KLARIA

Annual report 2020

KLARIA PHARMA HOLDING AB (PUBL.)

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Selected events in 2020

Klaria Pharma presents new strategy

On January 30, Klaria announced that it has formulated and is 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. Since Klaria's Alginate Film technology has significant advantages to both injections and nasal sprays, this strategy ensures that resources are focused on programs where the unmet medical needs are significant and where development of oral transmucosal films will meet these unmet needs. Thus, the potential for value creation in each program, and thus also shareholder value, will be maximized.

Completed merger between Klaria och Karessa

In March, the Swedish Companies Registration Office announced that the merger between Klaria Pharma Holding AB (publ) and Karessa Pharma Holding AB (publ) had been registered and thus completed. In connection with the merger, 6,635,200 new shares in Klaria were issued as a merger consideration. The merged company now has control over the technology platform behind the company's Alginate Film technology as well as all clinical development projects based on this technology. The company retains the name Klaria Pharma Holding AB (publ) and continues to have its registered office in Stockholm.

Clinical program with Naloxone Alginate Film for opioid overdose initiated

On July 1, Klaria announced that the company's Naloxone Alginate Film for co-prescription with opioids for patients at risk of opioid overdose has entered into the clinical phase of development. GMP production of the product has been initiated in preparation for a clinical dose ranging study. Klaria estimates that the total addressable market for co-prescription of naloxone is worth 1.9 billion USD annually in the United States alone.

License agreement signed with Chilam Enterprise Ltd to power expansion to medical cannabis sector

On August 6, it was announced that Klaria's subsidiary Cannabis Delivery Sciences (CDS) has signed a non-exclusive license agreement with Chilam Enterprise Ltd for the right to sell CDS' Cannabis Alginate Films in Europe. Starting in 2021, Chilam will be able to supply the European medical sector with GMP-compliant medical cannabis formulated in the Alginate Film.

Klaria regains rights to Epinephrine Alginate Film and initiates clinical program to treat serious allergic reactions

On September 7, it was announced that Klaria has regained the global rights for the Epinephrine Alginate Film from Purdue Canada and the Mundipharma network. Klaria has also decided to progress Epinephrine Alginate Film into clinical development, GMP production activities of the product have been initiated. The initiation of clinical studies allows Klaria to build on the successful development activities and new data that has been generated in the program over the previous 18 months. The total addressable market for Epinephrine Alginate Film is worth in excess of 2 billion USD in world-wide annual sales. With Epinephrine Alginate Film, Klaria now has the opportunity to develop a novel product with important medical and economic benefits compared to all incumbent products, including Mylan's Epipen™.

Financing of 63 MSEK in total secured in 2020

During 2020, Klaria successfully raised 63 MSEK in total capital in order to finance the company's strong focus on the clinical development of projects based on Klaria's patented Alginate Film technology. In connection with these capital raises, Klaria has acquired a number of new shareholders, including Nerthus Investments, MK Kapital and Merizole Holding, which have participated in the directed share issues during the year.

Klaria initiates the bioequivalence registration study with Sumatriptan Alginate Film and announces first dosing of participants

On December 18, Klaria announced that the first group of participants received their first dose in the company's bioequivalence registration study with Sumatriptan Alginate Film. The first dosing was conducted on December 15, and the study was ongoing at the time of publication of this report.

The year in brief

- Net sales amounted to 0.0 MSEK (4.2 MSEK)
- R&D costs amounted to 48.4 MSEK (24.2 MSEK)
- Profit/loss after tax amounted to -51.4 MSEK (-22.5 MSEK)
- Earnings per share amounted to -1.19 SEK (-0.72 SEK)
- Cash flow from operations amounted to -35.3 MSEK (-14.8 MSEK)
- Shareholder's equity as of December 31, 2020 amounted to 109.6 MSEK (82,1 MSEK)
- Cash and cash equivalents as of December 31, 2020 amounted to 31.3 MSEK (2.9 MSEK)

Summary of the results

The Klaria Group TSEK (unless otherwise stated)	2020	2019
Net sales	0	4,223
Research and development costs	-48,442	-24,208
Profit/loss after tax	-51,439	-22,492
Cash flow from operating activities	-35,278	-14,796
Cash and cash equivalents on the balance day	31,251	2,917
Equity on the balance day	109,591	82,108

Klaria's CEO Jesper Wiklund comments

In 2020, Klaria made significant progress, in line with the company's new strategy, which was defined at the beginning of the year. With support from the EU Horizon 2020 program and a total of 63 MSEK in raised capital from directed share issues, we have successfully initiated a bioequivalence registration study with Sumatriptan Alginate Film with expected results in Q1 2021. At the same time, we have also started clinical programs for two additional products with the aim set on global billion-dollar markets.

Klaria's technology platform has been developed for a number of years based on a belief that a more optimal delivery of active substances into the bloodstream compared to existing solutions constitutes a very important next step for the pharmaceutical industry. Our technology is unique in delivering the pharmaceutical directly into the bloodstream via application of a film placed on the oral mucosa, in contrast to tablets that have to pass through the gastrointestinal tract or injections with a syringe or administration by nasal sprays.

When we choose the right pharmaceutical to formulate in the film, our technology has great medical potential. Our products can meet significant patient needs and solve hitherto unresolved medical problems, so called unmet medical needs.

The important question is: how do we choose the "right pharmaceutical" to develop? The answer lies in our strategy. We focus on pharmaceuticals that are currently administered through injections or nasal sprays and where this constitutes a problem for the patients.

When we choose projects in line with our strategy and when our products thus meet unmet medical needs, we solve difficult problems for patients. By creating solutions that are highly valued by patients, we also increase the shareholder value significantly through expected and/or ongoing income from license agreements with large pharmaceutical companies as well as royalties on sales.

In 2020, we have increased the awareness of these benefits among potential institutional investors. A number of these investors, including Nerthus Investments, MK Kapital and Merizole Holding, have since participated in our directed share issues during the year.

The capital from these issues has enabled us to accelerate the development of our product pipeline. In addition to our leading clinical program for Sumatriptan Alginate Film for migraine, we have also launched clinical development programs for Naloxone Alginate Film for opioid overdose and Adrenaline Alginate Film for severe allergic reaction. GMP manufacturing in preparation of clinical dose ranging studies is ongoing for these two projects, and we expect to be able to initiate clinical studies in both programs in 2021.

Klaria has an efficient and goal-oriented organization today as a result of the significant structural changes that were completed at the beginning of 2020. During this process, we merged with our sister company Karessa Pharma, and we also acquired the global rights to our Alginate Film Technology by the acquisition of the company Uppsalagruppen. All the rights and expertise required to build a strong pharmaceutical company around our technology platform are now gathered in Klara.

Results from the registration study with Sumatriptan Alginate Film expected in Q1 2021

We have focused on our leading clinical program for Sumatriptan Alginate Film for migraine in 2020. The development is financed by the EU Horizon 2020 program, and we have also had rewarding discussions with the pharmaceutical authorities EMA in Europe and the FDA in the United States during the year. For example, the Swedish Medical Products Agency (Läkemedelsverket), acting as representative of EMA, has confirmed that our development plan is adequate for market approval in Europe. The bioequivalence registration study with Sumatriptan Alginate Film was initiated in the fourth quarter of 2020, and we now look forward to announcing results from the study during the first quarter of 2021. We will then prepare and submit an application for market approval in Europe.

Positive trend for the cannabis market in the US and Europe

In order to focus our inhouse development resources on advancing our product pipeline in the above areas, we have transferred the rights within cannabis applications to the group company Cannabis Delivery Sciences (CDS). The goal of this company is to sign license agreements with partners for further development and distribution of cannabis-based products based on our Alginate Film Technology. CDS signed a first such licensing agreement in 2020 with Chilam Enterprise Ltd. The agreement concerns the European market for medical cannabis and allows Chilam to combine its own cannabis varieties with a leading drug delivery technology. We are positive about the opportunities to further develop the operations in CDS in 2021 and note that both Europe and the United States continue to move towards a gradual expansion of the regulated market for cannabis-based products. Among other things, several additional states in the United States have legislated on the legalization of cannabis in 2020.

