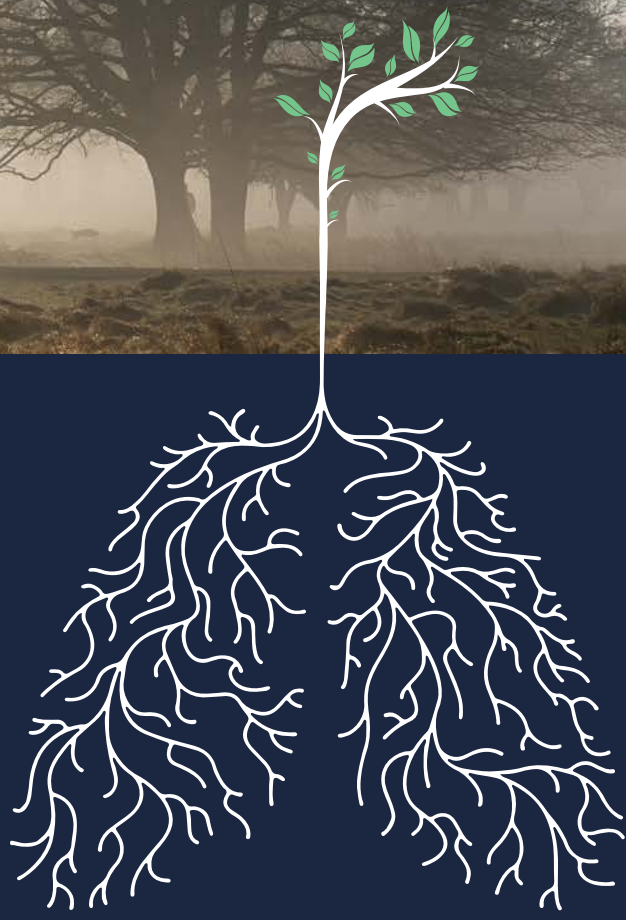
Annual Report 2019

Vicore Pharma Holding AB (publ)



vicorepharma.com

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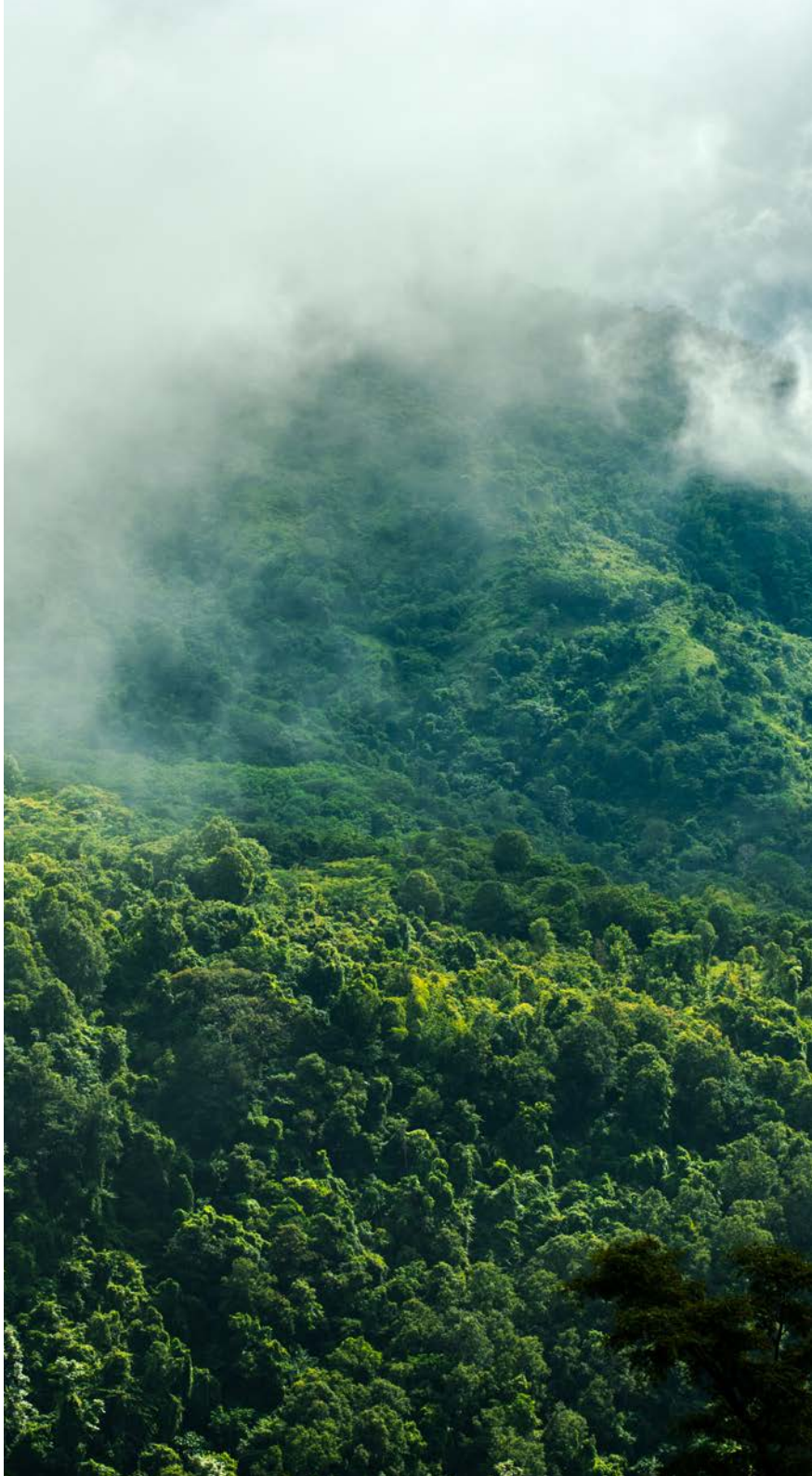


