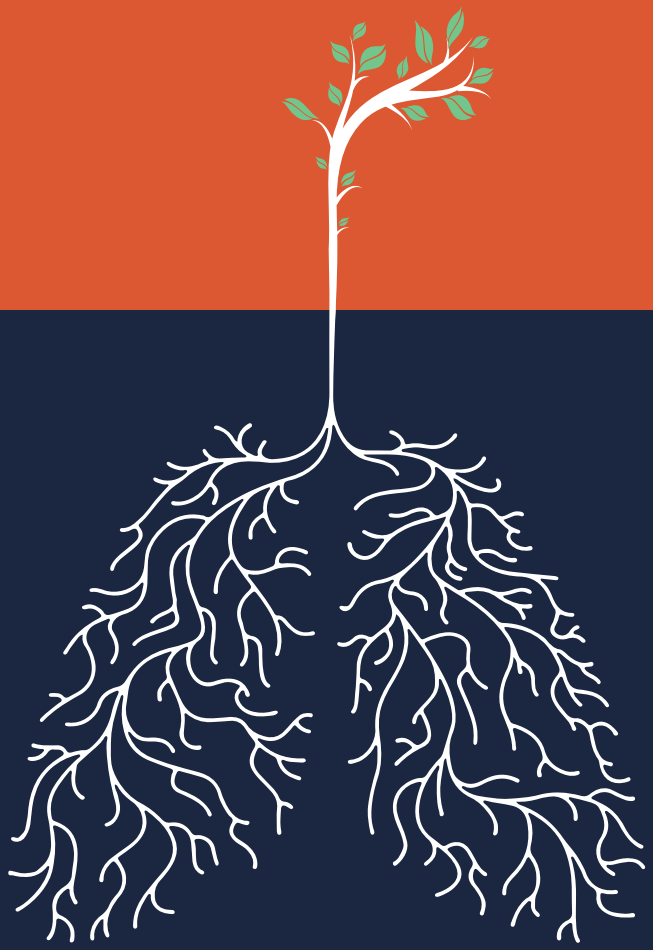
Annual Report 2018

Vicore Pharma Holding AB (publ)



Focus on patients with fibrotic lung disease

vicorepharma.com

Table of Contents

Summary of the Period

Financial overview for 2018

- Operating income amounted to 0.6 MSEK (1.0)
- Loss for the period was -21.7 MSEK (-24.2)
- Loss per share, before and after dilution, was -0.95 SEK (-1.43)
- On December 31, 2018, cash and cash equivalents amounted to 224.7 MSEK (24.0)

Important events during 2018

- In February, Vicore acquired additional shares from an existing shareholder in I-Tech. After this transaction, Vicore's holding amounted to 26.5%. In March, I-Tech issued shares to a new shareholder, Cambrex Karlskoga AB. Vicore's holding was consequently reduced to 21.2%
- In April, Vicore Pharma received approval from the UK authorities and the Ethics Committee to initiate a Phase IIa study in Idiopathic Pulmonary Fibrosis (IPF)
- In May, I-Tech AB (publ), issued new shares in conjunction with the company's share listing on Nasdaq First North
- In July, Vicore announced it had entered into an agreement to acquire INIM, a Swedish biopharmaceutical company developing a new local treatment for severe rare fibrotic lung diseases. Following the transaction, HealthCap VII L.P, became the largest shareholder in Vicore with 30.4% of the shares
- In August, an Extraordinary General Meeting was held and passed resolutions on the following:

  - Issue in kind regarding the acquisition of INIM

  - Distribution of the majority of the shares held in I-Tech to Vicore shareholders

  - Pre-emptive rights issue in Vicore

  - Long-term incentive programs for certain senior leaders and board members

  - Election of two new board members in Vicore: Hans Schikan and Jacob Gunterberg
- In August, Vicore announced that Carl-Johan Dalsgaard was appointed new CEO as of September 1, 2018
- In September, Vicore announced that the clinical program VP01 (C21) was expanded in order to increase the likelihood of showing signals of functional effect and successfully advance C21 in its clinical development
- In September, Vicore Pharma strengthened its team with two key hires: Rohit Batta as CMO and Göran Tornling as Senior Medical Adviser
- In October, Vicore announced that the rights issue completed in September was oversubscribed by 33% and raised approximately 82 MSEK
- In October, Göran Wessman announced his resignation, from the Board of Directors due to health reasons
- In November, the Board of Directors decided to act for the Company's shares to be admitted for trading on Nasdaq Stockholm's main list in 2019
- In November, the Board of Directors resolved on a directed share issue raising approximately 160 MSEK

Important events after year-end

- In January, the directed share issue of approximately 160 MSEK was approved by an Extraordinary General Meeting. The total number of shares after the share issue amounts to 42,374,714

The group consists of the parent company, Vicore Pharma Holding AB (publ) ("Vicore"), the subsidiary, Vicore Pharma AB ("Vicore Pharma"), INIM Pharma AB ("INIM Pharma") as well as the dormant company, ITIN Holding AB.

Upcoming financial reports

May 15, 2019 ..... Interim report, quarter 1

August 23, 2019 ..... Interim report, quarter 2

November 8, 2019 ..... Interim report, quarter 3

Financial reports are available on the company's website www.vicorepharma.com from the day of publication.

Annual General Meeting 2019

Vicore's Annual General Meeting will be held on May 15, 2019 at the Company's premises at AstraZeneca in Mölndal. Information about the Annual General Meeting is available on www.vicorepharma.com

CEO Comments

Vicore is determined to develop an attractive product portfolio targeting idiopathic pulmonary fibrosis (IPF) and other associated lung disorders. During 2018, we emphasized three important success factors: (1) securing financing; (2) building a world class team and (3) developing the pipeline including the design of the key phase II trial with the lead program VP01 (C21) in IPF to enable the detection of a therapeutic effect.

And the year was indeed transformative. With the acquisition of INIM Pharma in July through an issue in kind, the company gained an active and long-term shareholder in HealthCap. The subsequent streamlining of operations included the distribution of the majority of the shares held in I-Tech thereby creating a rare disease company with focus on patients with fibrotic lung disease.

The shareholders' confidence in Vicore's acquisition of INIM and start of transformation was confirmed in the over-subscribed rights issue which was completed in October, raising 82 MSEK. The Board of Directors also resolved on a directed share issue, raising 160 MSEK, to finance the new business plan. The directed issue was successfully performed in November and gained significant interest among a number of Swedish and international long-term institutional investors and sector specialist funds. In total we raised approximately 242 MSEK in a few months which enables us to execute on our plan to reach important value-driving milestones going forward. In November, the Board of Directors decided to act for an up-listing of the company's shares to the Nasdaq Stockholm main list. The up-listing will be a significant step for the company and aims to further increase the attractiveness of the Vicore share through increased liquidity as the addressable investor base grows significantly.

Following my appointment as CEO in September, we made a strategic review of Vicore's lead program VP01 (C21) and how we best could build on its unique profile to capture a functional effect already in our first patient trial. By redesigning the trial - extending the duration of treatment, increasing the number of subjects and monitoring lung function – we will be able to detect a potential therapeutic effect of our drug. During the year we have also put a lot of effort in identifying and evaluating a second indication for VP01, which will broaden our pipeline. In the second program, VP02 (IMiD), the emphasis is to develop a dose and formulation that will capture the immunomodulatory (and anti-tussive) effects with a reduced systemic exposure. This work is progressing according to plan with the relevant models and technologies up and running. Exploring a second indication for VP01 and developing the VP02 (IMiD) program for IPF and IPF cough, give us two unique and differentiated drug development programs.

Goals 2019

- Complete Phase I for VP01 (C21) with the extended dosing
- Initiate the Phase IIa study with VP01 (C21)
- Select a second indication for VP01 and initiate a mechanistic pilot study in patients
- Investigate safety and kinetics of the local VP02 (IMiD) programme
- Up-list to the Stockholm Nasdaq main list

In order to execute on the plans we are building a world class team, starting in the medical area with Dr. Rohit Batta as the new CMO. Dr Batta has been involved in GSK's pulmonary hypertension efforts and more recently bringing the pediatric gene therapy product Strimvelis to the market. Furthermore, Dr. Göran Tornling was employed as senior medical advisor who together with our external international clinical advisors, Professor Toby Maher and Dr Maureen Horton, bring significant disease specific expertise to the company. In addition, we are organizing a clinical operations unit in-house led by Mimi Flensburg to secure control of future clinical trials.

Through the acquisition of INIM, Vicore also strengthened its Board of Directors with two experienced new board members; Hans Schikan and Jacob Gunterberg. Other key recruitments include Dr Johan Raud as CSO, Dr Ola Camber as responsible for CMC and Christian Hall as Head of investor relations.

To summarize, 2018 was in a true sense transformative. Building on what we now have initiated, Vicore is increasing both focus and speed in the value driving activities. In this context, the start of our phase II trial is the most important activity during 2019.

I am looking forward to keeping you updated on our progress.

Carl-Johan Dalsgaard, CEO

Goal

Vicore's goal is to establish the company as a leading player in fibrotic lung disease and related indications. Through clinical studies, Vicore will document the therapeutic properties of VP01 (C21) and VP02 (the IMiD-technology) in IPF and other indications. By generating strong clinical data, Vicore will build significant value in the company and thereby create the prerequisites for future financing and commercial collaborations. The company's long-term goal is to obtain regulatory approval and launch medicines to help patients suffering from fibrotic lung disease.

Vision

Vicore's vision is to remove the pain and suffering caused by fibrotic lung disease. As a company, we pride ourselves on our collaborative approach to science and are committed to working closely with the patient community, scientific experts and clinicians to find innovative solutions that meet their needs.

IPF
Patient story

To be diagnosed with idiopathic pulmonary fibrosis is to be given a death sentence. You are told you only have 2 to 4 years to live and there is nothing much doctors can offer you.

I went to my GP with a tickly cough in spring 2016. Eleven months later, after misdiagnosis and long waits for hospital appointments, I was finally diagnosed. By then, the other main symptom - breathlessness - had begun to kick in. I was finding it difficult to walk upstairs at home without resting and gentle slopes were becoming a problem. The lung scarring was getting worse.

Over the next two years, I became progressively more and more breathless and suffered an exacerbation. I was admitted to hospital with a chest infection, which ended up cutting my lung function by 10%. I now use supplementary oxygen to walk in my house and outside. I have just been told that I should now be on oxygen 24/7. Recently, I have found it difficult to shower or get dressed without help and I now depend on my wife for almost everything.

The future for me is not great but I try to stay positive. Any day is a gift to be enjoyed. However, it is difficult at times and I have had some psychological counselling.

I am lucky not to have money worries. Sadly, this is not the case for many of my friends living with IPF. Government does provide help, but it is often insufficient. When you have IPF, many things, such as transport and oxygen, when on holiday, cost more. This can be difficult for some people.

Being a member of our local pulmonary fibrosis support group helps me enormously. It's great to meet and talk to other people living with the disease and to be able to support each other. Our group meets every month and is always full of laughter. It helps a lot.

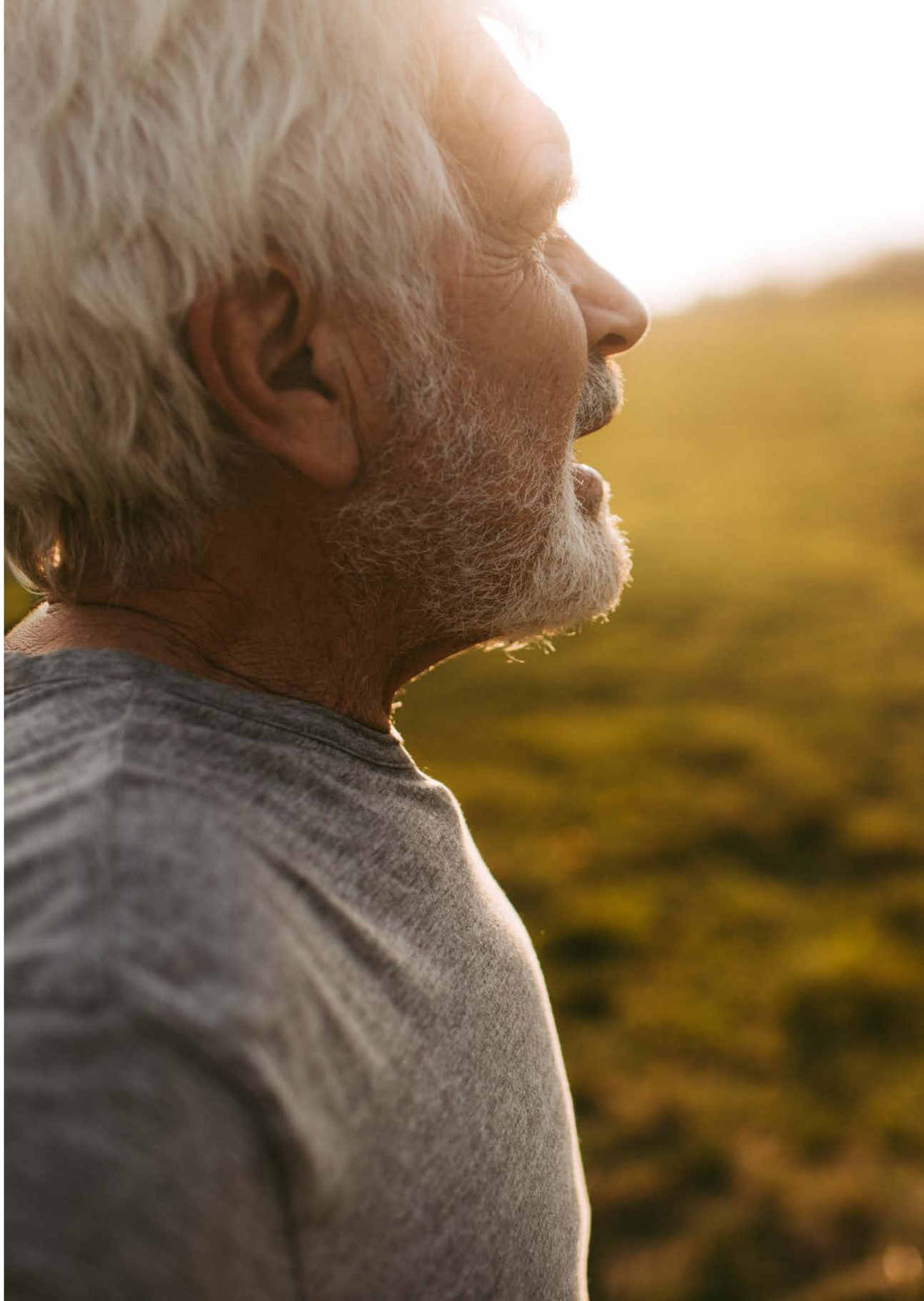
One thing that bothers me is that I am often too self-centred. It's all too easy to be obsessed with one's own problems and to forget the impact the disease is having on loved ones. My journey is difficult but so is the journey which my wife and children have to travel. Over time, with increasing breathlessness I have become less able to do things for myself. At the same time my wife, who was my companion and lover, has had to become my carer. As I have become more and more dependent on her, she has also lost her independence. And as I worry about the future, so does she.

Currently there are two anti-fibrotic medicines, which have been shown to slow the rate of fibrosis for many patients. I take one of these. But more effective drugs are needed to stop this devastating disease in its tracks. These new medicines won't come in time to help me but I hope they will benefit future generations.

In the future, with a better understanding of genetics and of the basic processes involved in fibrosis, more effective and personalised care, tailored to the needs of individual patients, will hopefully be possible.

Action for Pulmonary Fibrosis

This patient story has been kindly provided by Action for Pulmonary Fibrosis charity through a small grant and any patient details or photographs have been anonymised or removed to protect confidentiality.



Worldwide prevalence of IPF

13-20/ 100,000

USA

- 30,000-40,000 new diagnoses of IPF per year
- Approximately 100,000 people in the US live with IPF

Europe

- 30,000-35,000 new diagnoses in IPF per year
- 80,000-111,000 people in the EU live with IPF

Project Status

Idiopathic pulmonary fibrosis

Idiopathic pulmonary fibrosis (IPF) is the most common type of pulmonary fibrosis and is a severe and devastating disease with no known cause. It is characterized by a shrinking of the lungs due to the irreversible formation of fibrosis (i.e. scar tissue) causing stiffness, an irreversible loss of lung function and difficulty in breathing. Debilitating symptoms of dyspnea and severe persistent dry cough typically appear between the ages of 50 and 70 years and while the disease is more common in men, the number of cases in women is increasing. It has been estimated that between 80,000 and 111,000 people in the EU are currently living with IPF, with 30,000-35,000 new cases being diagnosed each year. In the USA, approximately 100,000 people are currently living with IPF, with 30,000-40,000 new diagnoses per year. The overall prevalence worldwide is estimated to be 13-20/100,000 people. For being an orphan indication, the number of patients is relatively large.

The mortality associated with the disease is similar to lung cancer, with a median survival of three to five years after diagnose. Currently, there is no cure for IPF and treatment options are limited. Two medicines have been approved for use in IPF: Ofev® (nintedanib, Boehringer Ingelheim) and Esbriet® (pirfenidone, Roche). Both have been shown to slow the development of the disease. However, the associated side-effects have limited their use. According to the American Thoracic Society, an average of 60% to 70% of mild to moderate IPF patients are not receiving treatment. The reason is either that they have failed to tolerate the treatment or are reluctant to risk the exposure to the known strong side effects associated with the drugs. Nevertheless, Esbriet and Ofev have been successful commercially, reaching combined sales of more than 1.9 BUSD in 2017.

In summary, the need for novel therapeutic options with improved efficacy and safety remains high.

VP01 - AT2 receptor agonist - multi-modal effect

Vicore's drug candidate VP01 (C21) originated from extensive research on the Renin-Angiotensin System (RAS), a central system in the body for regulating blood pressure and salt balance. Within RAS, there is the AT2 receptor which, upon stimulation, may contribute to healing effects in tissue damage or within immune system disorders and may also counteract the negative effects of the AT1 receptor. The AT2 receptor is found to be highly up-regulated in diseases such as IPF to the magnitude of 200x-600x. Results from extensive preclinical research conducted with VP01 indicated that it has anti-inflammatory, anti-fibrotic, anti-proliferative, vasodilatory and vascular remodeling actions – this distinguishing multi-modal effect is ideal for complex diseases such as IPF. The drug selectively binds to the AT2 receptor and thereby generates several biological effects beneficial to counteracting fibrosis and inflammation. Vicore has received orphan drug designation for VP01 in IPF which e.g. provides for a ten-year market exclusivity period (from the date of registration of an approved drug) in Europe and Japan and seven years in the United States.

Project status

During 2016, Vicore conducted a SAD/MAD[1] phase I trial with VP01 in healthy individuals. The study progressed as expected and confirmed that VP01 has a good safety profile. These results have opened the opportunity to conduct an additional Phase I dose-escalating study, with the objective to identify the highest optimal dose which may be used in the Phase IIa IPF study which is on track to commence during 2019. The Phase IIa study is being designed in collaboration with world renowned IPF clinical experts and will capture both safety and the functional end point FVC[2]. The Phase II a study aims to support the decision to move to confirmatory Phase II/III study.

Furthermore, development work is continuing to further understand the multi-modal effects of VP01, in particular relating to vascular aspects. Human data suggest an opportunity to target conditions such as diffuse cutaneous Systemic Sclerosis (dcSSc) which has both fibrotic and vascular components impacting multiple organs, including the lungs, causing complications such as interstitial lung disease. There is also data to suggest effects in pulmonary hypertension, with or without concomitant fibrotic disease. Vicore is actively working on identifying a second indication for VP01.

In parallel, efforts are continuing to identify new selective AT2-receptor molecules for further development. This work is taking place in collaboration with external research partners.

Pipeline

	Indication	Exploratory	Preclinical	Phase I	Phase II
VP01 (C21)	Idiopathic Pulmonary Fibrosis (IPF) Second indication				
VP02 (IMiD)	Idiopathic Pulmonary Fibrosis (IPF)				
New follow-on molecules	New chemistry				

VP02 – Targeting IPF and IPF related cough

VP02 is a novel formulation utilizing an existing immunomodulatory drug (IMiD) that can be administered locally in the lung by loading the drug molecules into amorphous micro particles. It is thought that the actions of VP02 suppress pathways involved within the cough reflex together with disease modifying effects.