Promising outlook for the rest of 2021

It is inspiring that Klaria has managed to take a number of important steps forward during a year that has been marked by the corona pandemic. As we now look ahead to the rest of 2021, it is promising to see that vaccination programs have been launched in several countries. I look forward to the day when it will once again be possible to meet business contacts as well as friends without having to think about distance and restrictions. The future does however look bright for Klaria regardless of how long we have to live with the pandemic, as we expect to further advance our clinical programs in 2021. The most important milestone in the near future is of course the completion of the ongoing study with Sumatriptan Alginate Film, as a positive result would take the validation of our technology and thus Klaria as a company to a new level.

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I would like to thank all colleagues, partners, shareholders and other stakeholders for your valuable contributions to Klaria's development in 2020, and I hope that together we will achieve just as substantial milestones in 2021.

Jesper Wiklund
CEO Klaria Pharma Holding AB (publ)
Uppsala, February 2021

Focused clinical development to maximize the company's potential to solve unmet medical needs

Klaria's strategy for the company's operations, which was launched in early 2020, entails that all of the company's resources shall be focused on areas and projects where Klaria's Alginate Film technology is deemed to have the greatest medical and commercial potential.

In 2020, Klaria has delivered significant progress. In line with the new strategy, a bioequivalence registration study with Sumatriptan Alginate Film for migraine-related pain was initiated, as well as clinical programs for three additional development projects. In addition to this, Klaria has enabled applications for cannabinoids through the subsidiary Cannabis Delivery Sciences (CDS).

Effective drug development

With its unique drug delivery technology and efficient development process, Klaria has significant advantages compared to traditional pharmaceutical companies to quickly address unmet medical needs.

Unique medical benefits

– The alginate-based films that adhere to the oral mucosa allow for a range of patient benefits. The most important benefit is that the film allows for oral administration of pharmaceuticals that must currently be administered through an injection or as a nasal spray. Such oral administration solves many major problems for patients. Other benefits compared to tablets include easier usage, faster uptake into the bloodstream with high precision as there is 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 syringes and nasal sprays.

– The film facilitates the administration of pharmaceuticals for patients and caregivers as it, among other things, reduces the need for uncomfortable syringes.

Klaria's leading projects

Sumatriptan Alginate Film for migraine-related pain

Has strong potential as a fast-acting and reliable alternative to tablets that have a slower uptake into the bloodstream and to nasal sprays, with both of these being poor options for patients suffering from nausea and vomiting.

The product is developed by the company together with the EU Horizon 2020 program. A bioequivalence registration study was initiated in the fourth quarter of 2020, and the company expects to be able to present the first study results in the first quarter of 2021. 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 where overdose of opioid based pharmaceuticals constitutes a serious national challenge for the healthcare, 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. In the third quarter of 2020, GMP production in preparation of a clinical dose ranging study was initiated.

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 developed by the company since Klaria regained the rights from a collaboration with Mundipharma/Elvium Pharma in 2020. This allows Klaria to build on the successful preclinical data that was generated within the frame of the collaboration. In the third quarter, the company initiated GMP production in preparation of a clinical dose ranging study.

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

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 is run by the group company Cannabis Delivery Sciences (CDS), which is fully focused on further developing and signing license agreements for cannabis applications based on Klaria's Alginate films. The first license agreement was signed with Chilam Enterprise in the third quarter of 2020 and relates to medical applications in Europe.

Klaria's vision is to contribute to an improved quality of life for people with serious medical conditions.

Strategy

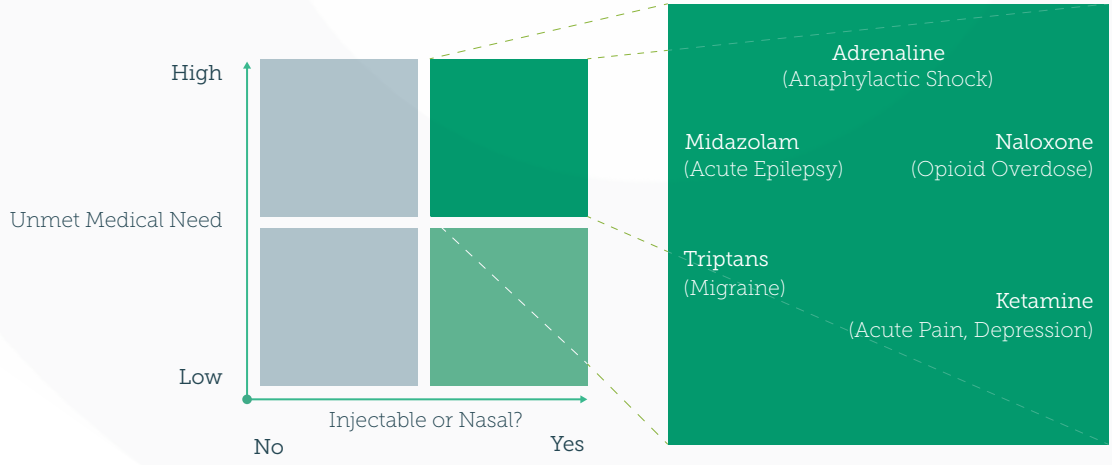
Klaria's strategy is to focuse its development resources on projects where the current treatment fulfills two criteria: 1) the treatment is given as a nasal spray or injection due to weak or non-existing uptake in the stomach, and 2) this presents a significant problem for patients, caregivers or paying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

Klaria's strategy utilizes the key feature of Alginate Films; true and full transmucosal drug delivery of pharmaceuticals with no uptake in the stomach. 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 bloodstream is low or non-existent). By using its alginate technology, Klaria has been able to 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 meet unique medical needs by developing products which can deliver an improved clinical outcome, while also improving the user-friendliness compared to the products available on the market today.

Focus on enabling and transformative treatments



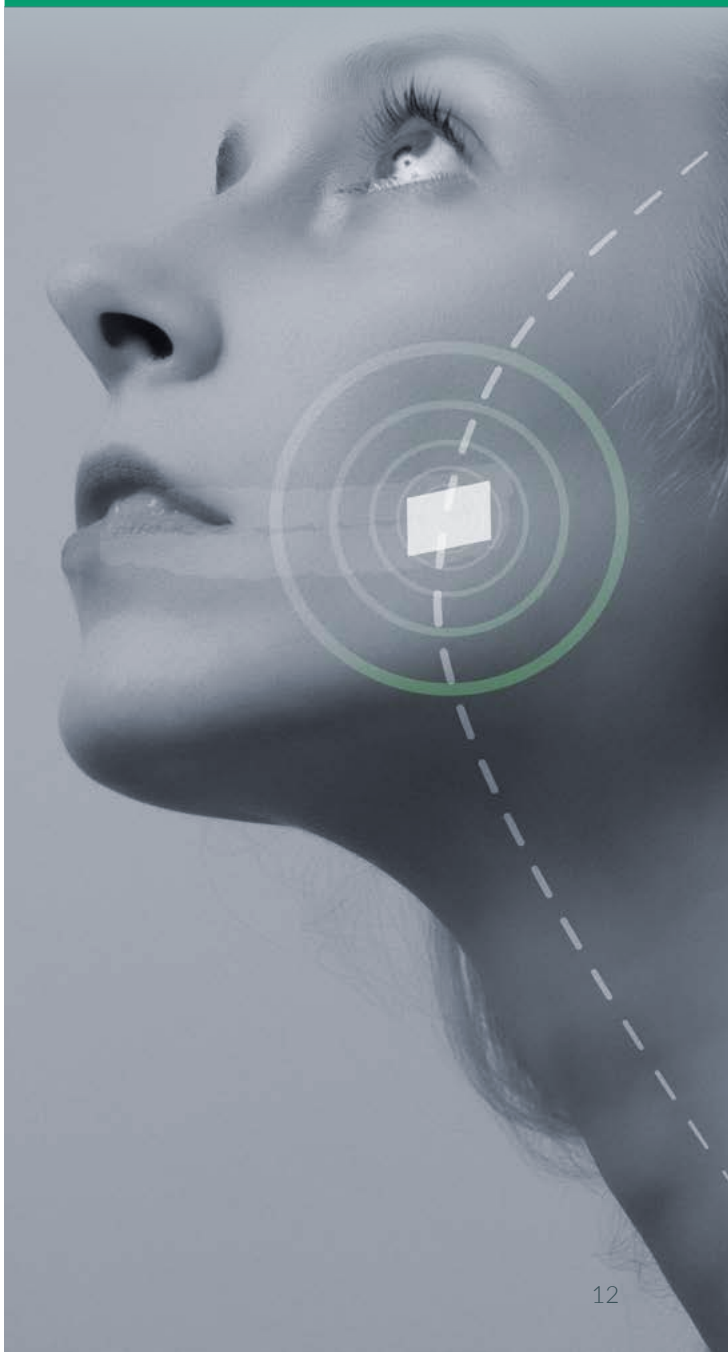
Klaria's drug delivery platform

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.