Summary of the Period

Financial overview for 2019

Net sales amounted to 0.0 MSEK (0.5).

The operating loss was -94.0 MSEK (-4.6).

Loss for the period amounted to -93.1 MSEK (-21.7).

Loss per share before and after dilution was -2.16 SEK (-0.95).

Cash and short-term investments as of December 31, 2019, amounted to 264.6 MSEK (224.7).

Important events during 2019

- In January, the directed share issue of approximately 160 MSEK was approved by an Extraordinary General Meeting.
- In April, pulmonary fibrosis in systemic sclerosis ("SSc") was chosen as the second indication for the lead program VP01 (C21). It complements the primary indication, idiopathic pulmonary fibrosis ("IPF").
- In September, the outcome of the dose escalation phase I study with C21 was announced. The study established that 200 mg daily has a good safety profile and that it was the maximum tolerated dose. This dose will be used in the planned phase II studies in IPF and SSc.
- In September, Vicore was approved for uplisting to Nasdaq Stockholm. First day of trading was on September 27.
- In October, an application to start a phase II study with C21 on cold induced vasoconstriction in subjects with SSc was submitted. The application was approved and the first patient was recruited in December. The study is expected to be completed within one year.
- In November, a directed share issue raising 125 MSEK before transaction costs was performed.

Important events after the year end

- In January, Vicore issued 243,525 shares to the warrant holders in the incentive programme LTIP 2016.
- In the beginning of 2020, the phase II study with C21 in patients with SSc dosed its first patients.
- In March, Vicore submitted a Clinical Trial Application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with IPF. The study has been re-designed and extended to six months, compared to the earlier planned three months, in order to increase the probability of documenting a treatment effect. This will be enabled by comparing the development of the patients' lung function with the well documented disease progression in untreated patients. In addition, patients will be given the opportunity to continue treatment for another three months. The study will not include a placebo group.
- In March, Vicore submitted a Letter of Intent (LoI) to file a clinical trial application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with COVID-19. The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation. The clinical part is estimated to take three months to finalize. Estimated read-out is during 2020.