Many IPF patients suffer from a chronic intractable cough which considerably affects the patient's quality of life due to sleep disturbances, difficulties at work and stress incontinence[3]. Currently, there is no therapy for IPF cough and standard cough suppressants have little or no effect. The mechanism is unknown but thought to be due to architectural distortion of the lungs, increased sensitivity of the cough reflex, airway inflammation or changes in mucus production and clearance[4].

Using IMiDs to treat IPF related cough is a breakthrough finding which has been shown to have clinical validity. IMiDs have documented antifibrotic and anti-inflammatory attributes and may therefore be well suited for treatment of interstitial lung diseases. In a clinical study, an IMiD demonstrated a significant positive effect on patients with IPF, reducing the cough and dramatically improving quality of life which is paradoxically never seen in interventional clinical trials[5]. However, the high risk of severe side effects such as constipation, sedation and peripheral neuropathy due to systemic exposure have limited their use. Vicore's VP02 program aims to address the negative aspects of systemic exposure by developing VP02 for local administration in the lungs.

The anti-inflammatory and antifibrotic properties of IMiDs make the substances potentially suitable for the treatment of pulmonary sarcoidosis which is another interstitial lung disease. Similar to IPF, severe steroid resistant pulmonary sarcoidosis is a rare disease with fatal outcome where prerequisites to obtain orphan drug designation exist. Clinical case studies demonstrate the positive effects IMiDs can have on sarcoidosis despite the side effects of systemic exposure. Targeting local delivery, VP02 could have a beneficial effect on the disease progression of pulmonary sarcoidosis.

Project status

Together with Nanologica, Vicore develops formulations that maximize local uptake in the lung but with lower risks of systemic side effects. The formulation work for VP02 is ongoing and the goal during 2019 is to identify a formulation with properties suitable for the drug candidate. The next step is to conduct toxicology studies and to subsequently initiate a Phase I trial during 2020.

[1] SAD (Single Ascending Dose), MAD (Multiple Ascending Dose)
[2] FVC (Forced Vital Capacity). FDA and EMA approved measure for lungfunction
[3] Saini et al 2011
[4] Vigeland et al 2017
[5] Horton et al 2012

Market Overview

Idiopathic Pulmonary Fibrosis (IPF)

Vicore has chosen idiopathic pulmonary fibrosis (IPF) as the first indication for the clinical development of the drug candidate VP01 (C21). The disease falls within the scope of the so-called orphan drug legislation, and Vicore has received orphan drug designation (ODD) for IPF in the EU and the US.

Fibrosis means that increased scar tissue is formed in one or more organs as a result of injury, inflammation or for unknown reasons. IPF is the most common type of pulmonary fibrosis and is a serious and fatal disease with no known cause of origin.

IPF means that the small air sacs in the lungs (the alveoli) and the lung tissue adjacent to the alveoli are damaged. The disease is aggravated by the fact that the healing process causes thickening and damage to the walls of the alveoli, and that fibrosis (scarring) in the alveoli and lung tissue occurs. The scar formation is progressive and gradually degrades lung function. The mortality associated with IPF is at about the same level as lung cancer with a life exptectancy of three to five years after diagnosis. The survival rate for IPF is thus lower than for most forms of cancer[1].

IPF is a rare disease that usually affects people aged 50 to 70 and more often men than women. IPF has a large patient population for an orphan disease. It is estimated that between 80,000 and 111,000 people in the EU live with IPF, where 30,000-35,000 new cases are diagnosed each year. In the United States, approximately 100,000 people live with IPF today, with 30,000-40,000 new diagnoses per year. The overall prevalence worldwide is estimated to be 13-20 individuals per 100,000 people[2].

Currently, there is no cure for IPF and the treatment options are limited. The market today consists of two approved drugs that can slow down the progress of the deterioration of the lung function, Esbriet (pirfenidone; Roche / Shionogi) and Ofev (nintedanib; Boeringer att Ingelheim). The research company Allied Market Research forecasts that the annual sales of pharmaceuticals for IPF will be 3.6 BUSD by 2023, corresponding to an increase by almost 90 percent versus 2017.

Although both Esbriet and Ofev can slow down the progress of IPF disease, both drugs are associated with side effects such as vomiting and diarrhea[3] , and have not yet shown that they can improve survival or quality of life of the affected patients, leaving many patients abstaining from treatment[4]. Despite a limited effect and risk of severe side effects, the two drugs together sold for approximately 1.9 BUSD in 2017[5]. For a drug that can show better efficacy and / or better safety and tolerance profile, Vicore estimates that there is a significant sales potential.

Market trends and competition within IPF

The market for IPF medicines has in recent years attracted a great deal of interest from the pharmaceutical industry because of the great medical need. According to the American Thoracic Society, on average 60-70% of patients with mild to moderate IPF receive no treatment[11].

The explanation is either that the patient has not tolerated the treatment or that the patient is not prepared to expose himself to the known significant side effects associated with the drugs. Thus, there is a great need for new drugs with a better side effect profile that can prolong survival or quality of life for affected patients. IPF as an indication is now the main priority in the respiratory area among several of the world's leading pharmaceutical companies. As a result, several successful license deals and company acquisitions have been carried out in the area. Among the acquisitions, The Roche aquisition of Intermune for 8.3 BUSD[6] stands out. Several of the major license and option transactions in the IPF area have also included significant up-front payments.

In 2021, patent protection for Esbriet will cease in the US, while new improved therapies can reach the market. According to Vicore's assessment, several of the larger the major pharmaceutical companies are among the competitors as well as smaller companies such as Fibrogen, Galapagos, Prometic Life Sciences and Promedior.

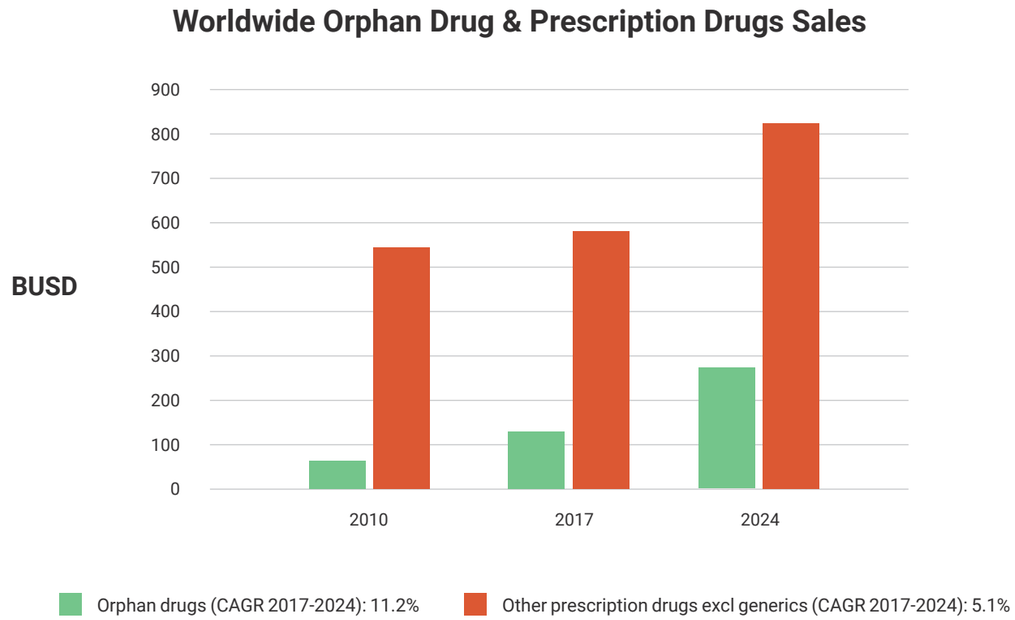
Corporate acquisitions and license deals in antifibrosis and/or IPF

The information below regarding total deal value is, if published, taken from the respective acquirors/licensees' press releases in connection with the publication of the transaction.

Year	Target/Licensor	Acquiror/ Licensee	Type of deal	Development stage at transaction	Total deal value (MUSD)
2016	Nitto Denko	BMS	License	Phase Ib	Not public
2016	Afferent Pharmaceuticals	Merck	Acquisition	Phase IIb	1,250
2015	Promedior	BMS	Option	Phase II	1,250
2014	Intermune	Roche	Acquisition	Approved (EU and Canada),	8,300
2014	Galecto Biotech	BMS	Option	Phase I/IIa	444
2012	Stromedix	Biogen Idec	Acquisition	Phase II	562
2011	Amira Pharmaceuticals	BMS	Acquisition	Phase I	475
2011	Arresto BioSciences	Gilead Sciences	Acquisition	Phase I	225 + milestones

[1] Martin Kolb, Martina Vašáková, Respiratory Research 2019 March 14; 20(1):57.
[2] NIH National Library of Medicine. Genetics Home Reference
[3] Pharmaceutical Facts about Esbriet and Ofev from FASS (Pharmaceutical Specialists in Sweden)
[4] Initiation research note by Goetz Partners, published March 28, 2018 5 Roche, sales in 2017 (Esbriet) and Boehringer Ingelheim, sales in 2017 (Ofev)
[5] Roche, sales in 2017 (Esbriet) och Boehringer Ingelheim, sales in 2017 (Ofev
[6] ATS (American Thoracic Society) conference 2018

The Orphan Drug Market



Source: Orphan Drug Report 2018, EvaluatePharma

The regulatory authorities can grant a drug candidate a so-called Orphan Drug Designation (ODD). Orphan drug status is a way of encouraging research and development of drugs for the treatment of rare diseases. The orphan drug market is growing faster than the rest of the pharmaceutical market. According to EvaluatePharma, orphan drug sales are estimated to exceed 260 BUSD in 2024[1].

In the US and Europe, about 60 million people are believed to suffer from one of the 7,000 identified rare diseases[2,3]. In total, about 350 million people around the world are assessed to suffer from one of the identified rare diseases[4].

Historically, the pharmaceutical industry has not given priority to developing drugs for a limited patient group. In order to increase the incentives to develop drugs for smaller patient groups, different forms of regulation have been designed. The United States was the first to introduce a specific regulatory framework for this type of disease in 1983 through the Orphan Drug Act. Since its introduction, the FDA has approved more than 500 drugs for sale under this regulation and has granted orphan drug designation to more than 4,300 projects. The success of the American program meant that Japan (1993) and later Europe (2000) followed suit with their own legislation.

The definition of rare disease for different markets[5]

- USA: <200,000 patients per indication
- Japan: <50,000 patients per indication
- Europe: <5 per 10,000 citizens (approximately 250,000 patients per indication)

Developing a drug with orphan drug status provides a number of benefits. Financial driving forces include, among other things, market exclusivity that can mean product protection. In the USA, market exclusivity can be obtained for seven years from approval and in the EU and Japan ten years from approval[5].

Other benefits of orphan drug status are linked to region. Among other things, they can include tax credits for parts of the development costs and that a discounted fee to the FDA in the US is obtained. In the EU and Japan, assistance with the development of the drug is possible and a discount on the fee to the European Medicines Agency EMA is also possible[5].

When it comes to orphan drugs, which are aimed at relatively fewer number of patients, the studies are often smaller, more emphasis is placed on biomarkers and the development phases are often combined, which can lead to a faster development process[6].

Despite the limited patient population in rare diseases, several large companies focus exclusively on orphan drugs. According to Vicore, the US companies Alexion Pharmaceuticals, Biomarin, Celgene and Genzyme are probably the best known examples. Genzyme was acquired in 2011 by Sanofi for approximately 20 BUSD[7]. Alexion Pharmaceuticals, Biomarin and Celgene have market capitalizations of 30, 16 and 109 BUSD respectively[8]. There are several examples of Nordic companies that have successfully developed and launched orphan drugs. One example is Sobi which has developed and launched several orphan drugs within, in particular, hemophilia. Sobi is listed on Nasdaq Stockholm and has a market capitalization of approximately 60 BSEK[9]. Another example is Wilson Therapeutics, which was founded in 2012 and developed WTX101 as potential treatment of Wilson's disease. Wilson Therapeutics was listed on Nasdaq Stockholm in May 2016. Following a positive clinical development, the US pharmaceutical company Alexion acquired Wilson Therapeutics for approximately 7 BSEK[10] in 2018.

The orphan drug market is large and growing rapidly

The orphan drug market has shown strong growth in recent years. In 2017, sales increased by 11.3 percent compared to the previous year and amounted to 125 BUSD according to EvaluatePharma[5]. During the same period total sales of prescription drugs (excluding generics) increased by 2.9 percent and totaled 708 BUSD in 2017 according to the same source[5].

According to a report from EvaluatePharma, the market for orphan drugs is expected to grow by 11.2 percent per year between 2017 and 2024 and reach a value of 262 BUSD. This can be compared to an expected annual growth of 5.1 percent for the total prescription drug market (excluding generics) over the same period, according to the same source. According to EvaluatePharma, orphan drugs are expected to account for 36 percent of global sales growth in prescription drugs during the same period, corresponding to 137 BUSD. This means that orphan drugs are estimated to account for 24 percent of global sales of prescription drugs (excluding generics) in 2024.

[1] EvaluatePharma, Orphan Drug Report 2018, May 2018
[2] ATS (American Thoracic Society) conference 2018
[3] European Medicines Agency (EMA), "Orphan designation", 2017
[4] Biostock, "The market value of orphan drugs doubled by the year 2022", November 1, 2017
[5] EvaluatePharma, Orphan Drug Report 2018, May 2018
[6] Biostock, "The market value of orphan drugs doubled by the year 2022", November 1, 2017
[7] Reuters, 2011, "Sanofi to buy Genzyme for more than USD 20 billion"
[8] Yahoo! Finance, market cap for respective company
[9] Nasdaq Stockholm, market capitalization of Sobi
[10] Alexion, " Alexion To Acquire Wilson Therapeutics", April 11, 2018

Annual report 2018
Administration report

The Board of Directors and the CEO of Vicore Pharma Holding AB (publ.), Corp. Reg. No. 556680-3804, hereby submit the annual report and consolidated financial statements for the 2018 fiscal year.

Vicore´s operations

Vicore is a Swedish rare disease company focused on fibrotic lung diseases and related indications. The company currently has two drug development programs, VP01 and VP02.

VP01 aims to develop the substance C21 for the treatment of idiopathic pulmonary fibrosis ("IPF"). As a result of the acquisition of INIM Pharma in July 2018, the company's pipeline was expanded with a second drug development program, VP02. VP02 is based on a new formulation and delivery route of an existing immunomodulatory compound (an "IMiD"). VP02 focuses on IPF with regards to both the underlying disease and the severe cough associated to IPF. VP01 and VP02 are also evaluated for other indications within the area of fibrotic lung diseases. The acquisition of INIM Pharma meant an expansion of Vicore's operations and that the company's strategy became focused on developing drugs for the treatment of fibrotic lung diseases.

Vicore will perform the VP01, phase I study with further increase of the dose and then start the Phase IIa study in IPF patients during the second half of 2019. VP02 is entering a phase of optimization of formulation before local tolerability studies will commence. The first clinical studies with VP02 are expected to start in 2020.

In December 2015, Vicore was listed on Nasdaq First North and the company is now working to apply for its shares to be listed on the Stockholm Nasdaq main list during the second half of 2019.

Important events during 2018

- In February, Vicore acquired additional shares from an existing shareholder in I-Tech. After this transaction, Vicore's holding amounted to 26.5%. In March, I-Tech issued shares to a new shareholder, Cambrex Karlskoga AB. Vicore's holding was consequently reduced to 21.2%
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- In September, Vicore Pharma strengthened its team with two key hires: Rohit Batta as CMO and Göran Tornling as Senior Adviser
- In October, Vicore announced that the rights issue completed in September was oversubscribed by 33% and raised approximately 82 MSEK
- In October, Göran Wessman announced that, due to health reasons, he wished to resign from the Board of Directors
- In November, the Board decided to act for the Company's shares to be admitted for trading on Nasdaq Stockholm's main list in 2019
- In November, the Board of Directors resolved on a directed share issue raising approximately 160 MSEK

Important events after year end

- In January, the directed share issue of approximately 160 MSEK was approved by an Extraordinary General Meeting. The total number of shares after the share issue amounts to 42,374,714

Sales and earnings

Operating income amounted to 0.6 MSEK (1.0, 0.9) for the year 2018, wherof 0.5 MSEK was management fee from I-Tech.

During the year, research and development expenses amounted to 20.5 MSEK (17.6, 12.3). The research and development expenses consisted mainly of purchases of services from clinical research organizations (CROs) and other consultancy fees related to clinical trials.

Personnel costs including share-based payments amounted to 13.1 MSEK (6.7, 4.1) during 2018. The increase is mainly due to the company's growing organization. The total costs for the share-based incentive programs amounted to 1.0 MSEK (0, 0) for the year 2018, out of which 0.3 MSEK (0, 0) was provisions for social security contributions and 0.7 MSEK (0, 0) was IFRS 2 classified salary costs. These costs have had no cash impact.

During the second quarter of 2018, the investment in I-Tech were reclassified from associated companies to financial assets. The financial asset was revalued to market value at the stock market listing for I-Tech. Share of profits in associated companies amounted to 16.6 MSEK during 2018.

The loss for the year 2018 was -21.7 MSEK (-24.2, -24.5). This corresponds to a loss per share, before and after dilution, of SEK -0.95 (-1.43, -1.77) for the year 2018.

Cash flow, investments and financial position

Cash flow from operating activities amounted to -33,0 MSEK (-27.9, -20.7) for the year 2018. The company repaid the bridge loan to Erik Penser Bank as part of the net proceeds from the rights issue.

Cash flow from investing activities was 15.0 MSEK (-2.6, -0.5) for the year. The increase compared with the previous year is mainly related to the completed acquisition of INIM, which consisted of approximately 20 MSEK in cash at the time of acquisition.

Cash flow from financing activities amounted to 218.7 MSEK (50.2, 0.3) for the full year 2018. During the year, the company raised 242.4 MSEK before issue costs of 12.3 MSEK in two financing rounds. In the rights issue completed in October, 2018, the company raised 82.4 MSEK before issue costs. In the directed share issue announced in November, 2018, which subsequently was approved by the Extraordinary General Meeting on January 7, 2019, the company raised approximately 160 MSEK before issue costs.

At December 31, 2018, cash and cash equivalents amounted to 224.7 MSEK, compared with 24.0 MSEK at December 31, 2017. Of the 224.7 MSEK in cash and cash equivalents as of December 31, 2018, approximately 150 MSEK were restricted cash held in escrow and subject to shareholder approval at the Extraordinary General Meeting on January 7, 2019.

Parent company

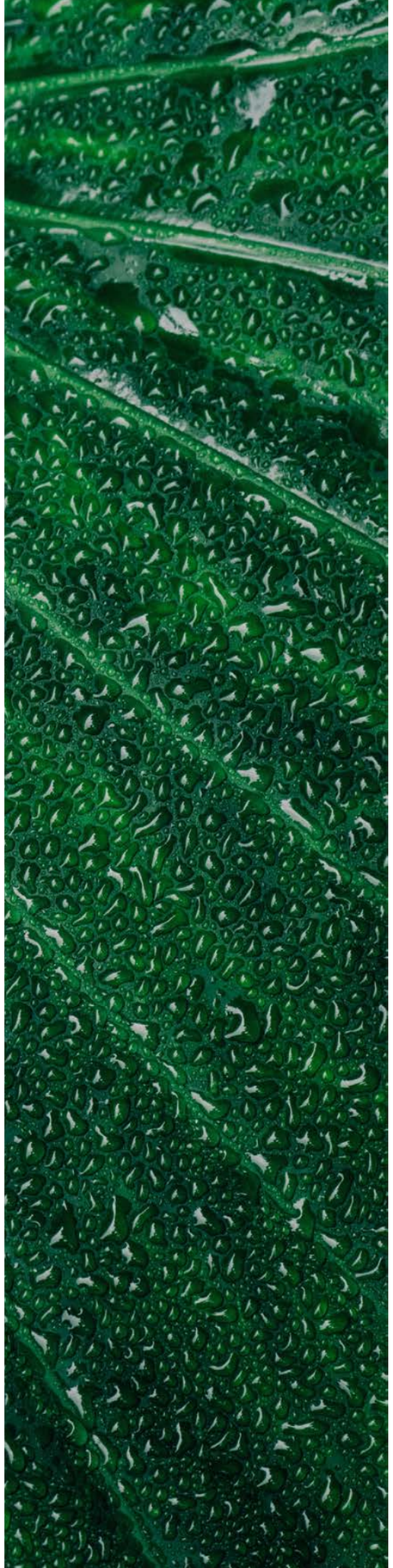
Operating income for the parent company amounted to 5.2 MSEK (3.0, 2.8) for the full year. The loss for the year 2018 was -11.1 MSEK (-3.9, -2.2). The costs consisted mainly of consultancy fees, salaries, travel and marketing. During the fourth quarter, a shareholder contribution amounting to 131.4 MSEK was provided from Vicore Pharma Holding AB to Vicore Pharma AB.

