibles is however inexact, and time to effect is usually over one hour.

The smoking segment has an estimated value of over 20 billion USD, but is associated with significant health and regulatory disadvantages.

Cannabis Delivery Sciences sees strong potential to take significant market shares from both these segments. Klaria's film technology is easier to use and carry, provides more accurate dosing and allows significantly shorter time to effect compared to edible products. At the same time, the technology is free of the health and legal disadvantages associated with smoking.

> "Cannabis Delivery Sciences makes it possible to fully realize the commercial opportunities of cannabis in Klaria's unique film technology.

Intellectual property rights

Klaria owns a patent portfolio that protects the unique Alginate film technology which the company's drug delivery platform is based on. To further extend this protection, Klaria is continuously adding project-specific patent protection covering the combinations created within each project.

This enables Klaria to gradually build a strong patent portfolio, despite the fact that the active substances are well-known, in some cases with already expired patents. Klaria now has approved patents for the platform in all important markets around the world. Klaria has a global patent strategy to secure a solid protection of its technology platform in all important markets in the world. In addition to this, the company is applying for product specific patents covering the active substance formulated in an Alginate film.

Klaria's patent families

Country	Application number	Application date	Patent number	Date of approval	Status
Australia	2006327277	2006-12-22	2006327277	2013-03-25	Approved
Brasil	PI0620403-1	2006-12-22			In progress
Europe*	06844046.0	2006-12-22	1976562	2018-02-21	Approved
Hong Kong	09101443.2	2006-12-22			In progress
India	5142/DELNP/2008	2006-12-22	278442	2016-12-22	Approved
Israel	191994	2006-12-22	191994	2013-12-31	Approved
Japan	2008-547188	2006-12-22	5425471	2013-12-06	Approved
Canada	2633878	2006-12-22	2633878	2015-02-10	Approved
China	200680048866.3	2006-12-22	ZL200680048866.3	2013-03-27	Approved
Mexico	MX/a/2008/007839	2006-12-22	331293	2015-07-03	Approved
Norway	20083226	2006-12-22			In progress
New Zeeland	569261	2006-12-22	569261	2012-12-11	Approved
Russia	2008130391	2006-12-22	2445977	2012-03-27	Approved
Sweden	0502900-4	2005-12-23	0502900-4	2008-03-18	Approved
South Africa	2008/05287	2006-12-22	2008/05287	2009-11-25	Approved
South Korea	10-2008-7018096	2006-12-22	10-1484530	2015-01-14	Approved
USA	12/158472	2006-12-22	8759282	2014-06-24	Approved

* Europe includes AL, AT, BA, BE, BG, CH, CY, CZ, DE, EE, ES, FI, FR, GB, GR, HR, HU, IE, IS, IT.

Three ways to market – in-house development, development partnerships and out-licensing

Klaria's flexible strategy enables the company to optimise its business model for each individual development project. Depending on the complexity and cost of clinical studies, the best option for some projects is to develop a product all the way to market approval, while Klaria prefers to use a development partner or to out-license the entire project in other cases.

Klaria's own projects

By taking selected projects all the way to market approval in Europe and the United States, Klaria is able to create substantial value that can be realized in the form of for example license/development agreements with one or several partners.

This business model is currently used for projects such as Sumatriptan Alginate Film, Klaria's leading candidate in migraine-related pain.

Development collaborations

Development collaborations lets Klara benefit from the expanded development and financial resources that a strong partner can provide. Also, the shared risk is usually translated into a higher royalty rate compared to a complete out-licensing.

This model is being used for Klaria's collaboration project with Mundipharma/Elvium Pharma in acute treatment of severe allergic reaction.

Out-licensing

For projects that are outside Klaria's main focus area and/or require significant external development and financial resources in order to reach the market, out-licensing is often the most suitable option. This means that an external partner takes over the entire development project or parts of it, and thus also the financing responsibility.

Cannabis/cannabinoids is one area where Klaria primarily aims to sign licensing agreements through the group company Cannabis Delivery Sciences (CDS).

Sumatriptan Alginate Film for migraine-related pain

For Klaria's leading migraine project Sumatriptan Alginate Film (KL-00119), only a registration study remains before an application for market approval can be submitted for Europe and the United States. The study is scheduled to begin and to be completed in 2020.

In-house development provides significant value potential

Sumatriptan Alginate Film combines a leading and well-established active substance for which the patent has expired with Klaria's film technology, enabling a faster and more reliable effect. Klaria develops the product in-house together with the EU Horizon 2020 program which finances the development all the way to application for market approval.

By taking the full development responsibility and risk up to market approval, Klaria is creating very strong value potential that can be realized through out-licensing.

At least equivalent effect according to clinical study

Alginate films absorbed via the oral mucosa have great advantages over traditional tablets that are swallowed, since vomiting and reduced activity in the gastrointestinal tract may occur in connection with migraine attacks. Another alternative drug delivery method is nasal spray, but some patients find them unpleasant and may experience vomiting when the substance is transported from the sinuses into the throat.

Klaria has conducted a clinical study with Sumatriptan Alginate Film which showed an equivalent or improved effect and a significantly shorter time to effect compared to traditional tablets that are swallowed.

Registration study to be completed in 2020

As the next step, a bioequivalence study with Sumatriptan Alginate Film is now being planned in order to collect the necessary documentation for a market application. The study is scheduled to begin and to be completed in 2020, with the submission of a first market application in Europe and the United States in 2021. Klaria has already secured large-scale production of Sumatriptan Alginate Film for the study in accordance with current regulations.

Market potential – Migraine-related pain

According to the WHO, 12 percent of the global population suffer from recurrent migraines. In reality, this condition is even more common as it is both under-diagnosed and under-treated.

A billion-dollar market – with the USA in focus

The global market for prescription medication for treating migraine amounted to around 4 billion USD in 2017[1], and is expected to grow to over 5 billion USD after 2020. The global market is currently dominated by medications based on so-called triptans, which make up around 85 percent of all prescribed migraine medication[1]. Triptans are taken either as a tablet, nasal spray or by injection.

Geographically, the United States is in a league of its own with around 80 percent of the global market. Triptans make up around 80 percent of this market and DHE substances are responsible for around 18 percent[1]. In both of these categories, the patents behind the dominating medications to date have expired. This has opened up possibilities for new companies offering innovative concepts and improved patient benefits.

Increasing market shares for alternative drug delivery methods

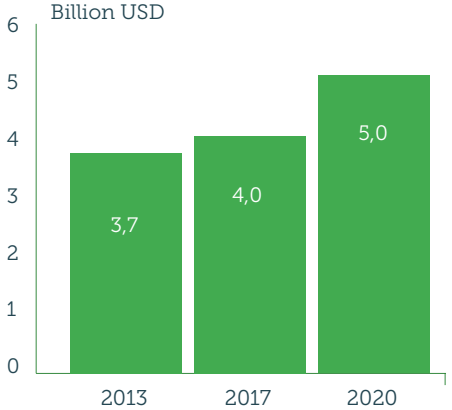
Traditional tablets that are swallowed still dominate the market, but as vomiting and reduced intestinal activity are common during migraine attacks, alternative drug delivery methods such as nasal sprays and injections have become more common thanks to significant patient benefits.

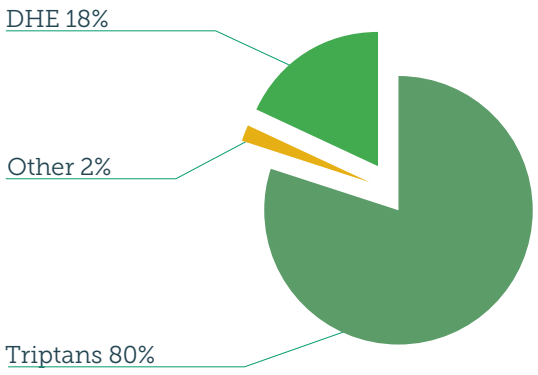
Injection provides a rapid and reliable effect, but many patients find injecting themselves to be unpleasant. Nasal sprays also provide a relatively rapid effect, but some patients find them unpleasant and may experience vomiting when the dose is transported from the sinuses into the throat. This means that Alginate films, that are absorbed via the oral mucosa, has the potential to become an attractive alternative.

High acquisition activity

As the patents supporting current leading medications have expired, investments are increasing considerably in projects to further develop these substances. Acquisitions have been conducted at high valuations, indicating a positive view of the future earnings potential. In January 2014, NuPathe out-licensed its technique for distribution of sumatriptan via plasters to Teva for 144 MUSD[2]. In January 2013, MAP Pharmaceuticals acquired the Levadex® programme (DHE in inhalers) from Allergan for an estimated 958 MUSD[3]. At the end of 2015, AvanirPharmaceuticals purchase of OptinNose for 110 MUSD (plus unspecified royalties above10%) was approved. OptiNose's nasal powder spray ONZETRA™ Xsail™ was approved by the FDA in January 2016.

1 Global Migraine Drugs Market – 2015-2019, 2014, Technavio Research
2 http://www.bloomberg.com/news/articles/2014-01-21/teva-to-acquire-nupathe-for-144-million-outbidding-endo
3 www.allergan.com





Adrenaline Alginate Film for acute treatment of severe allergic reaction

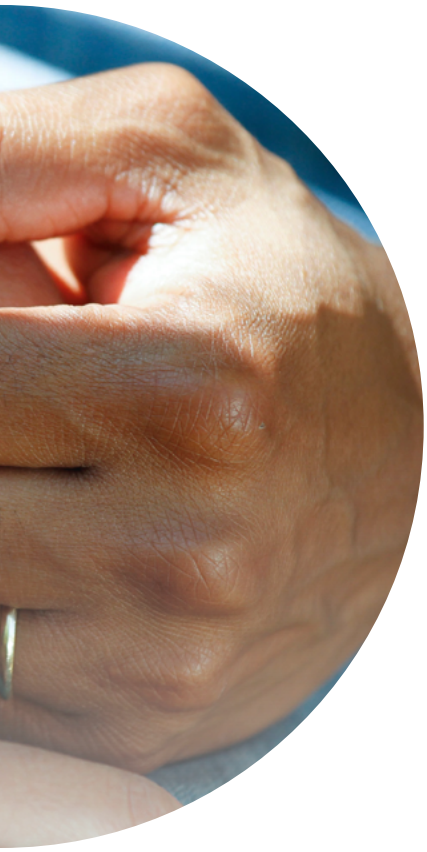
For people with severe allergy or hypersensitivity, it is vital to have access to a dose of adrenaline (epinephrine) for preventative purposes. Injectors available on the market today, including the leading product EpiPen, are quite large, difficult to use correctly and frightening for people with needle phobia.

A revolution compared to large injectors

Adrenaline Alginate Film (KL-01401) is a completely new type of emergency treatment that is practical and easy to bring at all times, while having a shorter time to effect and being needle-free. It has the potential to revolutionize the product category for the benefit of both patients, caregivers and parents of allergic children.

Development and license agreement worth 55 million USD + royalty

Adrenaline Alginate Film is developed in collaboration with Mundipharma/Elvium Pharma in accordance with a global, exclusive agreement that was signed in early 2019. The total value for Klaria of all milestones achievable in the agreement is 55.2 million USD. In addition, there is a royalty based on net sales. Furthermore, the agreement gives Klaria the exclusive right to manufacture the product for the global market.



Market potential
– Adrenaline against acute allergic reaction

The global market for acute adrenaline treatment is valued at approx. 50 billion SEK in 2025, and the only product category available is large and often expensive injectors.

Since people with severe allergies or hypersensitivity always need to carry a dose of adrenaline (epinephrine) with them as a precaution, Klaria's adrenaline films have the potential to become a very attractive alternative. Klaria's films are smaller and easier to handle, and many patients feel a great deal of discomfort towards injecting themselves.

In addition to direct sales to patients, a smaller and more easy-to-use adrenaline product also has the potential to achieve success with caregivers and emergency personnel. Parents with allergic children would also benefit greatly from the product.

Naloxone Alginate Film for acute treatment of opioid overdose

The United States, Canada, and other countries are struggling with widespread abuse of opioid-based pain medications such as morphine. Naloxone Alginate Film is developed as a promising alternative for a more effective and rapid emergency treatment of overdose.

The active substance naloxone is a well-established antidote, and does not induce any intoxication or dependence. Klaria initially developed the naloxone films with focus on patients suffering from cancer-related pain, but due to the widespread problem of overdose and addiction - and the large market potential this creates - the project has been developed into a therapy area of its own.

In-house development after preclinical collaboration with Purdue Pharma

The development of Naloxone Alginate Film is conducted in-house by Klaria after the company has taken back the rights to the project from Purdue Pharma (Canada). During the collaboration, the parties conducted successful preclinical development of the product, and the project is now ready for the clinical phase.

The next step – clinical dose-ranging study

Klaria is now working with the preparations for a first clinical study to test Naloxone Alginate Film on patients in order to find an optimal dosage level. Thereafter, a registration study is also required before the company can submit an application for market approval.

Market potential – Acute treatment of opioid overdose

The market for naloxone treatments for opioid overdose is very large in countries such as the United States due to the country's extensive problems with opioid abuse.

The United States – leading in prescribing pain medication

It is estimated that 650,000 prescriptions for painkillers are dispensed each day in the United States. This corresponds to 240 million prescriptions a year in a country with 320 million inhabitants. A significant proportion of all health and emergency personnel in the United States also carry naloxone with them at work[9], and in most states naloxone products are sold without prescription. The demand is thus very high in the United States, and the market value is estimated to approximately 1 billion USD annually[10].

