FINANCIAL YEAR REPORT 2021
PILA PHARMA

1 JANUARY - 31 DECEMBER 2021

This is a translation of the valid Swedish Financial Year Report, "**Årsredovisning 2021**".

CONTENTS

ABOUT PILA PHARMA

Pila Pharma is a Swedish biotech company in clinical phase 2, with a novel treatment under development for patients with type 2 diabetes. The Company was listed on the Nasdaq First North Growth Market in Stockholm on 15 July 2021.

Today, Pila Pharma conducts its operations from its head office in Malmö and through a wholly owned subsidiary in Copenhagen, Denmark, Pila Pharma Danmark, whereby most of the Company's research and development takes place.

The Company's development candidate, XEN-D0501, is an inhibitor of TRPV1 (also called the "chilli-receptor") and potentially a new type of diabetes drug, which is expected to exert its effect by regulating neurogenic inflammation and thereby enhancing the insulin response. Furthermore, XEN-D0501 is expected to have other positive effects and fewer unwanted side effects, than alternative forms of treatment, and thus have great value for the patient.

The Company owns older patents on XEN-D0501 (and similar substances), and use patents on the mechanism to block TRPV1, as a treatment for diabetes and obesity. In addition, the Company filed an application for a new patent, during the fourth quarter of 2021, for the use of XEN-D0501 as a treatment for diabetes with an expected patent protection until 2041.

Pila Pharma has to date conducted two phase 2a clinical studies (PP-CT01 and PP-CT02), both of which showed that XEN-D0501 is very well tolerated by patients with type 2 diabetes.

Moreover, PP-CT02 demonstrated that XEN-D0501 (administered as a 4 mg tablet, twice daily for 28 days) with statistical significance enhances the insulin response in patients with type 2 diabetes (in a glucose tolerance test).

The next big step is to confirm that treatment with XEN-D0501 in a three-month phase 2b study can reduce the blood sugar in patients with type 2 diabetes.

Before a clinical trial application for such a phase 2b study can be submitted, an additional three months of preclinical studies must be performed and new tablets manufactured.

Since the listing in 2021, placebo and 4 mg XEN-D0501 tablets have been manufactured. Production of more study material commenced during the fourth quarter of 2021. More study material (raw XEN-D0501 or API) is needed to carry out the preclinical studies. At the same time, the Company began to prepare the preclinical studies that are expected to start before the summer and the application, for a clinical trial approval for the phase 2b study, is expected to be sent around the turn of the year 2022/2023.

OVERVIEW 2021

The Company's management

The management team was strengthened by the addition of Elna Lembrér Åström as the new CFO. She was the Company's auditor 2016-2019, and has more than 30 years of experience in financial management and accounting for listed companies. Lars Bukhave Rasmussen was promoted from CFO to COO, to ensure full focus on the operational activities, both during and after the listing process.

At the 2021 Annual General Meeting, Fredrik Buch was elected new Chairman of the Board. Fredrik has been on the Board since 2016 and has extensive experience in clinical research, as well as from the financial side of life science.

Financing

With the Annual General Meeting's mandate, a decision was made by the Board of Directors on a preferential rights issue in connection with the listing of the Company on the Nasdaq First North Growth Market in Stockholm on 15 July 2021. The offer was one unit for SEK 9, which included one share and one subscription warrant (TO1), with the right to purchase another share for SEK 10 in May 2022. Pila Pharma received MSEK 31.5 from the issue, after issue costs. The issue was fully subscribed.

In addition to existing capital, this enabled further development of the business, such as the manufacture of tablets, more study material, and three months of preclinical studies.

Operations

Prior to the listing, an agreement had been signed with British Quay Pharma for the manufacture of placebo and 4 mg XEN-D0501 tablets. These were ready in the late summer of 2021.

Shortly after the listing, an agreement was signed with the British Almac Group for the production of more study material (raw XEN-D0501 or API). The planning phase of the project was started immediately thereafter, and a Head of CMC was hired.

During the fourth quarter, with the start of API manufacturing, the activities around the preclinical studies commenced, and a Head of Toxicology was hired. At the end of November, an agreement was signed with ERBC in France to carry out these studies. Slots for these were booked, starting as soon as the API is ready.

During the fourth quarter of 2021, a new patent application was filed for the use of XEN-D0501 as a treatment for diabetes.

The 2021 Nobel Prize in Physiology or Medicine was awarded to Dr. David Julius for his discovery of TRPV1 and its role in regulating temperature and pain in neurogenic inflammation.

A MESSAGE FROM THE CEO, DORTE X. GRAM

Dear shareholders!

It is an honour to be able to write my first words as CEO in the annual report for a listed Pila Pharma. I and the rest of the team are very proud of the trust you have shown us by investing in our Company, and thereby financing our important work of developing a new and better diabetes treatment.

As you know, Pila Pharma is a development company. We are working on a new treatment for diabetes that inhibits the so-called chilli-receptor, TRPV1. The theory is that TRPV1 indirectly inhibits the body's insulin secretion and glucose tolerance, and thereby contributes to the development of type 2 diabetes. We have previously demonstrated that glucose tolerance and insulin secretion are improved in diabetics after 28 days of treatment with our TRPV1 inhibitor, XEN-D0501, compared to a placebo. The next goal will be to demonstrate an effect on the reduction of blood sugar after three months of treatment (a phase 2b clinical study). Following this, the plan is to enter into a partnership with a major pharmaceutical company to jointly carry out phase 3 and registration, after which the partner can initiate global marketing, around 2027.

When we were listed on the Nasdaq First North Growth Market in Stockholm this summer, it was to finance the journey to phase 2b results. This will be done through a number of steps with several sub-objectives: broadly speaking, (1) production of study material which is necessary to carry out (2) longer preclinical safety studies, which in turn are necessary to be able to carry out (3) a clinical phase 2b study.

Shortly after the listing, we signed an agreement with Almac Group, UK, for the production of further study material (raw XEN-D0501 or API, Active Pharmaceutical Ingredient), after which the planning phase of the project began immediately, and a Head of CMC was hired. During the autumn, important work has been going on both internally and externally at Almac. In early February, we were happy to announce that we had reached two important milestones: We had succeeded in completing the complicated manufacture of starting material for our API, at the same time as the actual method for the final synthesis of our API had been optimised, which means we can collect more API from less starting material. I am excited about these excellent first API results, and that we have been able to increase our understanding of the synthesis process significantly, as well as the control of our API, which will be important for future cost-effective API manufacturing. We have recently been informed that the ongoing synthesis is going better than expected, and that we can look forward to 50 per cent more new API than ordered. The first batch of the API is also of a higher quality than I have ever seen before.

During the fourth quarter, with the start of API manufacturing, we started the internal activities around the preclinical studies, and hired a Head of Toxicology. At the end of November, we signed an agreement regarding the conduct of these studies at ERBC in France, and as such were able to reserve "slots" for these, starting as soon as the API is ready. We have recently hired Susanne Rugh to lead the clinical development program in diabetes, XEN-DIA. On behalf of Novo Nordisk, Susanne has taken no less than three diabetes drugs through clinical development to registration (Levemir®, Tresiba® and Ryzodeg®). The planning of the phase 2b study is in progress.

In summary, I want to point out that we ended 2021, and the first eight months as a listed company, very well. Our operational activities are advancing according to plan, we have applied for a new patent on XEN-D0501 as a treatment for diabetes, we have successfully started to build our external virtual project organisation and the projects run through our partners, and we have gathered important technical information about the synthesis of XEN-D0501, which in the long run can make the business case even better for you as shareholders, and for a future partner. I see a bright future and look forward to leading Pila Pharma to the crucial clinical phase 2b results.

Best Regards

Dorte X. Gram,
Founder and CEO

HISTORY

Pila Pharma was founded by Dorte X. Gram after she discovered that TRPV1 antagonists can be used for treatment of diabetes and obesity. These surprising discoveries were made at the turn of the millennium when Dorte X. Gram during her PhD studies, and as part of her work as a researcher at Novo Nordisk A/S, investigated the effects of capsaicin receptor modulator (TRPV1) in animal models. Two decades later, several important milestones have been reached.

Important milestones

Year	Milestone
1999	Dorte X. Gram discovers that TRPV1 can regulate blood sugar in diabetic rats through improved insulin secretion
1999-2005	The Gram-hypothesis is formulated and preclinical studies support the hypothesis
2005	Dorte X. Gram files use patents on the treatment of diabetes and obesity with TRPV1 antagonists for Novo Nordisk
2008	For strategic reasons, Novo Nordisk shuts down or sells all projects and patents regarding small molecules The rights/use patent application on the discovery for treatment of diabetes and obesity with TRPV1 antagonists are acquired by Gram through her company XENIA PHARMA, Denmark, from Novo Nordisk, Denmark
2011	For strategic reasons, Bayer closes all urogenital projects and patents, and sells its TRPV1 assets to Ario Pharma Use patent in the US issued to XENIA PHARMA for treatment of obesity with TRPV1 antagonists
2013	Use patent in the US and Europe issued to XENIA PHARMA for treatment of type 1 and 2 diabetes, insulin resistance and impaired glucose tolerance with TRPV1 antagonists
2014	Pila Pharma founded in Sweden as a fully owned subsidiary to XENIA PHARMA, Denmark Use patents are transferred to the Company
2015	Almi Invest invests and finances preclinical screenings of selected clinical development candidates
2016	TRPV1 antagonist assets including XEN-D0501 licensed from Ario Pharma, UK (indirectly Bayer, Germany)
2017	Permission to try single ascending dose for patients with type 2 diabetes with XEN-D0501 (clinical study PP-CT01)
2018	The concession agreement regarding Ario Pharma TRPV1 renegotiated The clinical study PP-CT01 shows a good safety profile of XEN-D0501 after patients with type-2 diabetes are treated with single doses Permission to treat patients with type 2 diabetes with XEN-D0501 for 28 days (clinical study PP-CT02)
2019	The clinical study PP-CT02 is conducted
2020	Licensing agreement regarding royalties for XEN-D0501 to Ario Pharma ceases The clinical study PP-CT02 shows a good safety profile and effect of XEN-D0501 on insulin secretion after 28 days of treatment of patients with type-2 diabetes The company's Board decides on a listing on the stock exchange and Göteborg Corporate Finance is hired as a financial advisor
2021	During the first quarter, the Company carries out a new share issue, which is oversubscribed The Company receives MSEK 1.1, after issue costs (before listing) The Company is registered as a public company The Company implements a 10:1 split, with the condition that each share held yields ten new shares During the second quarter, the Company carries out a new share issue in connection with listing on the Nasdaq First North Growth Market in Stockholm, and the Company receives MSEK 31.5, after issue costs Several important agreements are signed with partners, including the British Quay Pharma for manufacture of new tablets, the British Almac for manufacture of API, and the French ERBC for implementation of a three-month preclinical study