At December 31, 2018, the parent company's cash and cash equivalents amounted to 198.0 MSEK (22.9, 3.1).

The group consists of the parent company, Vicore Pharma Holding AB (publ) ("Vicore"), the subsidiary, Vicore Pharma AB ("Vicore Pharma"), INIM Pharma AB ("INIM Pharma") as well as the dormant company, ITIN Holding AB.

Personnel

As of December 31, 2018, the group had seven employees, of whom three were women and four men. The company also engages consultants for specialist tasks and assignments on a frequent basis. The staff has a high level of education; 71% of the personnel have a doctoral degree.



Share-based incentive programs

The purpose of share-based incentive programs is to promote the company's long-term interests by motivating and rewarding the company's senior management and other co-workers in line with the interests of the shareholders. Vicore currently has three active programs that include the management team, certain board members, key employees and key consultants.

On January 8, 2016, Vicore issued 570,000 options to key employees and key consultants. The increase in the company's share capital, assuming full exercise of the options, will amount to SEK 285,000, which corresponds to a dilution of 1.3% of the total number of shares and of the total number of votes in the company.

At the Extraordinary General Meeting on August 13, 2018, it was resolved to implement two new incentive programs: a maximum of 2,000,000 options to senior leaders and key persons ("Co-worker LTIP 2018"); and a maximum of 475,000 share awards to board members ("Board LTIP 2018"). Both these programs are performance-based programs entitling the holder to a maximum of one common share in Vicore per option or share award after three years. For further information about these programs, see the minutes of the Extraordinary General Meeting, held on August 13, 2018, published on the company's website, www.vicorepharma.com and Note 7 Share-based payments. The increase in the company's share capital, assuming full utilization and maximum goal achievement of both incentive programs, amounts to a maximum of approximately SEK 1,237,500, corresponding to a dilution of 5.5% of the total number of shares.

During 2018, 475,000 share awards have been granted within the framework of Board LTIP 2018 and options corresponding to 300,000 shares have been granted within the framework of Co-worker LTIP 2018.

The share

Vicore's shares were listed on Nasdaq First North on December 10, 2015, with the ticker VICO and ISIN SE0007577895. As of December 31, 2018, the total number of shares amounted to 32,960,008 and the market capitalization was approximately 527 MSEK. In January 2019, the company completed a directed share issue of a total 9,414,706 shares. The total number of shares in the company after the directed share issue is 42,374,714. The company's shares are issued in one class and each share carries one vote.

Certified Adviser

Vicore's certified adviser is Erik Penser Bank, telephone: +46 8 463 83 00, e-mail: certifiedadviser@penser.se.

Guidelines for remuneration of senior executives

Vicore shall offer remuneration in accordance with market practice which enables the recruitment and retention of internationally qualified senior executives. Remunerations within Vicore shall be based on principles of performance, competitiveness and fairness.

Senior executives refer to the CEO and the other members of the executive management. The guidelines shall apply to employment agreements concluded after the Annual General Meeting's resolution to adopt these guidelines, as well as when changes are made to existing agreements thereafter. The remuneration to senior executives consists of fixed remuneration, share and share-price related incentive programs, pension and other benefits. If local conditions justify variations in the remuneration principles, such variations may occur.

Fixed remuneration

The fixed remuneration shall reflect the individual's responsibility and experience level. The fixed remuneration shall be reviewed annually.

Ownership structure

Largest shareholders in Vicore as of January 25, 2019, after registration of the directed share issue referred to above.

Shareholder	No of shares	%
HealthCap VII L.P.	11,796,408	27.8%
Göran Wessman[1]	3,526,849	8.3%
Swedbank Robur	2,683,332	6.3%
Fourth Swedish National Pension Fund	2,060,000	4.9%
HBM Healthcare Investments (Cayman) Ltd	1,952,666	4.6%
Kjell Stenberg	1,531,303	3.6%
Unionen	1,438,990	3.4%
Pomona-gruppen AB	1,074,440	2.5%
Alfred Berg	941,666	2.2%
Handelsbanken Funds	900,000	2.1%
Other	14,469,060	34.1%
Total number of shares	**42,374,714**	**100.0%**

[1] Shareholdings privately and through Protem Wessman AB where Göran Wessman controls 40 percent of votes/capital.

Share-based incentive programs

Share and share-price related incentive programs shall, if resolved on, be decided by the shareholders' meeting.

Pensions

Pension shall, where possible, be premium based. For the CEO and other senior executives, the premium may, in situations where premium based pension is applicable amount to a maximum of 30% of the fixed salary. Notwithstanding the above, the Board of Directors is entitled to offer other solutions which, in terms of cost, are equivalent to the above.

Severance pay, etc.

Between the company and the CEO, the notice period shall be six months upon notice by the company. Upon notice by the CEO, the notice period is six months. For other senior executives, notice periods of 3-6 months apply. During the notice period, normal salaries shall be paid.

Other benefits

Senior executives may be awarded other customary benefits such as company health care etc. Such other benefits shall not constitute a substantial part of the total remuneration.

Deviation from guidelines

The Board of Directors is entitled to deviate from the guidelines if the Board of Directors, in a certain case, deems that there are good reasons for the deviation.

Proposal for the 2019 Annual General Meeting regarding variable remuneration

Variable remuneration paid in cash may not exceed 40 % of the annual fixed remuneration for the CEO and may not exceed 30% of the annual fixed remuneration for other senior executives. Variable remunerations shall be connected to predetermined and measurable criteria, designed with the aim of promoting the company's long-term value creation.

Nomination committee for the 2019 Annual General Meeting

Vicore's nomination committee for the 2019 Annual General Meeting consists of Staffan Lindstrand, appointed by HealthCap VII L.P., Evert Carlsson, appointed by Swedbank Robur, Göran Wessman, appointed by Protem Wessman AB and Leif Darner, Chairman of the Board of Directors of Vicore

Risk factors

Operational risks

Vicore is engaged in research and development operations through its subsidiary Vicore Pharma. Research and development involve a significant inherent level of risk and is a capital-intensive process. The majority of initiated projects will never reach market registration due to technological risks, including the risk for insufficient efficacy, intolerable side effects or manufacturing problems. Up until today, Vicore has not yet generated significant revenue. Vicore's expansion and development related to VP01 and VP02 may be delayed and/or incur greater costs and capital need than expected. Patents that the company has applied for may not be granted and granted patents may be challenged leading to loss of patent protection. If competing pharmaceuticals capture market share or reach the market faster, or if competing research projects achieve better product profiles, the future value of the product portfolio may be lower than expected. The operations may also be impacted negatively by decisions from public authorities, including decisions related to approvals, reimbursement and price changes.

Financial risks

Vicore's treasury policy governing the management of financial risks has been designed by the Board of Directors and represents a framework of guidelines and rules in the form of risk mandates and limits for financial activities. The treasury policy is updated at least once annually. For more information about financial risks and risk management, see Note 17.

Proposed appropriation of the company's profits or loss for the 2018 financial year

The following profit/loss stated in SEK is at the disposal of the Annual General Meeting:

Share premium reserve	402,662,719
Loss brought forward	-11,266,864
Loss of the year	-11,099,993
	380,295,862

The Board of Directors proposes that SEK 380,295,862 are to be carried forward.

Financial targets and dividend policy

Vicore's financial targets are the following:

1. To in a cost-efficient way develop VP01 and VP02 until proof of concept in man and manage financial risks related to this development.
2. The target is to distribute approximately 50% of the Company's annual net profit as dividends when Vicore has achieved the desired financial stability, taking into account present and future profit levels, investment needs, liquidity and development opportunities as well as general economic and business conditions.

In accordance with the Board's dividend policy, no dividend is to be paid before the company generates significant revenue.

Multi-year overview

Multi-year overview, group[1]

Multi-year overview, group[1]	IFRS 2018	IFRS 2017	IFRS 2016	K3 2015
Net sales (KSEK)	508	932	852	840
Loss after financial items (KSEK)	-21,681	-24,231	-24,544	-4,570
Total assets (KSEK)	301,600	64,135	37,634	89,225
Equity ratio (%)	94.6	89.8	83.9	91.8
Number of employees	6	5	3	3

[1] The comparative figures for 2015 have not been restated to IFRS.

Multi-year overview, parent company[2]

Multi-year overview, parent company[2]	RFR 2 2018	RFR 2 2017	RFR 2 2016	K3 2015
Net sales (KSEK)	0	0	0	0
Loss after financial items (KSEK)	-11,100	-3,876	-2,231	-1,967
Total assets (KSEK)	488,965	126,309	80,017	85,267
Equity ratio (%)	82.10	98.60	97.71	93.93
Number of employees	3	2	2	2

[2] The comparative figures for 2015 have not been restated to RFR 2.

Financial reports
Group

Consolidated statement of comprehensive income

KSEK	Note	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income				
Net sales	3, 25	508	932	852
Other operating income	3	125	97	60
		633	**1,029**	**912**
Operating costs				
Research and development costs		-20,463	-17,555	-12,257
Other external costs	4, 5	-8,624	-4,933	-4,719
Personnel costs	6, 7	-13,125	-6,707	-4,057
Depreciation and amortizations	13	-7	-7	-6
Profit/loss from operations		**-44,280**	**-28,583**	**-20,127**
Results from financial items				
Share in profits in associated companies	14	16,573	-410	0
Financial income	8	3,684	4,414	0
Financial expenses	9	-352	-62	-4,417
Net financial income/expense		**19,905**	**3,942**	**-4,417**
Loss after financial items		**-21,681**	**-24,231**	**-24,544**
Tax	10	0	0	0
Loss for the year attributable to the parent company´s shareholders		**-21,681**	**-24,231**	**-24,544**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the year, net of tax		0	0	0
Total comprehensive income attributable to the parent company´s shareholders		**-21,681**	**-24,231**	**-24,544**
Earnings per share, before and after dilution	11	**-0.95**	**-1.43**	**-1.77**

Consolidated statement of financial position

KSEK	Note	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Assets					
Fixed assets					
Patents, licenses and similar rights	12	69,192	16,637	16,637	16,637
Equipment	13	21	28	2	8
Participations in associated companies	14, 17	21	28	2	8
Long-term investments	15, 16	5,567	22,745	16,196	20,110
Total fixed assets		**74,780**	**39,410**	**32,835**	**36,755**
Current Assets					
Trade receivables	17	4	206	122	146
Other receivables		1,613	337	223	973
Prepaid expenes and accrued income	18	515	163	188	52
Cash and cash equivalents	19	224,688	24,019	4,266	25,175
Total current assets		**226,820**	**24,725**	**4,799**	**26,346**
Total assets		**301,600**	**64,135**	**37,634**	**63,101**
Equity and liabilities					
Equity	20, 21				
Share capital		20,892	7,934	6,184	6,184
Other contributed capital		402,347	125,101	76,625	76,306
Retained earnings (including profit (loss) for the period)		-137,803	-75,459	-51,228	-26,684
Total equity attributable to the parent company's shareholders		**285,436**	**57,576**	**31,581**	**55,806**
Non-current liabilities					
Provision for social security contributions, share based incentive program	22	278	0	0	0
Deferred tax liability	10	**1,978**	**1,978**	**1,978**	**1,978**
Total non-current liabilities		**2,256**	**1,978**	**1,978**	**1,978**
Current liabilities					
Trade payables	16,17	2,384	2,780	2,184	2,312
Current tax liability		285	143	86	126
Other liabilities		**445**	**250**	**188**	**1,816**
Accrued expenses and deferred income	23	10,794	1,408	1,617	1,063
Total current liabilities		**13,908**	**4,581**	**4,075**	**5,317**
Total equity and liabilities		**301,600**	**64,135**	**37,634**	**63,101**

Consolidated statement of changes in shareholder´s equity

	Shareholders equity attributable to the parent company				
KSEK	Share capital	Ongoing new share-issue	Other contributed capital	Retained earnings in-cluding profit (loss) for the period	Total
Equity Jan 1, 2016	**6,184**	**0**	**76,306**	**-26,684**	**55,806**
Profit for the year	0	0	0	-24,544	-24,544
Other comprehensive income for the year	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-24 544**	**-24 544**
Transactions with owners:					
Long term incentive program	0	0	319	0	319
Total transactions with owners	**0**	**0**	**319**	**0**	**319**
Equity Dec 31, 2016	**6,184**	**0**	**76,625**	**-51,228**	**31,581**
Equity Jan 1, 2017	**6,184**	**0**	**76,625**	**-51,228**	**31,581**
Profit for the year	0	0	0	-24 231	-24 231
Other comprehensive income for the year	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-24,231**	**-24,231**
Transactions with owners:					
Issue of new shares	1,750	0	54,250	0	56,000
Issue expenditures	0	0	-5,764	0	-5,764
Total transactions with owners	**1,750**	**0**	**48,486**	**0**	**50,236**
Equity Dec 31, 2017	**7,934**	**0**	**125,111**	**-75,459**	**57,586**
Equity Jan 1, 2018	**7,934**	**0**	**125,111**	**-75,459**	**57,586**
Profit for the year	0	0	0	-21,681	-21,681
Other comprehensive income for the year	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-21,681**	**-21,681**
Transactions with owners:					
Issue of new shares and issue in kind	8,546	0	144,656	0	153,202
Issue of new shares, paid but not registered	0	4,412	145,608	0	150,020
Issue expenditures	0	0	-13,745	0	-13,745
Long term incentive program	0	0	717	0	717
Dividends of shares in associated companies	0	0	0	-40,663	-40,663
Total transactions with owners	8,546	4,412	277,236	-40,663	249,531
Equity Dec 31, 2018	**16,480**	**4,412**	**402,347**	**-137,803**	**285,436**

Consolidated statement of cash flow

KSEK	Note	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating activities				
Operating profit		-41,586	-28,173	-20,127
Adjustment for items not included in the cash flow	24	722	7	6
Interest received		0	0	0
Interest paid		-351	-62	-3
Income tax paid		142	47	0
Cash flow from operating activities before changes in working capital		**-41,073**	**-28,181**	**-20,124**
Cash flow from changes in working capital				
Change in operating receivables		-1,275	-174	638
Change in operating payables		9,312	450	-1,242
Cash flow from operating activities		**-33,036**	**-27,905**	**-20,728**
Investing activities				
Acquisition of intangible assets	26	-2,000	0	0
Acquisition of equipment		0	-33	0
Acquisition of long-term investments		-3,228	-2,545	-500
Acquisition of subsidiaries, net liquidity impact	24	20,258	0	0
Cash flow from investing activities		**15,030**	**-2,578**	**-500**
Financing activities				
Issue of new shares		232,420	56,000	319
Issue expenditures		-13,745	-5,764	0
Cash flow from financing activities		**218,675**	**50,236**	**319**
Cash flow for the year		**200,669**	**19,753**	**-20,909**
Cash and cash equivalents at the beginning of the year		**24,019**	**4,266**	**25,175**
Cash and cash equivalents at year-end	19	**224,688**	**24,019**	**4,266**

Financial reports
Parent company

Parent company's income statement

KSEK	Note	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income				
Net sales	2	0	0	0
Other operating income	3	5,177	2,982	2,809
		5,177	**2,982**	**2,809**
Operating costs				
Other external costs	4,5	-8,065	-3,879	-3,332
Personnel costs	6	-9,285	-3,530	-2,444
Depreciation and amortization of tangible and intangible assets	10	-7	-7	-6
Profit/loss from operations		**-12,180**	**-4,434**	**-2,973**
Result from financial items				
Interest income from participations in group companies		1,428	616	745
Other interest income and similar profit (loss) items	7	0	0	0
Other Interest expenses and loss (profit) similar items	8	-348	-58	-3
Finance net		**1,080**	**558**	**742**
Loss after financial items		**-11,100**	**-3,876**	**-2,231**
Tax	9	0	0	0
Loss for the year		**-11,100**	**-3,876**	**-2,231**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the year		0	0	0
Comprehensive income for the year		**-11,100**	**-3,876**	**-2,231**

Parent company's balance sheet

KSEK	Note	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Assets					
Fixed assets					
Tangible assets					
Equipment	10	22	28	2	8
Total tangible assets		**22**	**28**	**2**	**8**
Financial assets					
Participations in group companies	11	275,898	73,643	42,243	42,243
Receivables from group companies		0	19,930	26,936	10,155
Participations in associated companies		0	9,526	0	0
Long-term investments	13	565	0	6,981	6,481
Total financial assets		**276,463**	**103,099**	**76,160**	**58,879**
Total fixed assets		**276,485**	**103,127**	**76,162**	**58,887**
Current assets	14				
Receivables					
Trade receivables		4	206	101	146
Receivables from group companies		4,019	0	431	672
Other receivables		10,373	1	29	527
Prepaid expenses and accrued income		61	73	175	52
		14,457	**280**	**736**	**1,397**
Cash and cash equivalents	16	198,023	22,902	3,119	24,983
Total current assets		**212,480**	**23,182**	**3,855**	**26,380**
Total assets		**488,965**	**126,309**	**80,017**	**85,267**
Equity and liabilities					
Equity	17				
Restricted equity					
Share capital		16,480	7,934	6,184	6,184
Ongoing new share issue		4,707	0	0	0
Total fixed assets		**21,187**	**7,934**	**6,184**	**6,184**
Non-restricted equity					
Share premium reserve		402,663	116,400	67,913	67,913
Accumulated profit or loss		-11,267	4,087	6,319	7,967
Profit (loss) for the year		-11,100	-3,876	-2,231	-1,967
		380,296	**116,611**	**72,001**	**73,913**
Total equity		**401,483**	**124,545**	**78,185**	**80,097**
Non-current liabilities					
Provisions	6, 7, 22	278	0	0	0
Non-current liabilities to group companies		400	400	400	400
		678	**400**	**400**	**400**
Current liabilities					
Trade payables		1,510	404	318	1,983
Liabilities to group companies		75,000	0	0	0
Current liabilities	9	157	69	64	122
Other liabilities		358	143	90	1,661
Short-term provisions		0	0	0	0
Accrued expenses and deferred income	20	9,779	748	960	1,004
		86,804	**1,364**	**1,432**	**4,770**
Total liabilities		**87,482**	**1,764**	**1,832**	**5,170**
Total equity and liabilities		**488,965**	**126,309**	**80,017**	**85,267**

The parent company's report of changes in equity

KSEK	Share capital	Ongoing new share issue	Share premium reserve	Loss brought forward	Loss for the year	Total
Equity Jan 1, 2016	**6,184**	**0**	**67,913**	**7,967**	**-1,967**	**80,097**
Transfer of previous year's loss	0	0	0	-1,967	1,967	0
Loss for the year	0	0	0	0	-2,231	-2,231
Total comprehensive income for the year	**0**	**0**	**0**	**6,000**	**-2,231**	**77,866**
Transactions with owners:						
Issue of new shares	0	0	0	319	0	319
Total transaction with owners	**0**	**0**	**0**	**319**	**0**	**319**
Equity Dec 31, 2016	**6,184**	**0**	**67,913**	**6,319**	**-2,231**	**78,185**
Equity Jan 1, 2017	**6,184**	**0**	**67,913**	**6,319**	**-2,231**	**78,185**
Transfer of previous year's loss	0	0	0	-2,231	2,231	0
Loss for the year	0	0	0	0	-3,876	-3,876
Total comprehensive income for the year	**0**	**0**	**0**	**4,088**	**-3,876**	**74,309**
Transactions with owners:						
Issue of new shares	1,750	0	54,250	0	0	56,000
Issue expenditures	0	0	-5,764	0	0	-5,764
Total transaction with owners	**1,750**	**0**	**48,486**	**0**	**0**	**50,236**
Equity Dec 31, 2017	**7,934**	**0**	**116,399**	**4,088**	**-3,876**	**124,545**
Equity Jan 1, 2018	**7,934**	**0**	**116,399**	**4,088**	**-3,876**	**124,545**
Transfer of previous year's loss	0	0	0	-3,876	3,876	0
Loss for the year	0	0	0	0	-11,100	-11,100
Total comprehensive income for the year	**7,934**		**116,399**	**212**	**-11,100**	**113,445**
Transactions with owners:						
Issue of new shares	8,546	0	300,009	0	0	308,555
Issue of new shares, not registered	0	4,707	0	0	0	4,707
Issue expenditures	0	0	-13,745	0	0	-13,745
Incentive programs	0	0	0	710	0	710
Dividends paid	0	0	0	-12,189	0	-12,189
Total transaction with owners	**8,546**	**4,707**	**286,264**	**-11,479**	**0**	**288,038**
Equity Dec 31, 2018	**16,480**	**4,707**	**402,663**	**-11,267**	**-11,100**	**401,483**

The parent company's cash flow statement

KSEK	Note	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating activities				
Operation profit		-12,180	-4,434	-2,973
Adjustments for items not included in the cash flow		717	7	6
Interest received		1,428	616	745
Interest paid		-349	-58	-3
Income tax paid		88	5	0
Cash flow from operating activities before changes in working capital		**-10,296**	**-3,864**	**-2,225**
Cash flow from changes in working capital				
Change in operating receivables		-13,855	456	661
Change in operating payables		10,632	-73	-3,338
Change in working capital		**-13,519**	**-3,481**	**-4,902**
Investing activities				
Acquisition of tangible fixed assets		0	-33	0
Loans granted to Group companies		-36,836	-24,394	-16,781
Acquisition of long-term investments		-3,228	-2,545	-500
Cash flow from investment activities		**-40,064**	**-26,972**	**-17,281**
Financing activities				
Issue of new shares		228,704	50,236	0
Incentive program		0	0	319
Cash flow from financing activities		**228,704**	**50,236**	**319**
The cash flow for the year		**175,121**	**19,783**	**-21,864**
Cash and cash equivalents at the beginning of the year		**22,902**	**3 ,119**	**24,983**
Cash and cash equivalents at the end of the year	16	**198,023**	**22,902**	**3,119**

Notes
Group

Note 1 Accounting principles

This Annual Report and the consolidated financial statements comprise the Swedish parent company Vicore Pharma Holding AB (publ), corporate registration number 556680-3804, and its subsidiaries. The parent company is a limited liability company with its registered office in Mölndal, Sweden. The address of the main office is Pepparedsleden 1, 431 83 Mölndal. The main operation of the group is research and development of pharmaceutical products.

