YEAR-END REPORT FOR PILA PHARMA AB (PUBL)

1 JANUARY – 31 DECEMBER 2023

SUMMARY OF YEAR-END REPORT

FOURTH QUARTER (1 October – 31 December 2023)

- Operating income amounted to TSEK 366 (413)
- The operating result (EBIT) totalled to TSEK - 1 274 (- 1 951)
- The result for the period totalled to TSEK - 1 301 (- 4 015)
- Earnings per share, basic and diluted, were SEK – 0.06 (- 0.23)
- Cash flow for the period totalled to TSEK 4 807(2 121), whereof the cash flow for the operating activities totalled to TSEK – 2 255 (- 1 827)

TWELVE MONTH PERIOD (1 January – 31 December 2023)

- Operating income amounted to TSEK 1 463 (1 881)
- The operating result (EBIT) totalled to TSEK – 6 393 (- 8 890)
- The result for the period totalled to TSEK – 9 930 (- 26 777)
- Earnings per share, basic and diluted, were SEK - 0.47 (- 1.55)
- Cash flow for the period January - December totalled to TSEK - 1 289 (- 20 966), whereof the cash flow for the operating activities totalled to TSEK – 4 854 (- 9 091)
- The Company´s cash amounted to TSEK 5 954 (7 243) in the end of 31 December 2023
- Equity amounted to TSEK 6 661 (9 529)
- The Company's solvency ratio amounted to 79% (88 %)

SIGNIFICANT EVENTS DURING THE QUARTER (1 October – 31 December 2023)

- On 25 October 2023, the Board of Directors of Pila Pharma resolved, with authorization from the annual general meeting held on 30 May 2023, to carry out a new issue of up to 17,487,000 shares with pre-emption rights for existing shareholders at a subscription price of SEK 1.50 per share, which, in the event the Rights Issue was fully subscribed, would provide the Company with approximately SEK 26.2 million before transaction costs (the "Rights Issue"). In connection thereto, it was also resolved to request that the convertible loans of SEK 1.5million, raised in August 2023, including accrued interest of SEK 39,698.63, i.e. in total SEK 1,539,698.63, were to be converted to shares in the Rights Issue by way of set-off
- On 16 November 2023, Pila Pharma published an information memorandum regarding the Rights Issue
- On 26 November, Pila Pharma announced it had entered a research collaboration with the Research Group of Professor Dick Wågsäter, Uppsala University, Sweden on investigating the effect of XEN-D0501 on Abdominal Aorta Aneurism growth in mice
- On 5 December 2023, Pila Pharma announced the outcome in the Rights Issue. The Rights Issue was subscribed for by approximately 30.80 percent and provided the Company with approximately SEK 8,1 million before issue costs, including the conversion of the convertible loans and accrued interest of SEK 1,539,698.63 which were converted to shares in the Rights Issue by way of set-off

SIGNIFICANT EVENTS AFTER THE QUARTER

- On 16 January 2024, Pila Pharma announced that Pila Pharma and its CEO, Dorte X. Gram, was selected to participate cost-free in a scale-up program "10 X Health" partially sponsored by the European Regional Development Fund and organised by the SmiLe Incubator and Medicon Village in Lund, Sweden

PILA PHARMA IN BRIEF

Pila Pharma AB is a clinical stage biotech company that develops a TRPV1 antagonist, XEN- D0501, as a new type of treatment of diabetes and potentially obesity.

Pila Pharma was listed on the Nasdaq First North Growth Market in Stockholm on July 15, 2021. The Company operates from its headquarters in Malmö, Sweden and through the wholly owned subsidiary Pila Pharma Danmark ApS in Copenhagen, where most of the Company's research and development takes place.

The Company owns a TRPV1 asset with data and chemical entities including the development candidate XEN-D0501. Further, the Company owns use-patents covering the use of TRPV1-antagonists as treatment of obesity and diabetes and intends to submit further patents regarding the synthesis, formulation or use of XEN-D0501 or back-up compounds. In July 2022, the Company was awarded orphan drug designation ("Orphan drug designation") for XEN-D0501 as a treatment for erythromelalgia.

Whilst developing a treatement for diabetes has been the primary focus thus far, the Company believes that TRPV1 antagonists can as well be valuable novel treatments of obesity and obesity related diseases and disorders, in particular cardiovascular disease. The hypothesis is that obesity leads to inflammation that leads to diabetes and it's comorbidities. Pila Pharmas development candidate, XEN-D0501, thus holds potential to become a next generation first-in-class treatment of diabetes and obesity with expected multiple positive effects in persons with diabetes that has the potential to also treat inflammatory-driven conditions including pain.

XEN-D0501 has been shown to be safe in 300 subjects for up to one month of dosing and preclinical studies of up to 3 month duration testing very high doses was not associated with any adverse events. In obese people with type 2 diabetes, 4 weeks treatment with XEN-D0501 resulted in a small but significant effect on insulin secretion and glucose tolerance and a highly statistically significant reduction of ANP, a biomarker for heart failure.

Currently, a phase 2a clinical trial application is being prepared to study the safety and tolerability (and trend for effect on blood glucose and bodyweight) following 3 months treatment with XEN-D0501 in overweight or obese persons with diabetes.