Sweden is a smaller market, but as many as 665 people died due to opioid overdose in 2016[7], and a decision has been made to allow doctors to prescribe naloxone to people at risk of overdosing[8].

Two distinct market segments

Klaria estimates that there are two distinct market segments for naloxone products. One is the use of naloxone among healthcare professionals, emergency services and police who increasingly carries naloxone products with them. The other segment is sales in combination with pain-relieving products to minimize the consequences of an overdose in the case that emergency personnel do not arrive in time.

In line with the company's new strategy, Klaria focuses on the second of these two segments, as the Alginate film technology has the greatest potential in this area with its flexible and needle-free format that should be appreciated by patients, caregivers and close relatives. In the United States, this segment comprises 650,000 potential sales opportunities each day.

Positive pricing potential

Naloxone products have become more expensive in recent years. Nasal spray containing naloxone costs between 70 and 200 USD per dose and an automatic injector more than 2,000 USD per dose[11]. Naloxone Alginate Film is expected to be very competively priced in comparison to these alternatives. Based on the price development in combination with a growing need, Klaria expects a considerable demand once the company launches its product.

6 https://www.economist.com/news/leaders/21722189-criminalisation-not-right-way-approach-it-or-other-drugs-fentanyl-next-wave

7 http://drugnews.nu/2017/06/06/okad-narkotikadod-dags-naloxon/

8 http://www.lakartidningen.se/Aktuellt/Nyheter/2017/06/Myndigheter-svanger-om-Naloxon/

9 http://www.npr.org/sections/health-shots/2017/08/08/541626627/first-responders-spending-more-on-overdose-reversal-drug

10 https://www.bloomberg.com/news/articles/2016-11-11/saving-heroin-users-with-a-nasal-spray-is-an-80-million-business

11 http://nordic.businessinsider.com/price-of-naloxone-narcan-skyrocketing-2016-7?r=US&IR=T

Cannabis formulated in Alginate film for cancer-related pain and other indications

Cannabinoids for pain relief is a very promising middle path between non-prescription substances and more potent, opioid-based medications. With its innovative films, Klaria can produce cannabinoid products that are smoke-free with a rapid effect while delivering the same dose each time.

It is clear that there is a great need for pain-relieving cannabinoid products, for example among cancer patients, and the market is rapidly growing in regions such as North America. However, most products that are available today are absorbed via the gastrointestinal system, which is not optimal. The difficulty to dose correctly and the long time to effect are two important problems that Klaria's Alginate film technology can solve.

Broad potential in several areas

In addition to pain relief, Klaria's Alginate film technology have potential within several other prescription and non-prescription applications, including epilepsy and autism. Recreational applications are also possible in regions where this is allowed.

Patent-pending formulation following rapid progress

Klaria filed a first patent application for a formulation with the cannabinoid CBD that is absorbed via the oral mucosa in March 2019. This application forms the basis of a global patent strategy that includes all important regions for the company.

Further development and out-licensing through Cannabis Delivery Sciences

Cannabis-based applications of Klaria's Alginate film technology are handled through the group company Cannabis Delivery Sciences, and the main strategy is to create a strong patent protection as the formulation and drug delivery aspect is deemed to be neglected in the cannabis market. The aim is to sign out-licensing agreements with partners who will finance the continued development costs.

Market potential – Cancer-related pain

Approximately one in three people living in Sweden will be diagnosed with cancer according to Cancerfonden. Of these, around 50 percent experience cancer-related pain that requires treatment with prescription medication.

Many of these individuals also experience "breakthrough pain", acute bouts of pain that can last from 3 to 30 minutes. This is very stressful for the patient, and over 70 percent of those affected state that they have not received adequate help to cope with the pain [4].

A global billion dollar market

The global market for treatment of cancer-related breakthrough pain is estimated to be worth approximately 4 billion USD annually. It is dominated by medications that can administer painkilling substances quickly, such as fentanyl and oxycodone. The active substances are normally distributed through nasal sprays (Lazanda®, Depomed), sublingual tablets (Abstral®, Orexo AB), buccal tablets (Fentora Buccal®, Cephalon) and transmucosal lozenges (Atiq®, Cephalon), which deliver fentanyl directly into absorbent tissues in the nose or mouth. Most of these products vary in terms of how easy they are to use and how much active medication is delivered, and they are based on relatively complex and costly manufacturing methods. Some are also difficult to use if the patient is lying down.

Alginate films with cannabis as a promising middle path

In recent years, there has been an increasing focus on cannabis/cannabinoids as an attractive opportunity to offer stronger pain relief than prescription substances, but with a lower risk of overdose and addiction than opioids. However, current cannabis-based products often have a long time to effect, and since they are absorbed via the gastrointestinal tract they are difficult to dose.

Cannabis formulated in an Alginate film solves the main problems with current products, and it is of course completely smoke-free.

High growth rate

Decision Resources Research estimates that the annual rate of growth for pharmaceuticals for breakthrough pain in cancer patients will be around 15 percent up until 2023, which is higher than for any other pain segment. This forecast can be explained by an increase in the number of cancer diagnoses, as well as lifestyle choices and a rise in life expectancy[5]. In addition, increasingly successful treatments may also increase the focus on the patients' quality of life.

With continued cost pressure in public healthcare, it is probable that patients will have to take more responbility in the future when it comes to pain relief. This will increase the attractiveness of easy-to-use, reliable and cheaper medication.

4 Immediate release Pain Management to 2020' Greystone Research Associates, 2014

5 Cancer Pain, Decision Resources, 2009

Management Team

Jesper Wiklund

CEO

Born: 1969

Education: Bachelor of Science in Biology from St. Mary's College of California and an MBA from Harvard Business School.

Jesper previously worked for New York based Oberland Capital, a health care focused private investment firm with over 1.2 billion USD in capital commitments where he held the position Managing Director, Europe. Previousely, he was CEO of the drug development company InDex Pharmaceuticals that is based in Stockholm, Sweden. Over the course of his 20+ year career in the life science industry, Jesper Wiklund has completed strategic transactions with an aggregate value exceeding 1 billion USD.

Shareholding: 1,203,654

Holding of warrants: 0

Scott Boyer

CSO (Chief Scientific Officer) Board member

Born: 1962

Education: Ph.D, University of Colorado, Boulder – Toxicology. NIH Fogarty International Center Postdoctoral Fellow – Karolinska Institute.

Previous experience: Senior Research Scientist, Pfizer; Chief Scientist, AstraZeneca.

Other current engagements: Director – Computational Toxicology, Karolinska Institutet.

Shareholding: 725,010

Holding of warrants: 0

Marc Willuhn

Head of CMC (Chemistry, Manufacturing and Control)

Born: 1969

Education: PhD in organic chemistry at the Max Planck Institute for Coal Research in Germany, thereafter post-doctoral research at the Faculté de Pharmacie in Paris.

Marc Willuhn has previously held the position as VP R&D at Fresenius Kabi and Head of the Innovation & Development Centre in Uppsala, Sweden. Prior to that, he was Director of Process Development at Baxter Healthcare. Earlier in his career, Marc Willuhn worked in chemical development at Schering AG and Sigma-Aldrich.

Shareholding: 0

Holding of warrants: 0

The Board of Directors

Björn Littorin

Chairman of the Board

Born: 1947

Education: MSc in Engineering, Chalmers Tekniska Högskola.

Main occupation: Board work and investments.

Other current engagements: Board member MedUniverse AB, Board member Paxman AB (publ) and Board member in several smaller unlisted companies.

Shareholding: 72,000

Holding of warrants: 0

Independent: Independent in relation to the company as well as major shareholders.

Scott Boyer

Chief Scientific Officer and Board member

Born: 1962

Education: Ph.D, University of Colorado, Boulder – Toxicology. NIH Fogarty International Center Postdoctoral Fellow – Karolinska Institute.

Previous experience: Senior Research Scientist, Pfizer; Chief Scientist, AstraZeneca.

Other current engagements: Director – Computational Toxicology, Karolinska Institutet.

Shareholding: 725,010

Holding of warrants: 0

Independent: Not independent in relation to the company, independent in relation to major shareholders in the company.

Anders Ardstål

Board member

Born: 1981

Education: MSc in Industrial and management Engineering

Main occupation: Business Development Manager of Vitrolife Sweden AB.

Other current engagements: Board .member Intellego Technologies, Pmeverine AB, Euryphaessa AB, Proistami AB

Shareholding: 0

Holding of warrants: 0

Independent: Independent in relation to the company as well as major shareholders.

The share and ownership structure

Klaria Holding AB (Publ)'s share is listed on First North under the short name KLAR with ISIN code SE0005506193. Klaria's ICB category is Subsector 4577. FNCA Sweden AB is the company' Certified Advisor. As of December 31 2019, the number of shareholders in the company amounted to approximately 4,600.

Dividend and dividend policy

Klaria is in an expansion phase. The Board of Directors will not propose any dividend to the shareholders until Klarias' earnings, cash flow, financial position and capital requirements together justify this.

Shareholders

As of December 31 2019, the number of shareholders amounted to approximately 4,600.

Share capital

Klaria's share capital amounts to 534,887.47 SEK divided on 32,093,248 shares. According to the Articles of Association, the share capital shall amount to a minimum of 500,000 SEK and a maximum of 2,000,000 SEK and the number of shares to a minimum of 30,000,000 and a maximum of 120,000,000. The shares' quota value is 0.0167 SEK (1.67 öre). The company has only one share class and all shares have equal rights to dividend and surplus on liquidation and entitle to one vote per share.

The shares in Klaria are not, and have not been, the subject of an offer as a result of a mandatory bid, redemption right or solution. The shares have not been the subject of any public offer. The shares have been issued in accordance with Swedish legislation and are denominated in Swedish kronor. There are no pre-emption clauses, refusal clauses or other restrictions on the transfer of shares.

The shareholders

Name	Number of shares held	Holding/votes (%)
UBS Switzerland AG/Clients account	14,057,091	43.8 %
Fredrik Hübinette	3,741,992	11.7 %
Ålandsbanken, client account	1,791,851	5.6 %
Deutsche Bank, client account	1,204,924	3.8 %
Banque Internationale A Lux	1,183,154	3.7 %
Bo Millstam	964,887	3.0 %
Scott Boyer	725,010	2.3%
Six Sis AG, Schweiz	667,085	2.1 %
Mats Eriksson	609,059	1.9 %
Nordnet Pensionsförsäkring AB	575,368	1.8 %
Other	6,572,827	20.5 %
In total	**32,093,248**	**100.0 %**

Risk factors

All business activities and all ownership of shares are associated with risks. The following describes a number of risk factors that may affect the company's future development. These are not ranked, nor do they claim to be comprehensive. Risk factors that have not yet been identified or have not been considered significant may nevertheless affect the company's future development.

Risks related to the business and the industry

Klaria's business concept is to combine the company's patented drug delivery technology with well-proven substances in the therapeutic areas of migraine- and cancer-related pain as well as opioid overdose and anaphylactic shock. The company's products require continued research and development as well as regulatory approval before they can generate revenues. The risk level is thus high and there is no guarantee that the company's product development will be successful, that potential products will be safe and effective, that the required permits will be obtained or that the drugs that are launched on the market will be well received.

In order to obtain a marketing authorization, the company must demonstrate that these product candidates are safe and effective through adequate and well-controlled clinical studies. The company cannot predict with certainty when these studies will be completed or even implemented. This type of development is time-consuming and is influenced by a variety of factors, including those that are outside the company's control. During the development work, it may turn out that the company's product candidates do not have the expected effect or that they prove to have unforeseen and undesirable side effects or other properties that can delay or stop the continued product development, and limit or prevent the product candidate's commercial use.

Unforeseen study results can lead to the concept and development program having to be reviewed, which means that further studies may be required at significant costs, or that development programs are closed. This can lead to delayed launches or missing registrations of the company's product candidates, which in that case would have a negative impact on the company's earnings, and financial position.

Regulatory risks

Development, marketing, and sales of pharmaceuticals are subject to extensive regulation and legislation. The company cannot safely predict whether, where, when and how these rules will change and whether such changes can adversely affect the company. For the company to be able to sell pharmaceuticals in the long term, market approval must be obtained for each geographic market.

The company cannot predict with certainty which complementary clinical studies must be carried out for different markets, that the manufacturing process will be approved, the time it takes to obtain market approval and that market approval with certainty will be obtained in the markets the company wishes. In this regard, Klaria, like other companies in the pharmaceutical industry, is dependent on assessments and decisions from relevant authorities, such as the Medical Products Agency (Läkemedelsverket) in Sweden, the Food and Drug Administration (FDA) in the US or the European Medicines Agency (EMA) in the EU. Such assessments include, among other things, permission to carry out clinical trials and permits to market and sell pharmaceuticals.

An application for market approval of the company's products as a pharmaceutical requires extensive documentation regarding clinical results, quality assurance and that production meets current regulations for instance. Although the company establishes large parts of this documentation in parallel with the clinical studies, it cannot be ruled out that unforeseen circumstances can cause delays, which would result in applications for market approval being submitted later than expected. Authorities may request additional information or have other views on the company's applications, which means that the time of any market approval is associated with uncertainty. It cannot be ruled out that the company may need to make submit additional information, which can be time-consuming and result in unforeseen costs.

Side effects

The company's main area of operation is within development and sales of medical products, which entails risks that persons who either consume or participate in clinical studies with the company's products or otherwise come in to contact with the company's products suffer from side effects. The consequence of such potential side effects can delay or stop the continued process of obtaining market permits in different markets, imply sales interruptions and thus affect the company's sales, earnings and financial position. Also, it can not be ruled out that the company may be sued by people who suffer from side effects, which may lead to the company being obliged to pay damages.