PILA TEAM MEMBERS

From top left to right: Dorte X. Gram (CEO), Lars B. Rasmussen (COO), Elna Lembrér Åström (CFO), Gustav H. Gram (Head of Office), Barbara Hartz Bjerring (Regulatory Affairs), Masoud Alavi (Head of Corporate Visual Communication), Gunnar Wrede (Communication in Swedish), Mattias Larsson (IPO Project Manager via GCF), Robin Gulliksson (IPO Project Associate via GCF), Pontus Hägerström (Certified Advisor via Aqurat), Miguel Lecumberri (Head of Compliance and Legal Affairs), Krister Hjelmstedt (Lawyer via MAQS), Salomeh Eftekhari (Lawyer via MAQS), Andy Makin (Head of Toxicology), Susanne Rugh (Project Director, XEN-DIA), Holly Griffith (New Tablets Project Manager via Quay Pharma), Maura McArdle (Head of BD, Quay Pharma), Mike Frodsham (CTO, Quay Pharma), Alison Foster (Head of Pre-Clinical, Quay Pharma), Aideen Fox (New API Project Manager via Almac), Scott Wharry (Custom and Flow Chemistry Manager, Almac), Megan Smyth (Team leader, Almac), Tom Moody (VP Technology Development and Commercialisation, Almac), Simon Hamilton (Head of Global Business Development, Almac), Christopher Neasham (Global Procurement Manager, Almac), Guang Xing Wang (Technical Leader, Almac), Karen Fahey (Technical Manager, Arran/Almac), Claire McCambley (Head of Analytical Development, Almac), James Igoe (Analytical Team Leader, Arran/Almac), Mark Austin (Principal Chemist, Arran/Almac)

TECHNOLOGY, RESEARCH, DEVELOPMENT AND PATENTS

Diabetes - a global pandemic

Diabetes is a global pandemic encompassing a staggering 537 million diabetics, which corresponds to approximately 8-10% of the world's population. An estimated 90% of all diabetics suffer from type 2 diabetes, whilst approximately 10% have type 1 diabetes. The disease can lead to cardiovascular disease, resulting in the reduction of quality of life for the patient and increased risk of death, as well as high health care costs. Although great progress has been made in the treatment of diabetes, there remains a significant immeasurable need for treatments that are effective, safe, accessible and affordable.

Diabetes mellitus, commonly called simply diabetes or sugar diabetes, is a serious, chronic condition that occurs when there are elevated levels of glucose ("sugar") in the blood (so-called hyperglycaemia), because the body cannot release enough of the hormone insulin, does not produce enough insulin, or does not respond effectively to the insulin produced. The three main types of diabetes are type 1, type 2, and gestational diabetes. In type 2 diabetes, hyperglycaemia occurs as a result of the body's cells not responding to insulin, a condition called insulin resistance. In the case of insulin resistance, the hormone is ineffective, which causes the body to further increase its insulin production, however, with a first phase insulin response that is too low, followed by an elevated second phase insulin response. Over time, insufficient insulin production may develop as a result of the pancreatic beta cells not being able to meet the demand. Type 2 diabetes occurs mainly in older adults, but is becoming more common among children and younger adults. The main causes of type 2 diabetes are genetic pre-disposition and lifestyle factors, such as too much food and too little exercise. Without treatment, type 2 diabetes has several serious consequences for the health of patients. The reports vary slightly depending on the source, but the consensus is that people with type 2 diabetes are estimated to have an increased mortality and a shortened life expectancy of six to eight years. Diabetes and high blood sugar are associated with an almost doubled risk of cardiovascular disease, as well as a 150 per cent increased risk of stroke. About 70 per cent of patients with type 2 diabetes die prematurely from cardiovascular disease.

The total global market for type 2 diabetes treatments amounts to approximately SEK 410 billion, and is expected to increase to SEK 649 billion by 2025, and SEK 785 billion by 2029. This includes both injectable and oral drugs (tablets). The US is by far the largest market and currently accounts for more than half of the total market value, and is expected to do so until 2029. Currently, India, China and Japan are the next largest markets, followed by the largest European countries. The Compound Annual Growth Rate (CAGR) 2019-2029 in the large markets is 6.5 per cent, which follows the increased incidence of patients with type 2 diabetes. The market for tablet treatment of type 2 diabetes is currently worth more than SEK 122 billion in the US, EU-5 (France, Germany, Italy, Spain and the UK) and Japan, and is expected to grow to over SEK 163 billion by 2025.

There is still a great need for new treatments of type 2 diabetes, as many patients today do not receive effective care. Despite major advances, especially in the last two decades, in the development of new innovative treatment models for diabetes, healthcare has not improved significantly. Type 2 diabetes, like several other chronic diseases, roughly follows the so-called "Rule of Halves", as more than half of the patients are undiagnosed, half of those diagnosed receive care, half of the patients who have access to care receive good care, and half of these reach their treatment goals (mainly measured as long-term blood sugar control).

Estimates vary depending on geography and socioeconomic factors, but it is estimated that as little as 7 per cent of people with type 2 diabetes in the world receive effective treatment. The situation is most imminent in low and middle income countries, but even in the US, the problem is substantial, where less than seven out of ten actively treated patients reach acceptable long-term blood sugar levels. The main reasons for this include availability and cost, which the XEN-D0501 tablet can potentially solve, while at the same time showing a good effect and acceptable safety profile

Diabetes Around The World In 2021
Image: Idf Diabetes Atlas

XEN-D0501 Diabetes Clinical Development Programme, XEN-DIA

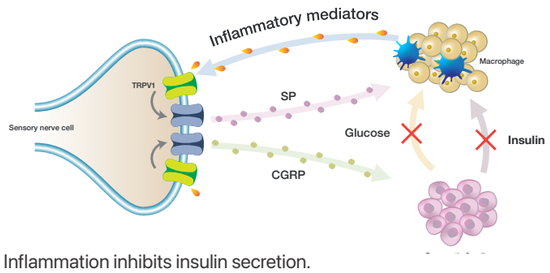
The principle of treating diabetes (and obesity) with TRPV1 antagonists was discovered by the Company's founder and CEO, Dorte X. Gram, during her PhD studies at Novo Nordisk in Denmark.

In 2008, she acquired the rights to the discovery from Novo Nordisk in the form of an acquisition of a use patent application. This application was issued in 2011 and 2013 to her parent company XENIA PHARMA, Denmark, with the right to treat obesity (USA) and diabetes (USA and Europe) with TRPV1 inhibitors. These patents were transferred to the subsidiary, Pila Pharma, when it was founded in 2014. In 2016, Pila Pharma acquired a TRPV1 project from British Ario Pharma, including the clinical development candidate XEN-D0501 (who had purchased the project from German Bayer after phase 1). Prior to the acquisition, XEN-D0501 had been tested in three phase 1 studies and in five phase 2a studies, all of which showed that XEN-D0501 - as one of few TRPV1 antagonists - is well tolerated. Against this background, Pila Pharma was granted permission in 2017 to test XEN-D0501 in patients with type 2 diabetes.

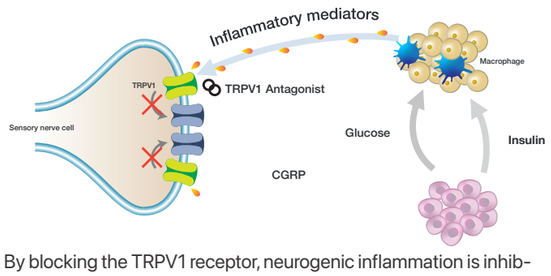
The development candidate XEN-D0501 has shown good results in two already completed clinical phase 2a studies (PP-CT01 and PP-CT02). Both studies demonstrated a good safety profile of XEN-D0501 (such as temporary and mild to moderate side effects and no serious side effects) and the latest study (PP-CT02) also achieved a statistically significant effect by showing that 28 days of treatment with XEN-D0501 results in a better and greater insulin response to oral glucose and glucose tolerance compared to placebo during a two-hour oral glucose tolerance test ("OGTT", a golden standard in diabetes research).

In light of the promising clinical results to date, the Company has a good foundation to continue the clinical development of the product candidate. The next important milestone will be a clinical phase 2b study, which is planned to be a three-month dose-response study in an estimated 250-300 patients with type 2 diabetes. The main objective of the study will be to show a statistically significant reduction in blood sugar levels during the three-month period (HbA_{1c}) with XEN-D0501 compared to a placebo. The study is scheduled to start in 2023, with expected results in 2024.

In the case of positive phase 2b results (significant reduction in HbA_{1c} compared to a placebo), XEN-D0501 can proceed to clinical phase 3, which, in diabetes, is a test of the drug candidate for 4 000 patient-years, i.e., treatment of 4 000 patients for one year (or treatment of 2 000 for 2 years), where the main objectives will also be to show a good safety profile and effect (a significant reduction in (HbA_{1c})). If this is achieved, the application for registration of XEN-D0501 as a new treatment for type 2 diabetes can be submitted.



Inflammation inhibits insulin secretion.



By blocking the TRPV1 receptor, neurogenic inflammation is inhibited and insulin secretion is restored.