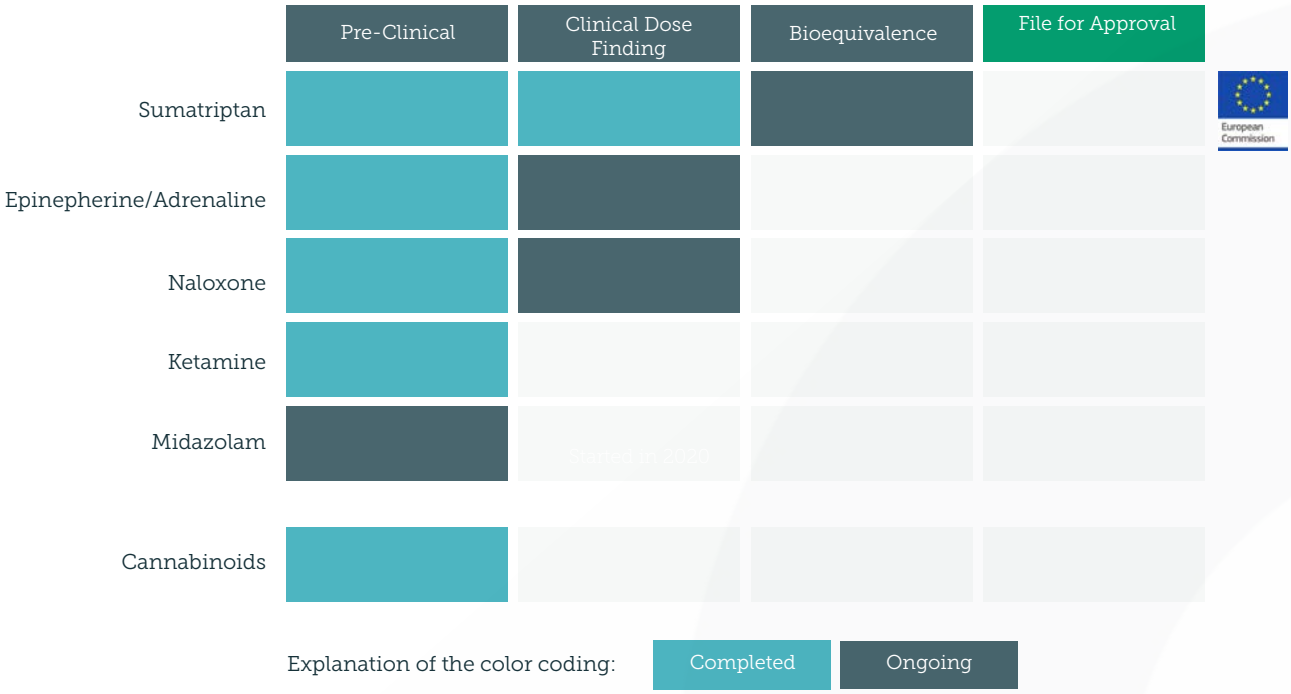
Klaria's Alginate Films offer several clear advantages to nasal sprays and injections:

- 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 families 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 sprays as the substance takes a more direct route into the bloodstream. Any risk of the patient vomiting and losing the drug dose is eliminated.

"The film is similar to a stamp and is attached to the oral mucosa. Within ten minutes, the active substance is distributed directly into the bloodstream.



Pipeline for Klaria's development projects



Sumatriptan

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.

Klaria initiated a pivotal bioequivalence study in the fourth quarter of 2020. The company expects to present results from the study in Q1 2021 and subsequently file for market approval in Europe and the US in 2021.

Adrenaline/Epinephrine

Klaria's Adrenaline Alginate Film project aims to:

1. Replace EpiPen (aged incumbent technology using an expensive and bulky auto-injector pen) with adrenaline/ 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. Today, sales for EpiPen amount to approx. 4.2 billion USD annually.

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

Naloxone

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. The option of 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.

The clinical program with Naloxone Alginate Film was started in the third quarter of 2020 with GMP production in preparation of a clinical dose-ranging study.

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 a focus on both medical and recreational applications. The company signed a first non-exclusive license agreement with Chilam Enterprise Ltd in July 2020. The agreement enables Chilam to offer its high quality cannabis products formulated in Alginate films from CDS to the European medical sector, starting 2021. More information is available on CDS's 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 focus to sign agreements with strong entities on the cannabis market. The first license agreement, referring to medical applications in Europe, was signed with Chilam Enterprise in 2020.
- 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 2022. Cannabis edibles (oils, drinks, cookies and gummies) constitute 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.

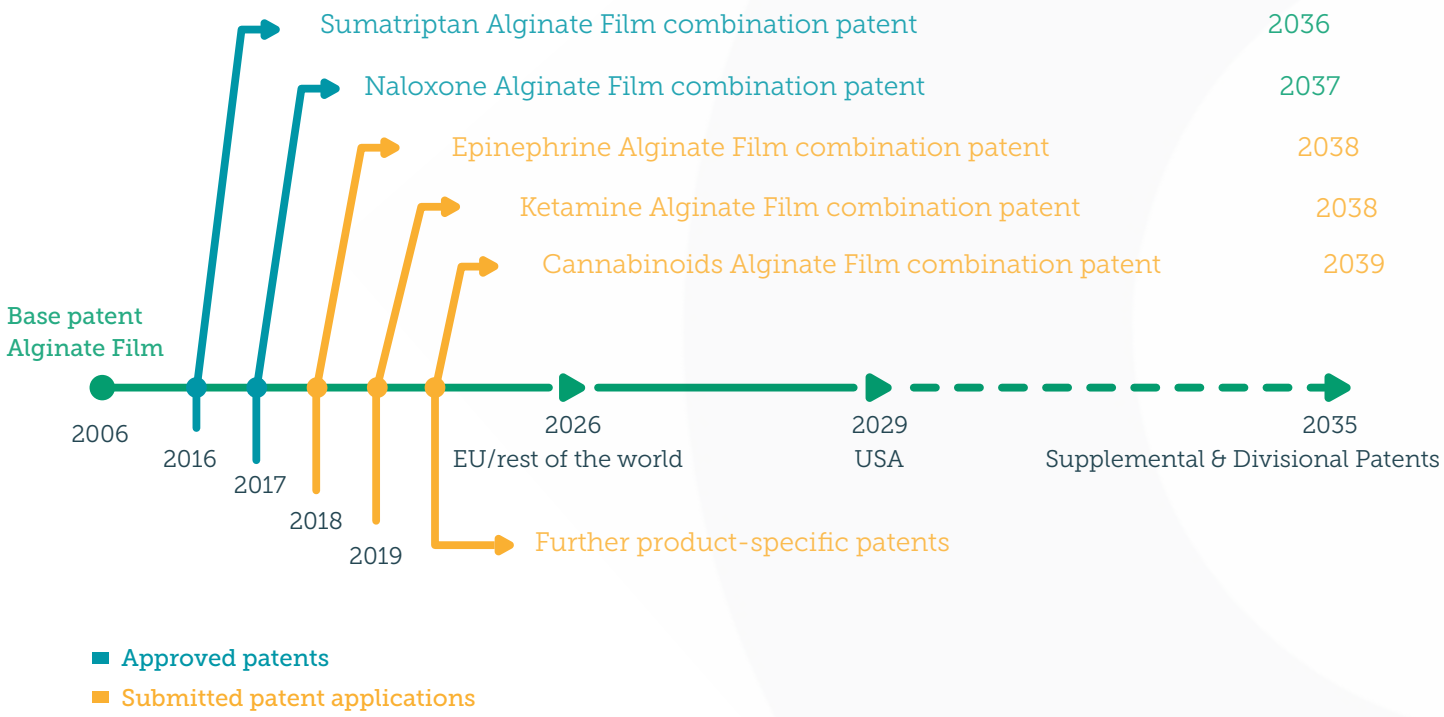
Cannabis Delivery Sciences expects that it will reach a significant market share in both these segments. Klaria's film technology is easier to use and carry, provides more accurate dosing and allows significantly shorter time to effect compared to edible products. At the same time, the technology is free of the health and regulatory disadvantages associated with smoking.