In addition, the molecule is planned to be evaluated for its effect as pain treatment in persons with the rare disease Erythromelalgia. This is however still pending funding. A research collaboration has been initiated to investigate the effect of XEN-D0501 on the cardiovascular disease "Abdominal aorta aneurism" growth in mice.

CEO WORD

Dear shareholders!

These are my main 2023 takeaways and events after the last quarter.

Main 2023 events:

In 2023, our main operational achievement was to demonstrate a very good tolerability of XEN-D0501 following 13 weeks administration of very high doses in 2 animal species. The good results were fundamental for us to further progress XEN-D0501 into longer clinical trials.

However, **the most significant results we shared in 2023**, were the late-incoming results from our last 4-week trial in overweight and obese persons with diabetes (PP-CT02). This showed that XEN-D0501 with highly statistical significance reduced the heart failure biomarker ANP, suggesting that **XEN-D0501 may reduce the risk of premature cardiovascular death**. The cardiovascular disease Heart Failure is a major cause of death in diabetes.

In our surrounding world, the most remarkable development in 2023 was the massively evolving interest in treatments of obesity. This is of course interesting, as I suspect our molecule, XEN-D0501, will also show effect on bodyweight in coming clinical trials. This in turn may provide us with extra or new partnership opportunities.

Projects:

During 2023, we informed that a phase 2a trial would be our next step in diabetes/obesity to first identify maximum tolerable dose before progressing to phase 2b.

The plans for phase 2a testing XEN-D0501 for its effect on pain in persons with Erythromelalgia remained unchanged.

In November 2023 we announced that we had entered a preclinical research collaboration to study the effect of XEN-D0501 in mice on the cardiovascular disorder Abdominal Aorta Aneurism.

Fourth quarter 2023:

In the fourth quarter in 2023, we were primarily occupied with planning and fundraising for the phase 2a study in diabetes/obesity. In regards to fundraising, we had some tough choices to make. Given the difficult financial markets in 2023, the expected costs of raising funds via a corporate finance provider and/or guarantors was extremely high. Thus, the Board approved my suggestion to again this year carry out the rights issue on our own to **limit the costs and thereby the consequential dilution** of the current shareholders.

We learned from professionals in the space that 60% subscription was the expected limit in the current market (including guarantors). As we had a fundraise limit of EUR 2.5 million (approximately SEK 26.2 million) without a prospectus, the Board expected an outcome without guarantors of SEK 5-15 M and therefore presented a staged plan for "use-of-proceeds" in the Information Memorandum.

In early December the Board announced a rights issue and the outcome of the rights issue of approximately SEK 8.1 million was communicated in early December. That was possible for a cost only SEK 1 M which is considerably less than the cost of using external advisors and/or guarantors. The cost for the right issue itself landed around SEK 1 M where other companies raising funds in the same period had 4-5 times higher expenses for the capital raise.

Not surprisingly, the resulting new capital was below what we planned to raise, but enough to conduct a slim version of the 3-month phase 2a study in overweight or obese persons with diabetes (PP-CT03). Financing was not sufficient for the planned phase 2a trial in Erythromelalgia so that project is on hold for now.

Other things to note:

- To reduce the internal administrative costs, the Board has also resolved to transfer from quarterly to half-year financial interim reporting
- Work to update our patent strategy and to subsequent file new patents will also be prioritised during 2024

After the period:

After New Year, we have worked on two key objectives:

- **The financial year end report and evaluating next financing steps**
- Adjusting the diabetes phase 2a trial design to a slimmer, more cost-effective version whilst still answering certain key questions, including:
  - Is there a good 3-month safety and tolerability of XEN-D0501?
  - Is there a trend for reductions of blood glucose and body weight?

This manoeuvre has caused a small delay in the preparations, but we consider engaging a few more clinical trial sites in the study to catch up with this during the study treatment period later this year.

I really look forward to the coming period where we will step further down the clinical development path: The findings that our molecule XEN-D0501 may reduce the risk of heart failure after just 4 weeks taps right into our vision of providing a simple treatment to help people live healthier and longer lives for the benefit of individuals and societies.

Kind regards
Dorte X. Gram
PhD, Founder and CEO

TECHNOLOGY, RESEARCH, DEVELOPMENT AND PATENTS

The principle of treating obesity and obesity related diseases and disorders with TRPV1 antagonists was discovered and patented by Pila Pharma's founder, Dorte X. Gram, during her PhD studies at Novo Nordisk and she (via Pila Pharma) later in-licensed a TRPV1 antagonist, XEN-D0501, to develop it as a novel, cost-effective treatment of obesity and its related disorders like diabetes.

TRPV1 is localized on many cell types but primarily the sensory afferent nerves, c-fibers. Upon stimulation the receptor/ channel opens, and calcium enters the cells leading to an efferent signal – secretion of proinflammatory neuropeptides such as CGRP and SP (causing inflammation) and – if the signal is big enough – an afferent signal – message upwards to the brain that something is hurting.

Capsaicin is a TRPV1 agonist that is known to stimulate pain in smaller doses, but at higher doses or after repeated exposure, relieves pain by rendering TRPV1 irresponsive to activation. TRPV1 is sometimes referred to as the "capsaicin receptor".

Developments of TRPV1 antagonists as novel effective treatments of pain have been tried since the cloning of TRPV1 and the structure of the receptor became known in the late 1990'ies. Until now, it's largely been unsuccessful due to registration of unwanted side effects of orally available candidates. So far, XEN-D0501 seems to have a good safety profile which may allow market entry at a later stage.