On April 12, 2019, the Board of Directors approved this Annual Report and the consolidated financial statements, which will be presented for approval at the Annual General Meeting on May 15, 2019.

Applied regulations

Vicore's consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as well as the interpretations from the IFRS Interpretation Committee (IFRS IC) as adopted by the European Union (EU). Furthermore, the group also applies the Annual Accounts Act (1995: 1554) and the Swedish Financial Reporting Board's recommendation RFR 1 "Supplementary Accounting Rules for Groups."

This is the group's first annual report in accordance with IFRS with the transition date: 1 January 2016. The group has previously applied BFNAR 2012:1 Annual Reports and Consolidated Accounts (K3).

Basis for the consolidated accounts

Preparing financial statements in accordance with IFRS requires the company management to make estimates for accounting purposes. These assessments and estimates are based on historical experiences, as well as other factors that are considered to be reasonable during the current circumstances. The actual result can deviate from these estimates and assessments.

New and amended IFRS that are not yet effective

IFRS 16 Leases

As of January 1, 2019, IFRS 16 Leases replaced the former lease standard IAS 17 and related interpretations IFRIC 4, SIC 15 and SIC 27. As a result of the introduction of IFRS 16, Vicore's balance sheet total will increase due to the recognition of right-of-use assets and lease liabilities. Lease payments that previously under IAS 17 have been recognized as operating expenses will be replaced by depreciation of the right-of-use assets recognized as an operating expense and interest expense on the lease liability, which is reported as a financial expense. In the cash flow statement, the lease payment is split between amortization on the lease liability and payment of interest.

The standard allows the application of practical exemptions regarding short-term leases (lease term of less than 12 months) and leases where the underlying asset is of low value for which the lease payments are recognized as an expense on a straight-line basis. Vicore will apply both practical exemptions. Leases with a remaining lease term of less than 12 months at the time of transition to IFRS 16 are also classified as short-term leases in accordance with the practical expedient in the transition guidelines and are thus not included in the opening balance for the lease liability and right-of-use asset.

The group applies IFRS 16 from January 1, 2019 and will use the modified retrospective approach, which means that comparative information in previous periods will not be restated. The group's lease portfolio consists of a few operating leases for premises and vehicles, which constitute the two classes of leased assets that the group will present. In assessing the lease term for the lease agreements, the group has considered any extension and termination options in accordance with the requirements of IFRS 16.

At the transition to IFRS 16, all remaining lease payments (with the exception of low value leases and short-term leases) have been calculated using the incremental borrowing rate. The group estimates that the value as of January 1, 2019 for the right-of-use assets amount to 330 KSEK and that the corresponding value for the lease liabilities amount to 266 KSEK. The difference between the right-of-use assets and lease liabilities relate to prepaid lease payments.

The table below shows a reconciliation between the discounted operating leases according to IAS 17 to the lease liability according to IFRS 16, which is reported as of January 1, 2019.

In the parent company, the exception in RFR 2 regarding leases will be applied. This means that the parent company's principles for accounting of leases will remain unchanged.

Reconciliation between the operating leases according to IAS 17 to the lease liability according to IFRS 16	**KSEK**
Obligations for operating leases at December 31, 2018	**324**
Deducted, short-term leases	-58
Deducted, low-value leases	0
Obligation after discounting with the group's incremental borrowing rate of 2.0%	266
Added/(deducted) leases where an option to an purchase is certain	0
Added, leases with variable lease payments that depend on an index or rate	0
Other amendments	0
Lease liability according to IFRS 16 at January 1, 2019	266

Valuation principles

Assets and liabilities have been recognised at their historical cost, except for certain financial assets that are stated at fair value. Financial assets valued at fair value consist of holdings in listed and non-listed shares.

Consolidation

Subsidiaries

Subsidiaries are all the companies over which Vicore has a controlling influence. The group controls a company when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are included in the consolidated accounts as of the date on which the controlling influence is transferred to the group. They are excluded from the consolidated accounts as of the date on which the controlling influence ceases.

Subsidiaries are reported according to the acquisition method. The method implies that acquiring a subsidiary is considered a transaction, whereby the group indirectly acquires the subsidiary's assets and liabilities. In the acquisition analysis, the fair value of acquired identifiable assets and assumed liabilities, as well as any holdings without controlling influence, is determined on the acquisition date. Transaction costs, excluding transaction costs attributable to the issue of equity instruments or debt instruments, which arise are reported directly in the profit/loss for the year. For business combinations where the transferred remuneration exceeds the fair value of acquired assets and assumed liabilities that are reported separately, the difference is reported as goodwill. When the difference is negative, a so-called bargain purchase, this is reported directly in the profit/loss for the year.

When acquiring an asset, the acquisition value is allocated to the individual identifiable assets and the debts, based on their relative fair values. Such a transaction does not give rise to goodwill.

Shares in associated companies

An associated company is a company in which the group has a significant, but not controlling, influence over financial and operational strategies. A significant influence is considered to exist when the group holds 20–50% of the votes, unless otherwise can be clearly demonstrated. Holdings in associated companies are reported according to the equity method. This means that the reported values for holdings in associated companies correspond to the group's share of reported equity in the associated company, potential goodwill and any other remaining adjustments to the fair value reported at the time of acquisition. What is reported in the item "Profit/Loss from associated companies" in the income statement, comprises the group's share of the associated company's earnings after tax, adjusted for any depreciation, write-downs and other adjustments that have arisen from any remaining adjustments to the fair value reported at acquisition. Dividends from an associated company reduce the carrying amount of the holding. However, losses are eliminated only to the extent that there is no impairment of the asset. When the group's share of losses in an associated company corresponds to or exceeds its holding in the associated company, no further losses are reported as long as the group has not undertaken any obligations or made payments on behalf of the associated company.

Eliminated transactions during consolidation

Intra-group receivables and liabilities, income or expenses and unrealised gains or losses which arise from intra-group transactions between group companies are eliminated in the preparation of the consolidated accounts. Unrealised gains arising from transactions with associated companies are eliminated to the extent which corresponds to the group's ownership in the company. Unrealised losses are eliminated in the same way, but only to the extent that there is no impairment of the asset.

Currency

Functional currency and reporting currency

Functional currency is the currency in the primary economic environments in which the companies operate. The parent company's functional currency is the Swedish kronor, which is also the reporting currency for the parent company and the group. Unless otherwise stated, all amounts are rounded to the nearest thousand (KSEK).

Foreign currency transactions

Transactions in foreign currency are translated to the functional currency at the exchange rate as on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate on the balance sheet date. Exchange rate differences that arise are recognized in the profit/loss for the year. Exchange gains and exchange losses on operating receivables and operating liabilities are reported in operating results, while exchange gains and exchange losses on financial receivables and liabilities are reported as financial items.

Operating segments

Operating segments are reported in a way that corresponds with internal reporting structures. The profit/loss generated by a business segment is then followed up by the company's chief operating decision maker, who is responsible for assessing the profit/loss figures and allocating resources to the business segment. In the group, this function is identified as the company's CEO.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, and for which discrete financial information is available. Vicore does not divide its business into different segments, instead it sees the entire business of the group as one segment. This follows the company's internal organization and reporting structures.

Classification

Non-current assets and non-current liabilities consist in all essentials solely of amounts that are expected to be recovered or settled more than twelve months after the reporting period. Current assets and current liabilities consist in all essential solely of amounts that are expected to be recovered or settled within twelve months of the reporting period.

Revenue from contracts with customers

The group reports revenue when the group fulfils a performance obligation, i.e. when a promised product is delivered to the customer and the customer takes control of the product. Control

of a performance obligation can be transferred over time or at a point in time. Revenue consists of the amount the company expects to receive as compensation for the transferred products or services. For the group to report revenue from contracts with customers, each customer contract is analyzed according to the five-step model included in the standard:

Step 1: Identify a contract between at least two parties that consists of enforceable rights and obligations.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price, i.e. the amount of consideration that the company is expected to receive in exchange for the promised goods or services.

Step 4: Allocate the transaction price over the identified performance obligations.

Step 5: Recognize revenue when the performance obligations are satisfied, i.e. when control is transferred to the customer.

The group's net sales are currently not a significant part of the business. The company only conducts development activities and is not expected to receive any significant income during the next few years.

Leasing

All leasing contracts where the lessor maintains all risks and benefits of ownership are classified as operational. Leasing fees are expensed on a straight-line basis in the income statement over the term of the lease. Benefits obtained in connection with the signing of a lease are initially taken into account. The group only holds leasing agreements that are deemed to be operational leases.

Employee benefits

Short term remuneration

Short term remuneration to employees, such as salary, social security contributions, holiday pay and bonus, is expensed when the employees perform the services.

Pension obligations

The group only has defined contribution pension plans. In defined contribution plans, the group pays fixed contributions to a separate entity and has no legal or constructive obligation to pay further contributions if this entity does not have sufficient assets to pay all the remuneration to employees connected with the employees' service during the current or prior periods. Therefore, the group has no additional risk. For the group's obligations regarding contributions for defined contribution plans, these are reported as an expense in the consolidated profit/loss as the benefits are earned.

Long term incentive programs

There are two types of share-based incentive programs in the group: one option program for employees and consultants, and one program for share awards for certain board members. The option and share awards have been granted free of charge and are settled with equity instruments.

The fair value of share-based payments is accounted for as personnel costs. The fair value of the employee stock options is determined at grant date with the Black-Scholes model for pricing of options. For the share awards, the fair value is determined at the time of allocation using a Monte Carlo simulation of future stock price development. The cost is reported, along with a corresponding increase in equity, during the period in which the vesting conditions are fulfilled, up to and including the date when the persons concerned are fully entitled to the compensation.

The accumulated cost included in each reporting period shows to what extent the vesting period has been recognised with an estimate of the number of share-related instruments that eventually will be vested.

Social contributions attributable to share-related instruments to employees as compensation for purchased services must be expensed over the periods during which the services are performed. This cost must then be calculated using the same valuation model that was used when the options were issued. The provision made shall be reassessed at each reporting date based on a calculation of the amount social charges that may be payable when the instruments are settled.

In addition to the option program described above, options have been allocated to employees at market price.

Financial income and expenses

Financial income

Financial income consists of capital gains on and dividend incomes from financial fixed assets. Dividend income is recognized when the right to receive a dividend has been established.

Exchange rate gains and losses are reported net.

Financial costs

Financial costs consist mainly of interest expenses on loans. Exchange rate gains and losses are reported net.

Income taxes

Income taxes consist of current tax and deferred tax. Income taxes are recognized in profit or loss for the year, except when the underlying transaction is recognized in other comprehensive income or equity, in which case the tax effect is recognized in other comprehensive income or equity.

Current tax

Current tax is the tax that must be paid or received for the current year, with the application of the tax rates that have been decided, or in practice decided, on the balance sheet date. Current tax also includes adjustments to the current tax attributable to previous periods.

Deferred tax asset/tax liability

Deferred tax is reported in its entirety, according to the balance sheet method and is based on the temporary differences between the tax base value of assets and liabilities and their carrying amount. Temporary differences are not taken into account in consolidated goodwill or differences attributable to participations in subsidiaries, which are not expected to be taxed in the foreseeable future. The valuation of deferred tax is based on how underlying assets or liabilities are expected to be realized or regulated. Deferred tax amounts are calculated by applying the tax rates and tax rules that have been decided or announced as of the balance sheet date and which are expected to apply when the deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets related to deductible temporary differences and loss carry forwards are only recognized to the extent it is probable that these will be utilized.

The value of deferred tax assets is reduced when it is no longer deemed likely that they can be utilized. Deferred tax assets and deferred tax liabilities are offset if there is a legal right to offset short-term tax assets against short-term tax liabilities and the deferred tax is attributable to the same entity in the group and the same tax authority.

Earnings per share

Earnings per share before dilution are calculated as profit or loss attributable to the parent company shareholders divided by the weighted average number of ordinary shares outstanding during the period.

Earnings per share after dilution are calculated as profit or loss attributable to the parent company shareholders divided, in some cases adjusted, by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to dilution effects. A dilution effect of potential ordinary shares is recognized only if a translation into ordinary shares would lead to a reduction of earnings per share after dilution.

Intangible assets

Intangible assets in the group consist of technology in the form of patents, licenses and similar rights. They are valued at cost that is decreased by accumulated depreciation and any accumulated impairment losses.

An intangible asset is recognized if it is probable that the asset will generate future economic benefits for the group, the criteria for capitalization are met and the costs can be measured reliably. An intangible asset is valued at cost when it is included for the first time in the financial report. Intangible assets with limited useful life are reported at cost less depreciation and any impairment losses. Intangible assets with indefinite useful lives are instead tested annually for impairment.

Intangible fixed assets with a finite useful life are depreciated systematically over the asset's estimated useful life.

Intangible assets with finite and indefinite useful lives are reviewed for impairment requirements in cases where there are indications that a write-down may be needed. The useful life of intangible assets is reviewed at each balance sheet date and adjusted if necessary.

Capitalization of development expenditure

The expenses that arise during the development phase are capitalized as intangible assets when, according to management's assessment, they are likely to result in future economic benefits for the group, the criteria for capitalization are met and the costs can be measured in a reliable way. Otherwise, development expenses are expensed as normal operating expenses.

The group only has acquired intangible assets.

Depreciation principles

Depreciation begins when the asset can be used, i.e. when it is in the place and in the condition required to be able to use it in the way management intends. Depreciation has not yet begun for the group's intangible assets, which means that they are reviewed annually for impairment.

Tangible fixed assets

Tangible fixed assets are reported in the group at cost after deductions for accumulated depreciation and any accumulated impairment losses. The cost includes the purchase price and any costs directly attributable to the asset to bring it in place and in condition to be utilized in accordance with the purpose of the acquisition.

The carrying amount of an asset is derecognized from the balance sheet when disposing or divesting, or when no future economic benefits are expected from use or disposing/divesting of the asset. Gains or losses arising from the sale or disposal of an asset consist of the difference between the selling price and the asset's carrying amount with the deduction of direct sales costs. Gains and losses are reported as other operating income/expenses.

Additional expenses

Additional expenses are added to the asset's carrying amount only if it is probable that the future economic benefits associated with the asset will be leveraged by the group and that the cost of the asset can be measured reliably. All other additional expenses are reported as an expense during the period they arise. Repairs are expensed on an ongoing basis.

Depreciation principles

The depreciable amount shall be allocated on a systematic basis over the asset's estimated useful life. Used depreciation methods, residual values and useful lives are reviewed at the end of each year.

The estimated useful lives are:

Equipment ..... 5 years

Impairment of non-financial assets

The group's reported assets are assessed in cases where there are indications of a decline in value of tangible or intangible assets, i.e. whenever events or changes in circumstances indicate that the fair value is not recoverable. Furthermore, the group's development projects are reviewed annually for impairment requirements until they are available for use. This is done regardless of whether there are indications of a decline in value or not.

An impairment is recognized when an asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less the cost of sale on the one hand and the value in use on the other. When assessing impairment, assets are grouped at the lowest level where there are separate identifiable cash flows (cash-generating units). When the need for impairment has been identified for a cash-generating unit (group of units), the impairment amount is distributed proportionally among the assets included in the cash-generating unit (group of units).

A previously recognized impairment is reversed if the recovery amount is deemed to exceed the fair value. Reversal does not occur with an amount that is greater than what the fair value would have been recorded to if the impairment had not been recognized in previous periods. Any reversals are reported in the income statement.

Financial assets and liabilities

A financial asset or financial liability is recognized in the balance sheet when the group becomes a party according to the instrument's contractual terms. A financial asset is removed from the balance sheet when the rights in the agreement are realized, expire or when the group loses control over them. The same applies to a part of a financial asset. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise extinguished. The same applies to a part of a financial debt.

Acquisitions and divestments of financial assets are reported on the trade date. The trade date constitutes the day when the company undertakes to acquire or divest the asset.

Financial instruments are classified on initial recognition, including on the basis of what purpose the instrument was acquired and managed. This classification determines the valuation of the instruments.

Classification and valuation of financial assets
The classification of financial assets that are debt instruments, is based on the group's business model for managing the asset and the nature of the asset's contractual cash flows.

Assets are classified according to:
- Amortized cost
- Fair value through profit or loss, or
- Fair value through other comprehensive income

The group's financial assets that are classified at amortized cost include accounts receivable, certain other receivables, and cash and cash equivalents. Financial assets classified at amortised cost are initially measured at fair value with the addition of transaction costs. After initial recognition, the assets are valued at amortized cost after a deduction of a loss reserve for expected credit losses. Assets classified at amortized cost are held according to the business model to collect contractual cash flows, which are solely payments of principal and interest on the outstanding principal amount.

The group's financial assets that are classified at fair value through profit or loss relate to holdings in listed and non-listed shares.

Impairment of financial assets
The group's impairment model is based on expected credit losses, and takes into account prospective information. A loss reserve is made when there is an exposure to credit risk, usually at initial recognition for an asset or receivable.

Classification and valuation of financial liabilities
The group's financial liabilities consist of accounts payable and other current liabilities, which are all classified at amortized cost. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After the initial recognition, they are valued according to the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash and balances as well as immediately available credit balances with banks and corresponding financial institutions.

Equity

All shares in the company are ordinary shares, which are reported as equity. The share capital is reported up to its quota value and any excess part is reported as Other contributed capital. Transaction costs, directly attributable to the issue of new ordinary shares or options, are reported, net after tax, in equity as a deduction from the issue proceeds.

Contingent liabilities

A contingent liability is recognised when there is a possible commitment that arises from past events and whose existence is confirmed only by one or more uncertain future events, or when there is a commitment that is not reported as a liability or provision due to it being unlikely that an outflow of resources will be required.

Cash flow

Cash and cash equivalents consist of available cash, bank credit balances and other liquid investments with an original maturity of less than three months, which are exposed to insignificant value fluctuation. Incoming and outgoing payments are reported in the cash flow statement. The cash flow statement has been prepared in accordance with the indirect method.

Parent company's accounting principles

The parent company has prepared its financial reports in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for Legal Entiities".

