



Annual Report - Alzinova AB
Financial year 20190101-20191231
Alzinova AB 556861-8168

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About Alzinova

Alzinova is a Swedish biopharmaceutical company specializing in the treatment of Alzheimer's disease by targeting the toxic amyloid- β oligomers. The lead candidate, ALZ-101, is in late preclinical development as a therapeutic vaccine for the treatment of Alzheimer's. Alzinova's proprietary A β CC peptide™ technology enables the development of disease-modifying therapies that with high precision could target the toxic amyloid- β oligomers involved in the onset and progression of the disease. Alzheimer's is one of the most common and devastating neurological diseases globally, today affecting over 50 million people. In addition, the antibody ALZ-201 in preclinical development is generated with the A β CC peptide™ technology and the ambition is to generate a further pipeline.

CEO comments

As the new CEO it is now my pleasure to summarize the year 2019 and the key events during 2020 for Alzinova. The company focuses on three main areas. To develop and produce a pharmaceutical substance for the *oligomer-specific* vaccine ALZ-101, 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 with ALZ-101 and the antibody ALZ-201.



Our efforts to develop and produce pharmaceutical substance for the *oligomer-specific* vaccine ALZ-101 reached an important milestone during the fall, when we entered into a cooperation with Bachem. This transition to industrial scale entails a robust and quality-assured production of ALZ-101. It further makes Alzinova better positioned for the upcoming clinical trials programme.

Thanks to the fresh impetus brought to the company by the collaboration with Scandinavian Development Services (SDS) and the recruitment of Dr. Anders Bylock in the role as Chief Medical Officer, we now have a detailed plan in place for the upcoming clinical trial with patients. We have arrived at a clearer and more comprehensive plan for the development programme as a whole, as well, which is a beneficial spillover effect.

One of the challenges in the development of new Alzheimer's disease drugs is to demonstrate efficacy in animal studies, since the disease is human-specific; the results obtained can thus not be assumed to be transferable to humans. We are focusing our work on donated human brain tissue from Alzheimer-patients, since that is the most relevant context in which to verify positive treatment effects. The goal is to amass a substantial set of treatment response data within this model; this is important with regard to the interactions with regulatory authorities as well as interested pharmaceutical companies and potential partners with which we are constantly engaged in discussion.

In the beginning of this year, Håkan Skogström was appointed new Chief Financial Officer, and Pernilla Sandwall was elected as new member of the board. We thereby continue to strengthen our organization, and we see great opportunity to complement it in several areas in order to streamline and develop the company.

I took on the role as CEO in December 2019, and I am proud to have the opportunity to lead this innovative company and, alongside colleagues and partners, to continue the important effort to develop a therapeutic vaccine specifically targeted against the toxic *oligomer of amyloid-β*. This distinguishes our drug candidate ALZ-101 and the ALZ-201 antibody from previously tested candidates against Alzheimer's disease, which bind non-specifically and to differing degrees to various forms of amyloid-β. Completed clinical trials on other candidates indicate that the specificity matters, to achieve efficacy as well as to avoid adverse side effects.

The ultimate goal is a cost-effective drug for the treatment and prevention of Alzheimer's disease. Alzinova's vision is to enable patients to live an independent life free from Alzheimer's disease by developing novel disease-modifying treatments.

At the time of writing, we are all following the COVID-19 pandemic closely as it unfolds. It is, of course, difficult to envisage how our work will be affected by its consequences, but we are conducting risk analyses and we are working closely with our partners to minimize the negative implications for Alzinova. Alzinova will provide the market with relevant and timely updates of significant effects of COVID-19 on the Company.

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.

Gothenburg April 14, 2020

Kristina Torfgård
CEO, Alzinova AB

Management Report

The Board of Directors and the Chief Executive Officer of Alzinova AB hereby present the Annual Report of the financial year 2019.

Alzinova is a public limited liability company.

Summary

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 -0.56).
- Solidity amounted to 93.0 % (96.5 %).

Earnings per share: Result for the period divided by 7,633,415 shares as of 2019-12-31. (7,498,004 shares)

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.