Pila Pharma's founder Dorte X. Gram in 1999 by serendipity observed a profound effect of capsaicin on regulating blood sugar in diabetic rats and later in her PhD thesis proposed that an upregulation of TRPV1 ("the capsaicin receptor") in obese individuals mediated this effect by increased secretion of proinflammatory and vasoactive neuropeptides such as Substance P and CGRP thus indirectly inhibiting insulin secretion and action thereby promoting or even leading to type 2 diabetes. In addition, the inflammation when the afferent nerves were overactive would also have a negative effect on other organs leading to the development of diabetes complications such as cardiovascular disease.

She partly demonstrated that using TRPV1 knock-out mice that was kept on a high fat diet to induce glucose intolerance and found that mice lacking TRPV1 did not become glucose intolerant, had a better insulin response to glucose and a lower bodyweight gain than normal mice on high fat diet.

The results were repeated with a TRPV1 antagonist in spontaneously obese prediabetic rats and here, reductions of inflammatory markers in the abdominal fat tissue were also demonstrated. All in all, it pointed at a new and previously undiscovered role of TRPV1 in metabolism in both glucose metabolism as well as body weight regulation.

A use-patent was filed by Novo Nordisk to patent the use of TRPV1 antagonists (then called inhibitors of the capsaicin receptor) as treatment of obesity and obesity related diseases and disorders. In 2008, Novo Nordisk sold or closed all projects regarding small molecule treatments because they wanted to focus on injection products for strategic reasons.

Dorte X. Gram bought out the use-patent and later got 3 patents issued – first in the US (2011) to treat obesity with TRPV1 antagonists and then in the US and Europe (2013) to treat type 1 and 2 diabetes with TRPV1 antagonists. This founded the basis for a commercialization of the idea of TRPV1 antagonists as new superior anti-diabetic treatment with effects expected on all comorbidities in diabetes as well as on obesity.

Pila Pharma was founded in 2014 after establishing a scientific advisory board with key opinion leaders in diabetes and the use-patents were transferred to the new company. The scientific advisory board advised to seek to in license a clinical ready candidate. With our first investor Almi Invest, we tested a few clinical candidates and in 2016 we were able to sign an Asset Transfer Agreement regarding British Ario Pharma's TRPV1 asset including its development candidate XEN-D0501.

XEN-D0501, is a specific and potent inhibitor of TRPV1. It was originally developed by Bayer Healthcare AG, Germany, which described its structure along with a number of other structures in the original patent. Then, XEN-D0501 (then under the name BAY) was tested in the first clinical study in healthy volunteers after 4 weeks of preclinical studies with good safety results. For strategic reasons, the Bayer TRPV1 asset was then sold to the English company, Xention, that performed several clinical studies in healthy volunteers and in patients with incontinence ("over active bladder disease"). Xention's subsidiary Ario Pharma then took over the portfolio and conducted 2 clinical studies in chronic cough. The studies showed good safety but no significant effect.

Pila has tested XEN-D0501 in two phase 2a studies – acute and of 1 month duration in type 2 diabetes - with good safety and a small but significant effect on glucose tolerance and on insulin response to glucose. Long-term blood glucose (HbA1c) showed a trend for reduction, but requires 3 months treatment before a significant effect can eventually be detected.

All in all, XEN-D0501 has been tested in 300 people single or multiple doses up to 1 month duration - so far with a good safety profile and no serious side effects. In diabetes some effects have been demonstrated, but higher doses and longer treatment are required to demonstrate a clinical meaningful anti-diabetic effect.

Pila Pharma has recently completed 13 weeks of preclinical safety studies without registration of any adverse events, and thus, XEN-D0501 can now be tested in humans for up to 3 months trial duration.

Tablets manufactured in 2021 (4 mg strength and placebo to match) are available and all together it permits the Pila Pharma to again proceed to clinical studies.

Pila Pharma believe that XEN-D0501, as a TRPV1 antagonist with a good safety profile, could be suitable as treatment of other diseases with an underlying inflammatory component.

In July 2022, Pila Pharma was awarded orphan drug designation ("Orphan drug designation") for XEN-D0501 as a treatment for erythromelalgia and Pila Pharma has since then had a second project under preparation. Erythromelalgia is a condition where intense periods of painful "flare-ups" occurs without a known cause and currently without an adequate treatment option.

The next bigger milestone within diabetes is to demonstrate a significant anti-diabetic effect in a larger phase 2b trial in up to 300 persons with diabetes. To assure that the 3 dose-levels for the phase 2b study are adequate with regard to safety and efficacy, an exploratory phase 2a dosing study will be undertaken first.

The Company plan to submit a clinical trial application for the dose-finding study as soon as possible and hope to get results within the next year, after which we plan to expand the trial to the full phase 2b with the selected 3 dose levels. A pharma partnership should be realistic after positive phase 2b results or maybe even after the phase 2a dose finding study given the new and intense focus on new treatments of obesity.

The biggest milestone in the erythromelalgia project is to demonstrate efficacy in subjects with the condition (reduction of pain experienced during "flare-ups"), and we thus plan to conduct a smaller phase 2a "Proof of Concept" study. This project is on hold until further, pending funding.