Dorte X. Gram, Jens J. Holst, Arpad Szallasi. TRPV1: A Potential Therapeutic Target in Type 2 Diabetes and Comorbidities? Trends in Molecular Medicine, November 2017, Vol. 23, No. 11

Patents and trademarks

Pila Pharma's potential success depends to varying degrees on patent protection, trademarks and other intellectual property rights. Pila Pharma's strategy is to obtain broad patent protection around its current and future drug candidates. The Company's patent portfolio consists of two patent families that together protect different aspects of Pila Pharma's technology. The two patent families can simply be called product patents and use patents. The product patent filed by Bayer has an application date of 28 April 2003 and protects XEN-D0501 and similar substances. The patents within this family expire in 2023 and 2024, respectively. The use patent submitted by Novo Nordisk has an application date of 18 July 2005 and protects TRPV1 antagonists, such as XEN-D0501, as a treatment for obesity, insulin resistance, glucose intolerance, type 1 diabetes and type 2 diabetes. The use patent is valid until 2025 and 2026 respectively. Pila Pharma owns all patents and all are approved, all annual fees are paid, and there are no objections or invalidity cases against any of these patents.

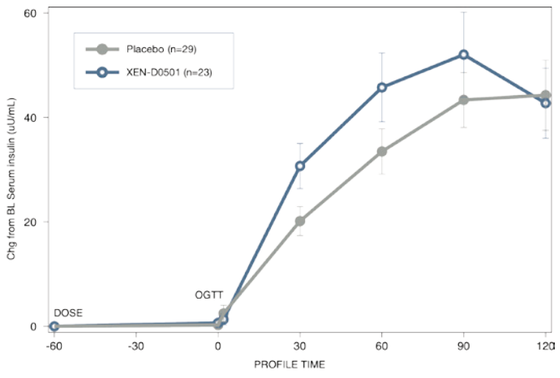
Pila Pharma intends to renew existing patents and submit several new patent applications in order to create market exclusivity for further developed products and methods based on TRPV1 antagonists.

During the fourth quarter of 2021, the Company has, as a first step, filed an application for a use patent of XEN-D0501 regarding the treatment of diabetes, with an expected patent protection until 2041.

A use patent is an effective way to protect the therapeutic use of particular molecules, in this case to ensure market exclusivity.

The development programme may lead to Pila Pharma being able to establish a technology platform for TRP receptors in the future, and develop treatments for indications other than diabetes, thereby increasing the value of the Company for Pila Pharma's shareholders. In addition to patents, Pila Pharma is also the holder of the EU trademark "Pila Pharma". The application was made on 21 August 2017, and the registration has been granted.

Europaisches Patentamt
European Patent Office
Office européen des brevets



The second phase 2a study (PP-CT02) investigated the effect of 4 mg XEN-D0501 twice daily for four weeks. The study focused on the insulin response and lowering of blood sugar compared with a placebo in patients with type 2 diabetes. The study, which included 60 patients, with 52 performing the efficacy test, showed a statistically significant and clinically relevant effect of XEN-D0501 on the body's own insulin response to oral glucose ("sugar") compared to placebo as measured by OGTT

SCIENTIFIC ADVISORY BOARD

JENS JUUL HOLST
Member since 2013. Professor of Medical Physiology at the University of Copenhagen, Denmark, and internationally recognised in the field of diabetes, and was the one who discovered the insulin-stimulating hormone GLP-1.

CAROLYN F. DEACON
Member since 2013. Senior lecturer in the Department of Biomedical Sciences at the University of Copenhagen, Denmark, and internationally recognised in the field of diabetes with a special focus on incretin-based medications (DPP-4 and GLP-1).

BO AHRÉN
Member 2013–2014 and again since 2020. Professor at the Faculty of Medicine at Lund University and world-leading researcher in diabetes, with a special focus on regulating the defective insulin response in type 2 diabetes.

MARK EVANS
Member since 2020. Senior Lecturer in Diabetes Medicine at Cambridge University/MRC-Institute of Metabolic Science, UK, and internationally recognised researcher in diabetes with special focus on the regulation and measurement of blood sugar, e.g., hypoglycaemia in type 1 diabetes.

JENS VIKTOR NØRGAARD
Member since 2016. Expert in patenting issues regarding biotechnology and pharmaceuticals.

ARPAD SZALLASI
Member since 2013. Associate Professor at the Department of Pathology and Experimental Cancer Research at Semmelweis University, Budapest, and internationally recognised for his research on the role of the TRP channels in health and disease.

Lars B. Rasmussen, Dorte X. Gram

BUSINESS MODEL

The Company's short-term goal is for the drug candidate XEN-D0501 to show a good effect on reducing long-term blood sugar, HbA_{1c}, in a clinical phase 2b study. The Company's long-term goal is to contribute to an effective and accessible drug treatment of type 2 diabetes in a global market.

The Company's business idea is to develop the drug candidate XEN-D0501 until clinical studies have clearly shown that it provides a good effect on reducing HbA_{1c} ("Proof of Concept"), at the same time as having a sound safety profile, to subsequently seek partnerships for collaboration and/or licensing for the purpose of taking the drug candidate through phase 3 to registration and commercialisation for patients with type 2 diabetes.

The Company's business model has the potential to generate revenue through a successful commercialisation of the drug candidate. Revenue may arise from licensing, sales or partnerships, and be received in the form of payment upon signing agreements, milestone payments, or royalties.

In a licensing agreement, general successive revenue opportunities normally arise:

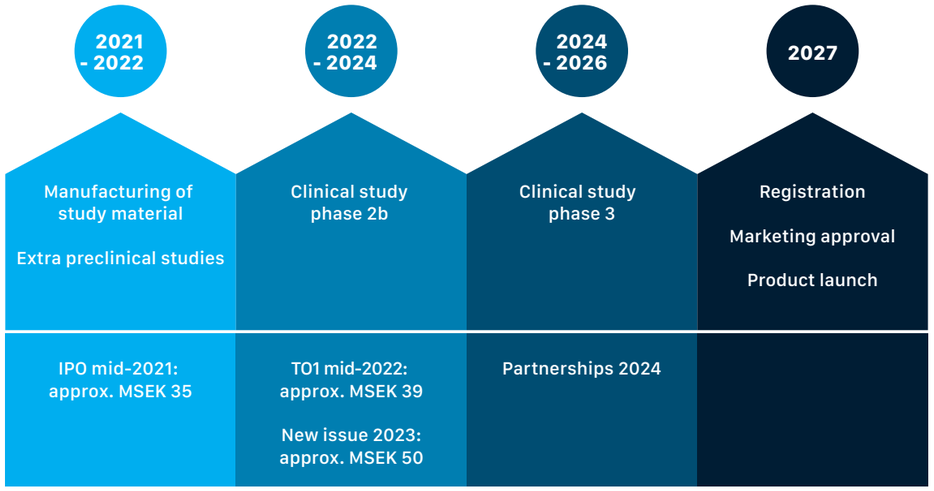
1. Remuneration upon signing agreements.
2. A number of single payments when certain development phases (so-called milestones) have been achieved, such as the initiation of phase 3 studies, the application for registration with the Medical Products Agency, and/or first sales in various markets.
3. Royalties on drug sales (after market approval of a new drug).

After one or more licensing deals have been completed, the cash flow generated can provide the Company the opportunity to develop other own drug candidates.

Pila Pharma intends to renew existing patents, as well as submit several new patent applications, with the aim of creating market exclusivity for further developed products and methods based on TRPV1 antagonists. Specifically, the Company has, as a first step, filed an application for a use patent of XEN-D0501 regarding the treatment of diabetes, with an expected patent protection until 2041.

A use patent is an effective way to protect the therapeutic use of particular molecules, in this case to ensure market exclusivity. Moving forward, the development programme may enable Pila Pharma to offer a technology platform for indications other than diabetes, and as such a more diversified offer. The development programme may also enable Pila Pharma to establish a technology platform for TRP receptors in the future, and develop treatments for indications other than diabetes, thereby increasing the value of the Company for Pila Pharma's shareholders.

In addition to this, Pila Pharma is the patent holder of the EU trademark "Pila Pharma".



Development plan in outline

THE STOCK AND SHARE CAPITAL

Group relations and shareholdings

Pila Pharma AB is the Parent Company in a Group that includes the wholly owned Danish subsidiary Pila Pharma Danmark ApS. Beyond the above, Pila Pharma has no further shareholdings in other companies.

The stock

The Pila Pharma AB share was listed on the Nasdaq First North Growth Market in Stockholm on 15 July 2021, under the ticker "PILA".

Nasdaq First North Growth Market is an MTF platform registered as a growth market for small and medium-sized companies, in accordance with the Markets in Financial Instruments Directive (EU 2014/65), as implemented in national legislation in Denmark, Finland and Sweden, operated by a stock exchange within the Nasdaq Group.

As of 31 December 2021, the number of shares in Pila Pharma amounted to 16 100 338 (10 068 580). All shares have one (1) vote per share. All shares have a quota value of SEK 0.43.

In connection with the new issue when listing, a subscription programme has been issued, which means that each subscription warrant in the programme entitles the holder to subscribe for one share in the Company at a subscription price of SEK 10 during the period from 23 May 2022 to 3 June 2022. The total number of subscription warrants is 3 888 888. The subscription warrants are admitted to trading on the Nasdaq First North Growth Market in Stockholm under the ticker "PILA TO1".

Certified adviser

For companies affiliated with the Nasdaq First North Growth Market, a Certified Adviser is required who, among other things, shall exercise certain supervision. Pila Pharma's Certified Adviser is Aqurat Fondkommission AB.

Development of share capital

The table below shows the historical development of the Company's share capital and number of shares since the Company was founded.