> "Cannabis Delivery Sciences makes it possible to fully focus on cannabis products formulated 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.

Klaria's patent families and overall strategy



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

Klaria's 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 let 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 suitable for Klaria's development projects in early clinical phase (Naloxone Alginate Film for opioid overdose and Adrenaline Alginate Film for acute allergic reaction). The company notices a significant interest in these projects from potential partners, but has chosen to carry out the first clinical phase (dose ranging study) itself in order to obtain an optimal negotiation position to maximize shareholder value.

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). The first license agreement was signed with Chilam Enterprise Ltd in August 2020 and refers to medical cannabis applications in Europe.

Sumatriptan Alginate Film for migraine-related pain

For Klaria's leading migraine project Sumatriptan Alginate Film (KL-00119), only the completion of an ongoing bioequivalence registration study remains before an application for market approval can be submitted for Europe. The company plans to present study results in the first quarter of 2021.

In-house development provides significant value potential

Klaria develops the product in-house together with the EU Horizon 2020 program which finances the development up until application for market approval.

Completion of bioequivalence registration study and application for market approval in 2021

By the end of November 2020, Klaria initiated a bioequivalence registration study with Sumatriptan Alginate Film in order to collect the necessary documentation for a market application. The first dosing of patients within the framework of the study was carried out on December 15. The Swedish Medical Products Agency, acting as representative of the European Medicines Agency (EMA), has confirmed, in a so called "Scientific Advice", that the development plan for Sumatriptan Alginate Film is adequate for market authorization in Europe. Klaria aims to complete the bioequivalence registration study and submit the first market application in Europe in 2021.

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 United States in focus

The global market for medication for treating migraine amounted to around 4 billion USD in 2019. The global market is currently dominated by medications based on so-called triptans, which make up around 85 percent of all prescribed migraine medication. 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 market leading pharmaceuticals 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 which 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, have the potential to become an attractive alternative.

1 Global Migraine Drugs Market – 2015-2019, 2014, Technavio Research

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 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 and caregivers.

Clinical program initiated with the aim of starting clinical studies in 2021

Adrenaline Alginate Film has been in preclinical development for approximately 18 months in collaboration with Mundipharma, a collaboration project which generated positive data. Klaria regained the global rights for the Adrenaline Alginate Film in 2020 after which the company initiated the clinical program for the project in the third quarter with GMP manufacturing in preparation of an upcoming clinical dose ranging study. This study will be carried out by the company itself. Klaria's aim is to start this first clinical study in 2021. Thereafter, a bioequivalence registration study is required to obtain the data needed for an application for market approval for the product.

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. Naloxone Alginate Film could make it possible for healthcare entities to co-prescribe an effective and rapid emergency treatment of overdose together with these pharmaceuticals.

Naloxone, the active substance in Naloxone Alginate Film is a well-established antidote, and does not induce any intoxication or dependence. Klaria initially developed this project 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.

GMP production initiated for a clinical study in 2021

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 Klaria initiated the clinical program with GMP production in preparation of an upcoming clinical dose ranging study in the second quarter of 2020. The company aims to initiate this clinical study in 2021 after which a bioequivalence registration study is required in order for Klaria to obtain the data needed for a first 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 is the leading market for prescription of pain medication

It is estimated that 650,000 prescriptions for painkillers are dispensed each day in the United States.[6]. 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[7] 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[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 strategy, which was launched in early 2020, 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.

High and rising prices call for new solutions

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[9]. 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 The Economist - Fentanyl is the next wave of America's opioid crisis

7 NPR - First Responders Spending More On Overdose Reversal Drug

8 Bloomberg - Saving Heroin Users With a Nasal Spray Is an $80 Million Business

9 Business Insider - The price of the 'antidote' to the overdose crisis is skyrocketing

Cannabis formulated in Alginate film

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 has potential within several other prescription and non-prescription applications, including epilepsy and autism. Recreational applications are also possible in regions where this is allowed.

Global patent strategy

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 (CDS)

Cannabis-based applications of Klaria's Alginate film technology are handled through the group company Cannabis Delivery Sciences (CDS). 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 for the further development is to sign out-licensing agreements with partners who will finance the continued development costs.

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 aggregated value exceeding 1 billion USD.

Shareholding: 1,203,654

Holding of warrants: 0

Scott Boyer

CSO (Chief Scientific Officer) and member of the Board

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: Managing Director, Chemotargets, S.L

Shareholding: 731,042

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: 25,000

Holding of warrants: 0

The Board of Directors

Fredrik Hübinette

Chairman of the Board, inventor behind and founder of Klaria Pharma Holding, Nicoccino Holding AB and UppsalaGruppen AB.

Born: 1969

Education: Chemistry Economy at Uppsala University.

Previous experience: Has held leading positions within different biotech companies since the late 1990s.

Main occupation: Responsible for patents, innovation and product development in the Klaria group.

Other current engagements: Chairman of the Board of Nicoccino Holding.

Shareholding: 3,886,043

Holding of warrants: 0

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

Scott Boyer

CSO (Chief Scientific Officer) and member of the Board

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: Managing Director, Chemotargets, S.L

Shareholding: 731,042

Holding of warrants: 0

Independent: Dependent in relation to the company, independent in relation to major shareholders.

Anders Ardstål

Member of the Board

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: 40,000

Holding of warrants: 0

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

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 2020, the number of shareholders in the company amounted to approximately 4,700.

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 2020, the number of shareholders amounted to approximately 4,700.

Share capital

Klaria's share capital amounts to 863,471.32 SEK divided on 51,808,279 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 (%)
Ålandsbanken	7,385,589	14.3%
UBS, Schweiz	5,467,178	10.6%
Fredrik Hübinette	3,886,043	7.5%
Banque Pictet & Cie, Luxemburg	3,554,413	6.9%
Six Sis AG, Schweiz	3,131,020	6.0%
Nordnet Pensionsförsäkrings AB	1,593,071	3.1%
Jack Weil	1,461,988	2.8%
Banque Intl A Luxembourg	1,210,722	2.3%
Deutsche Bank AG	1,204,981	2.3%
Avanza Pensionsförsäkrings AB	1,115,553	2.2%
Other	21,797,721	42.1%
In total	**51,808,279**	**100.0%**

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 different therapeutic areas where there are unmet medical needs. 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 bioequivalence registration study and preparation of an application for market approval for Sumatriptan Alginate Film against acute migraine.
- Initiate clinical dose-ranging study with Adrenaline Alginate Film against acute allergic reaction.
- Initiate clinical dose-ranging study with Naloxone Alginate Film against opioid overdose.
- Cannabis Delivery Sciences: signing of additional license agreements 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 6 people in 2020.

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 4,700. 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, Karessa Pharma AB, Karessa Incentive 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 0.0 MSEK (4.2 MSEK). The net result amounted to -51.4 MSEK (-22.5 MSEK) or -1.19 SEK (-0.72 SEK) per share for the period. Cash flow from operations for the period amounted to -35.3 MSEK (-14.8 MSEK) or -0.82 SEK (-0.47 SEK) per share.

Liquidity and financial position

At year-end, the group's cash and cash equivalents amounted to 31.3 MSEK (2.9 MSEK). The group's equity at year-end amounted to 109.6 MSEK (82.1 MSEK) and the equity/assets ratio was 83% (81%).