Intellectual property

The Company owns the EU trademark "Pila Pharma". In July 2022, the development candidate XEN-D0501 received orphan drug status in the US for the treatment of the rare disease erythromelalgia and this may lead to seven years of market exclusivity after marketing authorization is obtained.

Treatment of diabetes and obesity with TRPV1 antagonists (including XEN-D0501) is protected by issued use-patents in the US and Europe. The application was submitted in 2005.

XEN-D0501 is protected by product patents originally filed by Bayer with an application date of April 28, 2003. The patents within this family were taken over by Pila Pharma in 2016.

All data that have been produced on XEN-D0501 and other substances are fully owned by Pila Pharma and the structure of XEN-D0501 or "back-up compounds" has not yet been made publicly available.

In December 2023, the patent strategy was updated aiming at use-patent protect XEND0501 in various diseases as soon as possible in order to have good protection of it's use as treatment of various diseases. In order also to patent protect XEN-D0501 as treatment of pain (in erythromelalgia) the use patent application submitted in 2021 with XEN-D0501 as a treatment for diabetes has been withdrawn.

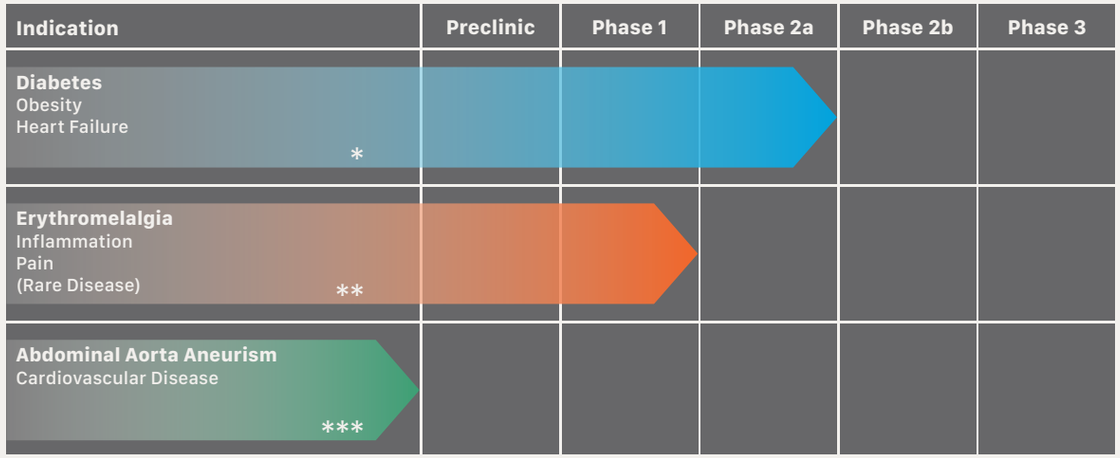


Figure:
Pila Pharma currently has a pipeline with 3 projects each evaluating the effect of XEN-D0501 in various indications.

* *Diabetes Obesity Heart Failure is our primary project and a phase 2a trial is our next step in diabetes/obesity to first identify maximum tolerable dose before progressing to phase 2b – preparations for a clinical trial application is ongoing*

** *Erythromelalgia Inflammation Pain (Rare Disease) is our secondary project but on hold until further funding is secured to conduct a phase 2a testing XEN-D0501 for its effect on pain in persons with Erythromelalgia*

*** *Abdominal Aorta Aneurism /Cardiovascular Disease is a new research collaboration in early preclinical phase where we aim at studying the effect of XEN-D0501 in mice on Abdominal Aorta Aneurism growth*

BUSINESS MODEL & STRATEGY

The company's long-term goal is to register XEN-D0501 as the first TRPV1 antagonist drug. The company's short-term goal is to demonstrate the effect of XEN-D0501 on the reduction of blood sugar and bodyweight in overweight or obese people with type-2 diabetes and potentially other diseases with an inflammatory background.

"Pila" means "to run fast" and the idea behind the choice of this name was that we should work quickly and cost-effective with a focus on the most essential goals - to focus on "need to do" and avoid "nice to do" as an organizational philosophy.

The company's intention is to develop the drug candidate XEN-D0501 until a pharma partnership is possible. We focus on consolidating the uniquely good safety profile of the candidate in parallel to gradually add evidence for a clinically meaningful effect in both diabetes (reduction of high blood glucose levels (HbA1c), body weight and risk of cardio-vascular disease).

XEN-D0501 is currently formulated as a simple, small tablet with very good shelf life (up to 5 years at 25 C). There is, however, the possibility of developing new formulations for new indications in order to differentiate between the different upcoming drugs for different diseases.

Organizationally, the strategy is to hire experienced specialists to secure the best development methods for different indications. During the coming period, new or previous clinical resource persons will be engaged to execute the next phase 2a clinical trial in overweight or obese persons with type 2 diabetes. They will all contribute significantly to the further development of the Pila Pharma's TRPV1 asset.

Pila Pharma works with a solid core of permanent consultants as well as a number of more peripheral specialist consultants and contract research organizations. This virtual company structure has been fully developed during 2023 and is both strong and flexible and quickly adaptable to changing priorities without losing quality. Quality is essential in drug development, but flexibility is, as we see it, a necessity in order to manage cost-effectively through this long development process.

