alzinova

YEAR END REPORT 2019

The Board of Directors and the Chief Executive Officer of Alzinova AB hereby present the year-end report of the financial year 2019.

Summary of events during year-end report 2019

Twelve months (2019-01-01 – 2019-12-31)

- Net sales amounted to SEK 0(SEK 0).
- Result after financial items amounted to SEK -6 189 903 (SEK -4 189 311).
- Earnings per share amounted to SEK -0,81 (SEK -0,76).
- Solidity amounted to 93,0 % (96,5 %).

Fourth quarter (2019-10-01 – 2019-12-31)

- Net sales amounted to 0 SEK (0 SEK).
- Result after financial items amounted to SEK -2 844 273 (SEK -2 131 958).
- Earnings per share amounted to SEK -0,37 (SEK -0,39)

Earnings per share: Result for the period divided by 7,633,415 shares as of 2019-12-31
Solidity: Equity divided by total capital.
Amounts in brackets: Corresponding period in the previous year.
"The Company" and "Alzinova" refers to Alzinova AB, reg.no/org.nr. 556861-8168.

Significant events during 2019

First quarter

- The last day of trading of Alzinova BTA (paid subscribed share) took place in January.
- In January, the Company initiated a cooperation with Scandinavian Development Services (SDS), a Swedish consultancy company specializing in clinical development and biostatistics.
- The Board of Directors convened an Extraordinary General Meeting in March, which resolved to change the share capital provisions in the Articles of Association.
- In March, Nasdaq Stockholm AB approved Alzinova AB to be listed on Nasdaq First North. The Company Description was published and trade in the share commenced on 11 March.
- Anders Bylock was appointed as Chief Medical Officer (CMO) in March to strengthen the Company's executive management in view of the launch of the clinical programme.

Second quarter

- It was disclosed in May that Alzinova's CEO and board members had chosen to exercise their subscription warrants acquired as part of an incentive scheme introduced in 2015.

- It was announced in May that the timetable had been updated for the first clinical trial with the ALZ-101 vaccine on patients suffering from Alzheimer's disease. The initial dosing of the first patient was now planned for the second quarter 2020, a delay of approximately six months.

Third quarter

- In September, Alzinova AB made changes to the composition of the Board of Directors, as Jan Holmgren stepped down from the board on personal grounds.
- A cooperation was entered into in September with the world-leading Swiss peptide manufacturer Bachem, with the aim of securing high-quality deliveries of the ALZ-101 vaccine.

Fourth quarter

- Alzinova AB recruited Kristina Torfgård as new Chief Executive Officer in December, as an important step in the new development phase for the company.

CEO comments

– A highly eventful year that has provided great potential for Alzinova

As the new CEO it is now my pleasure to summarize the year 2019 for Alzinova. The company has focused on three main areas. To develop and produce a pharmaceutical substance for the ALZ-101 vaccine, to make preparations for the upcoming clinical trial with patients, and at the same time continue the effort to design and conduct pre-clinical studies.

Our efforts to develop and produce pharmaceutical substance for the ALZ-101 vaccine reached an important milestone during the fall, when we entered into a cooperation with Bachem, a world leader in peptide API manufacturing. This transition to industrial scale entails a more robust and quality-assured production of our drug candidate. It further makes Alzinova better positioned for the upcoming clinical trials programme and the final market approval.

During the year, a collaboration was initiated with Scandinavian Development Services (SDS), a consultancy company in pharmaceutical development. This has enabled access to competences in the fields of pharmaceutical development and biostatistics. In addition, Dr. Anders Bylock has been recruited for the role as Chief Medical Officer. With the new team in place, the plans for the clinical trial have been updated and developed further, which confers advantages in view of the subsequent phases of the clinical development programme.

