alzinova

INTERIM REPORT Q3

20190101–20190630

The Board of Directors and the Chief Executive Officer of Alzinova AB hereby present the interim report for the third quarter of the financial year 2019.

Summary of events during the third quarter of 2019

Six months (2019-01-01 – 2019-09-30)

- Net sales amounted to SEK 0 (SEK 0).
- Result after financial items amounted to SEK -3 345 629 (SEK -2 057 351).
- Earnings per share amounted to SEK -0.44 (SEK -0.38).
- Solidity amounted to 96.3% (87.3 %).

Three months (2019-07-01 – 2019-09-30)

- Net sales amounted to SEK 0 (SEK 0).
- Result after financial items amounted to SEK -608,012 (SEK -460,468).
- Earnings per share amounted to SEK -0.08 (SEK -0.08).

Earnings per share: Result for the period divided by 7,633,415 shares as of 2019-09-30.
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 the third quarter of 2019

- In September, the composition of the Board of Directors underwent changes. Jan Holmgren left the Board of Directors on personal grounds.
- In September, a cooperation with Bachem was initiated, with the aim of developing a large-scale, GMP-certified manufacturing method in preparation of the development programme's clinical phase. Bachem will now start to produce GMP documentation relating to ALZ-101 in view of the upcoming clinical phase 1b study. Bachem is a market-leading manufacturer of peptides, seated in Switzerland.

CEO comments

On October 22, Biogen announced that its antibody aducanumab had demonstrated significant disease modifying effects on Alzheimer's disease patients. The announcement states that the company, further to contacts with the FDA (the US medical products agency), intends to apply for registration in early 2020. This is excellent news for Alzinova as well; it reinforces the Amyloid β hypothesis substantially, in particular with regard to immunotherapy. It is noteworthy that an immunotherapy that primarily addresses aggregated forms of amyloid-β 42 is the only treatment that has demonstrated positive disease modifying effects on Alzheimer's disease. This is exactly the area where Alzinova is operating. Our ALZ-101 vaccine generates antibodies that are specific against the toxic aggregated form of amyloid-β 42, which generally is referred to as oligomers. It is therefore our assessment that these news strongly support Alzinova's therapeutic principle, and enhances the chances that ALZ-101 will be able to make it all the way to market.

Our efforts to develop and produce a GMP-certified pharmaceutical substance for the ALZ-101 vaccine reached an important milestone in the third quarter, when we entered into a cooperation with Bachem, a world leader in peptide API manufacturing. There is always an uncertainty inherent in the transition process towards industrial-scale API production in accordance with GMP, and thus it was always important for us to employ the optimal partner for this key task. In collaboration with the world-leading contract manufacturer Bachem, two pilot batches of high-quality API have been produced according to plan. The agreement with Bachem, and the access to world class know-how and experience that it entails, marks a significant risk reduction in the continued development effort of ALZ-101.

In parallel, we continue to develop and conduct preclinical trials in order to verify positive treatment responses. We are focusing our work on donated human brains, since that is the most relevant context. The goal is to amass a robust and powerful set of treatment response data, within a relevant human Alzheimer's disease model that can attract the interest of pharmaceutical companies (with which continuous dialogue is maintained).

Our financial position remains positive. The fixed costs are comprised mainly of comparatively low operating costs, such as salaries, rent of premises and administrative costs. Aside from that, the running costs are entirely related to the efficient operation of our vaccine project up to and through the initial clinical study on Alzheimer's disease patients in Finland.

In conclusion, the conditions for our oligomer-specific vaccine, ALZ-101, are looking better than ever: Aducanumab, the mode of action and positive treatment responses of which convincingly validate Alzinova's concept, is seemingly proceeding towards application for registration. We have, during the quarter, reduced the risks associated with GMP manufacturing of APIs for clinical use. At the same time, we are also striving to

enhance the value of our main product even further by continuing to document its preclinical efficacy.