Competition

The company operates in an industry that is characterized by fierce competition and it cannot be guaranteed that the company's products will be preferred over competing companies' existing or future products on the market. Nor can it be ruled out that competing companies may develop equivalent or better products.

Future products in development of other companies can lead to increased competition and reduced opportunities for the company's products in terms of market share and price. Mentioned uncertainties entail risks that may adversely affect the company's expected sales, earnings and financial position.

Partners and distribution channels

The company's growth is largely deemed to be dependent on the establishment of partnerships with distributors, retailers and other distribution channels. The company cannot guarantee that agreements can be entered into on favourable terms or that agreements entered into are held by the counterparties. If important collaborations cannot be concluded, are terminated or work unsatisfactorily, this can adversely affect the company's continued development, growth and financial position. The company can also be adversely affected if business-critical systems go down or fail.

Product liability and insurance

The company's operations entail risks for product liability. The company will maintain product liability insurance for products where it is considered important. However, any claims for damages directed against the company in the event of damage caused by the company's products or product candidates may exceed the amounts that are reimbursed by the company's insurance. Furthermore, it cannot be ruled out that the company's product liability insurance will not cover a claim for damages. If the company becomes liable for damages in addition to what is covered by the company's insurance, this can adversely affect the company's earnings, and financial position.

Patents, trademarks and know-how

In the business segment where Klaria is active, there is always a risk that the company's patents, in-licensed patent rights or other intellectual property rights do not provide sufficient protection for the company, or that the company's rights cannot be maintained.

Furthermore, patent infringement may occur, which can lead to costly disputes. The outcome of such disputes cannot be guaranteed in advance. Negative outcomes of disputes over intellectual property rights can lead to lost protection for the losing party, the prohibition of continuing to exercise the right in question or obligation to pay damages.

The company's patent has not yet been approved in all countries where an application has been made and there are no guarantees that this will be the case.

Although the company uses non-disclosure agreements and strives to internally retain knowledge and control of the most sensitive components in the production of the company's products, there are no guarantees that uncontrolled distribution and copying of the company's production methods will not occur. Such uncontrolled distribution and copying could damage the company if it is used to produce competing products or if it is used commercially without financial compensation for Klaria.

Klaria is largely dependent on the company's senior executives and other key personnel. If the company lost any of its key employees, this could have a negative impact on the company's expansion and growth.

The new coronavirus (Covid-19)

Since Klaria's operations are focused on research and development, with strong ability to operate effectively without travels and physical meetings, no significant effects of restrictions due to the Covid-19 pandemic or other effects associated with it are expected. However, if the global and Swedish economy were to be affected significantly and in the long term, Klaria could be affected in the form of impaired opportunities to carry out attractive licensing deals, potential delays among suppliers and impaired opportunities to obtain additional financing should such a need arise.

Expected upcoming milestones

- Completion of clinical bioequivalence study and preparation of an application for market approval for Sumatriptan Alginate Film against acute migraine.
- Initiate clinical studies with Adrenaline Alginate Film against acute allergic reaction with partner Mundipharma/Purdue Pharma Canada.
- Initiate clinical studies with Naloxone Alginate Film against opioid overdose.
- Initiate clinical studies with Ketamine Alginate Film against acute pain and depression.
- Via Cannabis Delivery Sciences: sign a first license agreement for cannabis/cannbinoids formulated in Alginate film.

Business operations

Klaria Pharma Holding AB was formed in 2015. Klaria AB runs the operations with offices and laboratory operations in Uppsala and has employed 4 people in 2019.

Klaria Pharma Holding AB develops and commercializes a new generation of medications for migraine and cancer-related pain as well as opioid overdose and anaphylactic shock. Klaria's concept is based on a patented drug delivery film whics is combined with clinically tested and well-proven active substances. The combination enables the creation of medication with a direct and reliable effect.

The share is traded on NASDAQ OMX First North and the number of shareholders amounts to approximately 4,600. FNCA Sweden AB is the company's Certified Adviser.

Company information

Klaria Pharma Holding AB (publ) (corporate ID 556959-2917) is a Swedish-registered limited liability company with its registered office in Stockholm. The parent company's shares are registered on NASDAQ First North Stockholm. The address of the head office is Virdings Allé 2, 754 50 Uppsala. The Board's registered office is located in Stockholm.

The group's operations are mainly conducted in Sweden. The group consists of the parent company Klaria Pharma Holding AB, Klaria AB, Klaria Incentive AB, CDS Functional Film AB, Uppsalagruppen Medical AB, WBC Drug Delivery Technologies GmbH and FFT Pharmaceuticals AB in Stockholm.

Result and financial position

Revenue, earnings and cash flow

The group's net sales for the entire year totalled 4.2 MSEK (0,0 MSEK). The net result amounted to -22.5 MSEK (-27.3 MSEK) or -0.67 SEK (-0.89 SEK) per share for the period. Cash flow from operations for the period amounted to -14.8 MSEK (-9.1 MSEK) or -0.48 SEK (-0.30 SEK) per share.

Liquidity and financial position

At year-end, the group's cash and cash equivalents amounted to 2.9 MSEK (8.0 MSEK). The group's equity at year-end amounted to 82.1 MSEK (94.7 MSEK) and the equity/assets ratio was 81% (89%).

Significant events during the year

Klaria signs an agreement with Purdue Pharma for emergency adrenaline treatment worth 55 MUSD plus royalty

On January 22, 2019 Klaria announced that the company had signed exclusive development, license and supply agreements with Purdue Pharma (Canada) for an emergency treatment of severe allergic reactions.

Klaria submits cannabinoid formulation application

On March 7, Klaria announced the completion and filing of a patent application for a unique cannabinoid formulation designed to deliver a specified dose to the bloodstream in a rapid, simple and reproducible manner via the company's stamp-sized oral mucosal films.

Klaria announces positive pre-clinical proof-of-concept study results with the cannabinoid CBD

On May 23, Klaria announced positive results in a pre-clinical Proof-of-Concept (PoC) study conducted with the cannabinoid CBD, formulated in the company's proprietary alginate transmucosal film. The company has initiated discussions with cannabis-focused companies regarding potential licensing agreements for the technology.

Klaria announces progress in the company's two leading projects and secures non-dilutive financing

All project activitites for Sumatriptan Alginate Film (KL-00119) and Epinephrine Alginate Film (KL-01401) in 2018/2019 has been successfully completed. Klaria has also secured non-dilutive financing in the form of a SEK 15 million credit line, which is estimated to take the company comfortably through 2019.

Klaria re-acquires all global rights for its naloxone project from Purdue Pharma (Canada)

On September 13, Klaria announced that the company will re-acquire all global rights to Naloxone Alginate Film (KL-00514) from Purdue Pharma (Canada).

Klaria initiates large-scale production of KL-00119 oral film (sumatriptan) for its clinical registration trial

On September 18, Klaria announced that large-scale production of the company's lead migraine product KL-00119 oral film (sumatriptan) has been initiated. Initially, KL-00119 is produced for the pivotal clinical trial scheduled for 2020 prior to registration and marketing of the product.

Klaria strengthens its drug delivery platform with acquisition of innovative technology with potential to revolutionize delivery of large molecules

On September 19, Klaria announced that it has acquired WBC Drug Delivery Technologies, a drug delivery company based in Munich, Germany. With the combination of the two technologies, the administration of vaccines would be vastly simplified through the use of of Klaria's stamp-sized film.

Klaria announces positive results in a pre-clinical, proof-of-concept study with new ketamine formulation and files patent to protect its innovations

On September 24, Klaria announced positive results in a pre-clinical Proof-of-Concept (PoC) study conducted with ketamine formulated in the company's proprietary alginate transmucosal film. Klaria also announces that it has filed for patent protection of the new formulation.

Klaria establishes the new company CDS Functional Film AB to fully realize the commercial opportunities of cannabis in its Alginate Film Technology

On October 25, Klaria announced the formation of the subsidiary CDS Functional Film AB. The new company is a separate entity operating within the Klaria group and focuses exclusively on the commercialisation of cannabis products formulated with Klaria's Alginate Film Technology.

Klaria acquires Uppsalagruppen and becomes the owner of the patent that protects Klaria's technology platform

On November 5 2019, Klaria announced that the company has acquired Uppsalagruppen Medical AB and the patent that protects Klaria's alginate film and drug delivery technology. With this acquisition, Klaria will now have full freedom to develop new drug candidates in the future.

At an extraordinary general meeting on December 18, it was resolved that Klaria Pharma Holding and Karessa Pharma Holding will merge to create a focused drug development company

The merger creates a focused drug development company with a wholly-owned drug-delivery technology platform and a strong development pipeline.

Klaria Pharma appoints Jesper Wiklund as Chief Executive Officer

On November 28, the company announced the appointment of Jesper Wiklund as Chief Executive Officer of Klaria Pharma. He brings over 25 years of international commercial experience in the biotechnology and pharmaceutical industry to Klaria. He will succeed Scott Boyer, who will continue his full-time involvement with the company in the newly created role of Chief Scientific Officer.

Significant events after the end of the period

Klaria Pharma presents new strategy, upcoming milestones and new website

On January 30, Klaria announced that it has formulated and is now implementing a new strategy. Klaria will focus all research and development on programs where Klaria's films have the potential to replace injections or nasal sprays, and where formulations constitute a major problem for patients, caregivers or payers. Klaria will also invest in improving the company's market communication in 2020. As a part of this effort, Klaria has launched a new website at www.klaria.com.

Klaria receives 6.4 MSEK milestone payment from EU's Horizon 2020 program to take Sumatriptan Alginate Film to market

On February 7, Klaria announced that the company has received a milestone payment of 6.4 MSEK from the EU's Horizon 2020 program. The payment is made as the development of Sumatriptan Alginate film (KL-00119) continues to proceed successfully according to plan. Large-scale production of the product is on-going, and all preparations for the upcoming bioequivalence study are completed. This pivotal clinical study required for submission of approval is planned to start in the first half of 2020 with completion in 2020.

The merger between Klaria and Karessa completed

On February 24, 2020, the merger between Karessa Pharma Holding AB (publ) and Klaria Pharma Holding AB (publ), that received approval at extraordinary general meetings in the two companies, was completed. The merger was registered at Bolagsverket as of March 6, 2020, and Karessa is thereby dissolved. The terms for the merger was that one share in Karessa was exchanged for 0,6032 new shares in Klaria. In connection with the merger, 6,035,200 new shares in Klaria were issued to Karessa's shareholders. After the merger has been completed, the number of shares in Klaria amounts to 38,728,448.

The parent company Klaria Pharma Holding AB (publ)

Klaria Holding AB (publ), corporate ID 556959-2917 is the parent company of the group. The group's operations are mainly conducted in the subsidiary Klaria AB and consist of the development of products in the therapy areas of migraine and cancer-related pain as well as opioid overdose and anaphylactic shock. The parent company's operations consist of administration and brand marketing.

The parent company Klaria Pharma Holding AB's net profit/loss amounted to -20.6 MSEK (-17.8 MSEK). Group contributions to subsidiaries during the year amounted to 14,6 MSEK (17,5 MSEK). The parent company's cash and cash equivalents at the end of the period amounted to 1,7 MSEK (1,4 MSEK). At the end of the year, equity in the parent company amounted to 124.9 MSEK (135.6 MSEK) and the equity/assets ratio was 88% (99%).

Proposed appropriation of retained earnings (SEK)

At the disposal of the Annual General Meeting, the following funds and the profit/loss for the year in the parent company are available.

Share premium reserve	144,948,926 SEK
Profit/loss for the year	-20,582,724 SEK
Total non-restricted equity	124,366,202 SEK

The Board proposes that the profit/loss for the year be carried forward. After the disposal non-restriced equity amounts to:

Share premium reserve	124,366,202 SEK
Total non-restricted equity	124,366,202 SEK

With regard to the company's financial position and performance in other respects, refer to the following income statement, balance sheet and cash flow statements, as well as the accompanying notes.

Accounts and notes

5-year overview

TSEK (unless otherwise stated)	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Net sales	4,223	0	2,275	0	0
Operating costs	-32,677	-28,115	-24,472	-24,377	-10,681
Operating profit/loss	-21,092	-27,293	-21,825	-24,029	-10,369
Profit/loss after financial items	-22,492	-27,306	-21,568	-24,104	-10,370
Profit/loss after tax	-22,492	-27,306	-21,568	-24,104	-10,370
Cash flow from operating activities	-14,796	-9,139	-12,060	-14,393	-4,429
Cash and cash equivalents on the balance day	2,917	7,959	17,098	31,100	45,633
Equity on the balance day	82,108	94,700	122,006	145,708	169,812

Key ratios

TSEK (unless otherwise stated)	2019-01-01 2019-12-31	2018-01-01 2018-12-31	2017-01-01 2017-12-31	2016-01-01 2016-12-31	2015-01-01 2015-12-31
Return on equity, %	neg	neg	neg	neg	neg
Return on capital employed, %	neg	neg	neg	neg	neg
Profit/loss per share before and after dilution, SEK	-0.72	-0.89	-0.71	-0.80	-0.35
Cash flow per share, SEK	-0.16	-0.30	-0.46	-0.48	2.64
Equity/assets ratio	81 %	89 %	98 %	99 %	99 %
Equity per share, SEK	2.56	3.08	3.96	4.86	5.66
Number of employees at the end of the period	4	4	3	3	2

The 5-year overview is adjusted with accumulated depreciation for right-of-use from June 2015.