One of the challenges in the development of new drugs within the Alzheimer's disease research area is to demonstrate efficacy in animal studies, since the disease is human-specific. We continue to develop and conduct preclinical studies in order to verify positive treatment responses. We are focusing our work on donated human brain tissue from deceased persons, since that is the most relevant context. The goal is to amass a substantial set of treatment response data within a relevant human Alzheimer's disease model; this is important with regard both to the interactions with regulatory authorities and with interested pharmaceutical companies, with which we are constantly engaged in discussion.

We are also continuing to develop our organization, and we see great opportunity to complement it in several areas in order to streamline and develop the company.

Early in the year, we carried out a change of listing venue from Spotlight to Nasdaq First North. One of the reasons was to attract novel groups of owners.

I am proud to have the opportunity to lead this innovative company and, alongside colleagues and partners, to continue the important effort to develop an oligomer-specific vaccine and, ultimately, an efficient drug for the treatment and prevention of Alzheimer's disease. We want to help Alzheimer's patients and their families to lead an independent and active life. Finally, I want to express my gratitude to everyone who has contributed to the work during the year and helped bring Alzinova to this favourable position.

Kristina Torfgård
CEO, Alzinova AB

About Alzinova

Alzinova AB is engaged in pharmaceutical research and development for treatment of Alzheimer's disease – one of our major health scourges, without efficient treatment options. The Company's patented technology enables the development of novel therapies, that with high precision could target the substances involved in the formation of the disease and render them harmless. Alzinova's focus is to develop a vaccine as a long-acting therapy for treatment and prevention of Alzheimer's disease. The vaccine is under preclinical development, in preparation for human clinical trials. Alzinova was founded by researchers from the MIVAC research center at the University of Gothenburg, and by GU Ventures AB.

Future outlook

It is estimated that Alzheimer's disease afflicts on the order of 50 million patients worldwide today. The number of cases is growing by 6.9 million every year. The cost to society of the disease is estimated to be approximately USD 1 trillion annually. There are no treatments available that are capable of providing anything more than temporary symptom relief. A pharmaceutical with even moderate efficacy would therefore be a major sales and revenue opportunity. According to Global Data, the annual sales volume of disease modifying therapies for Alzheimer's disease in the US, 5EU (Germany, France, UK, Italy and Spain), Japan, China and India will reach up to USD 13 billion.

Alzinova continues to focus primarily on development of the vaccine ALZ-101.
Our objective is to initiate clinical trials by the end of 2020. The company's assessment is that there is sufficient capital to finance operations throughout the financial year 2020.

The picture shows a model of the active component (the antigen) in ALZ-101

We will also evaluate the possibilities of continuing development of the antibody, ALZ-201; there may be opportunities for the company to develop the antibody as a treatment. The vaccine ALZ-101 is still the focus of activity, however.

Corporate structure and shareholding

Alzinova has no subsidiaries and is not part of any group. Neither does the company hold any shares.

Risk factors

Alzinova maintains procedures to continuously identify and manage risk factors. Since Alzinova has not yet launched any pharmaceuticals or diagnostic medical devices, neither individually nor through cooperation, the Company has not made any sales or generated any revenue. Assessing the Company's sales potential may therefore be difficult; there is a risk that revenue is forgone, in whole or in part. The pre-clinical, clinical and registration phases are all associated with risks that may prevent the Company's products from resulting in commercializable therapies, and thereby from generating revenue, fully or partially.

Alzinova still has no revenue. Depending on when the Company is able to generate a positive cash flow, the Company may therefore find itself forced to raise additional external capital in the future. Both the amount and timing of the Company's future capital requirements are dependent on a number of factors, such as the commercial success of the Company's products. There is a risk that the company fails to raise new capital when the need arises, or that capital cannot be raised at favourable terms for the Company. This could have negative effects on the Company's financial position and result, and, in turn, on the market value of the Company.

A detailed assessment of the Company's uncertainty factors was included in the Company Description that was published before the listing on Nasdaq First North Growth Market in Stockholm. The Company Description is available on the company website: www.alzinova.com.