			NUMBER OF SHARES		SHARE CAPITAL (SEK)		
Year	**Event**	**Issue price per share**	**Change in no. of shares**	**Total amount of shares after transaction**	**Change**	**Total**	**Quota value**
2014	Incorporation		500	500	50 000	50 000,0	100,00
2015	New issue	11 360,00	88	588	8 800	58 800,0	100,00
2016	Split 1000:1			588 000			0,10
2016	New issue	30,61	65 000	653 000	6 500	65 300,0	0,10
2017	New issue	61,30	164 378	817 378	16 438	81 737,8	0,10
2017	New issue	91,76	10 030	827 408	1 003	82 740,8	0,10
2018	New issue	69,00	28 986	856 394	2 899	85 639,4	0,10
2018	New issue	88,53	86 006	942 400	8 601	94 240,0	0,10
2019	New issue	100,00	50 000	992 400	5 000	99 240,0	0,10
2020	New issue	100,80	14 458	1 006 858	1 446	100 685,8	0,10
2021	New issue	70,00	214 287	1 221 145	21 429	122 114,5	0,10
2021	Split 10:1			12 211 450			0,01
2021	Bonus issue				400 000	522 114,5	0,043
2021	New issue	9,00	3 888 888	16 100 338	167 222	688 388,4	0,043

Gustav Hanghøj Gram, Elna Lembrér Åström, Dorte X. Gram

FINANCIAL REPORTS IN SUMMARY, PARENT COMPANY

Pila Pharma AB's annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines (BFNAR 2016:10) on annual reports for small limited companies (K2), which does not provide the opportunity to include certain information in the formal financial reporting. This is therefore presented below under the headings Key figures, Cash flow analysis in summary, the Parent Company, and Report on change in equity, the Parent Company.

Pila Pharma AB has no formal requirement to prepare consolidated financial statements for 2021, which is why only financial information of the Parent Company is set out in the financial reports.

Key figures

	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Net sales (TSEK)	719	0
Total operating expenses (TSEK)	-9 979	-3 380
Operating income (TSEK)	-9 260	-3 380
Cash flow from operating activities (TSEK)	-9 364	-2 001
Earnings per share (SEK)	-1,32	-0,70
Earnings per share after dilution (SEK)**)	-1,32	-0,70
Average number of shares*)	13 084 459	9 996 290
Average number of shares after dilution	13 084 459	9 996 290
Outstanding shares at the end of the period	16 100 338	10 068 580
Outstanding subscription warrants at the end of the period**)	3 888 888	0
Average number of employees	3	0

	2021-12-31	2020-12-31
Cash and cash equivalents (TSEK)	28 209	1 907
Equity (TSEK)	30 295	3 420
Balance sheet total (TSEK)	31 811	5 367
Equity ratio (%)***)	95%	64%
Cash liquidity (%)***)	1880%	104%
Equity per share (SEK)***)	1,88	0,34

**) Taking into account share split 10:1, which was resolved at the Annual General Meeting on 27 April, 2021.*
***) Warrants are not included in Earnings per share after dilution, as the Company shows negative results.*
****) Alternative performance measures, see definitions.*

Financial overview, analysis

Revenues and results for the financial year 2021

Operating income for the financial year 2021 for the Parent Company amounted to TSEK 719 (0). Revenues refer to re-invoicing of services carried out for the subsidiary.

The result for the full year amounted to TSEK -17 207 (-6 982). The main expenses are related to impairment of shares in Group companies in connection with shareholder contributions made to the subsidiary of TSEK 7 916 (3 602) to cover the subsidiary's expenses for the financial year. The expenses in general are mainly related to expenses in connection with the new issue and listing on the Nasdaq First North Growth Market, administration and personnel, and activities that support the Danish subsidiary's operations.

Financial position

Operating cash flow from operating activities for the financial year 2021 amounted to TSEK -9 364 (-2 001). Financing activities for 2021 amounted to TSEK 35 666 (-158). Cash flow amounted to SEK 26 302 (-2 159). New issues during the financial year have resulted in an increased positive cash flow of TSEK 44 082. Shareholder contributions issued to the subsidiary of TSEK 7 916 (3 602) and amortisation of Almi loans of TSEK 500 have reduced cash flow during the financial year.

The Company's cash and cash equivalents as of 31 December 2021 amounted to TSEK 28 209 (1 907).

Equity as of 31 December 2021 amounted to TSEK 30 295 (3 420), which corresponds to an equity ratio of 95% (64). A new issue, which was registered in the spring before the listing, provided the Company with TSEK 14 085 after issue costs, which amounted to TSEK 915. The new issue in connection with the listing provided the Company with TSEK 31 459 after issue costs amounting to TSEK 3 541.

Cash flow analysis in summary, the parent company

(Amounts in TSEK)	2021-01-01 - 2021-12-31	2020-01-01 - 2020-12-31
Operating activities		
Income after financial items	-17 207	-6 982
Adjustments for items not included in cash flow:	7 936	3 622
Tax paid	0	0
Cash flow from operating activities before changes in working capital	**-9 271**	**-3 360**
Cash flow from changes in working capital		
Decrease (-)/increase (+) of other current receivables	-162	397
Decrease (-)/increase (+) accounts payables	138	124
Decrease (-)/increase (+) other current liabilities	-69	838
Cash flow from operating activities	**-9 364**	**-2 001**
Investing activities		
Investment in equipment	0	0
Purchase of patents	0	0
Cash flow from investing activities	**0**	**0**
Financing activities		
New issue	44 082	2 944
Raised/regulated loans	-500	500
Shareholder contributions made to group companies	-7 916	-3 602
Cash flow from financing activities	**35 666**	**-158**
Cash flow for the period	**26 302**	**-2 159**
Cash at the beginning of the period	1 907	4 066
Cash at the end of the period	**28 209**	**1 907**

Report on change in equity, the parent company

(Amounts in TSEK)	Share capital	Unregistered share capital	Share premium fund	Retained earnings	Profit for the period	Total equity
Opening balance as of 1 January 2021	**100**	**2**	**31 648**	**-21 348**	**-6 982**	**3 420**
Disposition of the previous year's results				-6 982	6 982	0
Profit for the period					-17 207	-17 207
Transactions with owners:						
Registered new issue	22	-2	13 518			13 538
Issue costs			-915			-915
Registered bonus issue	400		-400			0
Registered new issue	166		34 834			35 000
Issue costs			-3 541			-3 541
Subscription warrants		0				0
Total transactions with owners	**588**	**-2**	**43 496**	**0**	**0**	**44 082**
Closing balance as of 31 December 2021	**688**	**0**	**75 144**	**-28 330**	**-17 207**	**30 295**

(Amount in TSEK)	Share capital	Unregistered share capital	Share premium fund	Retained earnings	Profit for the period	Total equity
Opening balance as of 1 January 2020	**94**	**5**	**28 707**	**-12 679**	**-8 669**	**7 458**
Disposition of the previous year's results				-8 669	8 669	0
Profit for the period					-6 982	-6 982
Transactions with owners:						
New issue	6	-5	1456			1 457
Ongoing new issue		2	1 485			1 487
Ongoing new issue		0	0			0
Warrants		0				0
Total transactions with owners	**6**	**-3**	**2 941**			**2944**
Closing balance as of 31 December 2020	**100**	**2**	**31 648**	**-21 348**	**-6 982**	**3 420**

STATUTORY ADMINISTRATION REPORT

The Board of Directors and the CEO of Pila Pharma AB (publ) hereby submit the annual report for the Parent Company regarding the financial year 2021.

Pila Pharma AB (publ), "the Company", refers to the Parent Company with corporate identity number 556966-4831. Pila Pharma AB has a wholly owned subsidiary Pila Pharma Danmark ApS, which conducts a large part of its operations. The Company does not have formal requirements for the preparation of consolidated financial statements, which is why the annual report is issued only for the Parent Company. Information about the operations, besides financial reports stated as "Pila Pharma", includes Pila Pharma AB and its wholly owned subsidiary Pila Pharma Danmark ApS.

The annual report has been prepared in Swedish kronor, SEK. Unless otherwise stated, all amounts are reported in whole kronor (SEK). Information in parentheses refers to the previous year.

Operations

General information about the business

Pila Pharma is a Swedish biotech company in clinical phase (phase 2), with a novel treatment under development for patients with type 2 diabetes. Today, Pila Pharma conducts its operations from its head office in Malmö and through a wholly owned subsidiary in Copenhagen, Denmark, Pila Pharma Danmark, whereby most of the Company's research and development takes place.

Diabetes is a worldwide pandemic with major consequences for the individual patient and for society. Although various diabetes treatments are available, they are not always effective enough or available to patients.

Pila Pharma's goal is to develop a new and better tablet treatment for diabetes.

The Company has built its business on a hypothesis that TRPV1 antagonists can regulate blood sugar in diabetic patients through improved insulin secretion.

The Company's development candidate, XEN-D0501, is a TRPV1 antagonist (inhibitor) and potentially a new type of diabetes drug, which is expected to exert its effect by regulating neurogenic inflammation and thereby improving the insulin response. Furthermore, XEN-D0501 is expected to have other positive effects and fewer unwanted side effects, than alternative forms of treatment, and thus have great value for the patient.

The principle of treating diabetes (and obesity) with TRPV1 antagonists was discovered by the company's founder and CEO, Dorte X. Gram, during her PhD studies at Novo Nordisk in Denmark. In 2008, she acquired the rights to the discovery from Novo Nordisk in the form of a use patent application. This application was issued in 2011 and 2013 to her parent company, XENIA PHARMA, Denmark, with the right to treat obesity (USA) and diabetes (USA and Europe). These patents were transferred to the subsidiary, Pila Pharma, when it was founded in 2014.

In 2016, Pila Pharma acquired the rights to the TRPV1 antagonist XEN-D0501 from British Ario Pharma (who had bought the project from German Bayer) and since 2017, the Company has evaluated the antagonist in two clinical studies in phase 2a in patients with type 2 diabetes.

XEN-D0501 is both a specific and potent inhibitor of the TRPV1 receptor and originates from the German Bayer Healthcare. Prior to the acquisition of Pila Pharma, it had also been shown – in a number of clinical studies – to be safe for dosing in humans.

In February 2017, Pila Pharma's first clinical study, PP-CT01, was initiated, and in August 2019, all statistical analysis was completed. The study was intended to determine possible side effects – in diabetics – after a dose of XEN-D0501. A small number of patients received placebo and different doses of XEN-D0501. The study showed very good results and it was assessed that diabetics tolerate a single dose of XEN-D0501 very well, including the dose used in PP-CT02 (4 mg), and at the highest dose used (8 mg), one could also see signs of increased insulin secretion during a meal.