The group consists of the parent company, Vicore Pharma Holding AB (publ) ("Vicore"), the subsidiary, Vicore Pharma AB ("Vicore Pharma") and INIM Pharma AB ("INIM Pharma")

Financial calendar

May 5, 2020	Interim report, quarter 1
May 20, 2020	Annual General Meeting 2020
August 26, 2020	Interim report, quarter 2
November 6, 2020	Interim report, quarter 3
February 26, 2021	Year-end report 2020

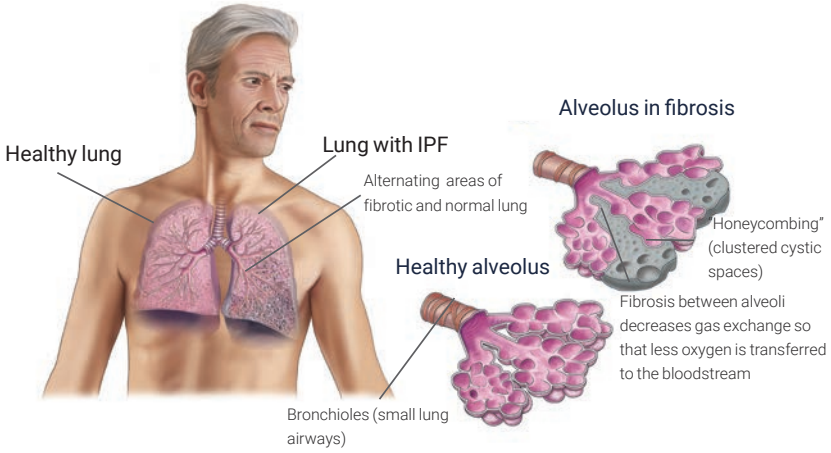
Financial reports are available on the company's website www.vicorepharma.com from the day of publication

Vicore in Brief

Vicore Pharma is a rare disease pharmaceutical company focused on interstitial 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"), pulmonary fibrosis in systemic sclerosis ("SSc") and COVID-19. VP02 is based on a new formulation and delivery route of an existing immunomodulatory compound (an "IMiD"). VP02 focuses on the underlying disease and the severe cough associated with IPF. VP01 and VP02 are also being actively evaluated for other indications within the field of fibrotic lung diseases which have a significant high unmet need.In addition to the two main projects, work is ongoing to identify new selective AT2 receptor stimulators for further development. This work is done in collaboration with external researchers.

Idiopathic Pulmonary Fibrosis (IPF)

Idiopathic pulmonary fibrosis ("IPF") is characterized by progressive fibrosis (scarring) in the lungs. The disease gradually causes impaired lung function leading to shortness of breath and cough. In later stages of IPF, signs of pulmonary hypertension are often seen.



Pipeline

	Indication	Explorative	Preclinical	Phase I	Phase II
VP01 (C21)	Idiopathic pulmonary fibrosis (IPF)				CTA* submitted
	Pulmonary fibrosis in systemic sclerosis (SSc)				
	COVID-19				LoI** submitted
VP02 (IMiD)	Idiopathic pulmonary fibrosis (IPF)				
New follow-up molecules	Fibrosis				

Finalized Ongoing

* Clinical Trial Application
** Letter of Intent

Ongoing/planned activities during 2020

VP01 (IPF): Phase II: Show effect on lung function on patients with IPF

VP01 (SSc): Phase II: Mechanistic study, show vessel dilatation in patients with SSc

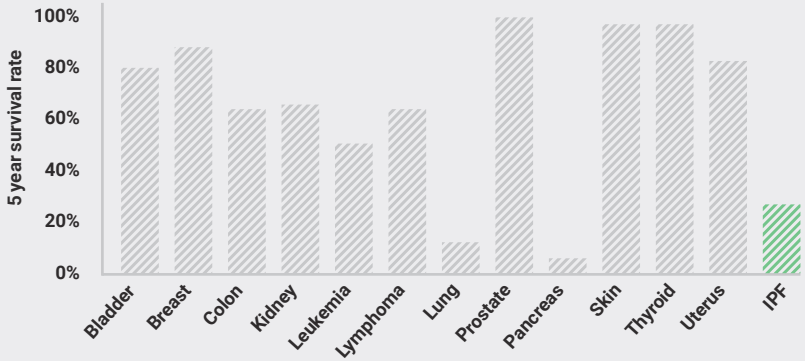
VP01 (COVID-19): Phase II: Prevent further disease progression in patients with COVID-19

VP02: Ongoing toxicology studies. Submit CTA for phase I study by the end of 2020

New follow-up molecules:
Preclinical phase

Comparison of the 5 year survival rate for IPF and various forms of cancer

The median survival rate after diagnosis for patients with IPF is currently 3-5 years after diagnosis.