The differences between the group's and the parent company's accounting principles are described below. The accounting policies set out below for the parent company have been consistently applied for all periods as presented in the parent company's financial statements, unless otherwise stated.

Modified accounting principles
The parent company has previously applied BFNAR 2012: 1 Annual Report and Group Accounting (K3) when preparing the financial reports. As of this year, as a result of the group's transition to IFRS, the parent company applies ÅRL and RFR 2. This primarily means that the disclosure requirements have increased and that the parent company shall also submit a complete set of financial statements, i.e. an income statement and statement of comprehensive income, a balance sheet, a statement of changes in equity report, a cash flow statement and notes.

Classification and format
The parent company's income statement and balance sheets are prepared in accordance with the Annual Accounts Act's scheme, while the statement of comprehensive income, statement of changes in equity and the statement of cash flow are based on IAS 1 Presentation of Financial Statements and IAS 7, Statement of Cash Flow. The differences concerning the group's statements, which are relevant to the parent company's income statement and balance sheet consist mostly of the presentation of equity.

Subsidiary and associated companies
Participations in subsidiaries and associated companies are recognized in the parent company according to the cost method less any write-downs. This means that transaction costs are included in the carrying amount of the subsidiaries.

Financial assets and liabilities
Due to the relation between accounting and tax, the rules pertaining to the financial instruments in IFRS 9 are not applied in the parent company as a legal entity. Instead the parent company applies accounting at cost in accordance with the Annual Accounting Act. In the parent company, therefore, financial non-current assets are valued at cost and financial current assets according to the lowest value principle, with the application of impairments for expected credit losses according to IFRS 9 for assets that are debt instruments. For other financial assets, impairments are based on market values.

Leasing
The parent company recognizes all leases in accordance with the regulations for operational leasing.

Group contributions and shareholder contributions
Both received and paid group contributions are recognized as appropriations in accordance with the alternative method. Shareholder contributions are recognized directly in the receiver's equity and capitalised in shares and participations of the parent company, to the extent that impairment is not required.

Note 2 Judgements and accounting estimates

The preparation of the financial statements in accordance with IFRS requires company management to make judgements and accounting estimates that affect the application of the accounting policies and the carrying amounts of assets, liabilities, revenue and expenses. The actual outcome could deviate from these estimates.

The accounting estimates and assumptions are evaluated continuously. Changes to the accounting estimates are recognized in the period in which the change is made if the change only has affected the period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Sources of uncertainty in the accounting estimates

The sources of uncertainty in the accounting estimates, entailing a significant risk that the value of assets or liabilities might need to be adjusted to a material extent during the forthcoming fiscal year, include impairment testing of intangible assets with indefinite useful lives.

Impairment testing of intangible assets

When impairment testing intangible assets, a number of significant assumptions and judgements must be taken into account in order to calculate a recoverable amount. These assumptions and judgements relate to, among others, future expected selling price for the company's products VP01 and VP02, expected market penetration, expected development-, sales and marketing costs and expected likelihood that the products will pass the remaining stages of development. The assumptions are based on industry- and market-specific data and are produced by the management and reviewed by the Board. For more information about impairment testing , see Note 13.

Other judgments and accounting estimates

Capitalization of intangible assets
Development expenditures are capitalized when they fulfill the criteria set out in IAS 38 and are expected to represent material amounts for the development initiative as a whole. Development expenditures are otherwise expensed as normal operating costs. The most important criteria for capitalization are that the end product of the development work has a demonstrable future earning capacity or cost savings and cash flow, and that there are technical and financial preconditions to finish the development work when it begins. The group
only has acquired intangible assets. Since regulatory approval has not yet been obtained, no costs have been capitalized.

Incentive programs
The group has two share-based long term incentive programs. The applicable accounting policies are described on page 36. The cost for the remuneration that is recognized in a period is dependent on the original valuation that was made on the contract date of with the holder of the option/share award, the number of months of service required by the participant for becoming entitled to options (accruals are made over this period), the number of options that are expected to be vested by the participant under the terms of the programs and a continuous reassessment of the value of the tax benefits for the participants in the incentive programs (for determining provisions for social security contributions). Those estimates which affect the cost in a period and the corresponding increase in equity mainly refer to inputs for the valuation of the options. The models used for this purpose are the Black & Scholes model and a Monte Carlo simulation. Significant assumptions in these valuations are described in Note 7.

Tax loss carryforwards
The group's tax loss carryforwards have not been measured and are not recognized as a deferred tax asset. These tax loss carryforwards will be measured valued only when the group has established a level of earnings which management with confidence estimate will lead to taxable profits.

Vicore acquired INIM Pharma in July 2018 in exchange for newly issued shares worth approximately 71 MSEK. The assets of INIM Pharma consisted of a registered share capital of 50 KSEK, cash in the amount of 20 MSEK IP (patent) valued at approx. 50 MSEK. In August, 2018, a patent application was wrongfully transferred from INIM to Vicore Pharma for a purchase price of 1 SEK. Vicore has now corrected this by reversing the transfer which potentially could result in tax consequences and intends to, in connection with the submission of the declaration to the Swedish Tax Agency, file an open claim. If the Swedish Tax Agency would not approve the reversal of the transfer from a tax perspective, the company may lose a part of its accumulated tax losses carryforward up to and including 2017.

Note 3 Operating segments and other operation revenue

Vicore does not divide its business into different operating segments. Instead the group's entire business is treated as one operating segment. This reflects the company's internal organisation and reporting system. Vicore's chief operating decision maker is the CEO.
Currently, Vicore is operating only in Sweden, where the group's tangible and intangible fixed assets are attributed. Sales of services to I-Tech amount to 100% of external invoicing. Management fee during 2018 amounted to 493 KSEK (787 KSEK, 735 KSEK). The agreement was terminated in 2018.

Operating income amounts to 633 KSEK (1,029 KSEK, 912 KSEK) and refers mainly to management fee to I-Tech as well as currency changes in supplier payments.

Note 4 Audit fees

Ernst & Young AB	2018	2017	2016
Audit fees	243	177	226
Other auditing related services	70	7	0
Tax consultancy services	0	0	0
Other services	187	5	0
	500	**189**	**226**

Note 5 Leases

Operating lessee

Operating leasing costs for the year concerning operating leases mainly comprise rent for premises, office equipment and cars and amounts to 203 KSEK (419 KSEK, 360 KSEK).

Future payment commitments as of December 31 for operating leases are divided up as follows:

Future minimum lease payments	2018	2017	2016
No later than 1 year	191	385	68
Between 1 and 5 years	14	367	135
Later than 5 years	0	0	0
	205	**752**	**203**

Note 6 Employees and personnel costs

Average number of employees

	2018		2017		2016	
	No. of employees	of which men/ women	No. of employees	of which men/ women	No. of employees	of which men/ women
Parent company	3	67%/33%	2	50%/50%	2	50%/50%
Subsidiaries	3	0%/100%	3	0%/100%	1	0%/100%
Group total	6	33%/67%	5	20%/80%	3	33%/67%

Personnel costs for the Board, senior executives and other employees

	2018	2017	2016
Group			
The Board and other senior executives			
Salaries and other remuneration	7,097	2,081	1,267
Social security contributions	2,330	685	407
Pension costs	821	490	224
	10,248	**3,256**	**1,898**
Group			
Other employees			
Salaries and other remuneration	1,484	2,315	1,248
Social security contributions	517	800	420
Pension costs	207	299	114
	2,208	**3,414**	**1,782**
Parent company			
The Board and other senior executives			
Salaries and other remuneration	5,841	2,081	1,267
Social security contributions	1,944	685	407
Pension costs	592	490	224
	8,377	**3,256**	**1,898**
Parent company			
Other employees			
Salaries and other remuneration	525	510	473
Social security contributions	177	172	159
Pension costs	50	48	43
	752	**730**	**675**

Senior executives include members of the Board, the CEO and other senior executives.

Salaries and other remuneration

Costs related to the long term incentive programs amounts to 710 KSEK of the payroll expenses and 278 KSEK of the social security contributions.

Pensions

All pension plans in the group are defined contribution plans. The group's total cost for defined contribution plans amounted to 1,009 KSEK (790 KSEK, 354 KSEK).

Gender breakdown among senior executives

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Proportion of women on the Board	14%	0%	0%
Proportion of men on the Board	86%	100%	100%
Proportion of women among other senior executives	20%	0%	0%
Proportion of men among other senior executives	80%	100%	100%

Information regarding remuneration to the Board and other senior executives

	Basic salary, Board fee	Pension costs	Variable re-muneration	Share-based payments	Other remu-neration	Total
2018						
Chairman of the Board						
Leif Darner	300	0	0	135	0	435
Members of the Board						
Kjell Stenberg	100	0	0	0	0	100
Peter Ström	100	0	0	54	0	154
Jacob Gunterberg	85	0	0	0	0	85
Hans Schikan	85	0	0	135	0	220
Maarten Kraan	100	0	0	135	0	235
Sara Malcus	100	0	0	54	0	154
Göran Wessman, resigned	100	0	0	0	0	100
Senior executives						
CEO	760	0	0	66	0	826
Former CEO	2,741	470	0	0	66	3,277
Other senior executives (4 individuals)	1,948	351	0	99	0	2,398
Total	**6,419**	**821**	**0**	**678**	**66**	**7,984**

	Basic salary, Board fee	Pension costs	Variable re-muneration	Share-based payments	Other remu-neration	Total
2017						
Chairman of the Board						
Leif Darner	300	0	0	0	0	300
Members of the Board						0
Kjell Stenberg	75	0	0	0	0	75
Peter Ström	75	0	0	0	0	75
Göran Wessman	75	0	0	0	0	75
Senior executives						
CEO	1,309	472	0	0	66	1,847
Other senior executives (1 individual)	247	18	0	0	0	265
Total	2,081	490	0	0	66	2,637

	Basic salary, Board fee	Pension costs	Variable re-muneration	Share-based payments	Other remu-neration	Total
2016						
Chairman of the Board						
Göran Wessman	150	0	0	0	0	150
Members of the Board						0
Kjell Stenberg	50	0	0	0	0	50
Peter Ström	50	0	0	0	0	50
Leif Darner	50	0	0	0	0	50
Members of the Board						
CEO	967	224	0	0	66	1,257
Other senior executives	0	0	0	0	0	0
Total	**1,267**	**224**	**0**	**0**	**66**	**1,557**

Share-based payments

Share-based payments refer to share awards and options granted to independent directors, the CEO, other senior executives, and other employees. Each vested share award entitles the holder to receive one share in the company, provided that the holder is still a member of the Board of Directors of the company at the relevant time of vesting. The earliest point in time at which vested share awards may be exercised shall be the day of publication of the Q2 report 2021. Each option entitles the holder to acquire one share in the company for a predetermined exercise price. The options are subject to vesting over a three year period whereby all options shall be vested on the third anniversary of the granting date, provided that the holder, with some customary exceptions is still employed by the company. The participants in the programs have received the share awards / options free of charge. For further information about the incentive programs, see Note 7 Share-based payments.

Other remuneration

Other remuneration include company car etc.

Remuneration for senior executives

Remuneration of the CEO and other senior executives consists of basic salary, pension benefits, share-based incentives adopted by the shareholders' meeting (e.g. employee stock options) and other benefits such as company healthcare. The term Other senior executives refers to the four individuals who, together with the CEO, constitute the group management. Other senior executives refer to the Chief Financial Officer, Chief Medical Officer, Chief Scientific Officer, and Head of Drug Development.

The CEO has a period of notice of six months in the event the termination is made by the group or if the CEO resigns. Other senior executives have a period of notice of three to six months, in the event the termination is made by the group or if the senior executive resigns.

In addition to salary during the termination period, the CEO is entitled to a termination benefit corresponding of six months' salary in the event of termination by the company on a basis other than a breach of contract.

Note 7 Share-based payments

The purpose of share-based incentive programs is to promote the company's long-term interests by motivating and rewarding the company's senior management and other co-workers in line with the interests of the shareholders. Vicore currently has three active programs that include the management team, certain board members, key employees and key consultants.

Long term incentive program 2016

On January 8, 2016, Vicore Pharma Holding AB issued 570,000 warrants to key employees and researchers. Each warrant entitles the holder to subscribe for one new share in Vicore Pharma at an exercise price of SEK 12. The exercise date is January 3, 2020. The warrants were sold key employees and researchers on market terms at a price established on the basis of an estimated market value of the warrants using the Black & Scholes model. The value has been set at SEK 0.56 per option based on a share price of SEK 7.025 with a future annual increase of approximately 14 percent. The increase in the company's share capital in full exercise of the warrants will amount to SEK 285,000, which corresponds to a dilution of 1.3 percent of the total number of shares and of the total number of votes in the company.

Long term incentive programs 2018

The Extra General Meeting in Vicore held on August 13, 2018, resolved, in accordance with the Board of Directors' proposal, to adopt a long-term incentive program for certain of the company's senior management and key persons ("Co-worker LTIP 2018") and for certain members of the Board of Directors ("Board LTIP 2018") in Vicore. A maximum of 2,000,000 options (Co-worker LTIP 2018) or 475,000 share awards (Board LTIP 2018) may be allotted to participants under the program. Of these, a total of 300,000 options and 475,000 share awards have been allocated. The increase in the company's share capital in full utilization of both incentive programs amounts to a maximum of approximately SEK 1,237,500, corresponding to a dilution of 5.5 percent of the total number of shares. The options and share awards have been granted to the participants of the incentive programs free of charge and the settlement is made with equity instruments.

Board LTIP 2018

Board LTIP 2018 is a program under which the participants will be granted, free of charge, share awards subject to performance vesting ("share awards") that entitle to shares in the company to be calculated in accordance with the principles stipulated below, however a maximum of 475,000 shares.

Board LTIP 2018 is intended for members of the Board of Directors of the company independent from the main owners. The main owners believe that an equity-based incentive program is a central part of an attractive and competitive remuneration package in order to attract, retain and motivate internationally competent members of the Board of Directors of the company, and to focus the participants on delivering exceptional performance which contributes to value creation for all shareholders.

The share awards are subject to gradual vesting gradually over approximately three years, corresponding to three terms until the day of publication of the Q2 report 2021. The share awards shall be vested by 1/3 at the end of each term, provided that the participant is still a member of the Board of Directors of the company on said date. In addition to the vesting conditions just stated, the share awards are subject to performance vesting based on the development of the company's share price, in accordance with the vesting conditions below.

The share awards are subject to performance vesting based on the development of the company's share price over the period from the date of 13 August, 2018, up to and including the date of the annual general meeting 2021. The development of the share price will be measured based on the volume weighted average price of the share price will be measured based on the volume weighted average price of the company's share price for the 30 trading days immediately following after 17 August, 2018, and the 30 trading days immediately preceding the date of the publication of the Q2 report 2021. In the event the price of the company's share has thereby increased by more than 150 percent, 100 percent of the share awards shall vest, and should the share price have increased by 50 percent, 25 percent of such share awards shall vest. In the event of an increase of the share price between 50 and 150 percent, vesting of the share awards will occur linearly. Should the increase of the share price be less than 50 percent, no vesting will occur.

The valuation of the share awards is based on a Monte Carlo simulation in accordance with accepted valuation theory. Volatility has been based on the expected volatility of the Vicore share and other listed companies with similar operations. The risk-free interest rate has been derived through an interpolation between a 2-year and 5-year government bond, respectively. The fair value of the share awards at the time of allocation amounts to SEK 4.70 per share award. In order to calculate the value of the share awards in relation to the current performance conditions, a starting value is used that corresponds to the volume-weighted average price paid for the Vicore share over a fixed period, which in this case corresponds to the value of the underlying share at the time of valuation.

Co-worker LTIP 2018

Co-worker LTIP 2018 is an incentive program intended for members of senior management and key persons in the company. According to the program participants will be granted, free of charge, options subject to three year vesting that entitle to acquire a maximum of 2,000,000 shares in the company in total, in accordance with the terms stipulated below.

The Board of Directors of the company believes that an equity-based incentive program is a central part of an attractive and competitive remuneration package in order to attract, retain and motivate competent members of senior management and key persons in the company, and to focus the participants on delivering exceptional performance which contributes to value creation for all shareholders.

Co-worker LTIP 2018 is an incentive program under which the participants will be granted options free of charge. The Board of Directors shall resolve upon the allocation of options annually or at such time as the Board of Directors can be considered as relevant to such decision (with each respective date of granting being a "granting date"). Each option entitles the holder to acquire one share in the company for a predetermined exercise price. The exercise price per share shall correspond to 150 percent of the volume weighted average price of the company's share for the five trading days preceding the granting date. The options are subject to vesting over a three year period whereby all options shall be vested on the third anniversary of the granting date, provided that the holder, with some customary exceptions is still employed by the company. The latest point in time at which vested options may be exercised shall be the fourth anniversary of the granting date.

The options are valued according to the so-called Black & Scholes model, which means that the value of the options de¬pends, among other things, on the value of the underlying share, the options's issue price and life, risk-free interest rate and volatility. The volatility has been based on the expected volatility of the Vicore share and other listed companies with similar operations. The risk-free interest rate was equated with the interest rate for Swedish government bonds. The fair value of the options at the time of allocation amounts to SEK 4.20 per option. The following inputs have been used in the model:

Average share price	17.70	SEK
Excercise price	25.26	SEK
Expected volatility	45.00	%
Option life	4	years
Expected dividends	0	SEK
Risk-free interest rate	-0.05	%

Summary of issued share awards and options

	2018	
Issued share awards (Board LTIP 2018)	**Average exercise price per share award**	**Number of share awards**
At January 1, 2018	0	0
Granted during the year	0	475,000
At December 31, 2018	0	475,000
Vested and exercised at December 31, 2018	0	0

No share awards have been exercised or forfeited during the year. No share awards have expired during the years presented.

Issued options (Co-worker LTIP 2018)	**Average exercise price per option**	**Number of options**
At January 1, 2018	0	0
Granted during the year	25.26	300,000
At December 31, 2018	22.02	300,000
Vested and exercised at December 31, 2018	0	0

No options have been exercised or forfeited during the year. No options have expired during the years presented. There were no share-based payments before 2018, hence no comparative figures.

Outstanding share awards and options at year-end

Program per year	Date of expiration	Exercise price	Share awards / options at December 31, 2018	Share awards / options at December 31, 2017
Program share awards (Board LTIP 2018)	September, 2021	0	475,000	0
Program options (Co-worker LTIP 2018)	September 27, 2022	25.26	300,000	0

The costs for social security contributions related to share-based incentive programs varies from quarter to quarter due to the change in the underlying share price. Related provisions are reported as non-current liabilities. Total IFRS 2-classified payroll expenses for the incentive programs for the entire duration of the programs amount to 3,493 KSEK. The total costs for the share-based incentive programs during 2018 amounted to 1.0 MSEK (0) out of which 0.3 MSEK (0) were provisions for social security contributions and 0.7 MSEK (0) were IFRS 2 classified payroll expenses. These costs have had no cash impact.

Program 2018 share awards (Board LTIP 2018)	Number outstanding at Jan 1, 2018	Granted/forfeited	Number outstanding at Dec 31, 2018
Chairman of the Board Leif Darner	0	125,000	125,000
Member of the Board Hans Schikan	0	125,000	125,000
Member of the Board Maarten Kraan	0	125,000	125,000
Member of the Board Peter Ström	0	50,000	50,000
Member of the Board Sara Malcus	0	50,000	50,000

Program 2018 options (Co-worker LTIP 2018)	Number outstanding at Jan 1, 2018	Granted/forfeited	Number outstanding at Dec 31, 2018
CEO Carl-Johan Dalsgaard	0	100,000	100,000
Other senior executives	0	150,000	150,000
Other employees	0	50,000	50,000

Note 8 Financial income

Financial assets measured at fair value through profit and loss

	2018	2017	2016
Change in value for long-term investments	3,684	4,414	0
Total	**3,684**	**4,414**	**0**
Total reported in net financial items	**3,684**	**4,414**	**0**

Note 9 Financial expenses

Financial assets measured at fair value through profit and loss

	2018	2017	2016
Change in value for long-term investments	0	0	-4,414
Total	**0**	**0**	**-4,414**
Financial liabilities measured at amortized cost			
Interest expenses other financial liabilities	-352	-62	-3
Total interest expenses calculated using the effective interest method	**-352**	**-62**	**-3**
Total disclosed in net financial income/expenses	**-352**	**-62**	**-4,417**

Note 10 Tax on profit for the year

	2018	2017	2016
Current tax	0	0	0
Recognized tax	**0**	**0**	**0**
Reconciliation of effective tax rates	**2018**	**2017**	**2016**
Loss before tax	-21,681	-24,231	-24,544
Tax according to applicable tax rate for parent company (22%)	4,770	5,331	5,400
Tax relating to non-recognized deferred tax assets	-36,052	-18,156	-10,713
Non-deductable expenses	-101	-37	-994
Non-taxable economic benefits	4,456	881	0
Tax brought forward from earlier years	18,156	10,713	6,307
Tax attributable to items in shareholder's equity	8,771	1,268	0
Recognized tax	**0**	**0**	**0**
Effective tax rate	0%	0%	0%

The group has no tax items that are recognized in other comprehensive income, but there are issue costs as well as reversal of previous capitalized development expenses booked directly against shareholder's equity.