STOCK AND SHARE CAPITAL

The Pila Pharma AB share was listed on 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 2023, the number of shares in Pila Pharma amounted to 23 793 289. All shares have one (1) vote per share. All shares have a quota value of SEK 0.43.

Shareholder list

Shareholder	No Shares	Votes
Dorte X. Gram*	5 195 086	21,83%
Vimpu Intressenter Ab	3 964 502	16,66%
ALMI	930 500	3,91%
Goldman Sachs & Co.	647 056	2,72%
BNY Mellon Sa/Nv For Jyske	454 163	1,91%
JP Morgan Chase Bank NA	445 262	1,87%
Sebastian Clausin	436 745	1,84%
CO2 Balance AS	418 300	1,76%
Nordnet Pensionsförsäkring	375 083	1,58%
Avanza Pension	355 460	1,49%
10 largest shaeholders	**13 222 157**	**55,57%**
Others	10 571 132	44,43%
Total	**23 793 289**	**100,00%**

**Direct and indirect via Gram Equity Invest AB and Xenia Pharma ApS*

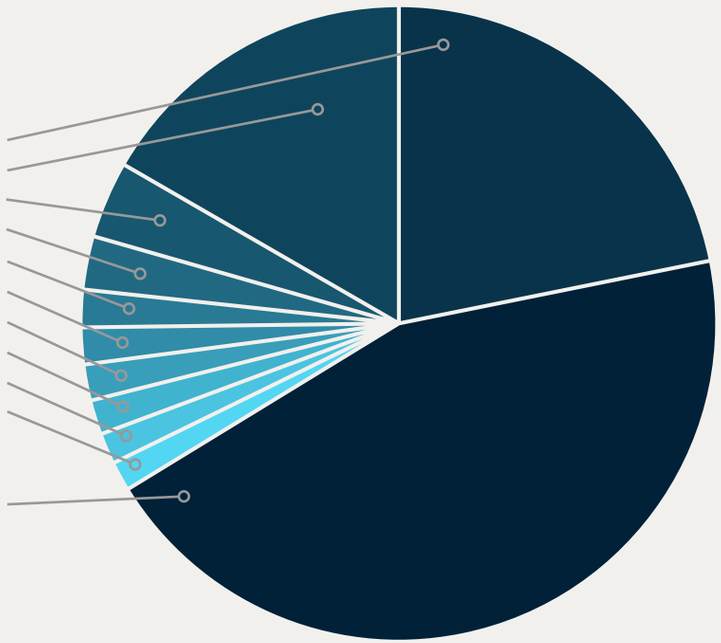
OTHER INFORMATION

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.

Related-party transactions

Shareholder contributions of TSEK 0 (2 063) have been issued to the subsidiary during the fourth quarter and TSEK 3 497 (17 886) during the twelve month period. The Company has carried out services to the subsidiary and the revenues refer to re-invoicing of services carried out during the fourth quarter of TSEK 366 (413) and TSEK 1 463 (1 881) during the twelve month period. Transactions are in accordance with market conditions.



Audit

This report was not reviewed by the company's auditors.

Upcoming financial information

Pila Pharma prepare and publish a financial report for every quarter. Upcoming financial information is planned as follows.

- Annual report 2023 — 21 March 2024
- Annual General Meeting — 18 April 2024
- Interim report, 1 January – 30 June 2024 — 27 August 2024

The interim reports, annual reports and Pila Pharma ABs press releases are available at https://pilapharma.com, alternatively be ordered from Pila Pharma AB, Norra Vallgatan 72, 211 22 Malmö or via: info@pilapharma.com.

Issuance of interim report

The Board of Directors and CEO hereby confirm that this interim report provides a true and fair view of the Company's business, financial position and results of operations, and describes material risks and uncertainties faced by the Company.

Malmö, 28 February 2024
PILA PHARMA AB (publ)

Fredrik Buch
Chairman of the Board

Richard Busellato
Director of the Board

Søren Weis Dahl
Director of the Board

Dorte X. Gram
Director of the Board and CEO

FINANCIAL OVERVIEW

Pila Pharma AB (publ) is referring to Pila Pharma AB (publ) with the registration number 556966-4831, also stated as "The Company". Pila Pharma AB has a wholly owned subsidiary Pila Pharma Danmark ApS. The interim report is issued for the parent company only.

Operating income and result for the quarter 1 October – 31 December 2023

The operating income for the parent company amounted to TSEK 366 (413). The revenues refer to re-invoicing of services carried out for the subsidiary. The result for the fourth quarter amounted to TSEK - 1 301 (- 4 015) and the costs are mainly related to Group business administration. In November 2023, the Danish subsidiary received a tax return of SEK 4 million as a result of the tax-benefit regulations in Denmark for R&D companies, based upon the approval of our tax refund claim. Therefore, the subsidiary had certain financing for the research and development business and the write-down of shares in group company in conjunction to issued shareholder contribution to the subsidiary during the fourth quarter 2023 amounted to TSEK 0 (2 063). The subsidiary conducts a major part of the business.