Source: Vancheri et al, Idiopathic Pulmonary Fibrosis: a disease with similarities and links to cancer biology, 2010

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 of IPF per year. Approximately 80,000-100,000 people in the EU live with IPF

Source: Navaratnam et al, 2011 https://thorax.bmj.com/content/66/6/462

The incidence of IPF is rising and estimates to be double in 2030

Up to **70%** of the patients with IPF suffers from severe cough

There are two drugs for IPF available on the market today. Despite a limited effect and risk of severe side effects their total sales in 2018 amounted to approximately

2.3 BUSD

Source: Corporate reports; Roche, sales in 2018 (Esbriet) and Boehringer Ingelheim, sales in 2018 (Ofev)

Year in Brief

An eventful year for Vicore

Systemic sclerosis established as the second indication for VP01

In April, Vicore announced pulmonary fibrosis in systemic sclerosis ("SSc") as the second indication for VP01 (C21) besides idiopathic pulmonary fibrosis ("IPF"). The disease has the highest mortality amongst all the rheumatological conditions.The strong upregulation of the angiotensin II type 2 receptor in SSc provides us with the belief that VP01 could be highly interesting for this indication and thus another exciting opportunity. There is a clear logic in examining the effect on the vascular mechanisms of SSc as a complement to the antifibrotic effects tested in IPF. Ofev (Boehringer Ingelheim) was recently approved for the treatment of pulmonary fibrosis in SSc and reduces the course of the disease by 50 percent.

Safe and well tolerated dose of C21 established in successful dose escalation phase 1 study

In September, Vicore completed a 54-subject phase I dose-escalation study with C21 in the company's VP01 project. The study established that 200 mg daily has a good safety profile and that it was the maximum tolerated dose. This dose is used in the phase II studies in IPF and SSc. Moreover, based on receptor-binding data, Vicore has concluded that this dose results in a free C21 plasma concentration that is sufficient to activate the AT2 receptor. In addition to being a high affinity AT2 receptor agonist, Vicore could report that C21 is also a low affinity thromboxane receptor (TP receptor) antagonist, which is relevant for conditions such as SSc and pulmonary fibrosis where platelet activation contributes to disease manifestations.

Up-listing of Vicore's shares to Nasdaq Stockholm's main list

On September 27, we reached a milestone through the up-listing of Vicore's shares to Nasdaq Stockholm's main list. This is an important step in our long-term plan to develop Vicore and increase the attractiveness of our share as the potential investor base grows.

Successful directed share issue of SEK 125 million.

Vicore successfully completed a directed share issue of 7,800,000 shares, raising approximately 125 MSEK. The issue was subscribed for by Swedish and international institutional investors including the Fourth AP Fund, Handelsbanken Fonder, HBM Healthcare Investments, HealthCap and Swedbank Robur. The subscription price implied that the discount to the stock price was only 1.5 percent. Vicore intends to use the proceeds in ongoing drug development programs.