Consolidated income statement and comprehensive income

TSEK (unless otherwise stated)	Note 1	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating income			
Net sales	Note 2	4,223	0
Other operating income	Note 3	7,362	822
Operating costs			
Administrative costs	Note 4	-6,653	-3,065
Sales costs	Note 5	-1,816	-2,430
Research and development costs	Note 5	-24,208	-22,620
Total operating costs		**-32,677**	**-28,115**
Operating profit/loss		**-21,092**	**-27,293**
Earnings from financial investments			
Financial revenues	Note 6	3	19
Financial costs		-1,403	-32
Financial net		-1,400	-13
Profit/loss before tax		**-22,492**	**-27,306**
Tax	Note 8	**0**	**0**
Profit/loss for the year		**-22,492**	**-27,306**
Other comprehensive income			
Items to be reclassified to profit/loss for the year			
Translation differences		-2	0
Other comprehensive income for the year		**-2**	**0**
Comprehensive income for the year		**-22,494**	**-27,306**
Profit/loss for the year attributable to:			
The parent company's shareholders		-22,492	-27,306
Non-controlling interest		1	-
Profit/loss for the year		**-22,491**	**-27,306**
Comprehensive income for the year attributable to:			
The parent company's shareholders		-22,494	-27,306
Non-controlling interest		1	-
Comprehensive income for the year		**-22,493**	**-27,306**
Profit/loss per share	9		
Before and after dilution (TSEK)		-0.72	-0.89
Average number of shares before dilution (thousands)		31,157	30,792
Average number of shares after dilution (thousands)		31,157	30,792
Number of shares by the end of the year, thousands		32,093	30,792

Consolidated balance sheet

TSEK (unless otherwise stated)	Note	2019-12-31	2018-12-31
Assets			
Non-current assets			
Intangible assets			
Intellectual property rights	Note 10	96,740	96,630
Tangible fixed assets			
Plant and machinery	Note 11	41	68
Financial assets			
Rights-of-use asset	Note 12	763	0
Total fixed assets		**97,544**	**96,698**
Current assets	Note 20		
Other receivables	Note 15	891	1,233
Prepaid expenses and accrued income	Note 15	375	365
Total current receivables		**1,266**	**1,598**
Cash and cash equivalents		2,917	7,959
Total current assets		**4,183**	**9,557**
TOTAL ASSETS		**101,727**	**106,255**
Equity and liabilities			
Equity	**Note 16**		
Share capital		535	513
Other contributed capital		195,045	185,165
Translation reserve		-2	0
Retained earnings including profit/loss for the year		-113,470	-90,978
Equity attributable to parent company shareholders		**82,108**	**94,700**
Non-controlling interest		**2**	-
Total equity		**82,110**	**94,700**
Liabilities			
Non-current liabilities			
Lease liabilities	Note 12	130	0
Total non-current liabilities		**130**	**0**
Current liabilities	**Note 19, 20**		
Short-term financing		10,000	0
Accounts payable	Note 17	2,726	756
Current part of lease liability	Note 12	641	0
Other liabilities	Note 18	296	512
Accrued expenses and deferred income	Note 18	5,824	10,287
Total current liabilities		19,487	11,555
Total liabilities		19,617	11,555
TOTAL EQUITY AND LIABILITIES		**101,727**	**106,255**

Consolidated cash flow statement (indirect method)

The cash flow statement has been prepared in accordance with the indirect method. The reported cash flow comprises only transactions that entail deposits and payments.

TSEK (unless otherwise stated)	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating activities		
Operating profit/loss before financial items	-21,092	-27,293
Received interest	3	19
Paid interest	-1,403	-32
Adjustments for items not included in the cash flow		
Depreciation	10,089	9,579
Cash flow from operating activities before changes in working capital	**-12,403**	**-17,727**
Cash flow from changes in working capital	**-12,403**	**-17,727**
Increase(-)/decrease(+) in current receivables	342	-618
Increase(+)/decrease(-) in current liabilities	-2,735	9,206
Cash flow from operating activities	**-14,796**	**-9,139**
Investment activities		
Acquisition of subsidiary, net liquidity impact	387	0
Cash flow from investing activities	**387**	**0**
Cash flow before financing activities	**-14,409**	**-9,139**
Financing activities		
New loans	10,000	0
Liabilities attributable to financing activities	-633	0
Cash flow from financing activities	**9,367**	**0**
Cash flow for the year	**-5,042**	**-9,139**
Cash and cash equivalents at the beginning of the year	7,959	17,098
Cash and cash equivalents at the end of the year	2,917	7,959

Consolidated statement of changes in equity

	Share capital	Other contributed capital	Translation reserves	Retained earnings including profit/loss for the year	Total	Non-controlling interest	Total equity
Opening balance 2018-01-01	**513**	**185,165**	**0**	**-63,672**	**122,006**	**0**	**122,006**
Comprehensive income							
Comprehensive income for the year				-27,306	-27,306		-27,306
Other comprehensive income					0		0
Comprehensive income for the year	0	0	0	-27,306	-27,306	0	
Transactions with shareholders							
Total transactions with shareholders	0	0	0	0	0	0	0
Closing balance 2018-12-31	**513**	**185,165**	**0**	**-90,978**	**94,700**	**0**	**94,700**
Opening balance 2019-01-01	513	185,165		-90,978	94,700	0	94,700
Comprehensive income							
Comprehensive income for the year				-22,492	-22,492	1	-22,491
Other comprehensive income			-2		-2		-2
Comprehensive income for the year	0	0	-2	-22,492	-22,494	1	-22,493
Transactions with shareholders							
New share issue	22	9,882			9,904		9,904
New share issue for non-controlling interest						-3	-3
Total transactions with shareholders	22	9,882		0	9,904	-3	9,901
Closing balance 2019-12-31	**535**	**195,047**	**-2**	**-113,470**	**82,110**	**-2**	**82,108**

Parent company income statement

TSEK (unless otherwise stated)	Note 1	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating income			
Net sales		0	0
Other operating income	Note 4	4,821	4,852
Operating costs			
Administrative costs	Note 4	-6,168	-2,633
Sales costs	Note 5	-1,544	-1,025
Research and development costs	Note 5	-3,081	-1,585
Total operating costs		-10,793	-5,243
Operating profit/loss		-5,972	-391
Profit/loss from financial items			
Other interest income and similar profit/loss items	Note 6	3	19
Interest expenses and similar profit/loss items		-29	-5
Net interest income		-26	14
Profit/loss after net interest income		-5,998	-377
Group contributions	Note 7	-14,585	-17,500
Profit/loss before tax		-20,583	-17,877
Tax	Note 8	0	0
Profit/loss for the year		-20,583	-17,877
Other comprehensive income			
Items to be reclassified to profit/loss for the year			
Other comprehensive income			
Other comprehensive income for the year		0	0
Comprehensive income for the year		-20,583	-17,877

Parent company balance sheet

TSEK (unless otherwise stated)	Note	2019-12-31	2018-12-31
Assets			
Non-current assets			
Tangible assets			
Equipment		9	16
Financial assets			
Participations in subsidiaries	Note 13	140,100	130,050
Total fixed assets		**140,109**	**130,066**
Current assets			
Receivables from Group companies	Note 14	0	4,995
Other current receivables	Note 15	43	43
Prepaid expenses and accrued income	Note 15	105	225
Total current receivables		**148**	**5,263**
Cash and cash equivalents		1,738	1,432
Total current assets		**1,886**	**6,695**
TOTAL ASSETS		**141,995**	**136,761**
Equity and liabilities			
Equity	Note 16		
Restricted equity			
Share capital		535	513
Total restricted equity		535	513
Non-restricted equity			
Share premium reserve		144,949	152,948
Profit carried forward		0	0
Profit/loss for the year		-20,583	-17,877
Total non-restricted equity		124,366	135,071
Total equity		**124,901**	**135,584**
Provisions and liabilities			
Current liabilities			
Accounts payable	Note 17	1,558	250
Liabilities to group companies		12,789	0
Other current liabilities	Note 18	200	432
Accrued expenses and deferred income	Note 18	2,547	495
Total current liabilities		**17,094**	**1,177**
Total provisions and liabilities		**17,094**	**1,177**
TOTAL EQUITY AND LIABILITIES		**141,995**	**136,761**

Parent company cash flow statement

The cash flow statement has been prepared in accordance with the indirect method. The reported cash flow comprises only transactions that entail deposits and payments.

TSEK (unless otherwise stated)	2019-01-01 2019-12-31	2018-01-01 2018-12-31
Operating activities		
Profit/loss before financial items	-5,972	-391
Received interest	3	19
Paid interest	-29	-5
Adjustments for items not included in the cash flow		
Depreciation	7	6
Cash flow from operating activities before changes in working capital	-5,991	-371
Cash flow from changes in working capital		
Increase(-)/decrease(+) in current receivables	5,115	5,608
Increase(+)/decrease(-) in current liabilities	15,917	193
Cash flow from operating activities	15,041	5,430
Investment activities		
Group contributions to subsidiary	-14,585	-17,500
Acquisition of shares in group companies	-150	0
Cash flow from investing activities	-14,735	-17,500
Cash flow before financing activities	306	-12,070
Financing activities		
Cash flow from financing activities	0	0
CASH FLOW DURING THE PERIOD	306	-12,070
Cash and cash equivalents, opening balance	1,432	13,502
Cash and cash equivalents, closing balance	1,738	1,432

Parent company statement of changes in equity

TSEK (unless otherwise stated)	Share capital	Share premium reserve	Profit carried forward	Profit/loss for the year	Total equity
Opening balance 2018-01-01	513	183,630		-30,682	153,461
Appropriation of previous year's profits		-30,682		30,682	
Profit/loss for the year				-17,877	-17,877
Comprehensive income for the year	0	-30,682	0	12,805	-17,877
Transactions with shareholders					
Total transactions with shareholders			0	0	
Closing balance 2018-12-31	513	152,948	0	-17,877	135,584

TSEK (unless otherwise stated)	Share capital	Share premium reserve	Profit carried forward	Profit/loss for the year	Total equity
Opening balance 2019-01-01	513	152,948	0	-17,877	135,584
Appropriation of previous year's profits		-17,877		17,877	
Profit/loss for the year				-20,583	-20,583
Comprehensive income for the year	0	-17,877		-2,706	-20,583
Transactions with shareholders					
New share issue	22	9,878			9,900
Total transactions with shareholders	22	9,878	0	0	9,900
Closing balance 2019-12-31	535	144,949	0	-20,583	124,901

In RFR 2 Exceptions and additions to IFRS , a general exemption is presented for the parent company regarding certain qualitative disclosure requirements. In cases where the information in the consolidated financial statements is also applicable to the parent company and when the information is provided in such a way that it is clear that they relate to both the group and the parent company, the disclosure requirements from IFRS in the parent company are limited to the requirements that apply to specifications of reported amounts. The limitation does not apply to the disclosure requirements that follow from the Annual Accounts Act.

Note 1 Accounting Policies

Compliance with norms and law

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Council for Financial Reporting's (Rådet för finansiell rapportering) recommendation RFR1 Supplementary Accounting Rules for Groups has been applied.

The parent company applies the same accounting principles as the group except in the cases listed below under the section "Parent Company's accounting principles".

The annual report and the consolidated accounts have been approved for issue by the Board of Directors and the CEO on 26/03/2020. The group's report on profit/loss and other comprehensive income and the statement of financial position and the parent company's income statement and balance sheet are subject to approval at the Annual General Meeting on 2020-04-24.

Valuation bases applied in the preparation of the financial reports

Assets and liabilities are reported at historical cost.

Conversion from foreign currency

Functional currency and reporting currency

Items included in the financial statements of the various companies in the group are valued in the currency used in the economic environment in which the relevant company primarily operates (functional currency). Klaria Pharma Holding AB's functional currency is Swedish kronor, which is also the reporting currency for the parent company and the group. This means that the financial reports are presented in Swedish kronor rounded off to the nearest thousand unless otherwise stated. As a result of the rounding to thousands of kronor, the amounts may not match if they are summed up.

Transactions and balance sheet items

Transactions in foreign currency are translated to the functional currency in accordance with the exchange rates applicable on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate applicable on the balance sheet date. Exchange rate differences arising from the translation are recognized in net financial items in the income statement. Non-monetary assets and liabilities are normally reported at historical cost and are translated at the exchange rate at the time of the transaction.

Consolidated accounts

Subsidiaries are consolidated according to the acquisition method. The purchase price of an acquisition consists of the fair value of assets provided as compensation, issued equity instruments and liabilities incurred or assumed as of the transfer date. Identifiable acquired assets, assumed liabilities and and contingent liabilities in a business acquisition are initially measured at fair value on the acquisition date. The surplus that represents the difference between the acquisition value and the fair value of the group's share of identified acquired net assets is reported as goodwill. Intra-group transactions, balance sheet items and unrealized gains on transactions between group companies are eliminated.

Net sales

All revenues reported as net sales are reported at the fair value of what has been received or will be received less deductions for discounts, VAT and after the elimination of intra-group transactions and are recorded as revenue upon invoicing or payment in connection with delivery when significant risks and benefits such as are associated with the goods' ownership has been transferred to the buyer.

Other income

Invoiced joint development costs and license rights are reported as other income in the income statement during the same period as the costs for the development and license rights have arisen.

Right-of-use

Right-of-use consist of the amount by which the acquisition value exceeds the fair value of the group's share of the acquired subsidiary's identified net assets at the time of acquisition, and which can be allocated to the value of the right to use a patented right. Right-of-use for the acquisition of the subsidiary's rights is reported as intangible assets. The right of use is written off linearly from the time of acquisition to the end of the patent.

Non-current assets

Non-current assets are reported at cost less depreciation according to plan and any write-downs. Depreciation takes place over the estimated useful life from the time of acquisition.