Operating income and result for the twelve month period 1 January – 31 December 2023

The operating income for the parent company amounted to TSEK 1 463 (1 881). The revenues refer to the re-invoicing of services carried out for the subsidiary. The result for period January - December amounted to TSEK - 9 930 (- 26 777) and the costs are mainly related to Group business administration. A part of the costs is also related to write-downs of shares in group company in conjunction to issued shareholder contributions to the subsidiary and amounted to TSEK 3 497 (17 886) for covering of the subsidiary's costs during the twelve month period. The subsidiary conducts the major part of the business. In November 2023, the Danish subsidiary received a tax return of SEK 4 million as a result of the tax-benefit regulations in Denmark for R&D companies, based upon the approval of our tax refund claim. Therefore, the subsidiary had certain financing for the research and development business and the shareholders contributions could be reduced during the twelve month period 2023.

Financial position and cash flow

Operating cash flow from operating business for the period 1 January – 31 December 2023 amounted to TSEK - 4 854 (- 9 091). The financial activities during the period January - December amounted to TSEK 3 565 (- 11 875). The cash flow for the period January - December amounted to TSEK - 1 289 (- 20 966) and partly relates to issued shareholder contribution to the subsidiary of TSEK 3 497 (17 886) that has reduced the cash flow for the corresponding period. During the fourth quarter a new share issue was effectuated with the net financing received after issue costs, totally TSEK 7 062, including the convertible loans of totally TSEK 1 500 that was converted to shares in the Rights issue.

The Company's cash as of 31 December 2023 amounted to TSEK 5 954 (7 243).

The equity as of 31 December 2023 amounted to TSEK 6 661 (9 529), which corresponds to the solvency ratio 79% (88).

Financing, liquidity and continued operations

To secure the financing for the coming twelve months ahead and expand the business according to the development plans, a new issue of shares with pre-emption rights for the shareholders were effectuated in December 2023, with a net financing received of TSEK 7 062 after issue costs of TSEK 1 017, including the convertible loans of TSEK 1 500 that were converted to shares in the Rights issue. The total amount raised will secure the company's financing for the next twelve months to fund it's existing commitments and finance the initialization of the phase 2a trial to define the maximal tolerable dose of XEN-D0501 in overweight or obese people with diabetes.

As a result of the tax-benefit regulations in Denmark for R&D companies, a tax return of SEK 4 million was received to the subsidiary Pila Pharma Danmark ApS in November based upon the approval of our tax refund claim. As the company does not currently establish any consolidated statement, this asset does not appear in the balance sheet, which relates only to the parent company, Pila Pharma AB. The subsidiary, Pila Pharma ApS has an equity of SEK 2.1 million as of 31 December 2023.

The future financing of further planned clinical studies in persons with erythromelalgia is not settled when signing the year-end report. The Company's liquidity development can become a significant uncertainty factor for enabling continued for the Company's continued operations. The Board of Directors is aware of this and plans to remedy the financing. Based on the Board of Directors' experience of previous capital raising, the possibilities for further financing of the Company are considered reasonable but of course depends on the generally uncertain macro-economic situation as of today.

Employees as of 31 December 2023

During 2023 the Company transferred to a fully virtual organization with no permanent employees. Since August 2023, the CEO is now engaged via a consultancy agreement with 1 month notice and otherwise similar terms as compared to the previous employment agreement. The Company's average full-time employees during the period 1 October - 31 December therefore decreased to 0 (3) and for the twelve month period were 1 (3). The Company since August conducts it's operations entirely through consultants or hired staff at Clinical Research Organisations and they amounted to corresponding 5 (5) full-time employees during the period January - December.

The Danish subsidiary

The subsidiary handles all research and development activities and is financed by the parent company. Shareholder contributions from the parent company have been issued, totally amounted to TSEK 3 497 (17 886) as of 31 December 2023, and correspond to the operating R&D costs of the subsidiary during the period 1 January – 31 December 2023.

In November 2023 a tax-return of approximately SEK 4 million (1.9) was received. Pila Pharma ApS has an equity of SEK 2.1 million as of 31 December 2023.

KEY FIGURES

	2023-10-01 - 2023-12-31	2022-10-01 - 2022-12-31	2023-01-01 - 2023-12-31	2022-01-01 - 2022-12-31
	3 months	3 months	12 months	12 months
Net Sales (TSEK)	366	413	1 463	1 881
Total operating expenses (TSEK)	-1 640	-2 364	-7 856	-10 771
Operating result (TSEK)	-1 274	-1 951	-6 393	-8 890
Total financial items (TSEK)	-27	-2 064	-3 537	-17 887
Income after financial items (TSEK)	-1 301	-4 015	-9 930	-26 777
Cash flow from operating activites (TSEK)	-2 255	-1 827	-4 854	-9 091
Earnings per share (SEK)	-0.06	-0.23	-0.47	-1.55
Earnings per share after dilution (SEK)	-0.06	-0.23	-0.47	-1.55
Average number of shares	21 100 329	17 253 854	21 100 329	17 253 854
Average number of shares after dilution	21 100 329	17 253 854	21 100 329	17 253 854
Outstanding shares at the end of the period	23 793 289	18 407 369	23 793 289	18 407 369
Outstanding subscription warrants at the end of the period	0	0	0	0
Average number of employees	0	3	1	3

	2023-12-31	2022-12-31
Cash and cash equivalents (TSEK)	5 954	7 243
Equity (TSEK)	6 661	9 529
Balance sheet total (TSEK)	8 455	10 887
Solvency ratio (%)*)	79%	88%
Cash flow ratio (%)*)	348%	559%
Equity per share (SEK)*)	0.28	0.52

*) Alternative performance measures, see Definitions

GENERAL INFORMATION, RISKS AND DEFINITIONS

Principles for the preparation of the interim report

The year-end report has been prepared in accordance with the Annual Accounts Act and the Accounting Act's general advice BFNAR 2012:1 Annual accounts and consolidated accounts (K3).