Significant events during the year

Klaria Pharma presents new strategy

On January 30, Klaria announced that the company has formulated and is 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 existing formulations constitute a major problem for patients, caregivers or payers.

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 Horizon 2020 program. The payment was made as the development of Sumatriptan Alginate film (KL-00119) has proceeded successfully according to plan.

Completed merger between Klaria och Karessa

In March, the Swedish Companies Registration Office announced that the merger between Klaria Pharma Holding AB (publ) and Karessa Pharma Holding AB (publ) had been registered and thus completed. In connection with the merger 6,635,200 new shares in Klaria were issued as a merger consideration. The merged company now has control over the technology platform behind the company's Alginate Film technology as well as all clinical development projects based on this technology. The company retains the name Klaria Pharma Holding AB (publ) and continues to have its registered office in Stockholm.

Klaria raises approximately 27 MSEK through a preferential share issue of 17 MSEK and a loan of 10 MSEK

On April 28, Klaria's Board of Directors announced that the company, pursuant to the authorization granted at the Annual General Meeting on April 24, 2020, has decided to carry out a preferential share issue of a maximum of 5,697,960 shares with a subscription price of 3 SEK per share, corresponding to gross proceeds of up to approx. 17.1 MSEK, of which about 1 MSEK is contributed through offset. Klaria has also received a loan of 10 MSEK, which runs until April 30, 2021. In May, it was announced that Klaria has decided to allot the maximum number of shares in the preferential rights issue.

Clinical program with Naloxone Alginate Film initiated

On July 1, Klaria announced that the company's Naloxone Alginate Film for co-prescription with opioids for patients at risk of opioid overdose has entered into the clinical phase of development. GMP production of the product has been initiated in preparation for an upcoming clinical dose ranging study. Klaria estimates that the total addressable market for co-prescription of naloxone is worth 1.9 billion USD in the United States alone.

Directed share issue of 3,800,000 shares to approx. 15 selected investors

On July 17, Klaria's Board of Directors announced that the company has conducted a directed share issue of 3,800,000 shares to approximately 15 selected Swedish and international investors following an authorization from the Annual General Meeting on April 24, 2020. On August 14, it was announced that Klaria's Board of Directors decided to allot all shares in the directed share issue.

License agreement signed with Chilam Enterprise Ltd to power expansion to medical cannabis sector

On August 6, it was announced that Klaria's subsidiary Cannabis Delivery Sciences (CDS) has signed a nonexclusive license agreement with Chilam Enterprise Ltd for the right to sell CDS' Cannabis Alginate Films in Europe. Starting in 2021, Chilam will be able to supply the European medical sector with GMP-compliant medical cannabis formulated in the Alginate Film.

Klaria regains rights to Epinephrine Alginate Film and initiates clinical program to treat serious allergic reactions

On September 7, it was announced that Klaria has regained the global rights for the Epinephrine Alginate Film from Purdue Canada and the Mundipharma network. Klaria has also decided to progress Epinephrine Alginate Film into clinical development, GMP production activities of the product have been initiated. The initiation of clinical studies allows Klaria to build on the successful development activities and new data that has been generated in the program over the previous 18 months. The total addressable market for Epinephrine Alginate Film is worth in excess of 2 billion USD in world-wide annual sales.

Directed share issue with Merizole Holding LTD as leading investor raises approximately 24,5 MSEK to the company

On October 14, the Board of Klaria announced that the company, if given approval by a subsequent extraordinary general meeting, has decided to conduct a directed issue of up to 4,239,766 shares at a subscription price of 6.84 SEK per share, corresponding to a 10% discount compared to the volume-weighted average share price during 20 trading days (7.60 SEK). This corresponds to a gross payment of a maximum of approximately 29 MSEK. The share issue was directed to a consortium of Swedish and international investors, led by the investment company Merizole Holding LTD owned by the Jack Weil family. On October 14, an extraordinary general meeting resolved the approval of the directed share issue and on November 19, it was announced that Klaria received approximately 24.5 MSEK through the share issue and that 3 581 871 shares have been subscribed for.

Klaria announces regulatory approval of the bioequivalence registration study with Sumatriptan Alginate Film

On November 12, Klaria announced that the company has received all necessary regulatory approvals to be able to start the bioequivalence registration study with Sumatriptan Alginate Film, including approval from the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK. The company also announced that the Swedish Medical Products Agency, acting as representative of the European Medicines Agency, EMA, has confirmed that the development plan for Sumatriptan Alginate Film will be acceptable for market authorization in Europe in a so called "Scientific Advice".

Klaria initiates the bioequivalence registration study with Sumatriptan Alginate Film and announces first dose of participants

On December 18, Klaria announced that the first group of subjects received their first dose in the company's bioequivalence registration study of Sumatriptan Alginate Film. The dosing of all 12 subjects in the first group took place on December 15.

Significant events after the end of the period

Klaria receives 'Notice of Allowance' from USPTO for a patent protecting the company's most advanced development asset, Sumatriptan Alginate Film

With this approval of a completely new patent, Sumatriptan Alginate Film will enjoy patent-protected market exclusivity in the United States until 2036. This extends the period of market exclusivity in the US by 7 years thereby increasing the projected cumulative revenue of the product by more than USD 1 billion. Moreover, the breadth of claims in the patent is wide, solidifying the market exclusivity in the patent period.

Klaria announces patent approval in Europe of a new product patent covering Naloxone Alginate Film

Klaria announces that the company has received notice of approval for a completely new patent that will grant Naloxone Alginate Film market exclusivity in the EU until 2037. The approval marks the second time the European Patent Office (EPO) has approved a compound/Alginate Film combination patent for a specific compound formulated in Klaria's proprietary Alginate Film. The approval thus further validates Klaria's patent strategy, which calls for filing of combination patents for all products under development.

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 -36.5 MSEK (-20.6 MSEK). Group contributions to subsidiaries during the year amounted to 24.1 MSEK (14.6 MSEK). The parent company's cash and cash equivalents at the end of the period amounted to 27.2 MSEK (1.7 MSEK). At the end of the year, equity in the parent company amounted to 188.2 MSEK (124.9 MSEK) and the equity/assets ratio was 91% (88%).

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	**223,766,787 SEK**
Profit/loss for the year	**-36,480,793 SEK**
Total non-restricted equity	**187,286,195 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	**187,286,195 SEK**
Total non-restricted equity	**187,286,195 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)	2020-01-01 2020-12-31	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	0	4,223	0	2,275	0	0
Operating costs	-56,735	-32,677	-28,115	-24,472	-24,377	-10,681
Operating profit/loss	-48,738	-21,092	-27,293	-21,825	-24,029	-10,369
Profit/loss after financial items	-51,410	-22,492	-27,306	-21,568	-24,104	-10,370
Profit/loss after tax	-51,439	-22,492	-27,306	-21,568	-24,104	-10,370
Cash flow from operating activities	-35,296	-14,796	-9,139	-12,060	-14,393	-4,429
Cash and cash equivalents on the balance day	31,251	2,917	7,959	17,098	31,100	45,633
Equity on the balance day	109,593	82,108	94,700	122,006	145,708	169,812

Key ratios

TSEK (unless otherwise stated)	2020-01-01 2020-12-31	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	neg
Return on capital employed, %	neg	neg	neg	neg	neg	neg
Profit/loss per share before and after dilution, SEK	-1.19	-0.72	-0.89	-0.71	-0.8	-0.35
Cash flow per share, SEK	0.65	-0.16	-0.3	-0.46	-0.48	2.64
Equity/assets ratio	83%	81%	89%	98%	99%	99%
Equity per share, SEK	3.41	2.56	3.08	3.96	4.86	5.66
Number of employees at the end of the period	6	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	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Operating income			
Net sales	Note 2	0	4,223
Other operating income	Note 3	7,997	7,362
Operating costs			
Administrative costs	Note 4	-6,466	-6,653
Sales costs	Note 5	-1,827	-1,816
Research and development costs	Note 5	-48,442	-24,208
Total operating costs		**-56,735**	**-32,677**
Operating profit/loss		**-48,738**	**-21,092**
Earnings from financial investments			
Financial revenues	Note 6	2	3
Financial costs		-2,674	-1,403
Financial net		**-2,672**	**-1,400**
Profit/loss before tax		**-51,410**	**-22,492**
Tax	Note 8	-29	0
Profit/loss for the year		**-51,439**	**-22,492**
Other comprehensive income			
Items to be reclassified to profit/loss for the year			
Translation differences		-20	-2
Other comprehensive income for the year		**-20**	**-2**
Comprehensive income for the year		**-51,459**	**-22,494**
Profit/loss for the year attributable to:			
The parent company's shareholders		-51,439	-22,492
Non-controlling interest		0	1
Profit/loss for the year		**-51,439**	**-22,491**
Comprehensive income for the year attributable to:			
The parent company's shareholders		-51,459	-22,494
Non-controlling interest		0	1
Comprehensive income for the year		**-51,459**	**-22,493**
Profit/loss per share	Note 9		
Before and after dilution (TSEK)		-1.19	-0.72
Average number of shares before dilution (thousands)		43,325	31,157
Average number of shares after dilution (thousands)		51,808	31,157
Number of shares by the end of the year, thousands		32,093	32,093