Several key recruitments

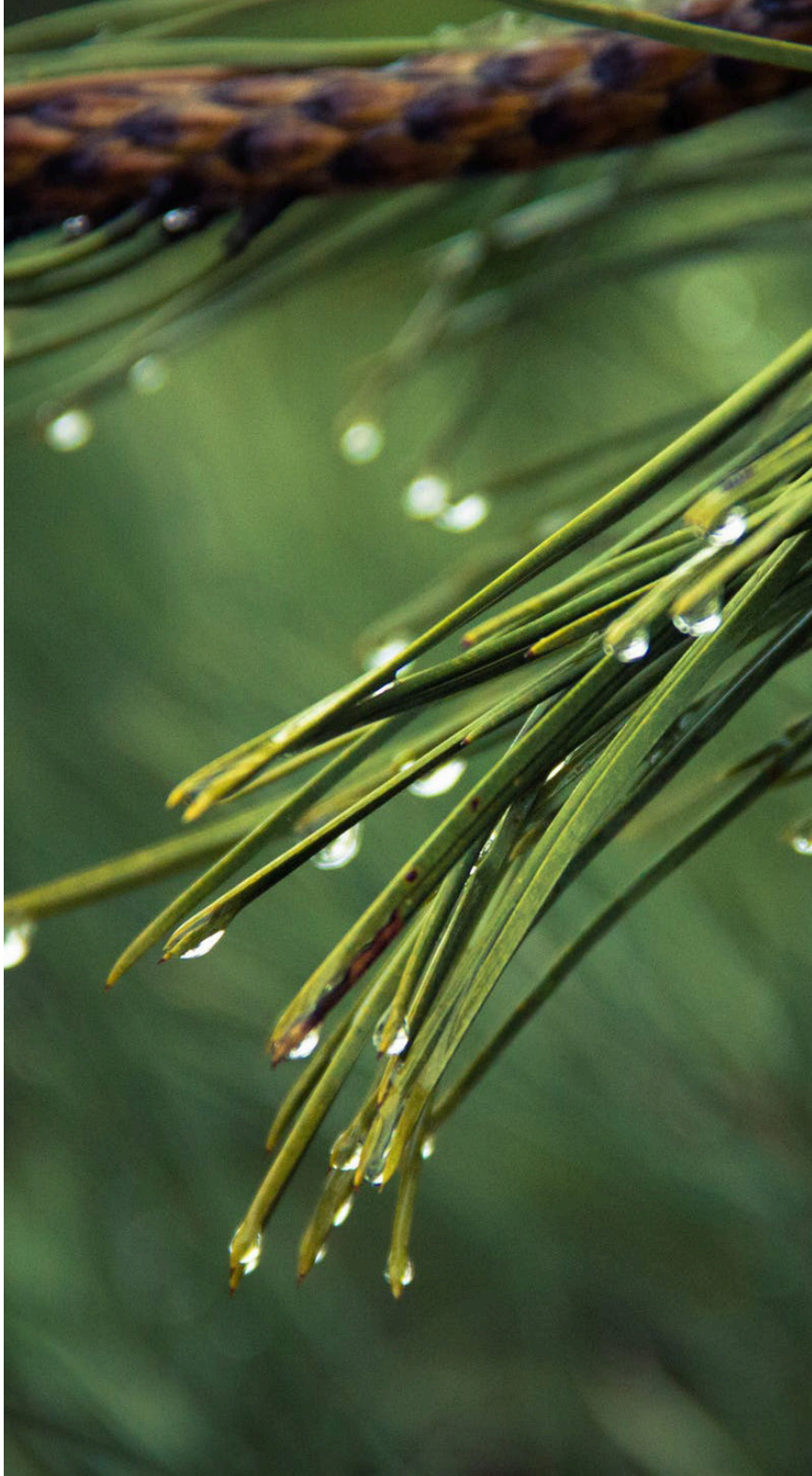
In addition to the key recruitments completed during the fall of 2018, Mimi Flensburg was hired in the spring of 2019 as head of clinical operations. Mimi is critical to ensuring control of our patient studies. Vicore also recruited Rick Lilly as a senior regulatory partner with extensive experience in rare diseases, Rick is based in the UK and will work with regulatory interactions. A high-quality organization is crucial in creating the best possible conditions for the clinical studies. It improves the control over study data and ensures that the quality is maintained to achieve the highest possible efficiency in the execution.

Phase II clinical trial in SSc started to recruit patients

The phase II clinical trial in SSc started to recruit patients in December according to plan and is expected to be completed within a year from start. The study intends to study the effect of C21 on cold-induced vasoconstriction in patients with SSc. It will shed light on the role and potential effect of the AT2 receptor on improving blood flow in diseased tissues, an effect that may benefit patients with SSc as well as patients with IPF.

The VP02 program progressed according to plan

The VP02 program, which relates to local lung delivery of an IMiD to patients with IPF and IPF associated cough, is progressing according to plan and a product candidate showing promising separation between local and systemic exposure is being progressed into toxicology studies.



CEO Comments

2019 was a busy year in which we took a number of significant steps towards the overall goal of developing Vicore into a company with an attractive portfolio of drugs for the treatment of rare lung diseases such as idiopathic pulmonary fibrosis (IPF) and other that match the specific characteristics of our drug candidates. The high pace in our projects continues in 2020.

In September we completed our phase I dose-escalation study in C21 (VP01). The study established that 200 mg daily has a good safety profile and that it was the maximum tolerated dose. This dose is now used in the phase II studies with C21.

Another significant milestone in 2019 was the listing on Nasdaq Stockholm's main market at the end of September. It represents a cornerstone to further increase the interest in Vicore and our share in the longer term.