There have been no changes in the Company's accounting principles since the last annual report, where a complete description of applied accounting and valuation principles is reproduced. The company's accounting principles are according to the Accounting Board's general advice BFNAR 2016:10 (K2).

The parent company has no requirement to submit a consolidated report, which is why the report only refers to the parent company Pila Pharma AB.

Intangible assets

Intangible assets acquired separately are reported at acquisition value less accumulated amortizations and any accumulated write-downs. Amortization takes place linearly over the asset's estimated useful life, which is estimated to be 3 years. Estimated useful lives and amortization methods are reviewed if there is an indication that these have changed compared to the estimate at the previous balance sheet date. The effect of any changes in estimates and assessments is reported prospectively. Amortization begins when the asset can be used.

The company has assessed that amortization of acquired intangible assets, primarily patents and associated documentation, should take place and has begun from 1 January 2023 for an estimated useful life of 3 years, when the patents will gradually expire in the coming year.

Estimates and assessments

IIn order to be able to prepare the financial reports, the board and company management make assessments and assumptions that affect the company's results and position as well as the information provided in general.

Estimates and judgments are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations about future events that are expected to be reasonable under prevailing conditions. Actual results may differ from assessments made.

The areas where estimates and assumptions could entail a significant risk of adjustments in reported values for earnings and financial position in future reporting periods are primarily assessments of market conditions and thus the value of the company's fixed assets. Ultimately, this risk can also affect the company's future ability to survive.

Risks and uncertainties

The risks and uncertainty factors that Pila Pharma's operations are exposed to are, in summary, related to, among other things, drug development, competition, technology development, patents, authority requirements, capital requirements, currencies and interest rates. During the current period, the effects of increased inflation and a weak Swedish krona exchange rate have meant increased costs in the ongoing projects and this entails an increased risk of increased capital needs in the company and thus the company's continued operations. For a more detailed account of risks and uncertainty factors, reference is made to the Company's annual report for 2022 (in Swedish).

DEFINITIONS

- **Operating results**:
  Profit before financial items and tax
- **Earnings per share before dilution**:
  Profit for the period divided by the average number of outstanding shares in the period
- **Earnings per share after dilution:**
  Profit for the period divided by the average number of outstanding shares in the period and outstanding potential ordinary shares

Definitions and relevance of alternative outcome measures

Pila Pharma presents certain financial measures in the year-end report that are not defined or specified in the applicable rules for financial reporting, so-called alternative performance measures. These have been noted with "***" in the table under the Key figures section. Pila Pharma believes that these measures provide valuable supplementary information for investors and company management as they enable an assessment of relevant trends in the company's performance. These financial measures should not be considered a substitute for measures disclosed in accordance with applicable financial reporting rules. Because 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 applicable rules for financial reporting are set out in the table below.

- **Solidity**:
  Equity divided by total capital. The equity ratio shows how much of the balance sheet total is made up of equity and has been included so that investors can form a picture of the company's financial stability and ability to cope in the long term, as the company is dependent on additional of capital for carrying out its research and development work
- **Cash flow**:
  Current assets divided by current liabilities.
  Cash flow 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 about the book equity represented by a share.

Derivation of alternative performance measures	**2023-12-31**	**2022-12-31**
Total current assets, TSEK	6 235	7 590
Total current liabilities, TSEK	1 794	1 358
Cash flow ratio, %	**348%**	**559%**
Total equity, TSEK	6 661	9 529
Total equity and liabilities, TSEK	8 455	10 887
Solvency ratio, %	**79%**	**88%**
Total equity, TSEK	6 661	9 529
Outstanding shares at the end of the period	23 793 289	18 407 369
Total equity per share, SEK	**0.28**	**0.52**

CONDENSED INCOME STATEMENT

(All amounts in SEK thousand)	2023-10-01 - 2023-12-31	2022-10-01 - 2022-12-31	2023-01-01 - 2023-12-31	2022-01-01 - 2022-12-31
	3 months	3 months	12 months	12 months
Operating income				
Net sales	366	413	1 463	1 881
Operating expenses				
Other external costs	-1 037	-578	-3 332	-4 071
Personnel costs	-333	-1 784	-3 447	-6 683
Depreciation and amortization of tangible and intangible financial assets	-270	-1	-1 077	-16
Other operating expenses	0	-1	0	-1
Operating result	**-1 274**	**-1 951**	**-6 393**	**-8 890**
Profit/loss from financial items				
Write-down of financial fixed assets and short-term investments	0	-2 063	-3 497	-17 886
Interest expenses and similar profit/loss items	-27	-1	-40	-1
Income after financial items	**-1 301**	**-4 015**	**-9 930**	**-26 777**
Tax expenses	0	0	0	0
Profit/loss for the period	**-1 301**	**-4 015**	**-9 930**	**-26 777**