Information about deferred tax assets and tax liabilities
In the table below, the tax effect of the temporary differences is specified:

Deferred tax liability	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Intangible assets	1,978	1,978	1,978	1,978
Carrying amount	**1,978**	**1,978**	**1,978**	**1,978**

Tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounted to 163,875 KSEK (53,258 KSEK, 35,216 KSEK). These carryforwards have no time limit. Deferred tax assets have not been recognized for these items, as it is unlikely that the group in a foreseeable future will utilize them to offset future taxable profits. For further information about tax loss carryforwards, see Note 2 on page 39.

Note 11 Earnings per share

	2018	2017	2016
Earnings per share before and after dilution			
Profit for the year attributable to shareholders of the parent company	-21,680,676	-24,231,433	-24,543,348
Average number of ordinary shares, average	22,882,323	16,989,771	13,833,859
Earnings per share before and after dilution	**-0.95**	**-1.43**	**-1.77**

The average number of outstanding shares has been adjusted for bonus shares in new stock issued targeted towards existing shareholders.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding for the dilution effect from all potential ordinary shares. These potential ordinary shares are attributable to the options and share awards allocated to senior executives, key personnel and certain board members during 2016 and 2018. For further information, see Note 7. If there is a loss for the year, the options are not treated as dilutive. Neither are the options considered dilutive if the exercise rate, including the addition of the value of remaining future services to be recognized during the vesting period, exceeds the average trading price for the period. There is no dilution effect for potential ordinary shares as there was a loss for the year, as demonstrated above.

For more information about the changes of the number of outstanding shares, see Note 21 Shareholders' equity.

Note 12 Patents, licenses and similar rights

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening cost	16,637	16,637	16,637
Additions for the year	52 555	0	0
Closing accumulated cost	**69,192**	**16,637**	**16,637**
Closing carrying amount	**69,192**	**16,637**	**16,637**

Impairment testing

To test the value of intangible assets, Vicore uses a probability-adjusted discounted cash flow model based on fair value. The valuation of ongoing development projects is determined by calculating the present value of the estimated future cash flows and adjusting these in order to take the development risk into account. The valuation considers the cash flows over the projects' estimated remaining useful life, but does not involve calculation of any residual value thereafter. The methodology used is an accepted one for impairment testing within the biopharmaceutical industry. The measurement is attributed to Level 3 in the fair value hierarchy and comprises the material assumptions specified below:

- Revenue- and cost forecasts for the development project, which for VP01 stretches over 7 years for the US and 10 years for the EU and Japan. For VP02, the corresponding period stretches over 20 years.
- Revenue is calculated using estimations based on available data of different types considered indicators, e.g. forecasts of total market size, growth, anticipated market share of the product, competition from rival products and assessed price level. Market, growth, anticipated market share of the product and assessed price level is derived from secondary sources, accepted industry assumptions and assumptions made by Vicore.
- Costs comprise development expenditures as well as direct and indirect project costs based on Vicore's business plan. Operating margins are derived from secondary sources, accepted industry assumptions and assumptions made by Vicore.
- The present value of the cash flows is calculated and adjusted to reflect the probability of success for the project. This probability is based on accepted assumptions regarding the possibility for a corresponding product to go to market from the current development stage. The probability of success for VP01 is estimated at 16.7% and for VP02 at 7.2%.
- The weighted average cost of capital has been estimated at 15%.

The most critical assumptions mainly consist of assumptions made about market size, market share and price level. As with many pharmaceutical development projects, the results of the development work may be binary in the sense that the project can either be developed according to plan or must be cancelled altogether. Where appropriate, the valuation has been calibrated against completed share issues with external investors. No reasonable changes in the assumptions and estimates made would lead to an impairment loss.

Amortization begins when the asset is available for use, i.e. when it is in the place and condition required to be used in the way intended by the company's management. Amortization has not yet begun on the group's intangible assets.

The impairment assessments for the years presented above have not demonstrated a need for any impairments. No reasonable changes in the assumptions and estimates made would lead to an impairment.

Note 13 Equipment

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening cost	93	60	60
Additions for the year	0	33	0
Closing accumulated cost	**93**	**93**	**60**
Opening depreciations	**-65**	**-58**	**-52**
Depreciations for the year	-7	-7	-6
Closing accumulated depreciations	**-72**	**-65**	**-58**
Closing carrying amount	**21**	**28**	**2**

Note 14 Participations in associated companies

Company	No. of shares	Proportion of equity	Share of voting power	Carrying amount Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
I-Tech				0	22,745	0	0

	Corp.reg.no	Domicile of the entity
	556585-9682	Mölndal

I-Tech	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening carrying amount	22,745	0	0
Share in profits	0	-410	0
Acquisitions for the year	3,228	0	0
Reclassifications	-25,973	23,155	0
Closing carrying amount, proportion of equity	**0**	**22,745**	**0**

Holding in I-Tech	Dec 31 2017
Fixed assets	35,148
Current assets	24,767
Non-current liabilities	13,264
Current liabilities	9,696
Net assets	**36,955**
Results before depreciation	-6,190
Depreciation and amortizations	-1,258
Financial income	0
Financial expenses	-970
Tax	0
Profit (loss) for the year	**-8,418**
Other comprehensive income	0
Total comprehensive income	**-8,418**
Reconciliation carrying amounts	
Opening net assets	34,883
Profit for the year	-8,418
Total comprehensive income	0
New share issue	10,490
Closing net assets	**36,955**
Share (%) attributable to the group	21.23%
Share (KSEK) attributable to the group	7,845
Goodwill	14,900
Carrying amount	**22,745**

During the second quarter of 2018, the investment in I-Tech were reclassified from associated companies to financial assets. The financial asset was revalued to market value at the stock market listing for I-Tech. Share of profits in associated companies amounted to 16.6 MSEK during 2018.

The investment in I-Tech has over the three most recent years shifted from being a financial asset (2016), to being reclassified as an associated company (2017), and then reclassified as a financial asset (2018).

Note 15 Long-term investments

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening cost	0	16,196	20,110
Reclassification	25,973	-23,155	0
Acquisitions	0	2,545	500
Dividend of holding in I-Tech	-40,663	0	0
Change in value in profit	20,257	4,414	-4,414
Closing carrying amount	**5,567**	**0**	**16,196**

Long-term investments comprise the investment in I-Tech, which during the past three years has shifted from being a financial asset (2016), to being re-classified as an associated company (2017), and then re-classified as a financial asset (2018).

In December 2017, Vicore increased its investment in I-Tech from 16.5% to 21% via a new share issue. In connection with this, the investment was reclassified from a financial asset to an associated company. In February 2018, Vicore further expanded its holding in I-Tech to 26.5% through the acquisition of shares from an existing shareholder in I-Tech. In March 2018, I-Tech issued shares to a new shareholder, which subsequently decreased Vicore's holding to 21.2%. In May 2018, I-Tech carried out a new share issue in connection with the listing on Nasdaq First North. At the end of the second quarter of 2018, Vicore owned 17.8% of the shares in I-Tech, which subsequently was re-classified as a financial asset. In July 2018, Vicore announced that it had entered into an agreement to acquire INIM Pharma through an issue in kind conditional to an approval at an Extraordinary General Meeting. In conjunction with the Extraordinary General Meeting in August 2018, it was also resolved to distribute the majority of the investment in I-Tech to Vicore´s shareholders. After the distribution Vicore holds 91,829 shares in I-Tech, which are classified as a financial asset.

Note 16 Financial assets and liabilities

Financial assets and liabilities at December 31, 2018

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Other long-term investments	5,567	0	5,567
Trade receivables	0	4	4
Other current receivables	0	200	200
Cash and cash equivalents	0	224,688	224,688
	5,567	**224,892**	**230,459**
Financial liablilities			
Trade payables	0	2,384	2,384
Accrued expenses	0	7,373	7,373
	0	**9,757**	**9,757**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above The group has not received any pledged assets for the financial net assets.

Financial assets and liabilities at December 31, 2017

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Other long-term investments	0	22,745	22,745
Trade receivables	0	206	206
Other current receivables	0	43	43
Cash and cash equivalents	0	24,019	24,019
	0	**47,013**	**47,013**
Financial liablilities			
Trade payables	0	2,780	2,780
Accrued expenses	0	689	689
	0	**3,469**	**3,469**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The group has not received any pledged assets for the financial net assets.

Financial assets and liabilities at December 31, 2016

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Other long-term investments	16,196	0	16,196
Trade receivables	0	122	122
Accrued income	0	13	13
Cash and cash equivalents	0	4,266	4,266
	16,196	**4,401**	**20,597**
Financial liablilities			
Trade payables	0	2,184	2,184
Accrued expenses	0	737	737
	0	**2,921**	**2,921**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The group has not received any pledged assets for the financial net assets.

Financial assets and liabilities at January 1, 2016

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Other long-term investmentsheld as fixed assets	0	20,110	20,110
Trade receivables	0	146	146
Other current receivables	0	13	13
Cash and cash equivalents	0	25,175	25,175
	0	**45,444**	**45,444**
Financial liablilities			
Trade payables	0	2,312	2,312
Other current liabilities	0	1,542	1,542
Accrued expenses	0	235	235
	0	**4,089**	**4,089**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The group has not received any pledged assets for the financial net assets.

Fair value measurement

IFRS 13, Fair Value Measurement contains a valuation hierarchy regarding inputs to the measurements. This measurement hierarchy is divided into three levels, which comprise:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as price quotations) or indirectly (that is, derived from price quotations)

Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, non-observable inputs)

Other long-term investments

Investments in financial fixed assets are measured at fair value with changes in value in profit and loss. Investments in listed shares are measured at fair value according to Level 1 in the valuation hierarchy. Investments in unlisted shares have been measured according to Level 3 in the valuation hierarchy based on non-observable inputs. Listed investments are measured on the basis of their share price on the reporting. Investments in unlisted shares are measured on the last private round of financing. Significant increases (decreases) in measurements in private financing rounds would result in a significantly higher (lower) fair value measurement. All measurements in Level 3 are based on assumptions and judgments that management consider to be reasonable based on the circumstances prevailing at the time. Changes in assumptions may result in adjustments to reported values and the actual outcome may differ from the estimates and judgments that were made. Change in value for investments in unlisted shares in Level 3 is presented below.

Change in value for investements in unlisted shares	2016
Opening carrying amount	20,610
Change in value in profit and loss	-4,414
Closing carrying amount	**16,196**

Other financial assets and liabilities

For trade receivables, other current receivables and liabilities, cash and cash equivalents, trade payables, and accrued expenses and income with a short maturity, the carrying amount is considered a reasonable estimate of the fair value.

Note 17 Financial risks

Through its operations, Vicore is exposed to various types of financial risk; credit risks, market risks (foreign exchange risk, interest rate risk and other price risks) and liquidity risks (including refinancing risk). The group's overall risk management objective focuses on the unpredictability of financial markets and strives to minimize potentially unfavorable consequences for the group's financial position and performance.

The Board of Directors has overall responsibility for managing financial risks and internal controls related to financial transactions. Financial risks and transactions are managed centrally by the parent company through the group's CFO and CEO. The overall objective in terms of financial risks is: to provide cost-effective financing and cash management, to ensure that all payment commitments are processed at the right time, to ensure that all financial transactions are organized in a way that supports the group in achieving the financial key ratios and ensure that risk exposures relating to credit risk, market risks and liquidity risk are reduced to an acceptable level.

The Board of Directors establishes written principles both for the overall risk management and for specific areas such as credit risks, foreign exchange risks, interest rate risks, refinancing risks, liquidity risks and the use of derivative instruments and the handling of excess liquidity. The group does not currently use derivatives, but allows hedging of currency in certain situations.

Credit risk

Credit risk is the risk that the group's counterparty of a financial instrument cannot fulfill its obligation and thereby causes a financial loss for the group. Given the nature of the group's business, with no foreseen revenues, credit risk is not a material issue at this stage of the company's development. However, some credit risk exists in the group's cash management, which is managed through Vicore's treasury policy.

Credit risk in trade receivables

Of the group's sale of services, 100% comprises of management fees to I-Tech. Terms of payment amounts to 15-30 days dependent on counterparty. The age analysis for overdue, but not impaired trade receivables at reporting date is presented below.

The age analysis for overdue but not impaired receivables on the balance sheet date is given below.

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Non-overdue trade receivables	4	206	122	146
Carrying amount	**4**	**206**	**122**	**146**

The credit quality of trade receivables that are not overdue or impaired is deemed to be good.

The group has chosen to apply the simplified method for reporting expected credit losses on trade receivables. This means that expected credit losses are reserved for the remaining maturity, which is expected to be less than one year for all trade receivables. The group reserves for expected credit losses based on historical credit losses and forward-looking information. The group's customers are a homogeneous group with a similar risk profile, which is why the credit risk is initially assessed collectively for all customers. Any substantial individual receivables are assessed per counterparty. Impairment losses of trade receivables are recognised when there is no longer any expectation of receiving payment and when active measures to obtain payment have been terminated.

Based on the group's assessments according to the above method, taking into account other known information and forward-looking factors, expected credit losses for trade receivables are not deemed to be significant and no provision has therefore been recognised.

Financial credit risk

The financial assets that are covered by provisions for expected credit losses according to the general method consist of cash and cash equivalents. Vicore applies a rating-based method in combination with other known information and forward-looking factors for assessing expected credit losses. The group has defined default as when payment of the claim is 90 days overdue or more, or if other factors indicate a suspension of payments. Significant increase in credit risk has not been considered to exist for any receivable or asset on the reporting date. Such assessment is based on whether payment is 30 days overdue or more, or if significant deterioration of the rating occurs, entailing a rating below investment grade. In cases where the amounts are not deemed to be insignificant, a provision for expected credit losses is also recognized for these financial instruments.

The assessment has been made that there has been no significant increase in credit risk for any of the group's financial assets. There counterparties do not have credit ratings, except for cash and cash equivalents where the counterparties have credit risk ratings of AA-.

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risks are according to IFRS divided into three types: foreign exchange risk, interest rate risk and other price risks. Foreign exchange risk is the market risk with the greatest impact on the group as the financing received shall cover for research and development costs mainly in foreign currencies.

The group does not currently have any loans that expose it to interest rate risks. Interest risk may occur in short term cash management, and is regulated by maximum maturities.

The group is partly exposed to other price risks from investments in listed shares. However, the risks associated with the investments have not been considered to be significant.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value of or future cash flow from a financial instrument may vary due to changes in foreign exchange rates. Foreign exchange risk relates to the risk that fluctuations in exchange rates will have a negative impact on the group's P&L, balance sheet or cash flow.

Transaction currency risk

The main exposure derives from the group's expenses in foreign currencies. This exposure is referred to as transaction exposure. Foreign exchange hedging is decided by the Board of Directors based on cash flow forecasts. Currently, no currency hedging is applied. See the table below for the level of exposure in each currency.

	Operating income	Operating expenses
Foreign exchange exposure, 2018 (%)		
USD	-	14%
GBP	-	1%
EUR	-	20%
SEK	-	66%
Foreign exchange exposure, 2017 (%)		
USD	-	25%
GBP	-	1%
EUR	-	16%
SEK	-	58%
Foreign exchange exposure, 2016 (%)		
USD	-	5%
GBP	-	2%
EUR	-	32%
SEK	-	62%

Operating expenses in the table above are excluded from payroll costs

As indicated in the table above, the group's main transaction exposure consists of USD and EUR. A 10% stronger USD against SEK would have a negative impact on the profit after tax and shareholders' equity by approximately 475 KSEK (668 KSEK, 73 KSEK). A 10% stronger EUR against SEK would have a negative impact on the profit after tax and shareholders' equity by approximately 674 KSEK (431 KSEK, 481 KSEK).

Refinancing risk

Refinancing risk refers to the risk that cash and cash equivalents are unavailable and that financing can only be obtained partially, not at all or at an elevated cost. Currently, the group is financed by shareholders' equity and is therefore not exposed to risks related to external loan financing. The main risks therefore entail the inability to obtain further equity investments from Vicore's shareholders.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulties in fulfilling its obligations related to financial liabilities. The Board of Directors manage liquidity risk by continuously following up the cash flow to reduce liquidity risk and ensure the solvency of the group.

The group's contractual and undiscounted interest payments and financial liability repayments are shown in the table below. Amounts in foreign currencies have been translated into SEK at the closing rate on the reporting date. Financial instruments with a variable interest rate have been calculated using the interest rate at the reporting date. Liabilities have been included in the earliest period during which repayment may be required.

Dec 31, 2018

	<6 months	6-12 months	>12 months
Maturity analysis			
Trade payables	2,384	0	0
Other current liabilities	0	0	0
Accrued expenses	7,373	0	0

Dec 31, 2017

	<6 months	6-12 months	>12 months
Maturity analysis			
Trade payables	2,780	0	0
Other current liabilities	0	0	0
Accrued expenses	689	0	0

Dec 31 2016

	<6 months	6-12 months	>12 months
Maturity analysis			
Trade payables	2,184	0	0
Other current liabilities	0	0	0
Accrued expenses	737	0	0

Jan 1, 2016

	<6 months	6-12 months	>12 months
Maturity analysis			
Trade payables	2,312	0	0
Other current liabilities	1,542	0	0
Accrued expenses	235	0	0

Capital management

The group's goals regarding the capital structure are to ensure financing of the company's development and business plan. Equity or financing related to equity is expected to be the most realistic and possible alternative in the near future.

No change occurred in the group's capital management during the year. None of the group companies are subject to external capital requirements.

Note 18 Prepaid expenses and accrued income

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Prepaid rental charges	15	0	0	0
Other prepaid expenses	500	163	175	52
Accrued income	0	0	13	0
	515	**163**	**188**	**52**

Note 19 Cash and cash equivalents

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Available balances	224,688	24,019	4,266	25,175
	224,688	**24,019**	**4,266**	**25,175**

Of the 224,688 KSEK in cash and cash equivalents as of December 31, 2018, 150,020 KSEK where restricted cash held i escrow and subject to the shareholder approval at the Extraordinary General Meeting on January 7, 2019.

Note 20 Group companies

Company	Principal activity	Share of equity and voting rights			
		Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Vicore Pharma Holding AB	Own and manage shares in subsidiaries			**Parent company**	
ITIN Holding AB	Dormant	100%	100%	100%	100%
Vicore Pharma AB	Research and Development of pharmaceutical products	100%	100%	100%	100%
INIM Pharma AB	Research and Development of pharmaceutical products	100%	-	-	-

In August, Vicore Pharma completed the acquisition of 100% of the shares and votes in INIM Pharma AB through an issue in kind. Since INIM mainly consisted of intangible assets in the form of patents and development projects, the acquisition was considered to be an asset acquisition and not a business combination. The purchase price amounted to 70,8 MSEK, which is allocated to intangible assets amounting to 50,8 MSEK and cash and cash equivalents of 20 MSEK.

Note 21 Shareholders' equity

Share capital and other contributed capital

	Number of ordinary shares	Share capital	Other contributed capital
At January 1, 2016	**12,368,504**	**6,184,252**	**76,306,570**
Share-based payments	0	0	319,200
At December 31, 2016	**12,368,504**	**6,184,252**	**76,625,770**
New share issue decided in February 2017	2,000,000	1,000,000	27,609,614
New share issue decided in February 2017	1,500,000	750,000	20,876,672
At December 31, 2017	**15,868,504**	**7,934,252**	**125,112,056**
New share issue decided in August 2018	17,091,504	8,545,752	139,252,465
Share-based payments	0	0	716,259
At December 31, 2018	**32,960,008**	**16,480,004**	**265,080,780**
New share issue decided in November 2018, registered in January 2019		4,412,353	137,276,764
		20,892,357	402,357,544

Share capital

At December 31, 2018, the registered share capital encompassed 32,960,008 ordinary shares. All shares have been fully paid and no shares are reserved for transfer. At year-end, there was an ongoing issue of new shares of a total of 9,414,706 ordinary shares, of which 590,000 were not paid. The payment was made on January 8, 2019. Each share carries one vote. The quotient value is SEK 0.5 (0.5, 0.5). No shares are held by the company itself or its subsidiaries.