The ambition is, as before, to continue to develop ALZ-101, a completely unique vaccine that has the potential to provide a truly disease modifying effect on Alzheimer's disease, and eventually to bring it to market by way of a global pharmaceutical partner.

Gothenburg, 2019-10-25
Per Wester
CEO, Alzinova AB

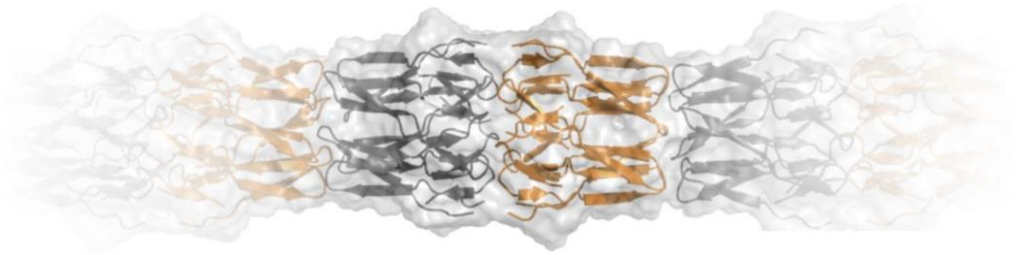
About Alzinova

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 currently 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 33 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 570 billion 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.



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

Alzinova could also evaluate the possibilities of continuing development of the antibody, ALZ-201. 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 continously 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 can not 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 30 September 2019, the number of shares in Alzinova amounted to 7,633,415.

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 36.7. The solidity at the end of the quarter was 96.3%.

Auditors' review

This report has not been reviewed by the Company’s auditors.

Policies for the preparation of the interim financial report

The interim financial 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).

Upcoming financial reports

Year-end Report, 2019	2020-02-26

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, 25 October 2019
Alzinova AB

Income statement

(SEK)	2019-07-01 2019-09-30 3 months	2018-07-01 2018-09-30 3 months	2019-01-01 2019-09-30 9 months	2018-01-01 2018-09-30 9 months	2018-01-01 2018-12-31 12 months
Net sales	-	-	-	-	-
Work performed for own account	1 237 149	2 659 528	4 655 867	9 098 523	9 347 078
Other operating income	-	-	-	12 980	12 979
	1 237 149	**2 659 528**	**4 655 867**	**9 111 503**	**9 360 057**
Operating costs					
Other external charges	-1 286 863	-2 528 171	-6 001 281	-9 193 316	-10 726 729
Personnel costs	-551 133	-588 123	-1 986 724	-1 892 684	-2 823 542
Operating result	**-608 012**	**-460 468**	**-3 339 303**	**-2 050 043**	**-4 190 214**
Result from financial items					
Exchange differences on short-term deposits	-	-	-	-	14 352
Interest costs	-	-	-6 326	-7 308	-13 449
Result after financial items	**-608 012**	**-460 468**	**-3 345 629**	**-2 057 351**	**-4 189 311**
Profit or loss before tax	**-608 012**	**-460 468**	**-3 345 629**	**-2 057 351**	**-4 189 311**
Result for the period	**-608 012**	**-460 468**	**-3 345 629**	**-2 057 351**	**-4 189 311**

Balance sheet

(SEK)	2019-09-30	2018-09-30	2018-12-31
ASSETS			
Fixed assets			
Intangible fixed assets			
Balanced costs for development work	25 642 486	20 738 066	20 986 618
Patents	1 610 042	1 522 525	1 543 716
	27 252 528	**22 260 591**	**22 530 334**
Total fixed assets	**27 252 528**	**22 260 591**	**22 530 334**
Current assets			
Short-term receivables			
Current tax assets	89 140	45 340	17 043
Other receivables	187 581	94 581	1 068 618
Prepayments and accrued income	87 629	315 916	118 209
	364 350	**455 837**	**1 203 870**
Cash and bank balances	***36 717 810***	***8 600 230***	***42 353 541***
Total current assets	**37 082 160**	**9 056 067**	**43 557 411**
TOTAL ASSETS	**64 334 688**	**31 316 658**	**66 087 745**

Balance sheet (cont.)

EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	2 007 588	1 440 819	1 440 819
Bonus issue under registration	-	-	539 524
Fund for development costs	23 573 650	18 669 226	18 917 780
	25 581 238	**20 110 045**	**20 898 123**
Non-restricted equity			
Share premium reserve	77 601 555	38 070 211	76 081 120
Retained profit or loss	-37 882 116	-28 788 381	-29 036 935
Net profit or loss for the year	-3 345 629	-2 057 351	-4 189 311
	36 373 810	**7 224 479**	**42 854 874**
Total equity	**61 955 048**	**27 334 524**	**63 752 997**
Long-term liabilities			
Other long-term liabilities	800 000	800 000	800 000
	800 000	**800 000**	**800 000**
Short-term liabilities			
Accounts payable	174 379	675 033	48 101
Other short-term liabilities	537 868	469 138	470 292
Accruals and deferred income	867 393	2 037 963	1 016 355
	1 579 640	**3 182 134**	**1 534 748**
TOTAL EQUITY AND LIABILITIES	**64 334 688**	**31 316 658**	**66 087 745**

Change in equity, condensed

2019-01-01 - 2019-09-30	Share capital	Not registered share capital	Fund for development	Share premium	Retained earnings	Net profit or loss for the
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				
New issue under registration						
Bonus issue						
New share issue						
Subscription warrants	27 245			1 520 435		
Transfer of previous year's result					-4 189 311	4 189 311
Transfer within equity			4 655 870		-4 655 870	
Net profit or loss for the year						-3 345 629
At the end of the year	**2 007 588**	**0**	**23 573 650**	**77 601 555**	**-37 882 116**	**-3 345 629**

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
Registered new share issue				38 010 909		
New issue under registration		539 524				
Bonus issue						
New share issue						
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)	2019-07-01 2019-06-30 3 months	2018-07-01 2018-06-30 3 months	2019-01-01 2019-09-30 9 months	2018-01-01 2018-09-30 9 months	2018-01-01 2018-12-31 12 months
OPERATING ACTIVITIES					
Result after financial items	-608 012	-460 468	-3 345 629	-2 057 351	-4 189 311
Adjustments for items not included in cash flow	-	-	-	-	-
	-608 012	**-460 468**	**-3 345 629**	**-2 057 351**	**-4 189 311**
Cash flow from operating activities before change in working capital	**-608 012**	**-460 468**	**-3 345 629**	**-2 057 351**	**-4 189 311**
Cash flow from change in working capital					
Increase (-)/Decrease (+) in operating receivables	15 311	-244 780	839 520	263 888	215 851
Increase (+)/Decrease (-) in operating liabilities	-554 866	981 765	44 893	1 653 490	6 104
Cash flow from operating activities	**-1 147 567**	**276 517**	**-2 461 216**	**-139 973**	**-3 967 356**
Investing activities					
Acquisition of intangible fixed assets	-1 262 104	-2 689 178	-4 722 194	-9 141 972	-9 411 715
Cash flow from investing activities	**-1 262 104**	**-2 689 178**	**-4 722 194**	**-9 141 972**	**-9 411 715**
Financing activities					
New share issue / Warrants	-	-	1 547 679	-	44 431 288
Raised loans	-	-	-	-	-6 580 851
Cash flow from financing activities	-	-	**1 547 679**	-	**37 850 437**
Cash flow for the period	**-2 409 671**	**-2 412 661**	**-5 635 731**	**-9 281 945**	**24 471 366**
Cash and cash equivalents at the beginning of the period	**39 127 481**	**11 012 891**	**42 353 541**	**17 882 175**	**17 882 175**
Cash and cash equivalents at the end of the period	**36 717 810**	**8 600 230**	**36 717 810**	**8 600 230**	**42 353 541**