Alzinova AB in general

Alzinova is a Swedish biopharmaceutical company specializing in the treatment of Alzheimer's disease – one of our major health scourges, without efficient treatment options. The Company's proprietary A β CC peptide™ technology enables the development of disease-modifying therapies that with high precision could target the toxic *amyloid- β oligomers* involved in the onset and progression of the disease. Alzinova's focus is to develop a *oligomer-specific vaccine* as a long-acting therapy for treatment and prevention of Alzheimer's disease. The candidate drug ALZ-101 is under preclinical development and human clinical trials are estimated initiate during end of 2020. 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, EU (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 candidate drug 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.



The picture shows on the left an illustration of Alzinova's patented AβCC molecule and on the right a model of oligomers

The Company evaluate the possibilities of continuing development of the antibody, ALZ-201. There may be opportunities for the company to develop the antibody as a disease modifying therapy. The *oligomer-specific* 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.

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

The company has during the year mainly invested in the development of ALZ-101, a vaccine against Alzheimer's disease. At the turn of the year, the company had a cash balance of approximately MSEK 33.7.

Largest shareholders, as per the share register 2019-12-30

Name	No. of shares/votes	Percentage, %
Avanza Pensionsförsäkrings AB	934,721	12,25
Mivac Development AB	531,312	6,96
Nordnet Pensionsförsäkring AB	589,373	7,72
Ålandsbanken i ägares ställe	190,505	2,50
Anders Sandberg	178,193	2,33
Torleif Härd	155,500	2,04

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 in December Kristina Torfgård as new Chief Executive Officer in December, as an important step in the new development phase for the company, when the first clinical study will be performed.

Significant events after the balance sheet date

- The Company announced in January that it had ensured a robust and validated process to manufacture API that meets the quality standards required to conduct the clinical trial with the vaccine ALZ-101 on Alzheimer's disease patients. It was further announced that the study would commence during the fourth quarter with the initial dosing of the first patient planned for the turn of the year 2020/2021.
- In February, Alzinova AB made changes to the composition of the Board of Directors, as Björn Löwenadler stepped down from the board on personal grounds.
- An extraordinary general meeting was held on 27 February 2020. The general meeting passed resolutions regarding the number of board members of the Company and the appointment of Pernilla Sandwall as new board member.
- In March, Håkan Skogström took up appointment as Chief Financial Officer.
- The Company is actively conducting risk analysis with regard to COVID-19, and is working closely with its partners to reduce any negative impact of COVID-19 to a minimum. Alzinova will provide the market with relevant and timely updates of significant effects of COVID-19 on the Company. See Risk factors below

Annual General Meeting

The Annual General Meeting (AGM) is planned to be held on May 14, 2020. The location of the AGM will be disclosed in the convening notice, at the latest.

Risk factors

Alzinova maintains procedures to continuously identify and manage risk factors.

At present times, it is very difficult to assess how the COVID-19 pandemic will develop and what impact it will have on the Company and its risk factors. The Company is affected by the overall situation and by the decisions made by various local authorities. The primary risk factors that affect the Company are set out below. The impact of the pandemic is detailed where such an impact is identified.

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. The COVID-19 pandemic gives rise to an increased risk that the Company's trials and thus its operations and development will suffer delays.

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. The current turbulence on the markets due to COVID-19 could, in particular, hamper the process of raising capital externally when needed. 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.

Alzinova has cooperations with suppliers and manufacturers. The overall situation and the decisions of different authorities in response to COVID-19 could cause, among other things, supply chain disruptions. Thus far, the Company has not experienced any significant disruptions of its own supply chain which could cause delays in the development programme. The Company is continually evaluating its direct and indirect suppliers, and active measures are being taken to mitigate the effect on the Company's operations. However, the COVID-19 outbreak does carry a risk of impact on suppliers, and the possibility of one or several of the Company's partners being forced to terminate the cooperation with the Company can not be excluded. Such a termination could cause delays in the development programme as well as negative impact on Alzinova's operations.

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.