CONDENSED BALANCE SHEET

(All amounts in SEK thousand)	2023-12-31	2022-12-31
ASSETS		
Fixed assets		
Intangible assets	2 155	3 232
Total intangible assets	**2 155**	**3 232**
Tangible assets	0	0
Total tangible assets	**0**	**0**
Financial assets		
Shares in group companies	65	65
Receivables from group companies	0	0
Total financial assets	**65**	**65**
Total fixed assets	**2 220**	**3 297**
Current assets		
Current receivables		
Customer receivables	49	0
Other receivables	227	203
Prepayments and accrued income	5	144
Total current receivables	**281**	**347**
Cash and cash equivalents	**5 954**	**7 243**
Total current assets	**6 235**	**7 590**
TOTAL ASSETS	**8 455**	**10 887**

(All amounts in SEK thousand)	2023-12-31	2022-12-31
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1 017	787
Total restricted equity	**1 017**	**787**
Unrestricted equity		
Share premium fund	87 888	81 056
Retained earnings	-72 314	-45 537
Net result for the period	-9 930	-26 777
Total unrestricted equity	**5 644**	**8 742**
Total equity	**6 661**	**9 529**
Current liabilities		
Convertible loan	0	0
Accounts payables	398	350
Payables to group companies	773	0
Other liabilities	498	105
Accruals and deferred income	125	903
Total current liabilities	**1 794**	**1 358**
TOTAL EQUITY AND LIABILITIES	**8 455**	**10 887**

CONDENSED CASH FLOW STATEMENT

(All amounts in SEK thousand)	2023-10-01 - 2023-12-31	2022-10-01 - 2022-12-31	2023-01-01 - 2023-12-31	2022-01-01 - 2022-12-31
	3 months	3 months	12 months	12 months
Operating activities				
Income after financial items	-1 301	-4 015	-9 930	-26 777
Adjustments for items not included in cash flow	270	2 064	4 574	17 902
Tax paid	0	0	0	0
Cash flow from operating activities before changes in working capital	**-1 031**	**-1 951**	**-5 356**	**-8 875**
Cash flow from changes in working capital				
Decrease (+)/increase (-) of other current receivables	-167	-70	66	-58
Decrease (-)/increase (+) of accounts payables	1 017	-45	821	-3
Decrease (-)/ increase (+) of other current liabilities	-2 074	239	-385	-155
Cash flow from operating activities	**-2 255**	**-1 827**	**-4 854**	**-9 091**
Investing activities				
Purchase of equipment	0	0	0	0
Purchase of patents	0	0	0	0
Cash flow from investing activities	**0**	**0**	**0**	**0**
Financing activities				
New share issue	7 062	6 011	7 062	6 011
Raised convertible loans	0	0	1 500	0
Converted loans to equity	0	0	-1 500	0
Shareholder contribution made to group companies	0	-2 063	-3 497	-17 886
Cash flow from financing activities	**7 062**	**3 948**	**3 565**	**-11 875**
Cash flow for the period	**4 807**	**2 121**	**-1 289**	**-20 966**
Cash at the beginning of the period	1 147	5 122	7 243	28 209
Cash at the end of the period	**5 954**	**7 243**	**5 954**	**7 243**

CONDENSED REPORT ON CHANGE IN EQUITY

(All amounts in SEK thousand)	Share capital	Free premium fund	Retained earnings	Result for the period	Total equity
Opening balance as of 1 January 2023	**787**	**81 056**	**-45 537**	**-26 777**	**9 529**
Disposition of the preivous year´s result			-26 777	26 777	0
Result for the period				-9 930	-9 930
Transactions with owners:					
Registered new share issue	230	7 849			8 079
New share issue costs		-1 017			-1 017
Total transactions with owners	**230**	**6 832**	**0**	**0**	**7 062**
Closing balance as of 31 December 2023	**1 017**	**87 888**	**-72 314**	**-9 930**	**6 661**
Opening balance as of 1 January 2022	**688**	**75 144**	**-28 330**	**-17 207**	**30 295**
Disposition of the preivous year´s result			-17 207	17 207	0
Result for the period				-26 777	-26 777
Transactions with owners:					
Registered new share issue	99	6 822			6 921
New share issue costs		-910			-910
Total transactions with owners	**99**	**5 912**	**0**	**0**	**6 011**
Closing balance as of 31 December 2022	**787**	**81 056**	**-45 537**	**-26 777**	**9 529**

COMPANY INFORMATION

Pila Pharma AB – parent company

Company name	**PILA PHARMA AB**
Ticker name	**“PILA”. The shares are listed on the Nasdaq First North Growth Market in Stockholm**
ISIN-codes	**The share ISIN-kod is SE0015988274**
Residence	**Malmö Town, Skåne county, Sweden**
Registration number	**556966-4831**
Date of company formation	**2014-03-26**
Date of starting the company business	**2014-03-26**
Country for company formation	**Sweden**
Legal description	**Public company**
Legislation	**Swedish law and Swedish Comanies Act**
Address	**Norra Vallgatan 72, 211 22 Malmö**
Text:	**+46 73 903 69 69**
Homepage	**www.pilapharma.com**
Auditor	**Deloitte AB (Hjälmaregatan 3, 201 23 Malmö) head responsible auditor Maria Ekelund**
LEI-code	**6488Z7WG18Q0ZN0V0262**

Pila Pharma Danmark ApS – subsidiary

Country from company formation	**Denmark**
Country from where the subsidiary conduct the business	**Denmark**
Registration number	**CVR-nr: 39023636**
Owner share	**100%**

For further information, please contact

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