During 2018, Vicore acquired INIM Pharma AB ("INIM") through an issue in kind where Vicore issued 8,851,502 shares as compensation for all outstanding shares in INIM Pharma to an issue price of 8 SEK per share . The issue in kind entailed a dilution for Vicore's shareholders of 35.8 percent. At the acquisition date, HealthCap VII LP ("HealthCap") owned 85 percent of INIM, which after the acquisition held about 30.4 percent of the shares in Vicore. At the time of the acquisition, INIM had cash and cash equivalents amounting to 20 MSEK.

Other contributed capital

Other contributed capital comprises capital contributed by the owners of the company, for example share premiums when subscribing for shares.

Share-based payments

Vicore currently has three active programs that include the management team, certain board members, key employees and key consultants. For further information about the option programs, see Note 7 Share-based payments.

Distribution in kind

In conjunction with the Extraordinary General Meeting in August 2018, it was resolved to distribute the majority of the investment in the I-Tech to Vicore´s shareholders. After the distribution Vicore holds 91,829 shares in I-Tech, which are classified as a financial asset. The distribution of shares in I-Tech is based on a refinement of Vicore's business through the acquisition of INIM Pharma.

Note 22 Provision for social security contribution linked to share-based payments

Social security costs linked to incentive programs

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Provisions for the year	278	0	0	0
	278	**0**	**0**	**0**

For more information about options and share awards, see Note 7 Share-based payments.

Note 23 Accrued expenses and deferred income

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Accrued personnel-related expenses	3,421	719	880	828
Accrued interest	103	103	103	103
Accrued consulting fees	7,270	586	634	132
	10,794	**1,408**	**1,617**	**1,063**

Note 24 Supplementary information to the cash flow statement

Adjustment for items not included in the cash flow

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Depreciations	7	7	6	6
Loss on sale of tangible and intangible assets	0	0	0	44
Incentive programs	710	0	0	0
Other	5	0	0	0
	722	**7**	**6**	**50**

Acquisition of subsidiaries (Asset acquisition)

	Acquired assets in INIM Pharma AB
Patents, licenses and similar rights	50,555
Cash and cash equivalents	20,258
Purchase price	**70,813**
Issue in kind	70,813
Excluding: Cash and cash equivalents in acquired company	-20,558
Impact on cash flow	**20,558**

Note 25 Related-party transactions

Transactions with associated companies

	Sale of goods or services	Purchase of goods or services	Other	Receivables at closing day	Payables on closing day
2018	0	0	0	0	0
2017	787	0	0	193	0
2016	0	0	0	0	0

For information about remuneration of senior executives, see Note 6 Employees and personnel costs. Transactions with the associated company I-Tech AB have only been invoicing management. The management fee during 2018 amounted to 493 KSEK (787 KSEK, 735 KSEK). The agreement was terminated in 2018. There are no agreements or transactions with related parties, other than what has been set out above and in Notes 6 and 7.

Note 26 Pledged assets and contingent liabilities

Below a summary of material agreements which the company has entered int during the three most recent years:

Agreement with Emeriti Bio AB

Vicore Pharma entered into a cooperation and development agreement with Emeriti Bio AB on August 24, 2016. On November 1, 2017, the parties expanded their collaboration by concluding an additional agreement. The agreement is valid until there is no longer any obligation to pay royalties to Emeriti Bio AB. The main purpose of the agreement is to develop new follow-on molecules based on C21 and other drug substances. For Emeriti Bio AB's development work, Vicore Pharma pays consultancy fees, possible milestone compensation as well as royalties should the collaboration result in approved products. Vicore Pharma owns all results. The total maximum payments in the form of milestone compensation and royalties under the agreement is limited to 29 MSEK, of which nothing has yet been paid.

Agreement with Nanologica AB

On May 9, 2018, INIM Pharma entered into a license agreement with Nanologica AB (publ) regarding the use of Nanologica AB's drug delivery technology, NLAB Silica® for a unique product that INIM Pharma is developing. The agreement is valid until further notice, where INIM Pharma has a unilateral right to terminate the agreement at any time without any period of notice. All results are owned by INIM Pharma. In order to fully obtain the license, INIM Pharma is required to pay a one-time payment equivalent to 2 MSEK. This payment was completed in Q4 2018. Furthermore, INIM Pharma is obliged to pay milestone compensations equivalent to 1 MSEK per product at a defined stage of development. INIM Pharma has an obligation to develop products within a certain period of time in order not to lose the license. However, INIM Pharma is entitled to maintain its license by issuing a new one-time payment equivalent to 2 MSEK. INIM Pharma is responsible for all development.

Restricted cash and cash equivalents

Of the 224,688 KSEK in cash and cash equivalents as of December 31, 2018, 150,020 KSEK were restricted cash held in escrow and subject to the shareholder approval at the Extraordinary General Meeting on January 7, 2019.

Note 27 Impact of transition to IFRS

Vicore presented the group's first financial reports in accordance with IFRS as adopted by the EU, in the 2018 year-end report. Previously prepared annual accounts for the group have been reported in accordance with BFNAR 2012: 1 Annual Report and Consolidated Accounts (K3). The accounting principles in Note 1 have been applied when the consolidated financial accounts were prepared as of 31 December 2018, and for the comparative information presented as of 31 December 2017, and as of 31 December 2016, as well as when preparing the statement of the opening financial position of the period as of 1 January 2016.

The accounting estimates made according to IFRS as of 1 January 2016 are in accordance with the accounting estimates made according to previously applied accounting principles. The group has decided not to retroactively apply IFRS 3 Aquisitions for periods prior to the transition to IFRS, ie January 1, 2016. The following summary shows the effects of the above-mentioned applications on the group's statement of comprehensive income and the statement of financial position. The transition to IFRS has had no impact on the group's cash flow.

Aggregated consolidated statement of financial position as of January 1, 2016

KSEK	Note	According to previous applied accounting principles	IFRS adjustments	According to IFRS
Assets				
Fixed assets				
Patents, licenses and similar rights	A	42,761	-26,124	16,637
Equipment		8	0	8
Financial assets		20,110	0	20,110
Total fixed assets		**62,879**	**-26,124**	**36,755**
Current assets		**26,346**	**0**	**26,346**
Total assets		**89,225**	**-26,124**	**63,101**
Equity and liabilities				
Equity attributable to the parent companys shareholders		**81,930**	**-26,124**	**55,806**
Long-term debt		**1,978**	**0**	**1,978**
Current liabilities		**5,317**	**0**	**5,317**
Total equity and liabilities		**89,225**	**-26,124**	**63,101**

Consolidated statement of comprehensive income for Jan-Dec 2016

KSEK	Note	According to previous applied accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		852	0	852
Capitalized work performed by the company for its own use	A	1,221	-1,221	0
Other operating income		60	0	60
		2,133	**-1,221**	**912**
Operating expenses	**A**			
Research and development costs		0	-12,257	-12,257
Other external expenses		-5,006	0	-5,006
Personnel costs		-3,770	0	-3,770
Depreciation and amortizations		-6	0	-6
Share in profits in associated companies		0	0	0
Profit (loss) from operations		**-6,649**	**-13,478**	**-20,127**
Share in profits in associated companies		0	0	0
Financial income		0	0	0
Financial expenses	C	-3	-4,414	-4,417
Net financial income/expense		**-3**	**-4,414**	**-4,417**
Profit (loss) before tax		**-6,652**	**-17,892**	**-24,544**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-6,652**	**-17,892**	**-24,544**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period net of tax		**0**	**0**	**0**
Total comprehensive income attributable to the parent company's shareholders		**-6,652**	**-17,892**	**-24,544**

Aggregated consolidated statement of financial position as of December 31, 2016

KSEK	Note	According to previous ly applied accounting principles	IFRS adjustments	According to IFRS
Assets				
Fixed assets				
Patents, licenses and similar rights	**A**	56,239	-39,602	16,637
Equipment		2	0	2
Financial assets	**C**	20,610	-4,414	16,196
Total fixed assets		**76,851**	**-44,016**	**32,835**
Current assets		**4,799**	**0**	**4,799**
Total assets		**81,650**	**-44,016**	**37,634**
Equity and liabilities				
Shareholders' equity attributable to the parent company		**75,597**	**-44,016**	**31,581**
Long-term debt		**1,978**	**0**	**1,978**
Current liabilities		**4,075**	**0**	**4,075**
Total equity and liabilities		**81,650**	**-44,016**	**37,634**

Consolidated statement of comprehensive income for Jan-Dec 2017

KSEK	Note	According to previous applied accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		932	0	932
Capitalized work performed by the company for its own use	A	2,645	-2,645	0
Other operating income		97	0	97
		3,674	**-2,645**	**1,029**
Operating expenses				
Research and development costs	A	0	-17,555	-17,555
Other external expenses		-5,431	0	-5 ,431
Personnel costs		-6,209	0	-6,209
Depreciation and amortizations	A	-4,417	4,410	-7
Share in profits in associated companies		-410	0	-410
Profit (loss) from operations		**-12,793**	**-15,790**	**-28,583**
Share in profits in associated companies		0	0	0
Financial income	C	0	4,414	4,414
Financial expenses		-62	0	-62
Net financial income/expense		**-62**	**4,414**	**4,352**
Profit (loss) before tax		**-12,855**	**-11,376**	**-24,231**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-12,855**	**-11,376**	**-24,231**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total comprehensive income attributable to the parent company's shareholders		**-12,855**	**-11,376**	**-24,231**

The group's summary of financial position as of December 31, 2017

KSEK	Note	According to previous applied accounting principles	IFRS adjustments	According to IFRS
Assets				
Fixed assets				
Patents, licenses and similar rights	A	72,029	-55,392	16,637
Equipment		28	0	28
Financial assets		22,745	0	22,745
Total fixed assets		**94,802**	**-55,392**	**39,410**
Current assets		**24,725**	**0**	**24,725**
Total assets		**119,527**	**-55,392**	**64,135**
Equity and liabilities				
Shareholders' equity attributable to the parent company		**112,968**	**-55,392**	**57,576**
Long-term debt		**1,978**	**0**	**1,978**
Current liabilities		**4,581**	**0**	**4,581**
Total equity and liabilities		**119,527**	**-55,392**	**64,135**

Comments on the reconciliation between previous accounting principles and IFRS

Note A. Development expenditure
The company's capitalized development expenses that do not meet the criteria for capitalization according to IFRS have been adjusted. Deferred tax has not been recognized for these items, as it is unlikely that the group will use them for settlement against future taxable profits within the next few years.

Note B. Asset acquisitions
A review has been made of the acquisition of INIM, which was carried out in August 2018. Since INIM essentially consisted of intangible assets in the form of patent applications and development projects, the acquisition was considered to be an asset acquisition and not a business combination. The goodwill reported in connection with the acquisition and the amortization that has been made has therefore been reversed and an intangible asset in the form of patent applications and development projects has been reported instead.

Note C. Financial assets
Holdings in listed and unlisted shares have, according to previously applied principles, been valued at cost. In connection with the transition to IFRS, the holdings have been valued at fair value through profit or loss.

Note D. Incentive programs
In August 2018, two new incentive programs ("Co-worker LTIP 2018" and "Board LTIP 2018") were decided for senior executives, key personnel and board members. An adjustment has been made related to the Board LTIP 2018 program in the third quarter 2018 for unrecognized costs of 0.3 MSEK out of which 0.1 MSEK was provisions for social security contributions and 0.2 MSEK was IFRS 2 classified payroll expenses.

Note E. Effects on equity
The sum of the adjustments' net effect on equity after tax is summarized in the table below:

Effects on equity

	Dec 31 2017	Dec 31 2016	Jan 1 2016
Equity according to previous principles	**112,968**	**75,597**	**81,930**
Development expenditure, Note A	-59,806	-39,602	-26,124
Asset acquisitions, Note B	0	0	0
Financial assets, Note C	4,414	-4,414	0
Incentive programs, Note D	0	0	0
Deferred tax	0	0	0
Shareholders' equity according to IFRS	**57,576**	**31,581**	**55,806**

Note 28 Events after the balance sheet date

In January, the directed share issue of approximately 160 MSEK was approved at the Extraordinary General Meeting. The total number of shares after the share issue amounts to 42,374,714.

Notes
Parent company

Note 1 Accounting principles

The parent company has prepared its financial reports in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for Legal Entiities".

The differences between the group's and the parent company's accounting principles are described below. The accounting policies set out below for the parent company have been consistently applied for all periods as presented in the parent company's financial statements, unless otherwise stated.

Modified accounting principles

The parent company has previously applied BFNAR 2012: 1 Annual Report and Group Accounting (K3) when preparing the financial reports. As of this year, as a result of the group's transition to IFRS, the parent company applies ÅRL and RFR 2. This primarily means that the disclosure requirements have increased and that the parent company shall also submit a complete set of financial statements, i.e. an income statement and statement of comprehensive income, a balance sheet, a statement of changes in equity report, a cash flow statement and notes.

Classification and format

The parent company's income statement and balance sheets are prepared in accordance with the Annual Accounts Act's scheme, while the statement of comprehensive income, statement of changes in equity and the statement of cash flow are based on IAS 1 Presentation of Financial Statements and IAS 7, Statement of Cash Flow. The differences concerning the group's statements, which are relevant to the parent company's income statement and balance sheet consist mostly of the presentation of equity.

Subsidiary and associated companies

Participations in subsidiaries and associated companies are recognized in the parent company according to the cost method less any write-downs. This means that transaction costs are included in the carrying amount of the subsidiaries.

Financial assets and liabilities

Due to the relation between accounting and tax, the rules pertaining to the financial instruments in IFRS 9 are not applied in the parent company as a legal entity. Instead the parent company applies accounting at cost in accordance with the Annual Accounting Act. In the parent company, therefore, financial non-current assets are valued at cost and financial current assets according to the lowest value principle, with the application of impairments for expected credit losses according to IFRS 9 for assets that are debt instruments. For other financial assets, impairments are based on market values.

Leasing

The parent company recognizes all leases in accordance with the regulations for operational leasing.

Group contributions and shareholder contributions

Both received and paid group contributions are recognized as appropriations in accordance with the alternative method. Shareholder contributions are recognized directly in the receiver's equity and capitalised in shares and participations of the parent company, to the extent that impairment is not required.

Not 2 Net sales

The company is not expected to have any revenue until the company's products have been introduced on the market.

Note 3 Other operating revenue

Other operating revenue amounts to 5,177 KSEK (2,982 KSEK, 2,809 KSEK) and refers mainly to invoiced management fees to group companies and I-Tech as well as costs forwarded to group companies.

Note 4 Audit fees

Ernst & Young AB	2018	2017	2016
Audit fees	172	123	191
Other audit related services	70	7	0
Tax consultancy services	0	0	0
Other services	187	5	0
	429	**135**	**191**

Note 5 Leases

Operating leasing costs for the year concerning operating leases mainly comprise rent for premises, office equipment and cars and amounts to 336 KSEK (361 KSEK, 360 KSEK). Future payment commitments as of December 31 for operating leases are divided up as follows:

Future minimum lease payments	2018	2017	2016
No later than 1 year	132	330	68
Between 1 and 5 years	9	307	135
Later than 5 years	0	0	0
	141	**637**	**203**

Note 6 Employees and personnel costs

For salaries and remuneration to employees and senior executives as well as information on the number of employees, see Note 7 Employees and personnel costs for the group. For information on employee stock options, see Note 7 Share-based payments for the group.

Note 7 Other interest income and similar income items

Financial assets measured at fair value through profit and loss

	2018	2017	2016
Change in value for long-term investments	0	0	0
Total	**0**	**0**	**0**
Financial assets measured at amortized cost			
Interest income from trade receivable	0	0	0
Interest income from group companies	1,428	616	745
Interest income from other financial assets	0	0	0
Total interest income according to the effective interest method	**1,428**	**616**	**745**
Exchange rate differences	0	0	0
Total	**1,428**	**616**	**745**
Total in profit or loss from financial items	**1,428**	**616**	**745**

Note 8 Interest expenses and similar profit/loss items

Financial assets measured at fair value through profit and loss

	2018	2017	2016
Financial assets measured at fair value through profit and loss			
Change in value for long-term investments	0	0	0
Total	**0**	**0**	**0**
Financial liabilities measured at amortized cost			
Interest expenses group companies	**0**	**0**	**0**
Interest expenses other financial liabilities	-348	-58	-3
Total interest expenses calculated using the effective interest method	**-348**	**-58**	**-3**
Total disclosed in profit or loss after financial items	**-348**	**-58**	**-3**

Note 9 Tax on profit for the year

	2018	2017	2016
Current tax	0	0	0
Recognized tax	**0**	**0**	**0**

Reconciliation of effective tax rates	**2018**	**2017**	**2016**
Loss before tax	-11,100	-3,876	-2,231
Tax according to applicable tax rate for parent company (22%)	2,442	853	490
Tax relating to non-recognized deferred tax assets	-10,455	-5,069	-2,969
Non-deductible expenses	-80	-21	-8
Non-taxable economic benefits	0	0	0
Tax brought forward from earlier years	5,069	2,969	2,487
Other	3,024	1,268	0
Recognized tax	**0**	**0**	**0**
Effective tax rate	**0%**	**0%**	**0%**

The parent company has no tax items that are recognized in other comprehensive income or directly in equity.

Information about deferred tax assets and tax liabilities
Tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounted to 47,524 KSEK (23,043 KSEK, 13,497 KSEK). These carryforwards have no time limit. Deferred tax assets have not been recognized for these items, as it is unlikely that the group in a foreseeable future will utilize them to offset future taxable profits.

Note 10 Equipment

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Equipment	0	0	0
Opening cost	93	60	60
Additions for the year	0	33	0
Closing accumulated cost	**93**	**93**	**60**

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening depreciations	-65	-58	-52
Depreciations for the year	-7	-7	-6
Closing accumulated depreciation	**-72**	**-65**	**-58**
Closing carrying amount	**22**	**28**	**2**

Note 11 Participations in group companies

				Carrying amount			
	No. of shares	Proportion of equity	Share of voting power	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Company							
Vicore Pharma AB	10,000	100%	100%	204,586	73,143	41,743	41,743
ITIN Holding AB	500,000	100%	100%	500	500	500	500
INIM Pharma AB	50,000	100%	100%	70,812	0	0	0
				275,898	73,643	42,243	42,243

	Corp. Reg. No.	Domicile of the entity	Equity	Loss for the year
Company				
Vicore Pharma AB	556607-0743	Mölndal	86,826	-30,598
ITIN Holding AB	556989-2143	Mölndal	466	0
INIM Pharma AB	559156-8471	Stockholm	20,018	-239

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening cost	73,643	42,243	42,243
Acquisitions for the year	202,255	31,400	0
Closing accumulated cost	**275,898**	**73,643**	**42,243**
Closing carrying amount	**275,898**	**73,643**	**42,243**

Note 12 Participation in associated companies

	Carrying amount			
	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Company				
I-Tech	0	9,526	0	0

	Equity		Profit/loss for the year
Information about equity and profit /loss for the year I-Tech	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening carrying amount	9,526	0	0
Dividend	-12,189	0	0
Acquisitions for the year	3,228	0	0
Reclassifications	-565	9,526	0
Closing carrying amount, proportion of equity	**0**	**9,526**	**0**

Note 13 Long-term investments

	Dec 31 2018	Dec 31 2017	Dec 31 2016
Opening cost	0	6,981	6,481
Acquisitions for the year	0	2,545	500
Reclassifications	565	-9,526	0
Closing carrying amount	**565**	**0**	**6,981**

Long-term investments comprise the investment in I-Tech, which during the past three years has shifted from being a financial asset (2016), to being re-classified as an associated company (2017), and then re-classified as a financial asset (2018).