The share

The Alzinova share was listed on Spotlight Stock Market on 25 November 2015. As of 11 March 2019, the Company is listed on Nasdaq First North Growth Market. There is one class of shares in the company. The share entitles to one (1) vote per share. Each share has equal right to shares in the Company's assets and profit. As of 31 December 2019, the number of shares in Alzinova amounted to 7,633,415.

Series 2015/2018 subscription warrants

The Company's former CEO as well as the Board of Directors were in 2015 offered to acquire subscription warrants (Series 2015/18) as part of an incentive scheme. In total, 106,250 subscription warrants were issued, entitling the holders to subscribe for an equivalent amount of new shares. The exercise period for the TO 2015/18 subscription warrant programme was between 2 February 2018 and 1 February 2019.

During 2019, all Series TO 2015/18 subscription warrants were exercised by the former CEO and Board of Directors.

Financial development

During the quarter, the company has mainly invested in the development of ALZ-101, a vaccine against Alzheimer's disease. At the turn of the quarter, the company had a cash balance of approximately MSEK 33.7. The solidity at the end of the quarter was 93,0 %.

Proposed appropriations of Alzinova's result

The Board of Directors and the Chief Executive Officer propose that no dividends be paid for the financial year 2019-01-01 to 2019-12-31.

Auditors' review

This report has not been reviewed by the Company's auditors

Policies for the preparation of the Year-end Report

The Year-end Report is prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated (K3).

Availability of the annual report

Alzinova's annual report for the financial year 2019 is scheduled for publication on the Company's website (www.alzinova.com) on 14 April 2020. The Annual General Meeting of the Company will be held in Gothenburg on 14 May 2020. The location of the AGM and the publication of the full annual report will be announced in connection with the convocation of the Annual General Meeting, at the latest.

Upcoming financial reports

Interim financial report 1, 2020	2020-05-15
Half-yearly report, 2020	2020-08-26
Interim financial report 3, 2020	2020-10-29
Year-end Report, 2020	2021-02-26

The Board of Directors and the Chief Executive Officer hereby confirm that this report provides a true and fair view of the Company's operations.

Gothenburg, 26 February 2020

Income statement

(SEK)	2019-10-01 2019-12-31 3 months	2018-10-01 2018-12-31 3 months	2019-01-01 2019-12-31 12 months	2018-01-01 2018-12-31 12 months
Net sales	-	-	-	-
Work performed for own account	2 152 970	248 554	6 808 837	9 347 078
Other operating income	-	4 815	-	12 979
	2 152 970	**253 369**	**6 808 837**	**9 360 057**
Operating costs				
Other external charges	-2 755 970	-1 448 840	-8 764 417	-10 726 729
Personnel costs	-2 235 173	-930 857	-4 221 897	-2 823 542
Operating result	**-2 838 173**	**-2 126 328**	**-6 177 477**	**-4 190 214**
Result from financial items				
Exchange differences on short-term deposits	-	511	-	14 352
Interest costs	-6 100	-6 141	-12 426	-13 449
Result after financial items	**-2 844 273**	**-2 131 958**	**-6 189 903**	**-4 189 311**
Profit or loss before tax	**-2 844 273**	**-2 131 958**	**-6 189 903**	**-4 189 311**
Result for the period	**-2 844 273**	**-2 131 958**	**-6 189 903**	**-4 189 311**

Balance sheet

(SEK)	2019-12-31	2018-12-31
ASSETS		
Fixed assets		
Intangible fixed assets		
Balanced costs for development work	27 795 456	20 986 618
Patents	1 626 732	1 543 716
	29 422 188	**22 530 334**
Total fixed assets	**29 422 188**	**22 530 334**
Current assets		
Short-term receivables		
Current tax assets	49 026	17 043
Other receivables	216 420	1 068 618
Prepayments and accrued income	109 942	118 209
	375 388	**1 203 870**
Cash and bank balances	***33 733 608***	***42 353 541***
Total current assets	**34 108 996**	**43 557 411**
TOTAL ASSETS	**63 531 184**	**66 087 745**

Balance sheet (cont.)