Consolidated balance sheet

TSEK (unless otherwise stated)	Note	2020-12-31	2019-12-31
Assets			
Non-current assets			
Intangible assets			
Intellectual property rights	Note 10, 13	99,125	96,740
Tangible fixed assets			
Plant and machinery	Note 11	26	41
Financial assets			
Rights-of-use asset	Note 12	255	763
Total fixed assets		**99,406**	**97,544**
Current assets	Note 21		
Other receivables		1,381	891
Prepaid expenses and accrued income	Note 16	367	375
Total current receivables		**1,748**	**1,266**
Cash and cash equivalents		31,251	2,917
Total current assets		**32,999**	**4,183**
TOTAL ASSETS		**132,405**	**101,727**
Equity and liabilities			
Equity	**Note 17**		
Share capital		863	535
Other contributed capital		238,444	195,045
Translation reserve		-22	-2
Retained earnings including profit/loss for the year		-129,694	-113,470
Equity attributable to parent company shareholders		**109,591**	**82,108**
Non-controlling interest		**2**	**2**
Total equity		**109,593**	**82,110**
Liabilities			
Non-current liabilities			
Lease liabilities	Note 12	0	130
Total non-current liabilities		**0**	**130**
Current liabilities	**Note 20, 21**		
Short-term financing		10,000	10,000
Accounts payable	Note 18	6,525	2,726
Current part of lease liability	Note 12	262	641
Other liabilities		1,397	296
Accrued expenses and deferred income	Note 19	4,628	5,824
Total current liabilities		22,812	19,487
Total liabilities		22,812	19,617
TOTAL EQUITY AND LIABILITIES		**132,405**	**101,727**

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)	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Operating activities		
Operating profit/loss before financial items	-48,738	-21,092
Received interest	2	3
Paid interest	-2,674	-1,403
Adjustments for items not included in the cash flow		
Depreciation	13,432	10,089
Paid tax	-29	0
Cash flow from operating activities before changes in working capital	**-38,007**	**-12,403**
Cash flow from changes in working capital		
Increase(-)/decrease(+) in current receivables	-482	342
Increase(+)/decrease(-) in current liabilities	3,193	-2,735
Cash flow from operating activities	**-35,296**	**-14,796**
Investment activities		
Acquisition of subsidiary, net liquidity impact	13,084	387
Investments in tangible fixed assets	-33	0
Cash flow from investing activities	**13,051**	**387**
Cash flow before financing activities	**-22,245**	**-14,409**
Financing activities		
New loans	0	10,000
Liabilities attributable to financing activities	0	-633
Contributed capital	50,560	0
Cash flow from financing activities	**50,560**	**9,367**
Cash flow for the year	**28,315**	**-5,042**
Cash and cash equivalents at the beginning of the year	2,917	7,959
Exchange rate differences in cash and cash equivalents	-19	0
Cash and cash equivalents at the end of the year	31,251	2,917

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 2019-01-01	513	185,165	0	-90,978	94,700	0	94,700
Comprehensive income							
Profit/loss 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					0	-3	-3
Total transactions with shareholders	22	9,882	0	0	9,904	-3	9,901
Closing balance 2019-12-31	535	195,047	-2	-113,470	82,110	-2	82,108
Opening balance 2020-01-01	535	195,047	-2	-113,470	82,110	-2	82,108
Comprehensive income							
Profit/loss for the year				-51,439	-51,439	0	-51,439
Other comprehensive income			-20		-20		-20
Comprehensive income for the year	0	0	-20	-51,439	-51,459	0	-51,459
Transactions with shareholders							
New share issue	217	52,777			52,994		52,994
New share issue expenses		-2,434			-2,434		-2,434
Merger	111	28,271			28,382		28,382
Total transactions with shareholders	328	78,614	0	0	78,942	0	78,942
Closing balance 2020-12-31	863	273,661	-22	-164,909	109,593	-2	109,591

Parent company income statement

TSEK (unless otherwise stated)	Note	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Operating income			
Net sales		0	0
Other operating income	Note 4, 14	4,953	4,821
Operating costs			
Administrative costs	Note 4	-8,251	-6,168
Sales costs	Note 5	-1,590	-1,544
Research and development costs	Note 5	-4,865	-3,081
Total operating costs		**-14,706**	**-10,793**
Operating profit/loss		**-9,753**	**-5,972**
Profit/loss from financial items			
Other interest income and similar profit/loss items	Note 6	2	3
Interest expenses and similar profit/loss items		-2,647	-29
Net interest income		**-2,645**	**-26**
Profit/loss after net interest income		**-12,398**	**-5,998**
Group contributions	Note 7, 14	-24,083	-14,585
Profit/loss before tax		**-36,481**	**-20,583**
Tax	Note 8	0	0
Profit/loss for the year		**-36,481**	**-20,583**
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		**-36,481**	**-20,583**

Parent company balance sheet

TSEK (unless otherwise stated)	Note	2020-12-31	2019-12-31
Assets			
Non-current assets			
Tangible assets			
Equipment		3	9
Financial assets			
Participations in subsidiaries	Note 14	178,339	140,100
Total fixed assets		**178,342**	**140,109**
Current assets			
Other current receivables		639	43
Prepaid expenses and accrued income	Note 16	51	105
Other receivables			
Total current receivables		**690**	**148**
Cash and cash equivalents		27,227	1,738
Total current assets		**27,917**	**1,886**
TOTAL ASSETS		**206,259**	**141,995**
Equity and liabilities			
Equity	Note 17		
Restricted equity			
Share capital, 51 808 279 (32 193 248 shares with a quota value of 0,0167 SEK)		863	535
Total restricted equity		863	535
Non-restricted equity			
Share premium reserve		223,768	144,949
Retained earnings		0	0
Profit/loss for the year		-36,481	-20,583
Total non-restricted equity		187,287	124,366
Total equity		**188,150**	**124,901**
Provisions and liabilities			
Current liabilities			
Accounts payable	Note 18	1,787	1,558
Liabilities to group companies	Note 14	2,805	12,789
Convertible debt		10,000	0
Other current liabilities		704	200
Accrued expenses and deferred income	Note 19	2,813	2,547
Total current liabilities		**18,109**	**17,094**
Total provisions and liabilities		**18,109**	**17,094**
TOTAL EQUITY AND LIABILITIES		**206,259**	**141,995**

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)	2020-01-01 2020-12-31	2019-01-01 2019-12-31
Operating activities		
Profit/loss before financial items	-9,753	-5,972
Received interest	2	3
Paid interest	-2,647	-29
Adjustments for items not included in the cash flow		
Depreciation	6	7
Cash flow from operating activities before changes in working capital	-12,392	-5,991
Cash flow from changes in working capital		
Increase(-)/decrease(+) in current receivables	-542	5,115
Increase(+)/decrease(-) in current liabilities	3,785	15,917
Cash flow from operating activities	-9,149	15,041
Investment activities		
Group contributions to subsidiary	-27,348	-14,585
Acquisition of shares in group companies	0	-150
Cash flow from investing activities	-27,348	-14,735
Cash flow before financing activities	-36,497	306
Financing activities		
Liquidity effect from merger	11,426	0
Contributed capital	50,560	0
Cash flow from financing activities	61,986	0
CASH FLOW FOR THE PERIOD	25,489	306
Cash and cash equivalents, opening balance	1,738	1,432
Cash and cash equivalents, closing balance	27,227	1,738