Note 14 Financial assets and liabilities

Financial assets and liabilities at December 31, 2018

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Receivables from group companies	0	4,019	4,019
Trade receivables	0	4	4
Other current receivables	0	10,030	10,030
Accrued income	0	0	0
Cash and cash equivalents	0	198,023	198,023
	0	**212,076**	**212,076**
Financial liablilities			
Liabilities to group companies	0	75,400	75,400
Trade payables	0	1,510	1,510
Other current liabilities	0	515	515
Accrued expenses	0	6,573	6,573
	0	**83,483**	**83,483**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The parent company has not received any pledged assets for the financial net assets.

Financial assets and liabilities at December 31, 2017

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Receivables from group companies	0	19,930	19,930
Trade receivables	0	206	206
Other current receivables	0	0	0
Accrued income	0	0	0
Cash and cash equivalents	0	22,902	22,902
	0	**43,038**	**43,038**
Financial liablilities			
Liabilities to group companies	0	400	400
Trade payables	0	404	404
Other current liabilities	0	212	212
Accrued expenses	0	0	0
	0	**1,016**	**1,016**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The parent company has not received any pledged assets for the financial net assets.

Financial assets and liabilities at December 31, 2016

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Receivables from group companies	0	27,367	27,367
Trade receivables	0	101	101
Other current receivables	0	0	0
Accrued income	0	13	13
Cash and cash equivalents	0	3,119	3,119
	0	**30,600**	**30,600**
Financial liablilities			
Liabilities to group companies	0	400	400
Trade payables	0	318	318
Other current liabilities	0	0	0
Accrued expenses	0	323	323
	0	**1,041**	**1,041**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The parent company has not received any pledged assets for the financial net assets.

Financial assets and liabilities at January 1, 2016

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Receivables from group companies	0	10,827	10,827
Trade receivables	0	146	146
Other current receivables	0	4	4
Accrued income	0	0	0
Cash and cash equivalents	0	24,983	24,983
	0	**35,960**	**35,960**
Financial liablilities			
Group debt	0	400	400
Trade payables	0	1,983	1,983
Other current liabilities	0	1,548	1,548
Accrued expenses	0	215	215
	0	**4,146**	**4,146**

The maximum credit risk of the financial assets consists of the net amounts of the reported values in the table above. The parent company has not received any pledged assets for the financial net assets.

For fair value measurement of long-term investments see Note 16 for the group.

For trade receivable, other current receivables and liabilities, cash and cash equivalents, trade payables, and accrued expenses and income with a short maturity, the carrying amount is considered a reasonable estimate of the fair value.

Based on the parent company's assessment, taking into account other known information and forward-looking factors, expected credit losses for any of the parent company's financial assets are deemed to be non-significant and no provision has therefore been recognized. The counterparties do not have credit ratings, except for cash and cash equivalents where counterparties have credit risk ratings of AA-. For a description of the expected credit loss for the cash and cash equivalents according to the general method, see the group's note 17 Financial risks.

Note 15 Prepaid expenses and accrued income

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Prepaid rental charges	8	32	68	4
Other prepaid expenses	53	41	94	48
Accrued income	0	0	13	0
	61	**73**	**175**	**52**

Note 16 Cash and bank balances

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Available balances	198,023	22,902	3,119	24,983
	198,023	**22,902**	**3,119**	**24,983**

Of the 198,023 KSEK in cash and bank balances as of December 31, 2018, 150 020 KSEK where restricted cash held in escrow and subject to the shareholders approval at the Extraordinary General Meeting on January 7, 2019.

Note 17 Shareholders' equity

At December 31, 2018, the registered share capital comprised 32,960,008 ordinary shares. All shares are fully paid and no shares are reserved for transfer. At year-end, there was an ongoing issue of new shares of a total of 9,414,706 ordinary shares, of which 590,000 were not paid. The payment was made on January 8, 2019. Each share carries one vote. The quota value amounts to 0.5 SEK (0.5, SEK 0.5 SEK).

The share premium reserve refers to capital from new share issues that have been issued at a price that exceeds the quotient value and includes deductions of expenditures for new share issues.

Note 18 Provisions

Social security contributions related to share-based incentive programs

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Provisions for the year	278	0	0	0
	278	**0**	**0**	**0**

For more information about incentive programs, see Note 7 Share-based payments for the group.

Note 19 Non-current liabilities to group companies

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Opening cost	400	400	400	400
Closing carrying amount	**400**	**400**	**400**	**400**

The loans mature between 2 and 5 years after closing date.

Note 20 Accrued expenses and deferred income

	Dec 31 2018	Dec 31 2017	Dec 31 2016	Jan 1 2016
Accrued personnel-related expenses	3,206	510	637	789
Accrued interest	103	103	103	103
Accrued consulting fees	6,470	135	220	112
	9,779	**748**	**960**	**1,004**

Note 21 Pledged assets and contingent liabilities

For information about pledged assets and contingent liabilities in the parent company, see to the group's Note 26 Pledged assets and contingent liabilities.

Note 22 Related-party transactions

	Sales of goods or services	Purchase sof goods or services	Other	Receiv-ables on closing day	Payables on closing day
Transactions with subsidiaries					
2018	2,160	0	3,929	4,019	400
2017	2,160	0	633	19,930	400
2016	1,440	0	1,325	27,367	400
	5,760	**0**	**5,887**	**51,316**	**1,200**
Transactions with associated companies					
2018	0	0	0	0	0
2017	787	0	0	193	0
2016	0	0	0	0	0
	787	**0**	**0**	**193**	**0**

Other in the table above relates to invoiced costs. For salaries and remuneration to employees and senior executives , see Note 6 Employees and personnel costs for the group.

Note 23 Transition to RFR 2

In August 2018, two new long-term incentive programs ("Co-worker LTIP 2018" and "Board LTIP 2018") were implemented for senior executives, key personnel and board members. An adjustment has been made related to the Board LTIP 2018 program in the third quarter 2018 for unrecognized costs of 0.3 MSEK, whereof 0.1 MSEK were provisions for social security contributions and 0.2 MSEK were IFRS 2 classified payroll expenses.

Board, Management and Auditor

Board of Directors

Leif Darner

Chairman of the Board since 2017

Leif Darner owns all shares in Darner Asset Management AB. He is also a board member of I-Tech AB and of Flowserve Corporation. Prior to that he was a member of the Board of Management at AkzoNobel Bv, responsible for Coatings from 2008 and for Chemicals from 2004. Prior to this he has held several executive positions including CEO of BU Marine & Protective Coatings at Courtaulds plc and CEO of International Färg AB.

Shareholdings: 130,000
Share awards: 125,000

Education: M.Sc. in Business Administration from the University of Gothenburg, School of Business, Economics and Law.

Other assignments: Board member of Darner Asset Management AB, I-Tech AB and Flowserve Corporation.

Previous assignments in the last five years: Board member of LKAB.

Independent of the company and its senior management and independent of major shareholders of the company.

Maarten Kraan

Board member since 2018

Maarten Kraan has extensive experience in biomedicine and has, among others, held a senior position at AstraZeneca AB where he was responsible for the research and development of medicines for respiratory, inflammatory and autoimmune symptoms.

Shareholdings: -

Share awards: 125,000

Education: Doctor's degree in rheumatology at the University of Leiden.

Other assignments: Maarten Kraan is a board member of Toleranzia AB and CDS Gmbh.

Previous assignments in the last five years: None.

Independent of the company and its senior management and independent of major shareholders of the company.

Sara Malcus

Board member since 2018

Sara Malcus has ten years of experience from operational management and board work through her work with developing early drug projects at GU Ventures, Astra Zeneca AB and in smaller start-up companies.

Shareholdings: -
Share awards: 50,000

Education: Doctor's degree in immunology and inflammatory medicine at the University of Gothenburg.

Other assignments: Sara Malcus is the external Managing Director of MetaboGen AB.

Previous assignments in the past five years: Board member of Oncorena AB, Oncorena Holding AB, Cereno Scientific AB and MetaboGen AB.

Independent of the company and its senior management and independent of major shareholders of the company.

Kjell Stenberg

Board member since 2010

Kjell Stenberg has extensive experience from board work from a number of companies active in various industries and has been the chairman of seven listed companies since 1994.

Shareholdings: 1,148,478

Share awards: -

Education: Economics studies at Stockholm University.

Other assignments: Board member of WntResearch AB, Kjell Stenberg Aktiebolag and CN Stenberg Aktiebolag and deputy director of Wntreseach Incentive AB.

Previous assignments in the last five years: Board member of ITIN Holding AB, Ziramic Production AB, Cad.esthetics AB, Taurus Energy AB (publ), GAKS Bilförsäljning AB and deputy director of Scandinavian Technology AB and Taurus Oil AB. Furthermore.

Independent of the company and its senior management and independent of major shareholders of the company.

Peter Ström

Board member since 2015

During 1979-2005, Peter Ström has held senior positions in Kabi Vitrum AB, Kabi Pharmacia AB, Pharmacia & Upjohn and IMS Health. Peter Ström has since 2003 been a board member of a number of listed companies, such as Active Biotech AB, Oasmia Pharmaceutical AB and LIDDS AB. Peter Ström is also a board member of Dentosystem Scandinavia AB and Stockholm Corporate Finance AB and deputy director of Comtax Support AB and Comtax Holding AB.

Shareholdings: 84,084

Share awards: 50,000

Education: M.Sc. in Business Administration from Stockholm School of Economics.

Other assignments: Board member of Stockholm Corporate Finance, Comtax AB och Dentosystem AB.

Previous assignments in the past five years: Chairman of Wntresearch AB and board member of Wntresearch Incentive AB and Psoriasis+ Creams Sweden AB.

Independent of the company and its senior management and independent of major shareholders of the company.

Jacob Gunterberg

Board member since 2018

Jacob Gunterberg is a partner at HealthCap since 2007 and has extensive experience in venture capital investment operations and corporate finance in life science. Jacob Gunterberg is, among others, a board member of Trimb Holding AB, HealthCap Orx Holdings GP AB, Carisma Therapeutics Inc. and former chairman of INIM Pharma AB.

Shareholdings: -

Share awards: -

Education: M.Sc. in Business Administration and Economics from Lund University.

Other assignments: Board member Skipjack AB, Ancilla AB, EllAug AB and Tova Skrenen Stockholm AB. Chairman and board member of JUSG Aktiebolag.

Previous assignments in the last five years: Board member of M - PS Helmet AB, MIPS AB, OxThera Intellectual Property AB and Trimb Healthcare AB. Chairman and board member of OxThera AB. Deputy director of BONESUPPORT AB, BONESUPPORT HOLDING AB and Wilson Therapeutics AB. Board member of HealthCap Holdings GP Aktiebolag, HealthCap Annex Fund I-II Bis GP Aktiebolag and HealthCap Aero Holdings GP AB (merged in 2016) and Cenova AB.

Independent of the company and its senior management but dependent of major shareholders of the company.

Hans Schikan

Board member since 2018

Hans Schikan has more than 25 years of experience from senior positions in the global pharmaceutical industry.

Shareholdings: -

Share awards: 125,000

Education: Doctor of Pharmacy (PharmD) from the University of Utrecht.

Other assignments: Hans Schikan is the chairman of Interna Technologies B.V., Complix NV and Asceneuron SA and board member of Swedish Orphan Biovitrum AB (publ), Topteam Life Sciences & Health NV and Therachon AG. Hans Schikan is also adviser to a number of Life Science companies, including HealthCap.

Previous assignments in the past five years: Board member of Prosensa Holding NV, Hansa Medical AB (publ), Wilson Therapeutics AB (publ), INIM Pharma AB and CEO of Prosensa.

Independent of the company and its senior management and independent of major shareholders of the company.

Management

Carl-Johan Dalsgaard

CEO since 2018

Carl-Johan Dalsgaard has been a Venture Partner at HealthCap since 2000, thereby he has served as CEO of several companies in which HealthCap has invested. Prior to that, he has ten years of experience from senior positions within the AstraZeneca Group, such as pre-clinical research director, therapeutic area manager of pain and anesthesia, CEO of Astra Pain Control AB and part of the Group's research management team.

Shareholdings: 477,981

Options: 100,000

Education: MD from the Karolinska Institute. PhD in neurobiology and post-doc experience from Harvard Medical School. Carl-Johan Dalsgaard has also completed a specialist training in plastic surgery.

Hans Jeppsson

CFO since 2017

Hans Jeppsson has previously worked as a pharmaceutical research analyst at Danske Bank and has experience from the capital market and financing-related questions.

Shareholdings: 5,000

Options: 50,000

Education: M.Sc. in Finance from the University of Gothenburg, School of Business, Economics and Law, and also holds a doctor's degree in Finance from the same university. After he obtained his doctor's degree he conducted postdoctoral studies at the UC Berkeley in the US. He also has a background in chemical engineering with a focus on biotechnology from Chalmers University of Technology.

Christina Johansson

Pharmaceutical Development Manager since 2017

Christina Johansson has been active in the pharmaceutical industry for 26 years, and has during the last 19 years been directly responsible for strategy and development of nearly 50 potential drug substances in a number of different areas of disease. This has led to knowledge and experience of all aspects of drug development, focusing on development phases before Phase III.

Shareholdings: –

Options: 50,000

Education: M.Sc. in Pharmacy from Uppsala University. Christina Johansson also holds a doctor's degree in tumor immunology at the University of Gothenburg.

Rohit Batta

Chief Medical Officer since 2018

Rohit Batta has 18 years of experience as a medical doctor with an extensive background leading medical and clinical development teams whilst developing drugs for rare diseases. His previous roles include Senior Director of Cell and Gene Therapy at GlaxoSmithKline leading the clinical development and defining the clinical strategy for haemoglobinopathy gene therapy medicines. He also led the global medical and late stage clinical development teams to launch the world's first gene therapy for patients with a paediatric rare disease. Rohit holds an MBBS from Kings College London and is a member of the Royal College of General Practitioners and the Faculty of Pharmaceutical Medicine.

Shareholdings: -

Options: 50,000

Education: MBBS from Kings College London and is a member of the Royal College of General Practitioners and the Faculty of Pharmaceutical Medicine.

Johan Raud

Chief Scientific Officer since 2018

Johan Raud has more than 20 years of experience from heading research teams and managing drug discovery projects in both big pharma and startups. Johan gained his MD, PhD and Associate Professorship at Karolinska Institutet and Vanderbilt University.

Shareholdings: 238,991

Options: -

Education: MD PhD from the Karolinska Institute and Vanderbilt university, USA

Christian Hall

Investor Relations Manager since 2019

Christian Hall is an IR professional with an extensive experience. He has worked as a senior IR professional since 2012 with a number of companies, including Folksam and Academedia. Before that, Christian worked with equity research on banks and stock brokers. Between 1999 and 2012 he worked for Swedbank in different positions, including Head of Equity Research, Equity Strategist and as head of several sectors.

Shareholdings: -

Options: -

Education: B.Sc, Major in Finance, Stockholm School of Economics.

Idiopathic Pulmonary Fibrosis: a rare disease with significant unmet medical needs

Signatures

The undersigned give their assurance that the annual accounts have been prepared in accordance with generally accepted accounting standards in Sweden and that the consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU. The annual accounts and the consolidated financial statements each provide a fair and accurate impression of the parent company's and the group's position and earnings. The Administration Report for the parent company and the group provides a fair and accurate overview of the parent company's and the group's operations, position and earnings, and describes material risks and uncertainties faced by the parent company and the companies included in the group.

Mölndal April 12, 2019

Leif Darner
Chairman of the Board

Kjell Stenberg
Member of the Board

Maarten Kraan
Member of the Board

Sara Malcus
Member of the Board

Jacob Gunterberg
Member of the Board

Peter Ström
Member of the Board

Hans Schikan
Member of the Board

Carl-Johan Dalsgaard
CEO

Our audit report was submitted on April 12, 2019

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Auditors Report

This is a translation from the swedish original

To the general meeting of the shareholders of Vicore Pharma Holding AB (publ), corporate identity number 556680 - 3804

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Vicore Pharma Holding AB (publ) for the year 2018. The annual accounts and con-solidated accounts of the company are included on pages 18 - 86 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 parent company as of December 31, 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31, 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administra¬tion report is consistent with the other parts of the annual accounts and con¬solidated accounts.

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

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 parent company and the group 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 appro-priate to provide a basis for our opinions.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 4 - 17. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated 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 consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. 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 and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group'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 how¬ever 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 and consolidated 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 and consolidated 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 and consolidated 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, misrepresenta¬tions, 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 and consolidated 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 and the group'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 dis-closures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated 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 and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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 and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vicore Pharma Holding AB (publ) for the year 2018 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 parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibili¬ties 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 require-ments which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolida¬tion 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 and the group'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 other-wise 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 12, 2019

Ernst & Young AB

Andreas Mast

Authorized Public Accountant

Glossary

Agonist

A drug that has affinity for, and stimulates physiological activity, via cellular receptors that are normally stimulated by naturally occurring substances.

Angiotensin

Peptides and hormonal substances within the renin-angiotensin system. The most potent form known as Angiotensin II, which may bind to two different receptors; the AT1 receptor and the AT2 receptor. Stimulation of the AT1 receptor via Angiotensin II provides inter alia a contraction of the blood vessels and increases the blood pressure.

Antagonist

A substance that tends to nullify the action of another; in pharmaceutical terms, a drug that binds to a receptor without eliciting a biological response.

AT2 receptor

The Angiotensin II type 2 receptor or AT2 receptor is regarded as the "protective" receptor of the Renin-Angiotensin system. Many effects seen after stimulation of the AT2 receptor counteracts effects mediated via the AT1 receptor thus counteracting cytokines and growth factors. The AT2 receptor belongs to a family of G protein-coupled receptors. In contrast to the ubiquitous AT1 receptor, the AT2 receptor is predominantly expressed during embryonic development. In adults, however, it is mainly expressed after injury and in different disease states.

Clinical studies

Phase I is the first time that the drug is tested on humans. This is usually done on a small group (10-30) of healthy volunteers with normal weight who are always men. This is because women's reproductive capacity is more sensitive if it should prove that the substance is toxic. In the phase I study the safety of the drug is investigated, how it is broken down in the body and its effects. In the phase I study the subject is only given a small fraction of the amount that is given to experimental animals, because the effect on people is completely unknown.

Phase II is carried out on a larger group of patients suffering from a disease (20-3,000) to study how effective the drug is to treat the disease. During phase II, dose studies are also usually conducted to arrive at the right dose to be given to patients in the future. This dose is used later in the phase III studies. Phase II studies can be divided into early phase (IIa) and late phase (IIb)

Phase III is carried out in a very large population (300-30,000) to conclusively define how suitable the drug is to treat the disease. This patient group should as far as possible mimic the population of which the finished product is to be used on, e.g. weight, age, gender, etc. Comparisons are made to the current standard treatment or placebo (sugar pill) if there is no standard treatment for the disease. Phase III may also be divided into two subgroups phase IIIa and phase IIIb. In phase IIIa, the drug has not come out in the market yet and during phase IIIb the drug is on the market, but new areas of use for it are tested.

Phase IV comes after the drug has started to be sold in the market, when new unusual side effects can be discovered. Phase IV can be seen as a monitoring of what is happening.

Idiopathic pulmonary fibrosis (IPF)

IPF is a chronic and ultimately fatal disease characterized by a progressive decline in lung function. The term pulmonary fibrosis means scarring of lung tissue and is the cause of worsening dyspnoea (shortness of breath). Fibrosis is usually associated with a poor prognosis. IPF usually occurs in adult individuals of between 50 and 70 years of age, and affects more men than women.

Preclinical research

Preclinical research is a stage of research that begins before clinical trials (testing in humans) can begin, and during which important feasibility, iterative testing and drug safety data are collected. The main goals of pre-clinical studies are to determine the safe dose for first-in-man study and assess a product's safety profile.

RAS, Renin-Angiotensin System

The Renin-Angiotensin System (RAS) or the Renin-Angiotensin-Aldosterone System (RAAS) is a hormone system that regulates blood pressure and water (fluid) balance. Drugs that block the ras, e.g. ACE inhibitors and Angiotensin receptor blockers, have been widely used clinically to treat high blood pressure, and for reducing mortality of patients with myocardial infarction and heart failure patients. With these drugs, the negative effects of Angiotensin II are blocked, which occurs when AT1r stimulated.

Receptor

A specific molecule on the surface or within the cytoplasm of a cell that recognizes and binds with other specific molecules, such as the cell molecules that bind with hormone or neurotransmitter molecules and react with other molecules that respond in a specific way.

Regulatory

Summary term for the work done to meet the authorities' formal requirements regarding, for example, pharmaceutical registration.

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