In November, we successfully completed a share issue of approximately 125 MSEK directed to Swedish and foreign institutions. The issue strengthened our balance sheet significantly, which allows us to maintain a high pace in our development programs and thus potentially minimizing the time it takes to reach the market.

During the fourth quarter and the beginning of 2020, we have had an intense focus on our phase II studies within the VP01 project.

The selection of systemic sclerosis (SSc) with pulmonary fibrosis as the second indication of VP01, after IPF, is logical. The strong upregulation of the angiotensin II type 2 receptor in SSc and the angiotensin II type 1 receptor driving the disease make it highly interesting to test C21 for this indication. SSc also shows a strong vascular component.

"A CTA for the phase II study in IPF was submitted in March 2020 "

In the ongoing Phase II study, we are studying if C21 can increase blood flow in patients with SSc and Raynaud's phenomenon in a cold challenge test. Effects on blood flow can be significant even in the lung manifestations in SSc as well as in IPF. The study has recruited patients faster than planned. However, the clinical trial work has been slowed down due to the situation with COVID-19. We anticipate to start again this fall and with a similar recruitment pace the study will be finished before the end of the year.

The clinical trial application (CTA) for the Phase II study in patients with IPF was submitted to the UK regulatory agency, MHRA, at the end of March. The study has been modified to give us a stronger statistical power and further strengthen the prerequisites for patient recruitment. The extension from three to six months has a dramatic effect on the statistical power to capture any treatment effect. The fact that it is an open label study without a placebo group makes it more attractive for patients as they are certain to be treated with the active substance. The study includes approximately 60 patients and the observed treatment effect of C21 will be compared with the well-documented linear decline of lung function in untreated patients. Depending on the COVID-19 situation, we anticipate that patient recruitment for the study can start during Q3 2020.

On March 31, we submitted a Letter of Intent to file a CTA to the UK regulatory agency MHRA for a phase II study

Read more

Carl-Johan Dalsgaard, CEO

with C21 in patients with COVID-19. We also submitted the first regulatory documents for an initial review in a rolling submission, as recently agreed with the MHRA. The formal application will be submitted as soon as all necessary documents are available, with a decision by the MHRA expected to follow shortly thereafter.

There is a good scientific rationale for studying C21 as a potential treatment of COVID-19. It has recently been shown that the SARS CoV-2 virus utilizes the enzyme ACE2, which is part of RAS, for entry into the cell. This inactivates the ACE2 enzyme, creating an imbalance in the local RAS, leading to acute lung injury. Given that ACE2 generates the natural ligands for AT2R, Vicore Pharma believes that, by acting directly on the AT2R, C21 may suppress inflammatory mediators and bypass the way by which the virus incapacitates the system. Our aim is to start the study during the first half of May and complete it three months later. Against this background, it feels important to try C21 against one of the worst pandemics of modern times.

"There is a good scientific rationale for studying C21 as a potential treatment of COVID-19"

The VP02 program, which concerns the local delivery of an IMiD to the lung for the treatment of IPF and IPF related cough, is proceeding according to plan. A product candidate that shows promising separation between local and systemic exposure is now being further explored in toxicological studies. The regulatory application in connection with the first clinical study within the VP02 program is planned for late 2020.

In summary, we have entered 2020 at a good starting point: a world-class team, a strong balance sheet and a high pace in our drug development projects. Although the COVID situation may slow us down a bit, it also generates new opportunities. Our focus is to create the best possible odds for our drug candidates to reach the market and thereby help severely suffering lung patients.

Carl-Johan Dalsgaard, CEO

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.

Goal

Vicore's goal is to establish itself as a leading company 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.

The Road Ahead

Vicore's long-term goal is to establish the company as a leading player in fibrotic lung disease and related indications. Through clinical studies, we will substantiate the therapeutic properties of VP01 (C21) and VP02 (the IMiD-technology) in idiopathic pulmonary fibrosis("IPF") and other related indications. The goal is to build significant value in the company by generating strong clinical data and thereby creating the prerequisites for future financing and commercial collaborations. In addition to the two main projects, work is underway to identify new selective AT2 receptor molecules for further development. This work is done in collaboration with external researchers.

Further down the road, our goal is to obtain regulatory approval and launch medicines to help patients suffering from fibrotic lung disease. An advantage with orphan indications is that smaller companies can choose to commercialize their products themselves and thus do not have to depend on a larger partner for final development, marketing, sales and reimbursement.