Depreciation periods

The following depreciation periods are used for the different asset classes:

- right of use, linearly from the time of acquisition to the end of the patent, i.e. 12-15 years
- machinery and equipment, 5 years

Impairment of intangible fixed assets

At each balance sheet date, the reported values for intangible fixed assets are checked to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of the asset is calculated. The recoverable amount is calculated at the higher of the asset's fair value after deduction of selling costs and the asset's value in use. The value in use is calculated by estimating and discounting the future deposits and payments that the asset gives rise to. If the recoverable amount of an asset is lower than the carrying amount, the asset is written down to the recoverable amount. This write-down is reported directly in the report on earnings and other comprehensive income.

Receivables

An assessment of bad debts is made when it is no longer probable that the full value will be able to be received. Bad debts are written off in their entirety in the event of a loss.

Financial instruments

Financial instruments reported in the statement of financial position include, on the asset side, cash and cash equivalents, accounts receivable and financial investments. On the liability side, there are accounts payable and loan liabilities.

Accounts receivable

Accounts receivable are included in the statement of financial position when the invoice is sent. Accounts receivable are reported at cost less any provisions for impairment.

A provision for impairment of accounts receivable is made when there is objective evidence that the group will not be able to receive all amounts that are due according to the original terms of the creditors. The reserved amount is reported in the report on earnings and other comprehensive income.

Cash and cash equivalents

Cash and cash equivalents consist of bank balances.

Accounts payable

The expected maturity of accounts payable is short, which is why the liability is reported at nominal amount without discounting according to the method of amortized cost.

Equity

Transaction costs that can be directly attributed to the issue of new shares are reported, net after tax, in equity as a deduction from the issue proceeds.

Transactions with related parties

Short-term remuneration and benefits to senior executives in addition to what is regulated in employment contracts and to other related parties are described in Note 5 and 14 as well as transactions with subsidiaries.

Tax

Deferred tax assets relating to loss carry-forwards are only reported to the extent that it is likely that these will be utilized and result in lower tax payments in the future.

The parent company's accounting principles

The parent company's accounting principles mainly correspond to the accounting principles for the group. In the parent company, the names income statement, balance sheet and cash flow statement are used for the reports that in the consolidated financial statements have the titles report on earnings and other comprehensive income, report on financial position and report on cash flows. The income statement, balance sheet and cash flow statement for the parent company are prepared in accordance with the Annual Accounts Act's schedule, while the report on changes in equity is based on IAS 1 design of financial statements.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition value, less any write-downs, in accordance with the Annual Accounts Act.

Important estimates and assessments

Estimates and assessments of the business situation are evaluated continuously. These are based on historical experience and other factors as well as expectations of future events that are considered reasonable based on prevailing market and other conditions. The estimates that exist based on future expectations and estimates that exist for accounting purposes will by definition rarely correspond to the actual outcome. The estimates and assumptions that entail a significant risk of significant adjustments in the carrying amounts during the next financial year are discussed below.

Impairment testing of intangible assets

The group regularly investigates the need for impairment of intangible fixed assets. Intangible assets are tested for impairment when events or changes indicate that the carrying amount is not recoverable. When calculating the value in use, future expected cash flows are discounted to interest rate that takes into account the market's assessment of risk-free interest and risk (WACC). The Group bases these calculations on achieved results, estimated forecasts and business plans. The estimates and assumptions made by management in the examination of the need for impairment can have a major impact on the group's reported results. Impairment is made if the calculated value in use is less than the carrying amount and affects the profit/loss for the year. See also note 10 for significant assumptions made. It cannot be ruled out that intangible fixed assets may need to be written down, which can materially affect Klaria's financial situation and results. As of December 31, 2019, the value of these assets amounted to 96.7 MSEK.

Tax

Deferred tax assets relating to loss carry-forwards are only reported to the extent that it is likely that these will be utilized and result in lower tax payments in the future. The Board of Directors believes that the reported loss carry-forwards of 72.6 MSEK will not be very likely to be utilized.

Financial instruments and income

As of January 1, 2018, Klaria applies IFRS 9 Financial Instruments and IFRS 15 Revenue from contracts with customers.

IFRS 9 has not had any effect on the Group since the Group's financial instruments, which consist of accounts receivable and other receivables as well as loans that are reported at accrued cost, do not occur.

As of January 1, 2018, Klaria applies IFRS 15 Revenue from contracts with customers that replaces existing standards as of 2018, related to revenue recognition. The change has not had any significant effect on Klaria's earnings and financial position as the company does not yet have any revenues from contract research for external clients and milestone revenues are made in accordance with the cash accounting policy, i.e. is reported as revenue when payments are received..

Taxes, accounting for current taxes vs deferred taxes

Deferred taxes have not been reported, so all taxes relate to current tax.

Reporting of group contributions in the parent company.

Submitted and received group contributions are reported under Appropriations. In 2019, submitted group contributions amounted to 14.6 MSEK (17.5 MSEK).

New IFRS and interpretations applied

As of January 1, 2019, the Group applies the new standard IFRS 16 Leases. IFRS 16 introduces a single accounting method for lease agreements, which means that the Group's lease agreements for premises that have previously been classified as operational leases according to IAS 17 will be reported in the balance sheet as an asset in the form of a rights-of-use asset and lease liability, long and short-term.

The company has chosen to apply the exemption rules as leases of low value assets and leases with a lease term of 12 months or less from the transition date are not included. The company has chosen to apply the modified retrospective approach where comparative years are not recalculated and the cumulative effect is reported as an adjustment of equity at the date of application.

According to the company's consolidated accounts, assets increased by 1,272 TSEK in 2019 compared to 2018 and the Group's liabilities by 1,272 TSEK. The equity ratio at the transition is adversely affected by about 1 percentage point. As of 2019-12-31, the value of the right-of-use asset amounts to 763 TSEK, and the lease liability amounts to 771 TSEK. The accounts had a positive effect on operating profit of 12 TSEK as the group reported depreciation of 509 TSEK on the asset instead of leasing fees of 521 TSEK. However, net financial items were affected by -20 TSEK.

Note 2- Net sales

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Sales in Sweden	399	0	0	0
Milestone payments	3,824	0	0	0
Total	**4,223**	**0**	**0**	**0**

Note 3 - Other operating income

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Research support	7,345	281	0	0
Operating exchange rate gains	16	20	6	9
Sickness benefit	0	153	0	153
Other operating income	1	368	0	0
Management fee	0	0	4,815	4,690
Total	**7,362**	**822**	**4,821**	**4,852**

Not 4 - Auditor's Fees and costs by type of cost

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Brorsson & Co Revisionsbyrå AB				
Audit assignment	0	99	0	16
Other consultations	0	0	0	0
Total	**0**	**99**	**0**	**0**
Crowe Osborne AB				
Audit assignment	182	99	85	54
Other consultations	0	0	0	0
Total	**182**	**99**	**85**	**54**
BDO Mälardalen AB				
Audit assignment	134	118	0	0
Other consultations	145	0	145	0
Total	**279**	**118**	**145**	**0**

Costs by type of cost

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Clinical studies and consumables	6,558	6,684	0	23
Other external costs	10,894	6,195	8,013	2,479
Personnel costs	5,136	5,656	2,774	2,735
Depreciation	10,089	9,580	6	6
Total	**32,677**	**28,115**	**10,793**	**5,243**

Note 5 - Employees and remuneration to the Board and senior executives

Average number of employees

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Uppsala	4	4	1	1
Total	**4**	**4**	**1**	**1**
Men	3	2	1	1
Women	1	2	0	0
Total	**4**	**4**	**1**	**1**

Reporting of gender balance in the management and Board of the parent company

	Men	Women
The Board	3	0
Other senior executives	1	0.75

Salaries and social expenses

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Salaries and other remunerations				
Board and Chief Executive Officer	2,175	2,046	2,175	2,049
Other employees	1,887	2,086	0	19
Total	**4,062**	**4,132**	**2,175**	**2,068**
Social expenses				
Board and Chief Executive Officer	636	618	636	618
Other employees	591	655	0	6
Total	**1,227**	**1,273**	**636**	**624**
Pension costs				
Board and Chief Executive Officer	92	92	92	92
Other employees	122	297	0	0
Total	**214**	**389**	**92**	**92**

Board member fees

At the Annual General Meeting on April 26, 2019, it was decided that board member fees for the period up to the Annual General Meeting 2020 shall amount to 250,000 SEK to the Chairman, and 100,000 SEK to each other member.

CEO's terms of employment

During 2019, CEO Scott Boyer had the following terms of employment. Monthly salary 150,000 SEK. The CEO did not receive other benefits. Between Klaria and Scott Boyer, a mutual notice period of 3 months applied.

On November 28, 2020, Jesper Wiklund assumed the position of new CEO of the company. Jesper has the following terms of employment. From Klaria Holding Pharma AB, the CEO receives 40,000 SEK per month for 20% working time. In addition to this, the CEO receives 160,000 SEK in monthly salary from Klaria's German subsidiary. Between Klaria and Jesper Wiklund, a mutual notice period of 6 months applies. The CEO is entitled to a bonus of 960,000 SEK if the company can close a financing round of SEK 20 million before the end of 2020.

Transactions with related parties

In 2019, Klaria has not paid any compensation to related parties.

Other senior executives

Remuneration to other senior executives consists of basic salary, variable remuneration, other benefits and pensions. Other senior executives in Klaria refers to the person who together with the CEO constitute the management.

In 2019, the management in Klaria consisted of the following person:

- CTO Chief Technical Officer

Remuneration to senior executives

At the Annual General Meeting on May 27, 2016, the following guidelines were resolved to senior executives in Klaria. The company must offer a market-based total compensation that enables qualified senior executives to be recruited and retained. Remuneration to the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits and pension. The basic salary forms the basis of the total remuneration and shall be proportional to the senior executive's responsibilities and authority. The variable remuneration is based on results in relation to individually defined qualitative and quantitative measures, as well as earnings and cash flow for the company in relation to goals set by the Board. Pensionable earnings consist solely of the basic salary. To the extent that the Board member performs work for the company or a company in the group apart from the Board work, market-based consultancy fees shall be paid. The period of notice must be three months regardless of whether the employee or the company takes the initiative for the termination. Severance shall normally not be paid. Share-related and share-price-related programs shall, where appropriate, be decided by the General Meeting. Allocation shall be made in accordance with the decision of the Annual General Meeting. Except for any warrants granted and what follows from employment contracts as described above, the senior executives are not entitled to any benefits after termination of the employment/assignment. The Board of Directors shall have the right to deviate from the above guidelines for remuneration to senior executives if there are special reasons for doing so.

Remuneration and other benefits during the year for senior executives in the group

	Basic salary/Board member fee	Variable remuneration	Other benefits	Pension costs	Total
Member of the Board and CEO, Scott Boyer	1,800			92	1,892
Chairman of the Board, Björn Littorin	250				250
Member of the Board, Anders Ardstål	100				100
Other senior executives (1 pers.)	676			38	714
Total	2,826	0	0	130	2,956

Incentive programmes

The Annual General Meeting on May 27, 2016 resolved to issue a maximum of 300,000 warrants. Each warrant shall entitle the holder to subscribe for one new share for 10 SEK by May 27, 2019 at the latest. The subscriber shall, with deviation from the shareholders' preferential rights, be a wholly owned subsidiary of Klaria Pharma Holding AB, Klaria Incentive AB for transfer to existing and future senior executives in the group. During the third quarter, the transfer of 300,000 warrants has been made to two senior executives in the group at a price corresponding to the market value determined according to the Black & Scholes valuation formula for warrants. The warrants have expired without having been exercised.

Number of warrants	Subscription price	Subscription period
300,000	10.00	2016-11-25 - 2019-05-27

Not 6 - Financial income and costs

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Interest income, bank	3	19	3	19
Interest income, other	0	0	0	0
Rate losses	-52	-30	-24	-3
Interest costs lease liability	-20	0	0	0
Interest costs financiers	-1,326	0	0	0
Other interest costs	-5	-2	-5	-2
Total	**-1,400**	**-13**	**-26**	**14**

Note 7- Appropriations

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Group contributions	-	-	-14,585	-17,500

Note 8- Tax

Tax reported in the income statement

	Group 2019 1 Jan - 31 Dec	Group 2018 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec	Parent company 2018 1 Jan - 31 Dec
Current tax	0 %	0 %	0%	0%
Deferred tax	0 %	0 %	0%	0%
Current tax rate in Sweden	21.4 %	22.0 %	21.4%	22.0%

Difference between tax recognized in the income statement and tax based on current tax rate.

Profit/loss before tax	-22,492	-27,306	-20,583	-17,877
Tax based on current tax rate	4,813	6,007	4,405	3,933
Non-deductible costs	24	-118	0	-37
Tax effects of deficits where tax assets is not taken into account	-4,837	-5,889	-4,405	-3,896
Reported effective tax rate	0	0	0	0

Deferred tax

Opening loss carry-forwards	-50,130	-32,260	-29,978	-12,064
Loss carry-forwards of the year	-22,468	-17,870	-20,583	-17,914
Closing loss carry-forwards	-72,598	-50,130	-50,561	-29,978

There are currently not convincing enough reasons to indicate fiscal surpluses in the future that can justify capitalisation of the fiscal deficits.

Note 9- Profit/loss per share

Profit/loss per share are calculated as profit/loss for the year in relation to the weighted average of the number of shares during the year.