(SEK)	2019-12-31	2018-12-31
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	2 007 588	1 440 819
New share issue in progress	-	539 524
Fund for development costs	25 726 620	18 917 780
	27 734 208	**20 898 123**
Non-restricted equity		
Share premium reserve	77 601 555	76 081 120
Retained profit or loss	-40 035 086	-29 036 935
Net profit or loss for the year	-6 189 903	-4 189 311
	31 376 566	**42 854 874**
Total equity	**59 110 774**	**63 752 997**
Long-term liabilities		
Other long-term liabilities	800 000	800 000
	800 000	**800 000**
Short-term liabilities		
Accounts payable	425 367	48 101
Other short-term liabilities	558 992	470 292
Accruals and deferred income	2 636 051	1 016 355
	3 620 410	**1 534 748**
TOTAL EQUITY AND LIABILITIES	**63 531 184**	**66 087 745**

Change in equity, condensed

2019-01-01 - 2019-12-31	Share capital	Not registered share capital	Fund for development costs	Share premium reserve	Retained earnings	Net profit or loss for the year
At the beginning of the period	1 440 819	539 524	18 917 780	76 081 120	-29 036 935	-4 189 311
Registered new share issue	539 524	-539 524				
Subscription warrants	27 245			1 520 435		
Transfer of previous year's result					-4 189 311	4 189 311
Transfer within equity			6 808 840		-6 808 840	
Net profit or loss for the year						-6 189 903
At the end of the year	**2 007 588**	**0**	**25 726 620**	**77 601 555**	**-40 035 086**	**-6 189 903**

2018-01-01 - 2018-12-31	Share capital	Not registered share capital	Fund for development costs	Share premium reserve	Retained earnings	Net profit or loss for the year
At the beginning of the period	1 440 819	-	9 716 200	38 070 211	-17 327 257	-2 508 098
New issue under registration		539 524		38 010 909		
Transfer of previous year's result					-2 508 098	2 508 098
Transfer within equity			9 201 580		-9 201 580	
Net profit or loss for the year						-4 189 311
At the end of the year	**1 440 819**	**539 524**	**18 917 780**	**76 081 120**	**-29 036 935**	**-4 189 311**

Condensed cash flow statement

(SEK)	2019-10-01 2019-12-31 3 months	2018-10-01 2018-12-31 3 months	2019-01-01 2019-12-31 12 months	2018-01-01 2018-12-31 12 months
OPERATING ACTIVITIES				
Result after financial items	-2 844 273	-2 131 958	-6 189 903	-4 189 311
Adjustments for items not included in cash flow	-	-	-	-
	-2 844 273	**-2 131 958**	**-6 189 903**	**-4 189 311**
Cash flow from operating activities before change in working capital	**-2 844 273**	**-2 131 958**	**-6 189 903**	**-4 189 311**
Cash flow from change in working capital				
Increase (-)/Decrease (+) in operating receivables	-11 039	-48 038	828 483	215 851
Increase (+)/Decrease (-) in operating liabilities	2 040 770	-1 647 386	2 085 662	6 104
Cash flow from operating activities	**-814 542**	**-3 827 382**	**-3 275 758**	**-3 967 356**
Investing activities				
Acquisition of intangible fixed assets	-2 169 660	-269 744	-6 891 854	-9 411 715
Cash flow from investing activities	**-2 169 660**	**-269 744**	**-6 891 854**	**-9 411 715**
Financing activities				
New share issue / Warrants	-	44 431 288	1 547 679	44 431 288
Raised loans	-	-6 580 851	-	-6 580 851
Cash flow from financing activities	**0**	**37 850 437**	**1 547 679**	**37 850 437**
Cash flow for the period	**-2 984 202**	**33 753 311**	**-8 619 933**	**24 471 366**
Cash and cash equivalents at the beginning of the period	**36 717 810**	**8 600 230**	**42 353 541**	**17 882 175**
Cash and cash equivalents at the end of the period	**33 733 608**	**42 353 541**	**33 733 608**	**42 353 541**