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

Equity

	<i>Share capital</i>	<i>Share capital, non-registered</i>	<i>Fund for development costs</i>	<i>Share premium</i>	<i>Retained result</i>	<i>Annual result</i>
Beginning of the year	1,440,819	539,524	18,917,780	76,081,120	-29,036,935	-4,189,311
Rights issue under reg.	539,524	-539,524				
Subscription warrants	27,245			1,520,435		
Transfer prev. year result					-4,189,311	4,189,311
Transfer within equity			6 808,840		-6 808,840	
Annual result						-6,189,903
End of the year	2,007,588	0	25,726,620	77,601,555	-40,035,086	-6,189,903

Multiyear overview

	<i>2019</i>	<i>2018</i>	<i>2017</i>	<i>2016</i>
Net sales	-	-	-	-
Result after financial items	-6 189,903	-4 189,311	-2 508,098	-2 964,052
Total balance sheet	63,531,184	66,087,745	31,720,519	33,312,586
Average no. of employees	2	2	2	2
Solidity, %	93.0	96.5	92.7	95.8

Proposed appropriations of the company's result

The Board of Directors and the CEO propose the following distribution of the SEK 31,376,566 in available funds:

	<i>Amount in SEK</i>
To be carried forward	<u>31,376,566.</u>
Total	31,376,566.

The financial result and position of the company in general is set out in the income statement and balance sheet below, together with the notes to the accounts.

Income Statement

(SEK)		2019-01-01 2019-12-31	2018-01-01 2018-12-31
Net sales		-	-
Own work capitalized	7	6,808,837	9,347,078
Other operating income	2	-	12,979
		6,808,837	9,360,057
<i>Operating expenses</i>			
Other external expenses	4	-8,764,417	-10,726,729
Personnel expenses	3	-4,221,897	-2,823,542
Operating profit		-6,177,477	-4,190,214
<i>Result from financial items</i>			
Currency gain	5	-	14,352
Interest income		-	-
Interest expenses		-12,426	-13,449
Result after financial items		-6,189,903	-4,189,311
Result before tax	6	-6,189,903	-4,189,311
Profit for the year		-6,189,903	-4,189,311

Balance Sheet

(SEK)	Noter	2019-12-31	2018-12-31
ASSETS			
Signed but not paid equity		-	699,976
Fixed assets			
<i>Intangible assets</i>			
Capitalized expenditure for development work	7	27,795,456	20,986,618
Patent	8	1,626,732	1,543,716
		29,422,188	22,530,334
Total fixed assets		29,422,188	22,530,334
Current assets			
<i>Short term receivables</i>			
Tax receivables		49,026	17,043
Other receivables		216,420	368,642
Prepayments and accrued income		109,942	118,209
		375,388	503,894
Cash and cash receivables		33,733,608	42,353,541
Total current assets		34,108,996	42,857,435
TOTAL ASSETS		63,531,184	66,087,745

(SEK)	Noter	2019-12-31	2018-12-31
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital		2,007,588	1,440,819
Rights issue under registration		-	539,524
Fund for development costs		25,726,620	18,917,780
		27,734,208	20,898,123
<i>Unrestricted equity</i>			
Share premium		77,601,555	76,081,120
Retained result		-40,035,086	-29,036,935
Annual result		-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	9	800,000	800,000
		800,000	800,000
Current liabilities			
Accounts payable		425,367	48,101
Other current liabilities		558,992	470,292
Accrued expenses and prepaid income		2,636,051	1,016,355
		3,620,410	1,534,748
TOTAL EQUITY AND LIABILITIES		63,531,184	66,087,745

Cashflow Report

(SEK)	2019-01-01	2018-01-01
	2019-12-31	2018-12-31
THE OPERATING ACTIVITIES		
Result after financial items	-6,189,903	-4,189,311
<i>Adjustments for items not included in the cashflow</i>	-	-
Cashflow from the operating activity before changes in working capital	-6,189,903	-4,189,311
<i>Changes in working capital</i>		
Increase (-)/Decrease (+) in current assets	128,542	215,851
Increase (+)/Decrease (-) in current liabilities	2,085,626	6,104
Cashflow from the operating activities	-3,975,735	-3 967,356
Investment activities		
Investments in intangible fixed assets	-6,891,854	-9,411,715
Cashflow from investment activities	-6,891,854	-9,411,715
Financing activities		
Rights issue/Subscription warrants	2,247,656	44,431,288
Transaction costs for issues	-	-6,580,851
Cashflow from financing activities	2,247,656	37,850,437
The year's cashflow	-8,619,933	24,471,366
Cash and cash equivalents at beginning of the year	42,353,541	17,882,175
Cash and cash equivalents at end of the year	33,733,608	42,353,541

Notes

Note 1 Accounting policies

All amounts in SEK unless otherwise specified.