	Group 2019	Group 2018
The Group's net income	-22,492	-27,306
Number of shares, weighted average in 2017 before dilution, thousands	31,157	30,792
Profit/loss per share before and after dilution	-0.72	-0.89

	Group 2019 Number of shares	Group 2018 Number of shares
Weighted average during the year, before dilution	31,157,072	30,792,000
Weighted average during the year, after dilution	31,157,072	30,792,000
At the end of the year	32,093,248	30,792,000

Note 10 - Right-of-use

Reclassification in the group's accounts

Klaria Pharma Holding AB acquired Klaria AB in June 2015. At the time of acquisition, Klaria AB did not conduct any operations, but held a right-of-use of a license agreement valid from June 1, 2015 with Uppsalagruppen AB regarding the manufacture of their alginate buccal film in combination with certain active substances in the therapeutic areas of migraine and cancer pain.

The purchase price paid by Klaria Pharma Holding AB amounted to 130,000 TSEK, of which 69 TSEK consisted of Klaria AB's use of overdraft facilities. The paid purchase price including negative cash balance was regarded as goodwill at the time of acquisition, which was subsequently tested annually by impairment tests according to the DCF valuation model.

Since Klaria AB did not conduct any operations at the time of acquisition, the surplus value, according to IFRS, should have been classified as a right-of-use and not as goodwill. A depreciation plan should also have been established at that time. As of December 31, 2018, a reclassification in the consolidated accounts of the balance sheet item has therefore been made, which has had the following effects on comparative figures on earnings and equity.

The acquisition cost of 130.1 MSEK of goodwill is reclassified as rights-of-use. Accumulated depreciation of 23.9 MSEK, based on the lifetime of the patent under the patent (12-15 years, 75% of the value based on patents in the US until 2029, 25% of the value based on patents in other markets until 2026) is adjusted in opening balance as of 1 January 2017.

The reclassification had no effect on the cash flow.

	Group 2019-12-31	Group 2018-12-31
Opening acquisition cost	130,069	130,069
Acquisition value for the year	9,664	0
Closing acquisition cost	**139,733**	**130,069**
Opening accumulated depreciation	33,439	23,885
Depreciation for the year	9,554	9,554
Closing accumulated impairments	**42,993**	**33,439**
Reported net value	**96,740**	**96,630**

The right-of-use has a fixed useful life based on the lifetime of the underlying patent of the license right(12-15 years, 75% of the value based on patents in the US until 2029, 25% of the value based on patents in other markets until 2026) but is tested annually to assess if there is a need for impairment. In the impairment test, present value, expected future cash flows from the group's product portfolio are calculated. The future cash flows are based on both next year's budget set by the Board, and a forecast for the next few years. The adopted budget is based on a large number of assumptions regarding market growth, market shares, volumes, exchange rates, prices, cost development, investment needs etc. Forecasts for periods subsequent to the year's budget and onwards are based on the management's long-term plans/strategies, which are based on more general assumptions, such as e.g. industry trends, cyclical developments, consumption patterns, volume growth, competition, cost development, investment needs, financing etc. The calculations and forecasts are based on external market assessments and regulatory aspects as well as internal trend analysis. This, together with the management's experience, estimated forecasts, business plans and existing agreements with suppliers and major customers, have been the basis for the assessments. The most significant assumptions applied in this year's test include volume growth, margins, organizational growth, market investments, investment needs and discount rates (WACC).

WACC

The discount rate used is calculated as WACC (weighted average cost of capital) and amounts to 26% before tax. The discount rate is based on a market-based assessment of the average cost of capital, taking into account the estimated risk level in the Klaria deal.

Other essential assumptions

The calculations are based on a forecast period of 5 years, after which the growth rate is estimated to be 2.5% per year. Klaria has only one cash flow generating unit.

Sensitivity analysis

Sensitivity analyzes are performed to analyze how changes with 10% deterioration or improvement of WACC and other forecast parameters affect the assessed value-in-use.

Acquisition of WBC Drug Delivery Technologies AG

On September 19, Klaria Pharma Holding AB (publ) (Klaria) acquired WBC Drug Delivery Technologies AG in Munich (WBC DDT), Germany. In its collaboration with Helmholtz-Zentrum für Infektionsforschung GmbH, WBC DDT has obtained an exclusive license for a patented technology for the delivery of drug substances through the mucous membranes (mouth, nose, lungs) which must otherwise be given to patients via injection, for example antibiotics, vaccines, peptides and antibodies. The company's technology has the potential to enable dramatically improved delivery of large molecules including anti-infective agents, vaccines and peptides. The acquisition means that Klaria will add a second pillar to the company's platform in the form of a proprietary technology that can be used both independently and in combination with Klaria's alginate film. By combining the two technologies, large molecules can be delivered with Klaria's alginate film.

The acquisition was made through an issue for non-cash consideration. Payment for 100% of the shares in WBC was made through a new issue of 1,301,248 shares in Klaria Pharma Holding AB. The subscription price for the issued shares corresponded to the average value of the volume-weighted selling price for Klaria's share listed on NASDAQ OMF First North Stockholm during the period 2019-08-06 - 2019-09-03 which was 7.608081 SEK. The purchase price with this subscription price amounted to 9,900 TSEK.

Acquisition analysis 2019-09-16 based on the prepared balance sheet for WBC DDT on the acquisition date September 19, 2019.

Purchase price	Exchange rate 2019-09-19	TSEK
	10.69997	9,900

Income statement 2019-01-01 - 2019-09-19	kEUR	TSEK
Other external costs	-2.6	-27.8
Profit/loss before and after financial items	-2.6	-27.8
Net profit/loss	-2.6	-27.8

Balance sheet as per September 19, 2019	kEUR	TSEK
Intangible assets	0.0	0.0
Tangible fixed assets	0.0	0.0
Other current assets	0.0	0.0
Cash and cash equivalents	24.4	261.1
Total assets	24.4	261.1
Share capital	27.0	288.9
Profit/loss for the period	-2.6	-27.8
Total equity	**24.4**	**261.1**
Non-current liabilities	0.0	0.0
Current liabilities	0.0	0.0
Total liabilities	0.0	0.0
Total equity and liabilities	24.4	261.1
Acquired net assets	24.4	261.1

Acquired net assets (equity) according to the above amount to 24.4 kEUR or 261 TSEK.

The purchase price for all shares in WBC DDT amounted to 9,900 TSEK. 9,900 TSEK exceed the total purchase price. The difference amount, 9,639 TSEK, is treated as an intellectual property right, since the acquisition basically refers to the underlying license rights and patents in the acquired company.

The effects of the acquisition in this year's consolidated accounts were

	Exchange rate 2019-12-31
Closing rate	10.6529
Average rate	10.5892
Acquisition rate	10.69997

Income statement 2019-01-01 - 2019-12-31	kEUR	TSEK	Acquired profit/ loss, TSEK	Effect on the Klaria group, TSEK
Other external costs	-5.2	-54.9	27.8	-27.1
Profit/loss before and after financial items	-5.2	-54.9	27.8	-27.1
Net profit/loss	-5.2	-54.9	27.8	-27.1

Balance sheet as per September 19, 2019	kEUR	TSEK	Acquired profit/ loss, TSEK	Effect on the Klaria group, TSEK
Intangible assets	0.0	0.0		
Tangible fixed assets	0.0	0.0		
Other current assets	0.0	0.0		
Cash and cash equivalents	24.4	259.9		259.9
Total assets	24.4	259.9		
Share capital	27.0	288.9	-288.9	
Translation difference	0.0	-1.8		-1.8
Profit/loss for the year	-5.2	-54.9	27.8	-27.1
Total equity	**21.8**	**232.2**		**-28.9**
Non-current liabilities	0.0	0.0		
Current liabilities	2.6	27.7		27.7
Total liabilities	2.6	27.7		
Total equity and liabilities	24.4	259.9		

Acquisition of Uppsalagruppen Medical AB

On November 5, 2019, Klaria Pharma Holding AB (publ) (Klaria) acquired Uppsalagruppen Medical AB (Uppsalagruppen) and thus the patent that protects the alginate film that constitutes Klaria's technology platform. Previously, Klaria had a license for this patent that gave the company the right to develop certain drugs with alginate film. The acquisition means that Klaria will now own the patent, giving Klaria full freedom to develop various drug candidates in the future.

As a purchase price, Klaria will pay license fees and royalty payments on future revenues, essentially in line with the agreement Klaria and Uppsalgruppen already have for the use of the patent. Estimated purchase price based on the present value of expected license and royalty fees amounts to 50 TSEK.

	TSEK
Purchase price	50

Income statement 2019-01-01 - 2019-11-05	TSEK
Operating income	418.2
Costs for purchases and supplies	-414.5
Other external costs	-58.3
Profit/loss before and after financial items	-54.6
Net profit/loss	-54.6

Balance sheet as per November 5, 2019	
	TSEK
Intangible assets	0.0
Tangible fixed assets	0.0
Other current assets	44.2
Cash and cash equivalents	23.3
Total assets	67.5
Share capital	50.0
Other contributed capital	259.6
Retained earnings including profit/loss for the year	-284.6
Total equity	25.0
Non-current liabilities	0.0
Current liabilities	42.5
Total liabilities	42.5
Total equity and liabilities	67.5
Acquired net assets	25.0

Acquired net assets

The purchase price for all shares in Uppsalagruppen amounted to 50 TSEK. 50 TSEK exceed the total purchase price. The difference amount, 25 TSEK, is treated as an intellectual property right, since the acquisition essentially refers to the underlying patent in the acquired company.

The effects of the acquisition in this year's consolidated accounts were

Income statement 2019-01-01 - 2019-12-31	TSEK	Acquired profit/loss, TSEK	Effect on the Klaria group, TSEK
Operating income	501.8	-418.2	83.6
Costs for purchases and supplies	-497.4	414.5	-82.9
Other external costs	-69.9	58.3	-11.6
Profit/loss before and after financial items	-65.5	54.6	-10.9
Net profit/loss	-65.5	54.6	-10.9

Balance sheet as per December 31, 2019	TSEK	Acquired profit/loss, TSEK	Effect on the Klaria group, TSEK
Intangible assets	0.0		
Tangible fixed assets	0.0		
Other current assets	91.6		91.6
Cash and cash equivalents	72.5		72.5
Total assets	164.1		
Share capital	50.0		
Other contributed capital	310.4		
Retained earnings including profit/loss for the year	-295.4	285	-10.9
Total equity	65.0		-10.9
Non-current liabilities	0.0		
Current liabilities	99.1		99.1
Total liabilities	99.1		
Total equity and liabilities	164.1		

Transaction executed after the end of the accounting period

Merger between Klaria Pharma Holding AB (publ) and Karessa Pharma Holding AB (publ)

On February 24, 2020, the merger between Karessa Pharma Holding AB (publ) and Klaria Pharma Holding AB (publ) that was decided at extraordinary general meetings in the two companies was completed.

The purpose of the merger is to create a market-leading company within development of drug candidates based on innovative drug delivery systems with clear competitive advantages in each therapy area. To a certain extent, Klaria and Karessa have overlapping and at the same time complementary business areas and use the same drug delivery technology platform. As a consequence of this, there are great synergies to be gained by merging the two companies.

- The new Klaria will gain a stronger market position vis-à-vis potential customers and business partners as the companies will become stronger and more stable with a higher ability to deliver as a unified unit.

- There are synergies in manufacturing as both companies use the same CMO (contract manufacturing organization).

- The possibility of reaching the same potential customers among pharmaceutical companies is greater than if the companies act individually.

- As both companies work with the same platform, while the companies research areas complement each other, there are synergies to be gained by merging the two companies' research activities and gathering the expertise in one place.

- The new Klaria receives an expanded project portfolio, which leads to a greater likelihood that one or more projects will be successfully launched on the market.

- The new Klaria will have a better ability to raise capital than the companies individually.

- The companies today have overlapping organizations and through the merger, the new Klaria creates a clearer, more cost-effective and focused organization, not least through combined competencies.

On March 6, 2020, Bolagsverket (the Swedish Companies Registration Office) registered the merger between Klaria Pharma Holding AB (publ) (Klaria) and Karessa Pharma Holding AB (publ) (Karessa). The merger between Klaria and Karessa is thus complete and Karessa has been dissolved.

The terms for the merger was that one share in Karessa was exchanged for 0,6032 new shares in Klaria. In connection with the merger, 6,035,200 new shares in Klaria were issued to Karessa's shareholders.

After the merger has been completed, the number of shares in Klaria now amounts to 38,728,448.

The effects on Klaria during Q3 2020 are presented in the following table.