Fibrotic lung disease is an area where there is a great need for new and effective treatments. This attracts considerable interest from the major pharmaceutical companies, which may open up for potential commercial partnerships in the future.

Focus on the patient

Vicore has a patient-centered focus and works with patient groups in severe lung diseases - non-profit organizations started by patients, caregivers, family members or healthcare professionals - to understand their experiences and needs. In 2019, Vicore made a contribution to Action for Fibrosis as part of increasing the understanding of IPF. Vicore is also a sponsor of the EU-IPFF charity and participates in their conventions.

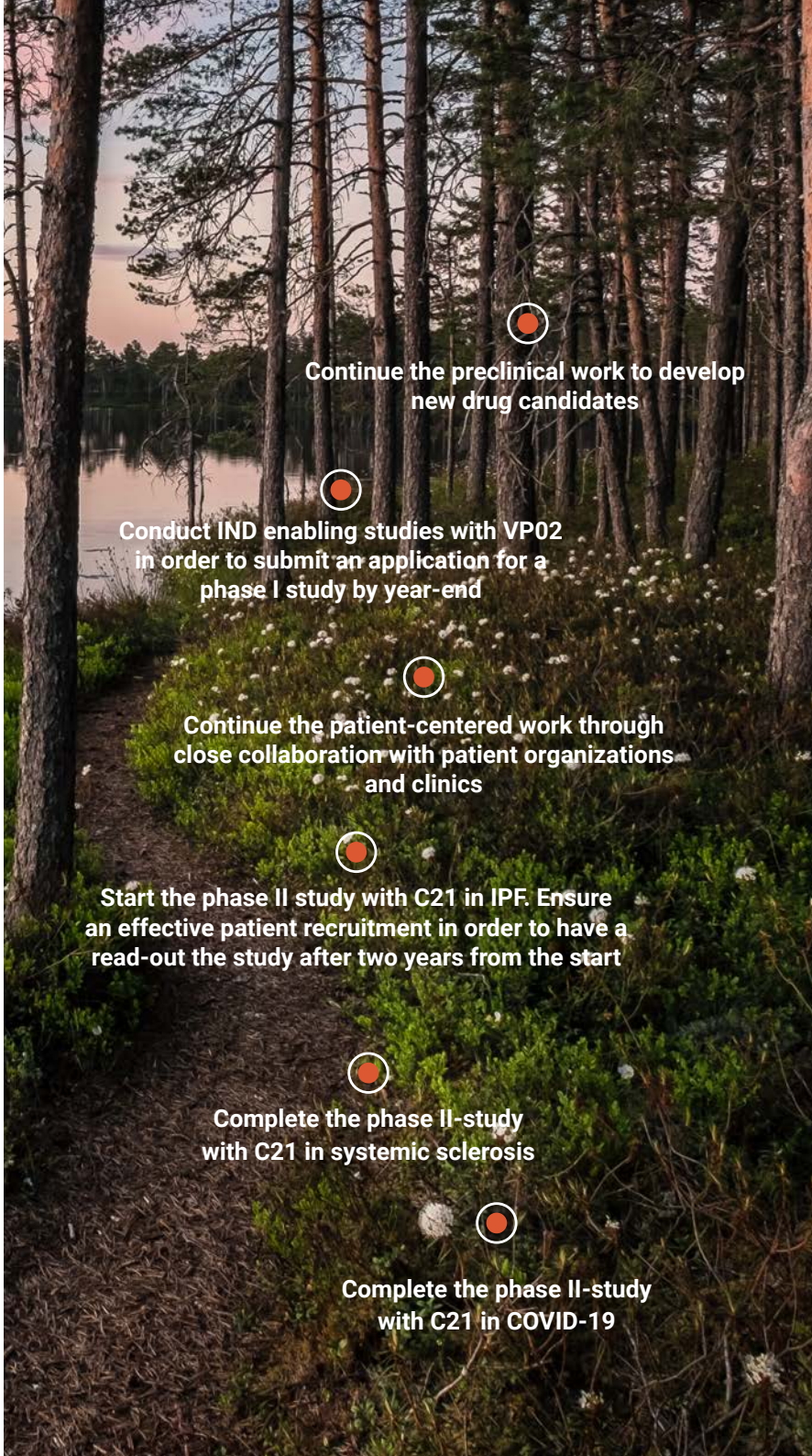
VP01

VP01 aims to develop the substance C21 for the treatment of idiopathic pulmonary fibrosis ("IPF") and the pulmonary fibrosis associated with systemic sclerosis ("SSc"). In September 2019, Vicore completed a phase I dose optimization study in 54 individuals with C21. The study was able to establish that 200 mg daily is safe and constitutes the highest tolerable dose. This dose is used for the phase II study in patients with SSc and will be used in the phase II study in IPF.

The phase II clinical trial in SSc began recruiting patients in December 2019 according to plan and is expected to be completed within a year from start. The trial intends to study the effect of C21 on cold-induced vasoconstriction in patients with SSc. It will shed light on the role and potential effect of the AT2 receptor on improving blood flow in diseased tissues, an effect that may be important for fibrotic lung disease and benefit patients with SSc as well as patients with IPF.

The second phase II study addresses the potential effects of C21 in patients with IPF. The clinical trial application (CTA) was submitted in March 2020. It will be an open label 6-month study in approximately 60 patients with estimated read-out two years from start. We will also allow patients to continue the treatment for another 3 months. It is our ambition to conduct the best possible study to answer the question if C21 can preserve lung function in patients with IPF.

The third phase II study with C21 aims to prevent the progression of the disease in patients with COVID-19. The hope is that C21, by acting directly on the AT2R, C21 may suppress inflammatory mediators and bypass the way by which the virus incapacitates the system. The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation.



VP02

VP02 is based on a new administration method for an existing immune modulating substance (an "IMiD"). In addition to the underlying disease VP02 focuses on the severe cough associated with IPF. The program, which deals with local delivery of an IMiD to the lung for the treatment of IPF and IPF cough, progressed according to plan in 2019 and a product candidate showing promising separation between local and systemic exposure is now being further developed in toxicological studies. A successful meeting with the medical authorities (MPA) to discuss the clinical study was conducted in March 2020. The regulatory application for the first clinical study is planned for the latter part of 2020.