In 2019, Pila Pharma's second clinical study, PP-CT02, was both started and completed. The study was a phase 2a study that aimed to identify possible side effects, in patients with type 2 diabetes, after one month of chronic dosing of XEN-D0501. At the same time, the aim was to evaluate whether XEN-D0501 could regulate blood sugar through improved insulin secretion. The study primarily showed good safety results in that no serious side effects and only a few other side effects were registered, during the course of the study. After statistical analysis in the spring of 2020, the main results showed that patients with type 2 diabetes had statistically significantly higher insulin levels, during an oral glucose tolerance test after 28 days of treatment with 4 mg XEN-D0501 twice daily, and at the same time a smaller, but significant, effect in the form of lower blood sugar levels two hours after test start. The study is the first of its kind in humans to show that a TRPV1 antagonist can stimulate insulin secretion and the results therefore support the hypothesis that TRPV1 antagonists (and XEN-D0501) can regulate blood sugar through improved insulin secretion. Pila Pharma therefore intends to continue the development of XEN-D0501 as a new type of treatment for type 2 diabetes.

In December 2018, Pila Pharma was granted an EU Horizon 2020 SME instrument Phase 1 funding, and submitted, in September 2019, its Phase 1 report describing a detailed and updated business plan as a basis for future growth.

The next major milestone in Pila Pharma's business plan is to carry out a three-month phase 2b study in accordance with regulatory requirements. Before an application for a permit for such a phase 2b study can be submitted, an additional three months of pre-clinical studies must be performed and new tablets manufactured. Provided that the clinical studies for the product candidate XEN-D0501 start and end according to the current schedule, Pila Pharma intends to submit the registration application, probably in 2026, in order to then begin marketing the product in 2027.

In November 2020, Pila Pharma signed an agreement with Göteborg Corporate Finance (GCF), on cooperation regarding the listing of the Company, on one of the less unregulated stock exchanges in Sweden, in 2021, to finance further operations ahead of the phase 2b study. A directed issue of SEK 15 million was then carried out, of which approximately SEK 1.5 million was paid in December 2020, and the full amount in February 2021.

Significant events during the financial year

The management team was strengthened by the addition of Elna Lembrér Åström as the new CFO. She was the Company's auditor 2016-2019, has more than 30 years of experience in financial management and accounting for listed companies in Sweden, and has significant experience from other professional business consultancy. Lars Bukhave Rasmussen was promoted from CFO to COO, to ensure full focus on the operational activities both during and after the listing process.

At the Annual General Meeting 27 April 2021, Fredrik Buch was elected new Chairman of the Board. Fredrik has been on the Board since 2016, has experience as Chairman of a listed Swedish company, and also has extensive experience in clinical research, as well as from the financial side of life science.

At the Annual General Meeting on 27 April 2021, it was further decided that the Company would become a public company, which prompted a bonus issue of SEK 400 000 in order to increase the share capital to more than the SEK 500 000 required under Section 14 of the Swedish Companies Act (2005:551). At the Annual General Meeting, it was further resolved to implement a share split (10:1) with the condition that each share held yields ten shares.

In May 2021, a private placement of TSEK 15 025 was registered at a price of SEK 70, corresponding to SEK 7 per share adjusted after the division of shares (so-called split) that was implemented in April 2021. The issue provided the Company with TSEK 14 085 after issue costs amounting to TSEK 915.

The Company's CEO Dorte X. Gram was employed by the Company as of May 2021, having previously worked on a consulting basis. With the Annual General Meeting's mandate, a decision was made by the Board of Directors on a rights issue in connection with the listing of the Company on the Nasdaq First North Growth Market in Stockholm.

Prior to the listing, investments were made in public awareness of Pila Pharma and its operations, in both Sweden and Denmark, through active PR towards the media and advertising campaigns.

The offer, in connection with the listing, was a unit for SEK 9 that contained one share and a free subscription warrant (TO1). The holder of TO1 has the right to subscribe for one share in the Company at a subscription price of SEK 10 during the period from 23 May 2022 to 3 June 2022. The total number of warrants is 3 888 888.

Pila Pharma received TSEK 31 459 through the unit issue after issue costs amounting to TSEK 3 541. The issue was fully subscribed.

On 15 July 2021 the Pila Pharma AB share was listed on the Nasdaq First North Growth Market in Stockholm under the ticker "PILA". The subscription warrants, TO1, are admitted to trading on the Nasdaq First North Growth Market in Stockholm, and started trading on 22 July under the ticker "PILA TO1".

The new issue meant, in addition to existing capital, that the Company was able to finance its operations, such as the manufacture of tablets, more study material and three months of preclinical studies.

Prior to the listing, an agreement had been signed with British Quay Pharma for the manufacture of placebo and 4 mg XEN-D0501 tablets. These were ready in the late summer.

Shortly after the listing, an agreement was signed with the British Almac Group for the production of more study material (raw XEN-D0501 or API). The planning phase of the project was started immediately thereafter and a Head of CMC was hired.

During the fourth quarter, with the start of API manufacturing, the activities around the preclinical studies commenced and a Head of Toxicology was hired. At the end of November, an agreement was signed with ERBC in France to carry out these studies. Slots for these were booked, starting as soon as the API is ready.

During the fourth quarter, a new use patent application was filed for the use of XEN-D0501 as a treatment for diabetes. A use patent is an effective way to protect the therapeutic use of particular molecules, in this case to ensure market exclusivity.

The 2021 Nobel Prize in Physiology or Medicine was awarded to Dr. David Julius for his discovery of TRPV1 and its role in regulating temperature and pain in neurogenic inflammation. TRPV1 is the receptor inhibited by XEN-D0501.

The bridge loan that Pila Pharma received from Almi Företagspartner for SEK 500 000 in 2020, has been repaid in full in October 2021.

Significant events after the end of the financial year

At the start of February 2022, the complicated manufacturing of starting material for API was completed, at the same time as the actual method for the final synthesis of API had been optimised, which means that more API can be obtained from less starting material. At the beginning of March, the first high-quality quantity of XEN-D0501-API was manufactured, and the final production goes according to plan. Completed API is expected at such a time that further preclinical studies can begin before the summer.

At the beginning of 2022, the scientific advisor Henning Beck Nielsen and COO Lars Bukhave Rasmussen chose to leave their current assignments in Pila Pharma, and Susanne Rugh was hired to lead the clinical development programme in diabetes, XEN-DIA. On behalf of Novo Nordisk, Susanne has taken no less than three diabetes drugs through clinical development to registration (Levemir®, Tresiba® and Ryzodeg®).

In connection with the forthcoming preclinical studies, an agreement has been signed with the British Quay Pharma to develop an appropriate formulation of XEN-D0501-API for use in the future preclinical studies, and an agreement with the British LGC to establish an analysis method for measuring XEN-D0501 in samples from the preclinical studies.

Financing, liquidity and continued operations

To secure financing, for the next twelve months for continued expansion of the operations according to the existing plans, the Company has begun preparations to raise more capital in 2022. In May/June, Pila Pharma expects to raise another estimated MSEK 39 in a new share issue when the holders of the TO1 subscription warrant are offered to buy a new share for SEK 10. On the way to TO1, i.e., during the current and coming quarters, milestones of varying sizes await, including the manufacture and delivery of API, and the initiation of preclinical studies. The results of the preclinical studies are expected in the autumn of 2022, and, in the event of positive results, a clinical trial application for the phase 2b study will be submitted for around the turn of the year 2022/2023. Agreements with contract research organisations and clinics, on the phase 2b study, have been postponed until after the addition of more capital, without this having an immediate effect on the overall schedule.

In the event that the TO1 warrants are not sufficiently exercised, the Company will need to obtain other financing to achieve its planned objectives. The Company has sufficient financing for the next twelve months to fund its existing commitments. Based on the Board of Directors' experience of previous capital raising, the possibilities for further financing of the Company are considered reasonable, however, the financing is not secured to be able to implement the expansion plans when signing the financial year report. The Company's liquidity development can become a significant uncertainty factor for enabling continued clinical studies, and as such for the Company's continued operations. The Board of Directors is aware of this and plans to remedy the financing in another way, if TO1 is not exercised as planned.

The subsidiary

The subsidiary Pila Pharma Danmark ApS mainly conducts research and development that is financed by the Parent Company. Shareholder contributions from the Parent Company have been made for a total of TSEK 7 916 (3 602) as of 31 December 2021, which corresponds to the costs that the subsidiary had during the full year 2021.

Related party transactions

Shareholder contributions were issued to the subsidiary in the amount of TSEK 7 916 (3 602) during 2021. The Company provides group-wide functions and the Company's revenues refer to re-invoicing of administrative expenses to the subsidiary of TSEK 719 (0). The transactions are carried out on market terms.

During the year, remuneration was provided to senior executives in accordance with consulting agreements and approved invoices regarding the CEO, CFO and COO, which was done on market terms. During the year, remuneration was paid to the new company Gram Equity Invest AB, partly owned by the CEO, through invoicing of a total of SEK 869 425, of which SEK 819 425 was expensed already during the 2020 financial year.

See further in the section Salaries and other remuneration in Note 2.

Employees

The Company's average full-time employees during the full year 2021 were 3 (0). The Company conducts a large part of the research through hired staff at Clinical Research Organisations and they amounted to 7 full-time employees as of 31 December 2021, and for the full year 2021 the number of full-time hired consultants amounted to 3 (0). Employees, salaries and other remuneration are reported in Note 2.

Risks

Estimates and assessments

In order to prepare the financial reports, the Board of Directors and company management make assessments and assumptions that affect the Company's results and position, as well as of information provided in general.

Estimates and assessments are evaluated continually and are based on historical experience and other factors, including expectations of future events that are expected to be reasonable under current conditions. Actual outcomes may differ from assessments made.

The areas where estimates and assumptions could involve a significant risk of adjustments in the reported values for earnings and financial position, during future reporting periods, are primarily assessments of market conditions and as such the value of the Company's fixed assets. Ultimately, this risk can also affect the Company's future viability.