Balance Sheet (Parent Company)	Klaria Pharma Holding Merger booking regarding Karessa Pharma Holding AB 2020-03-02
Non-current receivables subsidiary	12,564
Shares in subsidiary, Karessa	79,895
Total non-current assets	92,459
Receivables group company	2,000
Other current receivables	86
Prepaid expenses	128
Total current assets	**2,214**
Cash and cash equivalents	11,426
Total cash and cash equivalents	11,426
TOTAL ASSETS	106,099
Share capital	111
Share premium reserve	49,059
Merger profit/loss	53,721
Profit/loss for the year	
Total equity	102,891
Liabilities group companies	2,393
Current loan liabilities	
Other current liabilities	810
Accrued expenses and deferred income	5
Total current liabilities	3,208
TOTAL EQUITY AND LIABILITIES	106,099

Had the merger been completed as of 2019-01-01, the effects on the group's comprehensive income for 2019 and financial position as of 2019-12-31 would have been:

Consolidated statement of comprehensive income (for the group), pro forma

TSEK (unless otherwise stated) Klaria group	Klaria 1 Jan-31 Dec 2019	Karessa Comprehensive income 1 Jan-31 Dec 2019	New Klaria Comprehensive income 1 Jan-31 Dec 2019
Operating income			
Net sales	4,223	0	4,223
Other operating income	7,362	661	8,023
Total operating income	11,585	661	12,246
Operating costs			
Administrative costs	-6,653	-3,394	-10,047
Sales costs	-1,816	-1,590	-3,406
Research and development costs	-24,208	-15,887	-40,095
Total operating costs	-32,677	-20,871	-53,548
Operating profit/loss	-21,092	-20,210	-41,302
Earnings from financial investments			
Net interest income	-1,400	64	-1,336
Profit/loss after financial items	-22,492	-20,146	-42,638
Tax	0	0	0
Profit/loss for the period	-22,492	-20,146	-42,638
Attributable to parent company shareholders	-22,492	-20,146	-42,638
Attributable to minority shareholders	1	0	1
Average number of shares before and after dilution (thousands)	31,159	30,000	37,794
Number of shares on the balance day (thousands)	32,095	30,000	38,728
Profit/loss per share before and after dilution, SEK	-0.72	-0.67	-1.39

Statement of comprehensive income, TSEK (unless otherwise stated)	1 Jan-31 Dec 2019	1 Jan-31 Dec 2019	1 Jan-31 Dec 2019
Profit/loss for the period	-22,492	-20,146	-42,638
Other earnings in total for the period, net before tax	-2	0	-2
Earnings in total for the period	-22,494	-20,146	-42,640
Attributable to parent company shareholders	-22,494	-20,146	-42,640
Minority interest	1	0	1

Consolidated Balance Sheet (for the group), pro forma

TSEK (unless otherwise stated) Klaria group	Klaria Financial position 31 Dec 2019	Karessa Financial position 31 Dec 2019	New Klaria Financial position 31 Dec 2019
Assets			
Non-current assets			
Intangible assets			
Intellectual property rights	**96,740**	**68,982**	103,589
Tangible fixed assets			
Machinery and equipment	**41**	**31**	72
Financial assets			
Rights-of-use asset	763	0	763
Total non-current assets	**97,544**	**69,013**	104,424
Current assets			
Accounts receivable and other receivables	**1,266**	**791**	1,987
Cash and cash equivalents	2,917	15,251	18,168
Total current assets	**4,183**	**16,042**	20,155
Total assets	101,727	85,055	124,579
Equity and liabilities			
Equity			
Equity	82,108	83,604	103,496
Total equity	**82,108**	**83,604**	103,496
Minority interest in subsidiaries	**2**	**0**	2
Provisions and liabilities			
Non-current liabilities	**130**	**0**	130
Current liabilities	19,487	1,451	20,951
Total provisions and liabilities	19,617	1,451	21,081
TOTAL EQUITY AND LIABILITIES	101,727	85,055	124,579

The effect of the total profit/loss in the above pro forma is not representative of the future. The merger is expected to create value for shareholders in the new Klaria through synergies in the form of lowered costs attributable to consolidation of administrative functions such as ongoing accounting, controlling, activities linked to the listing on First North and management functions (board and management etc.) Cost synergies are expected to amount to between 4 and 5 MSEK annually. However, the expected value-creating synergies do not come primarily from these smaller cost savings but from the synergies described above, such as greater efficiency in research and development and increased impact in business development towards potential customers.

Note 11- Plant and machinery

	Group 2019-12-31	Group 2018-12-31	Parent company 2019-12-31	Parent company 2018-12-31
Opening acquisition cost	131	131	32	32
Acquisition cost for the year	0	0	0	0
Closing acquisition cost	**131**	**131**	**32**	**32**
Opening accumulated depreciation	63	38	16	10
Depreciation for the year	27	25	7	6
Closing accumulated depreciation	**90**	**63**	**23**	**16**
Reported net value	**41**	**68**	**9**	**16**

Note 12 - Leases, right-of-use asset and lease liabilities

FRS 16 Leases supersedes IAS 17 Leases and three related interpretations (IFRIC 4 Determining whether an Arrangement Contains a Lease agreement, SIC 15 Operating Leases - Incentives SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease).

The transition to the new standard has resulted in the group reporting a right-of-use asset with associated lease liability in respect of the leases previously classified as operating leases. Exceptions have been made for the contracts identified as of low value or with a remaining lease period of less than 12 months from the date of first application.

The new standard has been introduced through the application of the modified retrospective method, where the cumulative effect of the transition to IFRS 16 is recognized as an adjustment of the opening balance of retained earnings for the current period. Comparative information has not been recalculated.

For agreements already entered into on the first day of application, the group has chosen to apply the leasing definition in IAS 17 and IFRIC 4 and has therefore not applied IFRS 16 to agreements that were not previously identified as leases in accordance with IAS 17 and IFRIC 4.

The group has chosen not to include direct expenses in valuing the right-of-use in respect of operating leases that existed under the first application of IFRS 16, which is 2019-01-01. As of this date, the group has also chosen to value the right-of-use to the same amount as the lease liability adjusted for any prepaid or accrued lease payments that existed on that date.

Instead of impairment testing of the right-of-use asset on the first day of application, the group has relied on its historical assessment of whether leases constitute loss contracts prior to the transition to IFRS 16.

At the time of the transition, the group has applied the optional exemption not to report any right-of-use asset, but to account for the leases on a straight-line basis over the lease period for the leases previously reported as operating leases with a remaining lease period of a maximum of 12 months and leases of low value.

For leases previously classified as finance leases, the group has assessed the right-of-use asset and lease liability at the time of the transition to IFRS 16 to the same amount as those reported under IAS 17 before the date of first application.

At the time of the transition to IFRS 16, the weighted implicit interest rate for the lease liabilities reported in accordance with IFRS 16 amounted to 6.5%.

The group has taken advantage of the possibility of making retrospective assessments when assessing opportunities to extend and terminate leases when determining the lease period.

Lease liabilities presented in the statement of financial position are as follows:

	Group 2019-12-31	Group 2018-12-31
Current	641	-
Non-current	130	-
Total	771	-

Depreciation of laboratory equipment in the subsidiary Klaria AB takes place at 20%, which reflects the useful life.

The group rents office and laboratory premises in Uppsala. Except for short-term leases and for leases for which the underlying asset has a low value, a right-of-use and a lease liability is reported in the statement of financial position.

The lease is limited so that only the group can use the asset. The lease expires in May 2021 unless it is terminated nine months in advance of that date. The group may not sell or pledge the underlying asset as collateral. The group must keep the leased premises for offices and laboratories in good condition and restore them to their original condition at the end of the lease period. Furthermore, the group must insure the leased assets and pay maintenance costs for them in accordance with the lease agreement.

Future minimum lease payments as of 2019-12-31 amount to the following:

	Within 1 year	Within 1-2 years
Depreciation	509	721
Lease payments	521	780
Financial costs	10	11
Present value	531	791

Further information on the rights of use per asset category is as follows:

	Group 2019-12-31	Group 2018-12-31
Office and laboratory premises	763	-
Total right-of-use asset	763	-

Note 13- Shares in group companies

	Parent company 2019-12-31	Parent company 2018-12-31
Opening acquisition cost	130,050	130,050
Acquisitions	10,000	0
Share holder contributions	50	0
Closing accumulated acquisition cost	**140,100**	**130,050**
		0
Impairments for the year	0	0
Closing carrying amount	**140,100**	**130,050**

Company information etc.

Company name, corporate identity number and registered office	Number of shares	Capital share	Carrying amount
Klaria AB, 559012-2577, Stockholm	500	100 %	130,000
FFT Pharmaceuticals AB, 556955-6573, subsidiary of Klaria AB	500	100 %	
Klaria incentive AB, 559084-7793	500	100 %	50
Uppsalagruppen Medical AB, 556847-3390	500	100 %	100
WBC Drug Delivery Technologies GmbH AG Munich, HRB 247 378	500	100 %	9,900
CDS Functional Film AB, 559222-7374	500	95 %	50

Note 14- Related parties

The parent company is a related party to its subsidiaries.

	Sales of services to related parties as of Dec 31	Receivables from related parties as of Dec 31	Liabilities to related parties as of Dec 31
Subsidiaries	4,815	0	12,789

Note 15 - Current receivables and prepaid expenses

	Group 2019-12-31	Group 2018-12-31	Parent company 2019-12-31	Parent company 2018-12-31
Accounts receivable	0	105	0	0
Taxes and fees receivable	179	229	35	35
Tax assets	0	105	0	0
VAT recoverable	576	710	0	0
Other current receivables	136	83	8	9
Other prepaid expenses and accrued income	375	366	105	224
Total	**1,266**	**1,598**	**148**	**268**

Note 16 - Equity

Klaria Pharma Holding's capital under management consists of equity. Changes in managed capital are shown in "Report on changes in equity for the Group", page 11 and "Changes in equity for the parent company", page 15.

Share capital growth	Common shares	Share capital	Quota value	Subscription price	Invested capital
Company formation	1,000,000	50.0	0.05		50
Share issue, cash, June 2015	2,500,000	125.0	0.05	20	50,000
Share issue for non cash consideration, June 2015	6,500,000	325.0	0.05	20	130,000
Share split	20,000,000		0.017		
Share issue, cash, June 2017	72,000	1.2	0.017	6.94	500
Share issue for non cash consideration, June 2017	720,000	12.0	0.017		4,997
Share issue for non cash consideration, September 2019	1,301,248	22.0	0.017	7.56	9,900
Total	32,093,248	535			195,447

Holders of common shares are entitled to a dividend that is determined as the shareholding entitles the holder to one vote per share at the general meeting. All shares have the same right to the company's remaining net assets.

Note 17 - Accounts payable

All accounts payable are due within one month of the closing date.

Note 18- Other liabilities, accrued expenses and deferred income

	Group 2019-12-31	Group 2018-12-31	Parent company 2019-12-31	Parent company 2018-12-31
Income tax liability	18	197	18	197
VAT liability	101	97	60	97
Withholding tax, employees	117	125	85	80
Social expenses	60	91	37	58
Other current liabilities	0	2	0	0
Total other liabilities	**296**	**512**	**200**	**432**
Accrued wages and fees	0	35	0	35
Accrued holiday pay	379	487	257	211
Accrued social security charges	119	154	81	67
Accrued payroll tax	44	209	23	22
Accrued interest expenses	200	0	0	0
EU grants to report	1,747	9,092	0	0
Other accrued expenses	3,335	310	2,186	160
Total accrued expenses and deferred income	**5,824**	**10,287**	**2,547**	**495**

Note 19 - Maturity analysis financial liabilities

	Within 3 months	3-12 months	1,5 years	5 years	Total
Accounts payable	2,726	0	0	0	2,726
Short-term financing through loans	0	10,000	0	0	10,000
Other assets	296	0	0	0	296
Total	**3,022**	**10,000**	**0**	**0**	**13,022**

Note 20 - Financial instruments by category

	Loan receivables, accounts receivable and other current assets	Available-for-sale financial assets	Other financial liabilities	Total
Assets in the balance sheet, 31/12/2019				
Loans to credit institutions	2,917			2,917
Other assets	461			461
Total	**3,378**	**0**		**3,378**
Accounts payable			2,726	2,726
Other liabilities			0	0
Total			**2,726**	**2,726**

Note 21 - Fair value

Companies should classify valuation at fair value using a fair value hierarchy that reflects the reliability of the data used to make the valuations. The fair value hierarchy should have the following levels:

Level 1: quoted prices (not adjusted) in active markets for identical assets or liabilities

Level 2: input other than quoted prices that are observable for the asset or liability, either directly (e.g. as prices) or indirectly (e.g. derived from prices)

Level 3: input data for the asset or liability that is not based on observable information. Appropriate level is determined on the basis of the lowest level of input data that is essential for the valuation at fair value.

During 2019 and 2018 and at the end of the financial year, Klaria has no assets reported at fair value. Klaria also has no liabilities that are valued at fair value for the years 2019 and 2018.

The company has no financial assets that are reported at acquisition cost but where disclosure of market value is to be provided in accordance with IFRS 13.97.

Note 22 - Pledged assets and contingent liabilities

	Group 2019-12-31	Group 2018-12-31	Parent company 2019-12-31	Parent company 2018-12-31
	none	none	none	none

Contingent liabilities
- Ongoing capital adequacy guarantees were issued for the subsidiary Klaria AB for the entire financial year 2019 as well as for 2018.

Not 23 - Information about the parent company

Klaria Pharma Holding AB (publ) (corporate ID 556959-2917) is a Swedish-registered limited liability company with its registered office in Stockholm. The parent company's shares are registered on NASDAQ First North Stockholm. The address of the head office is Virdings Allé 2, 754 50 Uppsala. The Board's registered office is located in Stockholm.

Note 24 - Financial risks and financial policy

Financial risk management

Financing and management of financial risks are managed within the group under the direction and supervision of the Board. Klaria applies a cautious investment policy. Through its operations, Klaria is exposed to various kinds of financial risks, such as fluctuations in the company's earnings and cash flow caused by changes in exchange rates. At present, Klaria's policy is not to protect itself against financial risks relating to transaction and translation risks. This decision has been made taking into account the current share that is exposed in the group and the cost of protection of any risks.

Refinancing risk

Klaria is in an expansion phase and is engaged in development-intensive activities with investments aimed at obtaining revenues in the future, Which means that liquid funds are used. The company's operations are financed through revenues from product sales and owner contributions via new issues. Future investments are expected to be financed by revenues and new issues as well as existing liquid funds.

Refinancing risk refers to the risk that Klaria cannot meet its obligations and continue to expand its operations due to difficulties in finding financiers or lenders who are prepared to invest in the company and the risk that refinancing must take place in unfavorable market conditions at unfavorable conditions.