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 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
Other comprehensive income	0				0
Comprehensive income for the year	**0**	**-17,877**	**0**	**-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**

TSEK (unless otherwise stated)	Share capital	Share premium reserve	Profit carried forward	Profit/loss for the year	Total equity
Opening balance 2020-01-01	**535**	**144,949**	**0**	**-20,583**	**124,901**
Appropriation of previous year's profits		-20,583		20,583	
Profit/loss for the year				-36,481	-36,481
Other comprehensive income	0				0
Comprehensive income for the year	**0**	**-20,583**	**0**	**-15,898**	**-36,481**
Transactions with shareholders					
New share issue	217	52,777		0	52,994
New share issue expenses		-2,434			-2,434
Merger	111	49,059			49,170
Total transactions with shareholders	**328**	**99,402**	**0**	**0**	**99,730**
Closing balance 2020-12-31	**863**	**223,768**	**0**	**-36,481**	**188,150**

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 2021-02-11. 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 2021-03-05.

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.

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.

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, 2020, the value of these assets amounted to 99.1 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 112.3 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 2020, submitted group contributions amounted to 24.1 MSEK (14.6 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 2020-12-31, 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 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Sales in Sweden	0	399	0	0
Milestone payments	0	3,824	0	0
Total	**0**	**3,824**	**0**	**0**

Note 3 - Other operating income

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Research support	7,220	7,345	0	0
Operating exchange rate gains	166	16	24	6
Sickness benefit	24	0	0	0
Other operating income	587	1	42	0
Management fee	0	0	4,887	4,815
Total	**7,997**	**7,362**	**4,953**	**4,821**

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

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Crowe Osborne AB				
Audit assignment	0	182	0	85
Other consultations	0	0	0	0
Total	**0**	**182**	**0**	**85**
BDO Mälardalen AB				
Audit assignment	226	134	96	0
Other consultations	100	145	8	145
Total	**326**	**279**	**104**	**145**

Costs by type of cost

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Clinical studies and consumables	20,994	6,558	0	0
Other external costs	13,258	10,894	11,357	8,013
Personnel costs	9,050	5,136	3,343	2,774
Depreciation	13,432	10,089	6	6
Total	**56,734**	**32,677**	**14,706**	**10,793**

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

Average number of employees

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Uppsala	6	4	1	1
Täby	0	0	0	0
Total	**6**	**4**	**1**	**1**
Men	5	3	1	1
Women	1	1	0	0
Total	**6**	**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	1

Salaries and social expenses

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Salaries and other remunerations				
Board and Chief Executive Officer	2,474	2,175	2,253	2,175
Other employees	2,785	1,887	0	0
Total	**5,259**	**4,062**	**2,253**	**2,175**
Social expenses				
Board and Chief Executive Officer	777	636	708	636
Other employees	875	591	0	0
Total	**1,652**	**1,227**	**708**	**636**
Pension costs				
Board and Chief Executive Officer	92	92	92	92
Other employees	153	122	0	0
Total	**245**	**214**	**92**	**92**

Board member fees

At the Annual General Meeting on April 24, 2020, it was decided that board member fees for the period up to the Annual General Meeting 2021 shall amount to 250,000 SEK to the Chairman, and 100,000 SEK to each other member. No Board member fee is payed out for members employed by the company.

CEO's terms of employment

In 2020, the total cost of the CEO remuneration, including all employee costs, amounted to 2,795 TSEK. Klaria and the CEO has a mutual notice period of 6 months.

Transactions with related parties

In 2020, 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 2020, the management in Klaria consisted of the following person:

- CSO (Chief Scientific 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
Chairman of the Board, Björn Littorin, Jan 1-April 24	104				104
Chairman of the Board, Fredrik Hübinette, April 24-Dec 31, employed by the company	1,028				1,028
Member of the Board, Scott Boyer, employed by the company	1,813			92	1,905
Anders Ardstål	158				158
CEO, Jesper Wiklund	2,150				2,150
Total	5,253	0	0	92	5,345

Not 6 - Financial income and costs

	Group 2020 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Interest income, bank	2	3	2	3
Interest income, other	0	0	0	0
Rate losses	-111	-52	-129	-24
Interest costs lease liability	-11	-20	0	0
Interest costs financiers	-2,516	-1,326	-2,516	0
Other interest costs	-36	-5	-2	-5
Total	**-2,672**	**-1,400**	**-2,645**	**-26**

Note 7- Appropriations

	Group 2020 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Group contributions	-	-	-24,083	-14,585

Note 8- Tax

Tax reported in the income statement

	Group 2020 1 Jan - 31 Dec	Group 2019 1 Jan - 31 Dec	Parent company 2020 1 Jan - 31 Dec	Parent company 2019 1 Jan - 31 Dec
Current tax	29	0	0	0
Deferred tax	0	0	0	0
Current tax rate in Sweden	21.4 %	21.4 %	21.4 %	21.4 %

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

Profit/loss before tax	-51,439	-22,492	-36,481	-20,583
Tax based on current tax rate	11,008	4,813	7,807	4,405
Non-deductible costs	11	24	10	0
Tax effects of deficits where tax assets is not taken into account	-11,019	-4,837	-7,817	-4,405
Tax in foreign subsidiary	-29	0	0	0
Reported effective tax rate	-29	0	0	0

Deferred tax

Opening loss carry-forwards	-72,598	-50,130	-50,561	-29,978
Loss carry-forwards of the year	-39,739	-22,468	-36,471	-20,583
Closing loss carry-forwards	-112,337	-72,598	-87,032	-50,561

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 2020	Group 2019
The Group's net income	-51,439	-22,492
Number of shares, weighted average in 2017 before dilution, thousands	43,325	31,157
Profit/loss per share before and after dilution	-1.19	-0.72

	Group 2020 Number of shares	Group 2019 Number of shares
Weighted average during the year, before dilution	43,325,401	31,157,072
Weighted average during the year, after dilution	43,325,401	31,157,072
At the end of the year	51,808,279	32,093,248

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 2020-12-31	Group 2019-12-31
Opening acquisition cost	139,733	130,069
Acquisition value for the year	15,261	9,664
Closing acquisition cost	**154,994**	**139,733**
Opening accumulated depreciation	42,993	33,439
Depreciation for the year	12,876	9,554
Closing accumulated impairments	**55,869**	**42,993**
Reported net value	**99,125**	**96,740**

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.

Note 11 Merger with Karessa

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

On February 24, 2020, the merger between the two companies that was decided at extraordinary general meetings in the two companies on 2019-12-18 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, there are great synergies to be gained by merging the two companies.

New Klaria will gain a stronger market position towards 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 companies' joint opportunities to approach potential customers among pharmaceutical companies are better than if the companies act seperately.

As both companies rely on 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 know-how in one organisation.

New Klaria has an expanded project portfolio, which means that it is more likely that one or more projects will be effectively introduced on the market.

New Klaria will have a greater ability to raise capital than if the companies act separately.

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

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, 6,635,200 new shares in Klaria were issued to Karessa's shareholders.

The effects on Klaria during 2020 were as presented in the following accounts.