Risks

This section describes the risk factors and important circumstances that are considered significant for Pila Pharma's operations and future development. The assessment of the significance of each risk factor is based on the probability of its occurrence and its expected negative effects. The presentation of the risk factors below is based on information available before this financial year report is submitted, and is described in no particular order and without claiming to be comprehensive. For natural reasons, not all risk factors can be assessed without an overall evaluation of other information together with a general assessment of the surrounding world.

Future financing

The financing of the Company's continued operations, in particular regarding the development of the product candidate through clinical studies, depends on the possibility of carrying out new issues of shares. The Company's future plans entail increased costs for the Company, meaning that the Company needs to raise additional capital in addition to the capital raised so far.

Pila Pharma is a research and development company with the aim of developing the product candidate, which will then be commercialised with a partner. The Company mainly invests in this research and development, and has so far financed its operations through new issues. The financing of the Company's continued operations, in particular regarding the development of the product candidate through clinical studies, depends on the possibility of carrying out new issues of shares. In the event that the Company fails to raise the necessary capital, the plan for the development of the product candidate will be changed accordingly. The Company cannot rule out that additional capital may be needed to meet changed conditions, in order to finance the operations of the business after the end of the next twelve-month period, or to finance other plans than those that exist today. New issues may therefore be needed and there is a risk that such new issues are not possible to carry out when the need arises, that they cannot be carried out on terms acceptable to the Company, or that such issues would not bring in the desired issue liquidation. This would mean that the Company needs to revise its schedule for the development of the drug candidate, seek alternative financing or be forced to close its operations.

Dependency on suppliers

Pila Pharma is a research and development company with a limited organisation. This means that the Company is largely dependent on collaborations with different suppliers. The Company hires external manufacturers and suppliers, as contract research companies, for all its necessary raw materials, active pharmaceutical substances, finished products for clinical studies, the implementation of clinical studies, and other processes in the development work. The Company does not currently have agreements that extend over a longer period of time. There is a risk that current suppliers or manufacturers, or future suppliers or manufacturers, will not deliver in accordance with signed agreements. If the risk was materialised, the Company's planned time line, for the development of the drug candidate, could be adversely affected. It could also mean increased costs for the Company to establish agreements with new suppliers or manufacturers.

Results from clinical studies

Results from previous preclinical and clinical studies do not mean that future, more extensive studies will generate the same or similar results. Unsatisfactory results from future clinical studies may be followed by demands that further studies be carried out, or that the drug candidate is deemed to have such an insufficient effect that its development cannot continue. There is a risk that XEN-D0501 may not show the effect shown in previous studies, which would mean that the development of the drug candidate may be forced to be postponed or interrupted. In the event that the risk of unsatisfactory results is materialised, further clinical trials will entail increased costs for the development of the product candidate, and that the time horizon for the development of the drug candidate is extended. In the event that the drug candidate is deemed to have such an insufficient effect that its development is interrupted, the market will revise the value of the Company, and there will also be increased costs for developing new product candidates.

Patents and intellectual property issues

Pila Pharma's intellectual property rights are primarily protected through patents and patent applications. The Company intends to renew existing patents, and in addition submit new patent applications for further developed products, and methods based on TRPV1 antagonists, and to protect the product candidate XEN-D0501. There is a risk that the Company would not be granted new patents and/or is attacked by third parties, which may result in patents being annulled by the Patent Office or by a court. There is also a risk that third parties will intentionally or unintentionally infringe on the Company's patents, trademarks or other intellectual property rights. This could entail legal costs for the Company in the event that the Company brings this third party to court. There is also no guarantee that the case will have a favourable outcome for the Company. Furthermore, there is a risk that the Company will make such infringements on third parties, which could entail legal costs and/or liability for damages. This would have a negative effect on the Company's financial position. If the Company is not granted a pat-

ent or if a patent is annulled, the conditions for selling the Company's products may decrease significantly, which would have a negative effect on the Company's sales ability and earnings.

Organisational risks

Pila Pharma has a relatively small organisation, with several key people and employees with high competence and long experience in the Company's area of business, which entails a key person dependency and the ability to identify, employ and retain qualified and experienced personnel in the future. Pila Pharma's ability to employ and retain these people depends on a number of factors, some of which are beyond Pila Pharma's control, including competition in the labour market. The loss of a manager or key person due to the employee resigning or retiring, for example, can mean that important knowledge is lost, that set goals cannot be achieved or that the implementation of Pila Pharma's business strategy is negatively affected. If key persons leave the Company or if the Company is unable to attract qualified personnel, this may have a negative effect on the Company's operations, financial position and results. Everyone in the Company, besides the Company's CEO, is employed on a consulting contract. Pila Pharma has a wholly owned subsidiary in Denmark (Pila Pharma Danmark ApS) and thus has a group relationship.

According to current legislation, there is no requirement for the Parent Company, Pila Pharma, to prepare consolidated financial statements as of 31 December 2021. The financial reporting consists of the Parent Company's financial reports with separate information about the subsidiary's results and position. This may mean that the financial information about the Group's financial results and position is not provided with sufficient clarity and may involve a risk of understanding the Group's operations as a whole. In the subsidiary, all research and development takes place thanks to more favourable tax legislation and this has only received funding from the Parent Company. The Parent Company has injected shareholder contributions corresponding to the subsidiary's losses during 2020 and 2021, respectively.

isk of non-commercialisation due to lack of interest from partners and/ or licensees

The Company's future growth is dependent on the product candidate passing all clinical studies, and at a certain stage, being licensed to partners. The Company's future revenues can largely be expected to come from such partners and may consist of, among other things, remuneration for achieving certain milestones. This remuneration is dependent on the product candidate's further development, and future sales, as well as on sales-based royalty. For the Company's future results and financial position, it is essential that the Company's product candidate XEN-D0501 can be successfully commercialised. The size of the possible sales of the Company's products is uncertain and can vary greatly. There is a risk that cooperation agreements cannot be entered into or that partners do not succeed in fulfilling their obligations. If such cooperation agreements cannot be entered into, or if partners do not succeed in bringing a trial drug to market, there is a significant risk that expected revenue will decrease or disappear completely, which could have a negative impact on the Company's operations, earnings and financial position.

Competition

Pila Pharma is a research and development company with limited organisation and limited resources. The company competes against companies with significantly greater financial resources, including research and development organisations. These can therefore, among other things, devote greater resources to conducting clinical studies and obtaining marketing authorisations. There is a risk that competitors will develop drugs that are similar to the Company's, or drugs that show a better effect than the Company's. Competitors with greater financial resources may, even if their medicines have an equivalent or even worse effect than the Company's, gain greater acceptance in the market. Competing products may limit the Company's opportunities to generate revenue, which could have a significantly adverse effect on the Company's earning capacity and earnings, and as part of this the share price.

Product liability and insurance

Pila Pharma may be held liable for side effects, diseases, deaths or other injuries to patients and healthy study participants in connection with clinical trials of XEN-D0501, even if clinical trials are conducted by an external party. If Pila Pharma was to be held liable in the event of an incident in clinical trials, and even after the drug has been approved and launched, there is a risk that the Company's insurance is not sufficient to cover any future legal claims, which would affect the result and the Company's financial position and could, if the claims substantially exceed the amount insured, result in the Company being forced to suspend its operations.

List of owners

Shareholders	Number of shares	Votes
Dorte X. Gram via Xenia Pharma ApS and others	5 031 580	31,25%
ALMI Invest	1 586 640	9,85%
Vimpu Intressenter AB via Nordea Bank AB	1 532 682	9,52%
JP Morgan Chase Bank NA	436 053	2,71%
Nordnet Pensionsförsäkring	382 999	2,38%
Johan Stein	318 246	1,98%
Sebastian Clausin	280 570	1,74%
Avanza Pension	273 348	1,70%
Lld Nybohov Invest AB	222 200	1,38%
Göran Ofsén	200 000	1,24%
Top 10 owners	**10 264 318**	**63,75%**
Others	5 836 020	36,25%
Total	**16 100 338**	**100,00%**

Developed on the basis of information from holdings.se. For Pila Pharma's list of owners in its entirety, please refer to Euroclear.

Dividend policy and dividend

The Board of Directors of Pila Pharma has not adopted any dividend policy and intends to reinvest any profits in the coming financial years in the Company's operations.

Multi-year overview

(Amount in TSEK)	2021	2020	2019	2018	2017
Net sales	719	0	346	0	0
Income after financial items	-17 186	-6 982	-8 669	-5 601	-4 766
Equity ratio (%)	95,3	63,8	94,0	88,7	92,5

Net sales for 2021 of a total of TSEK 719 refer to invoicing to the subsidiary for its share of administrative expenses.

Changes in equity

	Share capital	Unreg. share capital	Share premium fund	Capitalised income	Net result for the year	Totalt
Amount at beginning of year	100 685	2 121	31 647 046	-21 347 864	-6 981 759	3 420 229
New issue	587 703	-2 121	43 496 726			44 082 308
Appropriation as resolved by the AGM of the year:				-6 981 759	6 981 759	0
Profit for the year					-17 207 264	-17 207 264
Amount at end of year	**688 388**	**0**	**75 143 772**	**-28 329 623**	**-17 207 264**	**30 295 273**

Disposition of results

The Board proposes that available profits (SEK):

Accumulated loss	-28 329 624
SHARE PREMIUM FOND	75 143 772
LOSS FOR THE YEAR	-17 207 264
	29 606 884
BE ALLOCATED SO THAT IT IS TRANSFERRED TO A NEW ACCOUNT	29 606 884
	29 606 884

The Company's earnings and position in general, are summarised in the subsequent income statement and balance sheet with notes.