General accounting policies

This annual report is prepared in accordance with the Swedish Annual Accounts Act and pursuant to the general recommendations of the Swedish Accounting Standards board BFNAR 2012:1 Annual accounts and consolidated financial statements (K3).

Valuation policies, etc.

Assets, provisions and liabilities are measured at cost unless otherwise specified below.

Intangible fixed assets

Research and development costs

Development costs are recognized according to the capitalization model. That means expenditures arising during the development phase are reported as assets when all of the following prerequisites are met:

- It is technically possible to complete the intangible fixed asset for use or sale.
- The intention is to complete the intangible fixed asset and to use it or sell it.
- There are prerequisites for using or selling the intangible fixed asset.
- It is likely that the intangible fixed asset will generate future Economic benefits.
- Sufficient and adequate technological, financial and other resources are available to complete the development and use or sell the intangible asset.
- The costs that are attributable to the intangible asset can be calculated reliably.

Other intangible fixed assets

Other intangible fixed assets acquired by the Company are recognized at cost less accumulated amortization and impairment losses.

Amortization

Amortization is recognized on a straight-line basis over the asset's estimated useful life, and as an expense in the income statement. No amortizations have been recorded during the year. Amortization will be recognized when the products are commercialized.

Tangible fixed assets

Tangible fixed assets are recognized as assets in the balance sheet when it is likely, on the basis of the information available, that the financial benefits arising from the possession of the assets will be available to the company and the acquisition cost of the assets can be reliably calculated.

Additional expenses

Additional expenses are added to the acquisition value to the extent that the asset's performance is improved in relation to the level that applied when it first was acquired.

All other additional expenses are recognized as expenses in the period in which they arise.

Depreciation

Depreciation is recognized on a straight-line basis over the asset's estimated useful life, since this reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The depreciation is recognized as an expense in the income statement. Tangible fixed assets are depreciated by 20 percent per year.

Depreciation - fixed tangible and intangible assets

At each balance sheet date, an assessment is made as to whether there is any indication that an asset value is lower than its carrying amount. If such an indication exists, the asset's recoverable amount is calculated.

The recoverable amount is the highest of the fair value less costs to sell and the value in use. The value in use is calculated as the present value of future cash flows that the asset is expected to generate in the operating activities as well as when it is sold or scrapped. The discount rate applied is before tax and reflects assessments, based on market conditions, of the time value of money and the risks associated with the asset. An impairment loss recognized in prior periods is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last recognition of impairment loss.

Receivables

Receivables are recognized at the amount that is considered to be collectable based on an individual assessment.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. It is recognized as revenue when it can be reliably calculated, when it is likely that the financial benefits arising from it will be available to the company, and when the costs incurred or expected to be incurred in respect of the transaction can be measured reliably.

Public grants

Public grants that are not contingent on future performance are recognized as revenue when the conditions for the award of the grant are satisfied. Public grants that are contingent on future performance are recognized as revenue when the performance is delivered. If the grant has been received before the satisfaction of the associated conditions, the grant is recognized as a liability.

A public grant attributable to the acquisition of a fixed asset is recognized as a decrease in the acquisition cost of the asset.

Note 2 Other operating income

	2019	2018
Contribution VINNOVA	-	12,979
Contribution EU Horizon 2020	-	-
Currency gain	-	-
Total	-	12,979

Note 3 Employee and personnel costs

	2019	2018
Average number of employees	2	2
Total	2	2

Note 4 Operational leasing -lessee

	2019	2018
Office rent	118,491	54,000
Total	118,491	54,000

Future years' rent is estimated at an annual cost of 100,500 SEK.