Balance Sheet (Parent Company)	Klaria Pharma Holding Merger booking regarding Karessa Pharma Holding AB 2020-03-02	Nedskrivning mot koncernmässigt övervärde i Karessa	
Non-current receivables subsidiary	12,564		12,564
Shares in subsidiary, Karessa	79,895	-53,721	26,174
Total non-current assets	92,459	-53,721	38,738
Receivables group company	2,000		2,000
Other current receivables	86		86
Prepaid expenses	128		128
Total current assets	**2,214**	**0**	**2,214**
Cash and cash equivalents	11,426		11,426
Total cash and cash equivalents	11,426	0	11,426
TOTAL ASSETS	106,099	-53,721	52,378
Share capital	111		110.6
Share premium reserve	49,059		49,059
Merger profit/loss	53,721	-53,721	0.4
Profit/loss for the year			0
Total equity	102,891	-53,721	49,170
Liabilities group companies	2,393		2,393
Current loan liabilities			
Other current liabilities	810		810
Accrued expenses and deferred income	5		5
Total current liabilities	3,208	0	3,208
TOTAL EQUITY AND LIABILITIES	106,099	-53,721	52,378

Note 12- Plant and machinery

	Group 2020-12-31	Group 2019-12-31	Parent company 2020-12-31	Parent company 2019-12-31
Opening acquisition cost	131	131	32	32
Acquisition cost for the year	33	0	0	0
Closing acquisition cost	**164**	**131**	**32**	**32**
Opening accumulated depreciation	90	63	23	16
Depreciation for the year	47	27	6	7
Closing accumulated depreciation	**137**	**90**	**29**	**23**
Reported net value	**27**	**41**	**3**	**9**

Note 13 - 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 and 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 2020-12-31	Group 2019-12-31
Current	262	641
Non-current	0	130
Total	262	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	262	262
Lease payments	258	258
Financial costs	4	4
Present value	262	262

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

	Group 2020-12-31	Group 2019-12-31
Office and laboratory premises	255	763
Total right-of-use asset	255	763

Note 14 - Shares in group companies

	Parent company 2020-12-31	Parent company 2019-12-31
Opening acquisition cost	140,100	130,050
Acquisitions	0	10,000
Merger with Karessa Pharma Holding AB	34,974	0
Share holder contributions	3,265	50
Closing accumulated acquisition cost	**178,339**	**140,100**
Impairments for the year	0	0
Closing carrying amount	**178,339**	**140,100**

Company information etc.

Company name, corporate identity number and registered office	Number of shares	Capital share	Carrying amount
Klaria AB, 559012-2577, Täby	278,750	1	130,000
FFT Pharmaceuticals AB, 556955-6573, subsidiary of Klaria AB	54,500	1	
Klaria incentive AB, 559084-7793, Täby	50,000	1	50
Uppsalagruppen Medical AB, 556847-3390	500	1	100
WBC Drug Delivery Technologies GmbH AG Munich, HRB 247 378	500	1	9,900
CDS Functional Film AB, 559222-7374	50,000	95%	50
Karessa Pharma AB, 556966-7420, Täby	278,750	1	38,189
Karessa Incentive AB, 559114-6573, Täby	1,000	1	50
Closing carrying amount			**178,339**

Note 15 - 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	4,887	0	2,805

Note 16 - Current receivables and prepaid expenses

	Group 2020-12-31	Group 2019-12-31	Parent company 2020-12-31	Parent company 2019-12-31
Accounts receivable	27	0	0	0
Taxes and fees receivable	612	179	607	35
Tax assets	86	0	0	0
VAT recoverable	594	576	0	0
Other current receivables	62	136	32	8
Other prepaid expenses and accrued income	367	375	51	105
Total	**1,721**	**1,266**	**690**	**148**

Note 17 - 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 40 and "Changes in equity for the parent company", page 44.

Share capital growth	Common shares	Share capital	Quota value	Subscription price	Invested capital
Company formation	1,000,000	50	0.05		50
Share issue, cash, June 2015	2,500,000	125	0.05	20	50,000
Share issue for non cash consideration, June 2015	6,500,000	325	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	0.017		4,997
Share issue for non cash consideration, September 2019	1,301,248	21.7	0.017	7.61	9,900
Merger with Karessa Pharma Holding AB, March 2020	6,635,200	110.6	0.017	7.41	49,170
New share issue, April	5,697,960	94.9	0.017	3	17,094
New share issue, July	3,800,000	63.3	0.017	3	11,400
New share issue, November	3,581,871	59.7	0.017	6.84	24,500
Total	**51,808,279**	**863.4**			**297,611**

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 18 - Accounts payable

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

Note 19 - Other liabilities, accrued expenses and deferred income

	Group 2020-12-31	Group 2019-12-31	Parent company 2020-12-31	Parent company 2019-12-31
Income tax liability	62	18	0	18
VAT liability	51	101	44	60
Payment respite SKV	868	0	500	0
Withholding tax, employees	186	117	86	85
Social expenses	221	60	65	37
Other current liabilities	9	0	9	0
Total other liabilities	**1,397**	**296**	**704**	**200**
Accrued holiday pay	820	379	485	257
Accrued social security charges	258	119	152	81
Accrued payroll tax	138	44	20	23
Accrued interest expenses	1,566	200	1,566	0
EU grants to report	831	1,747	0	0
Other accrued expenses	1,015	3,335	590	2,186
Total accrued expenses and deferred income	**4,628**	**5,824**	**2,813**	**2,547**

Note 20 - Maturity analysis financial liabilities

	Within 3 months	3-12 months	1,5 years	5 years	Total
Accounts payable	6,525	0	0	0	6,525
Short-term financing through loans	0	10,000	0	0	10,000
Other current liabilities	1,397	0	0	0	1,397
Total	**7,922**	**10,000**	**0**	**0**	**17,922**

Note 21 - 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, 2020-12-31				
Loans to credit institutions	31,251			31,251
Other assets	429			429
Total	**31,680**	**0**	**0**	**31,680**
Accounts payable			6,525	6,525
Other liabilities			877	877
Total			**7,402**	**7,402**

Note 22 - 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 2020 and 2019 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 2020 and 2019.

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 23 - Pledged assets and contingent liabilities

	Group 2020-12-31	Group 2019-12-31	Parent company 2020-12-31	Parent company 2019-12-31
	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 24 - 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 25 - 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, 2020, amounted to -22 TSEK. Klaria uses test companies abroad that invoice in EURO. The Group has not used currency hedging in 2020, 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 43,302 TSEK (22,588 TSEK) for the financial year, of which approximately 58.4% (18.0%) constituted expenses in foreign currency.

Operating profit/loss was affected by exchange gains (-losses) of 55 TSEK (36 TSEK) in 2020. Future revenues and costs will be affected by fluctuations in foreign exchange rates.

Sensitivity analysis regarding currency risk 2020 (TSEK)

The group's costs will be reduced by 2,529 TSEK (408 TSEK) if the Swedish krona strengthens by 10%.

Of the group's outstanding receivables as of December 31, 2020, 0 TSEK (10 TSEK) was in foreign currency. Of the group's outstanding liabilities, 5,163 TSEK (469 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 26 - Transactions with related parties

See note 5 and 14.

Note 27 - Significant events after the reporting period

Klaria receives 'Notice of Allowance' from USPTO for a patent protecting the company's most advanced development asset, Sumatriptan Alginate Film

With this approval of a completely new patent, Sumatriptan Alginate Film will enjoy patent-protected market exclusivity in the United States until 2036. This extends the period of market exclusivity in the US by 7 years thereby increasing the projected cumulative revenue of the product by more than USD 1 billion. Moreover, the breadth of claims in the patent is wide, solidifying the market exclusivity in the patent period.

Klaria announces patent approval in Europe of a new product patent covering Naloxone Alginate Film

Klaria announces that the company has received notice of approval for a completely new patent that will grant Naloxone Alginate Film market exclusivity in the EU until 2037. The approval marks the second time the European Patent Office (EPO) has approved a compound/Alginate Film combination patent for a specific compound formulated in Klaria's proprietary Alginate Film. The approval thus further validates Klaria's patent strategy, which calls for filing of combination patents for all products under development.

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.

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 February 11, 2021. 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 March 18, 2021.

Stockholm, February 11, 2021

Fredrik Hübinette
Chairman of the Board

Anders Ardstål
Member of the Board

Scott Boyer
Member of the Board

Jesper Wiklund
CEO

Our audit report was issued on February 12, 2021.

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 2020. The company's annual accounts and consolidated financial statements are included on pages 31-64 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, 2020 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 2020 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 2020 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

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, February 12, 2021

BDO Mälardalen AB

Niclas Nordström

Certified Public Accountant

Jesper Wiklund, VD

+46 8 44 64299

investor.relations@klaria.com

Klaria Pharma Holding AB (PUBL)

Virdings Allé 2

754 50 UPPSALA

www.klaria.com

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