INCOME STATEMENT

	Note	2021-01-01 -2021-12-31	2020-01-01 -2020-12-31
(Amount in SEK)			
Operating income, inventories etc.			
Net sales		719 230	0
Total operating income, inventories etc.		**719 230**	**0**
Operating expenses			
Merchandise		-38 291	-492 392
Other external costs		-5 070 111	-1 506 531
Personnel costs	2	-4 840 079	-1 338 783
Depreciation and amortisation of tangible and intangible fixed assets		-20 146	-20 147
Other operating expenses	3	-11 198	-21 530
Total operating expenses		**-9 979 825**	**-3 379 382**
Operating income		**-9 260 595**	**-3 379 382**
Financial items			
Amortisation of financial fixed assets and short-term investments		-7 916 126	-3 602 174
Interest costs and similar income items		-30 543	-202
Total financial items		**-7 946 669**	**-3 602 376**
Income after financial items		**-17 207 264**	**-6 981 759**
Income before tax		**-17 207 264**	**-6 981 759**
Net result for the year		**-17 207 264**	**-6 981 759**

BALANCE SHEET

	Note	2021-12-31	2020-12-31
(Amount in SEK)			
ASSETS			
Fixed assets			
Intangible assets			
Patents	4	3 232 332	3 232 332
Total Intangible assets		**3 232 332**	**3 232 332**
Tangible fixed assets			
Equipment, tools, fixtures and fittings	5	15 630	35 776
Total tangible fixed assets		**15 630**	**35 776**
Financial assets			
Shares in group companies	6	65 030	65 030
Receivables from group companies	7	0	0
Total financial assets		**65 030**	**65 030**
Total fixed assets		**3 312 992**	**3 333 138**
Current assets			
Current receivables			
Other receivables		148 682	48 750
Prepayments and accrued income		139 550	78 222
Total current receivables		**288 232**	**126 972**
Cash and bank			
Cash and bank		28 208 791	1 907 146
Total cash and bank		**28 208 791**	**1 907 146**
Total current assets		**28 497 023**	**2 034 118**
TOTAL ASSETS		**31 810 015**	**5 367 256**

Balance sheet continued

	Note	2021-12-31	2020-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		688 388	100 686
Unregistered share capital		0	2 121
Total restricted equity		**688 388**	**102 807**
Unrestricted equity			
Free premium fund		75 143 772	31 647 046
Capitalised income		-28 329 624	-21 347 865
Net result for the year		-17 207 264	-6 981 759
Total unrestricted equity		**29 606 884**	**3 317 422**
Total equity		**30 295 272**	**3 420 229**
Current liabilities			
Other liabilities to credit institutions		0	500 000
Accounts payable		352 691	215 251
Tax liabilities		40 449	0
Other liabilities		529 580	180 865
Accruals and deferred income		592 023	1 050 911
Total current liabilities		**1 514 743**	**1 947 027**
TOTAL EQUITY AND LIABILITIES		**31 810 015**	**5 367 256**

NOTES

Note 1 Accounting principles

General information
The financial year report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board's general guidelines (BFNAR 2016:10) on annual reports for small limited companies (K2).

The accounting principles are unchanged compared with the previous year.

Receivables are reported at the amount by which they are expected to be received, and liabilities are valued according to the maximum value principle.

Depreciation

Intangible fixed assets
Current expenses for patents and licences are booked as an asset. The depreciation period is only actualised when the patents are taken into commercial use.

Tangible fixed assets
Equipment, tools, and fittings 5 years.

Note 2 The average number of employees, salaries, other remuneration and social costs

	2021		2020	
Average number of employees	**No. of employees**	**No. of which are men**	**No. of employees**	**No. of which are men**
Parent Company				
Sweden	3	2	1	0
Total in parent company	**3**	**2**	**1**	**0**

	Parent Company	
	2021-12-31	**2020-12-31**
Distribution of senior executives as of the balance sheet date		
Women:		
Board members	2	2
other people in the Company's management incl. CEO	1	1
Men:		
Board members	2	2
other people in the Company's management incl. CEO	1	0
Total (CEO is on the Board)	**5**	**5**

	2021		2020	
Salaries, other remuneration etc	**Salaries and other Soc. costs remuneration**	**Soc. costs (of which pension costs)**	**Salaries and other remuneration**	**Soc. costs (of which pension costs)**
Parent Company	3 569 804	1 236 707 (207 182)	524 055	153 516 (0)
Total	**3 569 804**	**1 236 707 (207 182)**	**524 055**	**153 516 (0)**

	2021		2020	
Salaries and other remuneration distributed between board members and employees	**Board and CEO (of which royalties and the like)**	**Other employees**	**Board and CEO (of which royalties and the like)**	**Other employees**
Parent company	2 091 534 (0)	1 478 269 (0)	524 055 (0)	0 (0)
Total	**2 091 534 (0)**	**1 478 269 (0)**	**524 055 (0)**	**0 (0)**

The CEO's salary and remuneration during 2021 amounted to SEK 1 491 534 (380 460) and pension costs amounted to SEK 138 775 (0).

Pensions

The Parent Company's cost for defined contribution pension plans amounts to SEK 166 733 (0). The Company has no defined benefit pension plans.

Of the Parent Company's pension costs, SEK 0 (0) pertains to the Board of Directors, and SEK 138 775 (0) pertains to the CEO. The Company's outstanding pension obligation to these amounts to SEK 0 (0).

Agreement on severance pay

A mutual notice period of 3 months applies between the Company and the CEO. Upon termination by the Company or the CEO, no severance pay is received.

Remuneration to the Board

The Annual General Meeting on 27 April 2021 resolved that the Board of Directors' fee shall amount to a total of SEK 600 000 (141 900) divided into SEK 300 000 in fees to Chairman of the Board, Fredrik Buch, and SEK 150 000 to ordinary Board members, Tyge Korsgaard and Lene Andersen. No remuneration shall be paid for ordinary Board member Dorte X. Gram, who is employed as the Company's CEO. For consulting work that does not specifically concern the Board work, remuneration has been paid in accordance with the consulting agreement. During the year, the Chairman of the Board made consulting efforts through his company Fredrik Buch Konsult AB, and received remuneration totalling SEK 133 200. The Board is not entitled to any benefits after their assignment as Board members has ended and has no agreed pension. The remuneration has been made on market terms.

The table below reports remuneration and other benefits to the Board of Directors for the financial years 2021 and 2020, respectively.

Board member	Board fee		Other remuneration		Other remuneration and benefits		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Fredrik Buch, Chairman	300 000	47 300	133 200	0	0	0	433 200	47 300
Lene Andersen	150 000	47 300	54 000	65 000	0	0	204 000	112 300
Gudmund Tyge Korsgaard	150 000	47 300	88 200	65 000	0	0	238 200	112 300
Dorte X Gram, also CEO	0	0	0	0	0	0	0	0
Total	**600 000**	**141 900**	**275 400**	**130 000**	**0**	**0**	**875 400**	**271 900**

Remuneration to senior executives

Remuneration to the CEO has been agreed at a market salary and amounts to SEK 130 000 per month plus pension. Remuneration to the Chief Operating Officer, COO, according to the agreement, amounted to SEK 100 000 per month in consulting fees until June 2021. From July/August to December 2021, the Chief Operating Officer was employed with a remuneration of SEK 100 000 per month plus pension. Remuneration to the Chief Financial Officer, CFO, is paid as consulting fees (through Elna Lembrér Åström AB) and is limited to an average of SEK 50 000 per month. Senior executives are not entitled to any benefits after their employment has ended. The pension premiums for defined-contribution pensions shall amount to a maximum of 15 per cent of the fixed cash salary. All remuneration has been made on market terms.

The table below reports remuneration and other benefits to the CEO and other senior executives for the financial years 2021 and 2020, respectively.

Senior executives	Salary		Consultancy fee		Other remuneration or benefits		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
CEO, Dorte X. Gram	1 488 928	380 460	0	651 000	141 381	1 695	1 630 309	1 033 155
COO, Lars Rasmussen	543 890	0	801 894	400 000	0	0	1 345 784	400 000
CFO, Elna Lembrér Åström	0	0	246 821	0	0	0	246 821	0
Totalt	**2 032 818**	**380 460**	**1 048 715**	**1 051 000**	**141 381**	**1 695**	**3 222 914**	**1 433 155**

Note 3 Auditing

Remuneration to the auditor Parent Company	2021	2020
Deloitte AB		
Audit assignment	191 000	40 000
Other services	0	0
Total	**191 000**	**40 000**

Audit assignments refer to the auditor's remuneration for the statutory audit. The work includes the audit of the financial year report and accounting, the administration of the Board of Directors and the CEO, and the fee for audit advice provided in connection with the audit assignment.

Note 4 Patents

	2021-12-31	2020-12-31
Opening acquisition values	3 232 332	3 232 332
Closing accumulated acquisition values	**3 232 332**	**3 232 332**
Closing carrying amount	**3 232 332**	**3 232 332**

Note 5 Equipment, tools, and fittings

	2021-12-31	2020-12-31
Opening acquisition values	100 736	100 736
Closing accumulated acquisition values	**100 736**	**100 736**
Opening depreciations	-64 960	-44 813
Depreciations for the year	-20 146	-20 147
Closing accumulated depreciations	**-85 106**	**-64 960**
Closing carrying amount	**15 630**	**35 776**

Not 6 Interests in Group companies

	2021-12-31	2020-12-31
Opening acquisition values	715 030	715 030
Closing accumulated acquisition values	**715 030**	**715 030**
Opening write-downs	-650 000	-650 000
Closing accumulated write-downs	**-650 000**	**-650 000**
Closing carrying amount	**65 030**	**65 030**

The subsidiary, Pila Pharma Danmark ApS, has borne most of PILA PHARMA's research and development costs. The parent company PILA PHARMA AB has issued a capital adequacy guarantee to Pila Pharma Danmark ApS.

Not 7 Receivables from group companies

	2021-12-31	2020-12-31
Opening acquisition values	8 202 174	4 600 000
Additional receivables	7 962 148	3 602 174
Current receivables	-46 022	0
Closing accumulated acquisition values	**16 118 300**	**8 202 174**
Opening impairments	-8 202 174	-4 600 000
Impairments for the year/conversion into shareholder contributions	-7 916 126	-3 602 174
Closing accumulated Impairments	**-16 118 300**	**-8 202 174**
Closing carrying amount	**0**	**0**

Note 8 Subscription warrants

In connection with the new share issue at the listing, a subscription programme has been issued, which means that each subscription warrant in the programme entitles the holder to subscribe for one share in the Company at a subscription price of SEK 10 during the period from 23 May 2022 to 3 June 2022. The total number of subscription warrants is 3 888 888. The subscription warrants are admitted to trading on the Nasdaq First North Growth Market in Stockholm under the ticker "PILA TO1".