Currency risk

Currency risk is the risk that exchange rate fluctuations will adversely affect Klaria's income statement, financial position and/or cash flows. Currency risks exist in both the form of transaction and translation risks. Translation exposure arises when operations are conducted outside Sweden in currencies other than SEK. Klaria has a subsidiary in Germany and the translation difference as of Dec 31, 2019, amounted to -2 TSEK. Klaria uses test companies abroad that invoice in EURO. The Group has not used currency hedging in 2019, but will regularly evaluate the need for currency hedging as the business develops and expands. Such an evaluation was conducted in the spring of 2018 and led to a currency hedging policy adopted by the Board. Operating Costs amounted to 22,588 TSEK (18,535 TSEK) for the financial year, of which approximately 18.0% (11.7%) constituted expenses in foreign currency.

Operating profit/loss was affected by exchange losses of 36 TSEK (31 TSEK) in 2019. Future revenues and costs will be affected by fluctuations in foreign exchange rates.

Sensitivity analysis regarding currency risk 2019 (TSEK)

The group's costs will be reduced by SEK 408 TSEK (217 TSEK) if the Swedish krona strengthens by 10%.

Of the group's outstanding receivables as of December 31, 2019, 10 TSEK (47 TSEK) was in foreign currency. Of the group's outstanding liabilities, 469 TSEK (133 TSEK) was in foreign currency.

Interest rate risk and liquidity risk

Liquidity risk is defined as the group not being able to pay unforeseen expenses. Excess liquidity is placed in a bank account with a low interest rate risk. Klaria ensures the short-term payment preparedness by having good liquidity resources in the form of cash.

Counterparty risk

The counterparty risk is the risk that a party in a transaction with financial instruments cannot fulfil its obligations thus causing a loss for the other party. Klaria is exposed to counterparty risk in the case of financial investments. The group limits its counterparty risk by investing excess liquidity with counterparties, banks and fund companies with very high creditworthiness.

Note 25 - Transactions with related partie

See note 5 and 14

Note 26 - Significant events after the reporting period

Klaria Pharma presents new strategy, upcoming milestones and new website

On January 30, Klaria announced that it has formulated and is now implementing a new strategy. Klaria will focus all research and development on programs where Klaria's films have the potential to replace injections or nasal sprays, and where formulations constitute a major problem for patients, caregivers or payers. Klaria will also invest in improving the company's market communication in 2020. As a part of this effort, Klaria has launched a new website at www.klaria.com.

Klaria receives 6.4 MSEK milestone payment from EU's Horizon 2020 program to take Sumatriptan Alginate Film to market

On February 7, Klaria announced that the company has received a milestone payment of 6.4 MSEK from the EU's Horizon 2020 program. The payment is made as the development of Sumatriptan Alginate film (KL-00119) continues to proceed successfully according to plan. Large-scale production of the product is on-going, and all preparations for the upcoming bioequivalence study have been completed. This pivotal clinical study required for submission of approval is planned to start in the first half of 2020 with completion in 2020.

The merger between Klaria and Karessa completed

On February 24, 2020, the merger between Karessa Pharma Holding AB (publ) and Klaria Pharma Holding AB (publ) that was decided at extraordinary general meetings in the two companies was completed. The merger was registered at Bolagsverket as of March 6, 2020, and Karessa is thereby dissolved. The terms for the merger was that one share in Karessa was exchanged for 0,6032 new shares in Klaria. In connection with the merger, 6,035,200 new shares in Klaria were issued to Karessa's shareholders. After the merger has been completed, the number of shares in Klaria amounts to 38,728,448.

The new coronavirus (covid-19)

Since Klaria's operations are focused on research and development, with good possibilities to operate effectively without travels and physical meetings, no significant effects of restrictions due to the covid-19 pandemic or other effects associated with it are expected. However, if the global and Swedish economy were to be affected significantly and in the long term, Klaria could be affected in the form of impaired opportunities to carry out attractive licensing deals, potential delays among suppliers and impaired opportunities to obtain additional financing should such a need arise.

Definitions of key ratios

Profit/loss per share

Net profit/loss divided by the average number of shares.

Average number of shares

The average number of shares in Klaria Pharma Holding AB has been calculated on the basis of a weighting of the historical number of issued shares in Klaria Pharma Holding AB after each completed share issue, times the number of days since the respective number of shares were issued.

Equity/assets ratio

Equity in relation to total assets.

Return on equity

Profit/loss before tax in relation to equity.

Return on capital employed

Profit/loss after net interest income in relation to capital employed.

Capital employed

Total assets minus interest-bearing liabilities.

Equity per share

Equity divided by the number of shares on the balance day.

Cash flow from operating activities per share

Cash flow from operating activities divided with the average number of shares.

Cash flow per share

Cash flow for the period divided with the average number of shares.

Declaration of the Board

The Board of Directors and the CEO assure that the annual accounts have been prepared in accordance with generally accepted accounting principles in Sweden and the consolidated financial statements have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards. The annual accounts and the consolidated financial statements fairly present the parent company's and group's earnings and financial position. The Directors' report for the parent company and the group provides a true and fair view of the development of the parent company's and the group's operations, position and earnings, and describes significant risks and uncertainties that the parent company and the companies that are part of the group are exposed to.

The annual accounts and consolidated financial statements have, as stated above, been approved for issuance by the Board and the CEO on March 26, 2020. The group's report on profit/loss and other comprehensive income and the statement of financial position and the parent company's income statement and balance sheet are subject to approval at the Annual General Meeting on April 24, 2020.

Stockholm 26/03/2020

Björn Littorin
Chairman of the Board

Anders Ardstål
Member of the Board

Scott Boyer
Board member

Jesper Wiklund
CEO

Our audit report was issued on April 2, 2020.

BDO Mälardalen AB

Niclas Nordström
Certified Public Accountant

Audit report

To the annual general meeting of Klaria Pharma Holding AB (publ) Corporate ID 556959-2917.

Report on the annual accounts and consolidated financial statements

Opinion

We have audited the annual accounts and consolidated financial statements of Klaria Pharma Holding AB (publ) for the financial year 2019. The company's annual accounts and consolidated financial statements are included on pages 31-65 of this document.

In our opinion the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the parent company's financial position as of December 31, 2019 and their financial performance and cash flows for the year in accordance with the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and in all material respects fairly present the group's financial position as of December 31 2019 and their financial performance and cash flows for the year in accordance with Financial Reporting Standards (IFRS), as adopted by EU, and the Swedish Annual Accounts Act. The administration report is consistent with the other sections of the annual accounts and the consolidated accounts.

We therefore recommend that the AGM adopt the income statement and balance sheet for the parent company and the Group.

Basis for our opinion

We have conducted the audit in accordance with International Standards on Auditing (ISA) and auditing standards generally accepted in Sweden. Our responsibility according to these standards is described in more detail in the section entitled "Auditor's responsibility". We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Information other than financial statements and consolidated financial statements

The Board and the CEO are responsible for the other information. The other information consists of pages 1-30 (but does not include the annual report, the consolidated financial statements and our audit report for this report).

Our opinion in respect of the annual accounts and consolidated financial statements does not cover this information, and we make no substantiating statement concerning this other information.

In the context of our audit of the annual accounts and consolidated financial statements, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated financial statements. In this review, we also take into account the knowledge we otherwise obtained during the audit as well as assesses whether the information otherwise seems to contain material misstatements.

If, based on the work that has been done with regard to this information, we conclude that the second information contains a material misstatement, we are obliged to report it. We have nothing to report in this regard.

Responsibilities of the Board and the Chief Executive Officer

The Board and CEO are responsible for ensuring the annual accounts and the consolidated financial statements are prepared and that they give a true and fair view in accordance with the Swedish Annual Accounts Act and, as regards the consolidated accounts, in accordance with IFRS as accepted by EU. The Board and the CEO are also responsible for the internal control they deem necessary for the preparation of annual accounts and consolidated financial statements that do not contain material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board and the CEO are responsible for assessing the ability of the company and the Group to continue operations. They inform, as appropriate, on the conditions that may affect the ability to continue operations and to make a going concern assumption. However, the going concern assumption does not apply if the Board and CEO intend to liquidate the company, cease operations or have no realistic alternative but to do so.

Auditor's responsibility

Our goal is to achieve a reasonable degree of certainty as to whether the annual accounts and consolidated financial statements as a whole do not contain any material misstatement, whether due to fraud or error, and to submit an audit report that contains our opinions. Reasonable assurance is a high degree of certainty, but there is no guarantee that an audit performed in accordance with ISA and other generally accepted auditing standards in Sweden will always detect a material misstatement, should such be present. Misstatements may occur due to fraud or error, and are considered to be material if they severally or jointly can be reasonably expected to affect the economic decisions that users make on the basis of the annual accounts and the consolidated financial statements.

As part of an audit under ISA, we use professional judgment and maintain a professionally skeptical attitude throughout the audit. We also:

- identify and assess the risks of material misstatement in the annual accounts and consolidated financial statements, whether due to fraud or error; draw up and carry out audit procedures, inter alia on the basis of these risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of failing to detect a material misstatement due to fraud is greater than for a material misstatement due to error, because the fraud may include conduct in collusion, falsification, deliberate omissions, incorrect information or waived internal controls.

- gain an understanding of the part of the company's internal controls that is relevant to our audit in order to draw up audit measures that are appropriate with regard to the circumstances, but not in order to express an opinion on the effectiveness of the internal controls.

- evaluate the suitability of the accounting policies used and the reasonableness of the Board and CEO's assumptions in the annual accounts and their related disclosures.

- draw a conclusion concerning the suitability of the Board and CEO's use of the going concern assumption when preparing the annual accounts and the consolidated financial statements. We also draw a conclusion based on the audit evidence obtained, as to whether there is any material uncertainty factor relating to events or conditions that may cast significant doubt on the company's and the Group's ability to continue operations. If we conclude that there is a significant uncertainty factor, we must use the audit report to draw attention to the information in the annual accounts and consolidated financial statements about the significant uncertainty factor or, if such information is insufficient, modify our opinion on the annual accounts and the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of the audit report. However, future events or circumstances main mean that a company and a group can no longer continue operations.

- evaluate the overall presentation, structure and content of annual accounts and consolidated financial statements, including the information, and whether the annual accounts and consolidated financial statements reflect the underlying transactions and events in a way that gives a true and fair view.

- obtain sufficient and appropriate audit evidence with respect to the financial information for the units or business activities within the group in order to provide an opinion with regard to the consolidated financial statements. We are responsible for the control, supervision and execution of the Group audit. We are solely responsible for our opinion.

We have to inform the Board about, inter alia, the date, planned scope and direction of the audit. We must also inform about significant observations made during the audit, including any significant weaknesses in internal control that we may identify.

Report on other legal and regulatory requirements

Opinion

In addition to our audit of the annual accounts and the consolidated financial statements, we have also audited the Board and CEO's management of Klaria Pharma Holding AB (publ) for the year 2019 and also the proposed appropriation of the profit or loss.

We recommend to the AGM that the profit be allocated in accordance with the proposal in the administration report and that the members of the Board and the Chief Executive Officer be discharged from liability for the financial year.

Basis for our opinions

We have conducted the audit in accordance with auditing standards generally accepted in Sweden. Our responsibility in this regard is described in detail in the section entitled "Auditor's responsibility". We are independent of the parent company and the Group in accordance with professional ethics in Sweden and we have otherwise fulfilled our professional ethical responsibilities under these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinions.

Responsibilities of the Board and the Chief Executive Officer

The Board is responsible for the proposal for the appropriation of the company's profit or loss. Among the things considered in the proposal are an assessment of whether the dividends are justified with regard to the requirements that the company's and Group's business nature, scope and risks place on the size of the company's and the group's equity, the need for consolidation, liquidity and general position.

The Board is responsible for the company's organization and the administration of its affairs. This includes ongoing assessment of the company's and the Group's financial situation and ensuring that the company's organization is structured such that bookkeeping, asset management and the company's financial affairs are otherwise monitored in a reliable way. The CEO takes care of day-to-day administration under the Board's guidelines and instructions and must, among other things, take measures necessary for ensuring that the company's accounting is completed in compliance with legislation and that assets are managed in a satisfactory manner.

Auditor's responsibility

Our goal with regard to the management audit, and therefore our opinion concerning discharge from liability, is to obtain audit evidence that with a reasonable degree of certainty enables us to determine whether any member of the Board or the CEO in any material respect:

- has carried out any act or been guilty of any omission that could give rise to liability for damages against the company, or
- has in some other way acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the articles of association.

Our goal in regard to the proposal for the allocation of the company's profit or loss, and thus our opinion on this, is to assess with a reasonable degree of certainty whether the proposal is in compliance with the Swedish Companies Act.

Reasonable assurance is a high degree of certainty, but no guarantee that an audit performed in accordance with generally accepted auditing standards in Sweden will always detect the actions or omissions that may give rise to liability for damages against the company, or to a proposal for allocation of the company's profit or loss that is not in accordance with the Swedish Companies Act.

As part of an audit under ISA and good auditing practice, we use professional judgment and maintain a professionally skeptical attitude throughout the audit. The management review and the proposed appropriations of the company's profit or loss are based mainly on the audit of the accounts. Any additional procedures are performed according to our professional judgement based on risk and materiality. This means we focus our examination on such measures, areas and conditions as are essential for the operation and where deviations and non-compliance would have special significance for the company's situation. We review and examine decisions, decision support data, actions taken and other conditions that are relevant for our opinion concerning discharge from liability. As the basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we assessed whether the proposal is in accordance with the Swedish Companies Act.

Stockholm, April 2, 2020

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Annual Report 2019

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