Note 5 Financial income

	2019	2018
Interest income	-	-
Currency gain short term deposits	-	14,352
Total	-	14,352

Note 6 This year's tax expense

	2019	2018
Current tax for the year	-	-
Total	-	-

Total unused deferred tax assets amount to 20,532,780 SEK.

Note 7 Capitalized expenditure for development work

	2019	2018
<i>Accumulated acquisition values</i>		
-Beginning of the year	21,973,331	12,626 254
-Capitalized during the year	6,808,838	9,347,077
-Capitalization financed by contributions	<u>-986,713</u>	<u>-986,713</u>
Accounted values at end of the year	27,795,456	20,986,618

Acquisition values have been reduced with public contributions from VINNOVA with 240,741 SEK (2013), 206,792 SEK (2014), 75,561 SEK (2015), 10 668 SEK (2016), 307 455 SEK (2017) and 145 497 SEK (2018).

Note 8 Patent

	2019	2018
<i>Accumulated acquisition values</i>		
- Beginning of the year	1,673,861	1,463,726
-Capitalized during the year	183,016	210,135
-Capitalization financed by contributions	<u>-230,145</u>	<u>-130,145</u>
Accounted values at end of the year	1,626,732	1,543,716

Acquisition values have been reduced with public contributions from Innovationsbron with 80,000 SEK (2013) and from VINNOVA with 50,145 SEK (2015) and 100,000 SEK (2019).

Note 9 Other long term liabilities to credit institutes

	2019	2018
Västra Götalandsregionen	<u>-800,000</u>	<u>-800,000</u>
Total	-800,000	-800,000

The loan is conditional and is not subject to an amortization schedule.

Obligation to repay the debt arises in conjunction with the exploitation of projects.

The creditor may also cancel the debt if the result for which financing has been requested is not achieved.

Note 10 Pledged assets and contingent liabilities

	2019	2018
Pledged assets	<i>None</i>	<i>None</i>
Contingent liabilities	<i>None</i>	<i>None</i>

Note 11 Definitions of key figures

Total balance sheet: Total assets

Solidity: Total equity including equity part of untaxed reserves / Total assets

Note 12 Significant events after the balance sheet date

- The Company announced in January that it had ensured a robust and validated process to manufacture API that meets the quality standards required to conduct the clinical trial with the vaccine ALZ-101 on Alzheimer's disease patients. It was further announced that the study would commence during the fourth quarter with the initial dosing of the first patient planned for the turn of the year 2020/2021.
- In February, Alzinova AB made changes to the composition of the Board of Directors, as Björn Löwenadler stepped down from the board on personal grounds.
- An extraordinary general meeting was held on 27 February 2020. The general meeting passed resolutions regarding the number of board members of the Company and the appointment of Pernilla Sandwall as new board member.
- In March, Håkan Skogström took up appointment as Chief Financial Officer.
- The Company is actively conducting risk analysis with regard to COVID-19, and is working closely with its partners to reduce any negative impact of COVID-19 to a minimum. Alzinova will provide the market with relevant and timely updates of significant effects of COVID-19 on the Company.

Signatures

Gothenburg, 2020-04-14

Björn Larsson
Chairman of the Board

Kristina Torfgård
Chief Executive Officer

Clas Malmeström
Board member

Anders Sandberg
Deputy Board member

Pernilla Sandwall
Board member

Anders Waas
Board member

Our auditor's report was submitted on 2020-04-14
Ernst & Young AB

Andreas Mast
Chartered Accountant

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Auditor's report

To the general meeting of the shareholders of Alzinova AB, corporate identity number 556861 - 8168

Report on the annual accounts

Opinions

We have audited the annual accounts of Alzinova AB for the year 2019. This document contains other information which can be found on pages 1 – 2. The company's annual accounts can be found on pages 3 – 18 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 the Alzinova AB as of December 31, 2019 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 the Alzinova 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

The Board of Directors and the Managing Director are responsible for the other information. The other information can be found on pages 1 – 2 but does not include the annual accounts, consolidated accounts and our auditor's report thereon.

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 however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

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 skepticism 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 a 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 Alzinova AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit 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 the Alzinova 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 skepticism 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.

Göteborg April 14, 2020

Ernst & Young AB

Andreas Mast
Authorized Public Accountant