Note 9 Significant events after the end of the financial year

- The manufacturing of starting material for the API was completed
- The scientific advisor Henning Beck Nielsen and COO Lars Bukhave Rasmussen left their current assignments
- Susanne Rugh was hired to lead the clinical development programme in diabetes, XEN-DIA
- Agreement with Quay Pharma, UK, on development of XEN-D0501-API formulation
- Agreement with LGC, UK, on establishing an analytical method for preclinical studies

Submission of financial year report

The Board of Directors and the CEO assure that this financial year report gives a true and fair view of the Company's operations, position and performance, and describes the significant risks and factors of uncertainty that the Company faces.

Malmö 2022-03-22

Fredrik Buch
Chairman of the Board

Lene Andersen
Director of the Board

Tyge Korsgaard
Director of the Board

Dorte X. Gram
Director of the Board, CEO

Auditor's signature

Our auditor's report has been submitted 2022-03-22

Deloitte AB

Maria Ekelund
Authorised auditor

AUDITOR'S REPORT

To the general meeting of the shareholders of Pila Pharma AB corporate identity number 556966-4831

Report on the annual accounts

Opinions

We have audited the annual accounts of Pila Pharma AB for the financial year 2021-01-01 - 2021-12-31. The annual accounts of the company are included on pages 18-33 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Pila Pharma AB as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Pila Pharma AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Information than the annual accounts

This document also contains other information than the annual accounts and is found on 01-17 and 36-39. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is not applied if decision has been taken to discontinue the operations.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Pila Pharma AB for the financial year 2021-01-01 - 2021-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of Pila Pharma AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Malmö / 2022
Deloitte AB
Signature on Swedish original

Maria Ekelund
Authorized Public Accountant

DEFINITIONS

- Operating income: Profit before financial items and tax.
- Earnings per share before dilution:
  Profit for the period divided by the average number of outstanding shares during the period.
- Earnings per share after dilution: Profit for the period divided by the average number of outstanding shares during the period as well as outstanding potential common share.

Definitions and relevance of alternative performance measures

Pila Pharma presents certain financial measures in the interim report that are not defined or specified in the applicable rules for financial reporting, so-called alternative performance measures. These are noted with "***" in the table above. The Company believes that these measures provide valuable supplementary information for investors and company management, since they enable an assessment of relevant trends in the Company's results. These financial measures should not be construed as substitutes for measures specified in accordance with applicable financial reporting rules. As not all companies calculate financial measures in the same way, they are not always comparable to measures used by other companies. Definitions and relevance of key figures that have not been calculated in accordance with the applicable rules for financial reporting are given in the table below.

- Equity ratio: Equity divided by total capital. The equity ratio shows the proportion of the balance sheet total that consists of equity and has been included so that investors can get an idea of the Company's financial stability and ability to survive in the long term, as the Company is dependent on raising capital to carry out its research and development work.
- Cash liquidity: Current assets divided by current liabilities. Cash liquidity has been included to show the Company's short-term solvency.
- Equity per share: Total equity divided by the number of shares at the end of the period. Equity per share has been included to provide investors with information on the capital shown in the company accounts represented by one share.

Derivation of alternative performance measures	**2021-12-31**	**2020-12-31**
Current assets, TSEK	28 498	2 034
Current liabilities, TSEK	1 516	1 947
Cash liquidity, %	**1880%**	**104%**
Equity, TSEK	30 295	3 420
Total equity and liabilities, TSEK	31 811	5 367
Equity ratio, %	**95%**	**64%**
Equity, TSEK	30 295	3 420
Outstanding shares at the end of the period	16 100 338	10 068 580
Equity per share, SEK	**1,88**	**0,34**

BOARD OF DIRECTORS

Tyge Korsgaard
Director of the Board

Born 1957

Master's degree in economics at Aalborg University.

Independent of the Company and its principal owners. Board member of Pila Pharma since 2019.

Chairman of the Board of Vivostat A/S and Vivostat Holding ApS. Board member of Fonden DSK Invest IGP, Komplementarselskabet for den Sociale Kapitalfond Invest I ApS. CEO of Tyge Korsgaard Consult ApS and Komplementarselskabet for den Sociale Kapitalfond Invest I ApS.

Holdings in Pila Pharma as of 31 December 2021: 17 000 (indirectly).

Lene Andersen
Director of the Board

Born 1958

Master's degree in Sustainability and Responsibility at Ashridge Business School, UK and B.A. in economics at the University of Copenhagen.

Independent of the Company and its principal owners. Board member of Pila Pharma since 2016.

Advisory Board-member in Keyhaven Capital Ltd. Management consultant at Genux AS and CEO of Accompany Consulting ApS.

Holdings in Pila Pharma as of 31 December 2021: 26 000 (indirectly).

Dorte X. Gram
CEO

Born 1969

Doctor of Veterinary Medicine (DVM) and Ph.D. at the University of Copenhagen.

Not independent of the Company and its principal owners. On the Board since 2014. Chairman of the Board 2014–2015, director 2015–2020, Chairman of the Board 2020–2021 and now director since 2021. Owner, CEO and Chairman of the Board of Xenia Pharma ApS and Chairman of the Board of Gram Equity Invest AB.

Holdings in Pila Pharma as of 31 December 2021: 5 031 580 (indirectly).

Fredrik Buch
Chairman of the Board

Born 1954

Lic. physician and Ph.D. at the University of Gothenburg.

Independent of the Company and its principal owners. Board member of Pila Pharma since 2016.

Chairman of the Board of Huvudsta Vårdcentral AB, Citadellet Bolagsservice AB and Tridentify AB. Director of Lantmännen Medical AB, Intrance Medical System Inc, Pila Pharma, Nordiskt nätverk för personanpassad livsstilsmedicin AB, Lobsor Holding AB, Intrance Holding AB and Cytovac A/S. Partner in Buch Konsult AB.

Holdings in Pila Pharma as of 31 December: 17 000 (indirectly).

Board and senior executives

The Company's Board consists of four ordinary members, including the Chairman of the Board, who are elected for the period until the end of the 2022 Annual General Meeting. A board member has the right to resign at any time. The Board's work follows the Board's rules of procedure. The CEO's work is regulated by instructions for the CEO. Both the rules of procedure and instructions are established annually by the Company's Board. Issues relating to auditing and remuneration are decided directly by the Company's Board. There are no family ties between board members and senior executives. All board members and senior executives can be reached via the Company's address.

MANAGEMENT

Lars Bukhave Rasmussen
Chief Operating Officer from April 2021 to February 2022 when he left the Company.
Born 1975

Doctor of Veterinary Medicine (DVM) at the University of Copenhagen, Denmark, B.Sc. in Business Administration with a focus on financial management and accounting at the University of Southern Denmark, and Executive MBA at Henley Business School, UK.

Former CFO from September 2020 to April 2021.

Lars has contributed a great deal of experience to Pila Pharma throughout the drug value chain, everything from drug development, commercialisation, financial management and accounting, as well as general management thanks to his long experience in various senior positions for LEO Pharma A/S, both in Denmark and the US on vice presidential level.

Holdings in Pila Pharma as of 31 December 2021: 11 111 (directly).

Dorte X. Gram
Board member, founder and CEO
Born 1969

Doctor of Veterinary Medicine (DVM) and Ph.D. at the University of Copenhagen.

Dorte X. Gram is the researcher who during her doctoral studies at Novo Nordisk A/S Denmark discovered the principle of treating diabetes and obesity with TRPV1 antagonists. Dorte X. Gram has solid experience from the life science industry, with more than ten years in diabetes research and development at Novo Nordisk A/S Danmark, where she worked with various project groups in the research areas diabetes and obesity with small molecules and peptides, including insulin and GLP-1 analogues. She is the author of several scientific publications focusing on TRPV1 in diabetes or antidiabetic drugs, as well as patents related to TRPV1 in diabetes and basic insulin analogues.

Holdings in Pila Pharma as of 31 December 2021: 5 031 580 (indirectly).

Elna Lembrér Åström
CFO since April 2021
Born 1961

Master of Science in Business and Economics 1983 at Lund University and Authorised Public Accountant 1989.

Through Deloitte, Elna has been the authorised public accountant in Pila Pharma, elected by the Annual General Meeting, during the period 2015–2019. Since 2019, mainly active as a business finance advisor in Elna Lembrér Åström AB and board member of Godsinlösen Nordic AB, Sten K Johnson's Foundation and Chefspoolen i Sverige AB. Elna is hired as the Company's CFO and she has significant experience in financial management and accounting for listed companies in Sweden and in other business finance consulting.

Holdings in Pila Pharma as of 31 December 2021: 6 000 (indirectly).

Auditing

The auditor shall examine the Company's financial year reports and accounts as well as the Board of Directors' and the CEO's management. After each financial year, the auditor shall submit an auditor's report to the Annual General Meeting. According to the Company's Articles of Association, the Company shall have a minimum of one (1) and a maximum of two (2) auditors. The Company's auditor is Deloitte AB, with the authorised public accountant Maria Ekelund (born 1970) as the principal auditor. According to the resolution of the Annual General Meeting in April 2021, fees will be paid on an ongoing basis.

FINANCIAL CALENDAR AND CONTACTS

Pila Pharma prepares and publishes a financial report at the end of each quarter. Upcoming reports are scheduled as follows:

Interim report, January–March 2022	26 April 2022
Annual General Meeting	7 June 2022
Interim report, 1 April–30 June 2022	26 August 2022
Interim report, 1 July–30 September 2022	26 October 2022

Annual reports, interim reports and Pila Pharma AB's press releases can be read at:

https://pilapharma.com/investors/finansiell-information

alternativt beställas från:
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Malmö

or through:
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