Partnerships and collaborations

Vicore has several important partnerships with external partners. One of these is the collaboration with Emeriti Bio, which aims to develop new follow-up molecules based on C21 and other pharmaceutical substances. Vicore compensates Emeriti Bio through consulting fees, possible milestone payments and royalties if the collaboration results in approved products.

The company also has a license agreement with Nanologica and the use of their drug administration technology (NLAB Aero®) within the framework of VP02. Nanologica's technology consists of nanoporous amorphous silicon particles that can be charged with drug molecules in its amorphous form. By storing the drug molecules in their amorphous readily soluble form within the particles, local uptake can be maximized while the total dose can be minimized. Thus, through Nanologica's technology, substances which are less soluble, such as IMiDs can be more readily available as drugs.

Research and development

Vicore's research and development is focused on discovering and developing new drugs in the field of severe and rare lung diseases and related indications. Protecting intellectual property rights through patents is an important part of this work. Vicore also works with external partners as a complement to its internal expertise.

Market Overview

The European Idiopathic Pulmonary Fibrosis and Related Disorders Foundation has estimated that between 80,000 and 111,000 people in the EU are currently living with idiopathic pulmonary fibrosis ("IPF"), with up to 35,000 new cases being diagnosed each year. In the USA, approximately 100,000 people are currently living with IPF according to the National Institutes of Health (NIH), with 30,000-40,000 new diagnoses per year. The NIH has estimated the overall prevalence worldwide to be 13-20/100,000 people. Both the incidence and prevalence of IPF is increasing worldwide[1].

The market for pharmaceuticals for the treatment of IPF in the seven largest markets in 2018 amounted to 2.3 BUSD, of which the USA accounted for approximately 90 percent of sales[2]. The price for one year's treatment of IPF can be close to 100,000 USD. As the proportion of the general elderly population, aged 65 and above, is rising and projected to more than double to an estimated 21 percent by the year 2050[3], aging is considered to be the greatest factor contributing to an increasing prevalence of IPF. The global market for IPF is expected to reach 5.9 BUSD by 2025, growing at a CAGR of 13.1 percent over the forecast period[4].

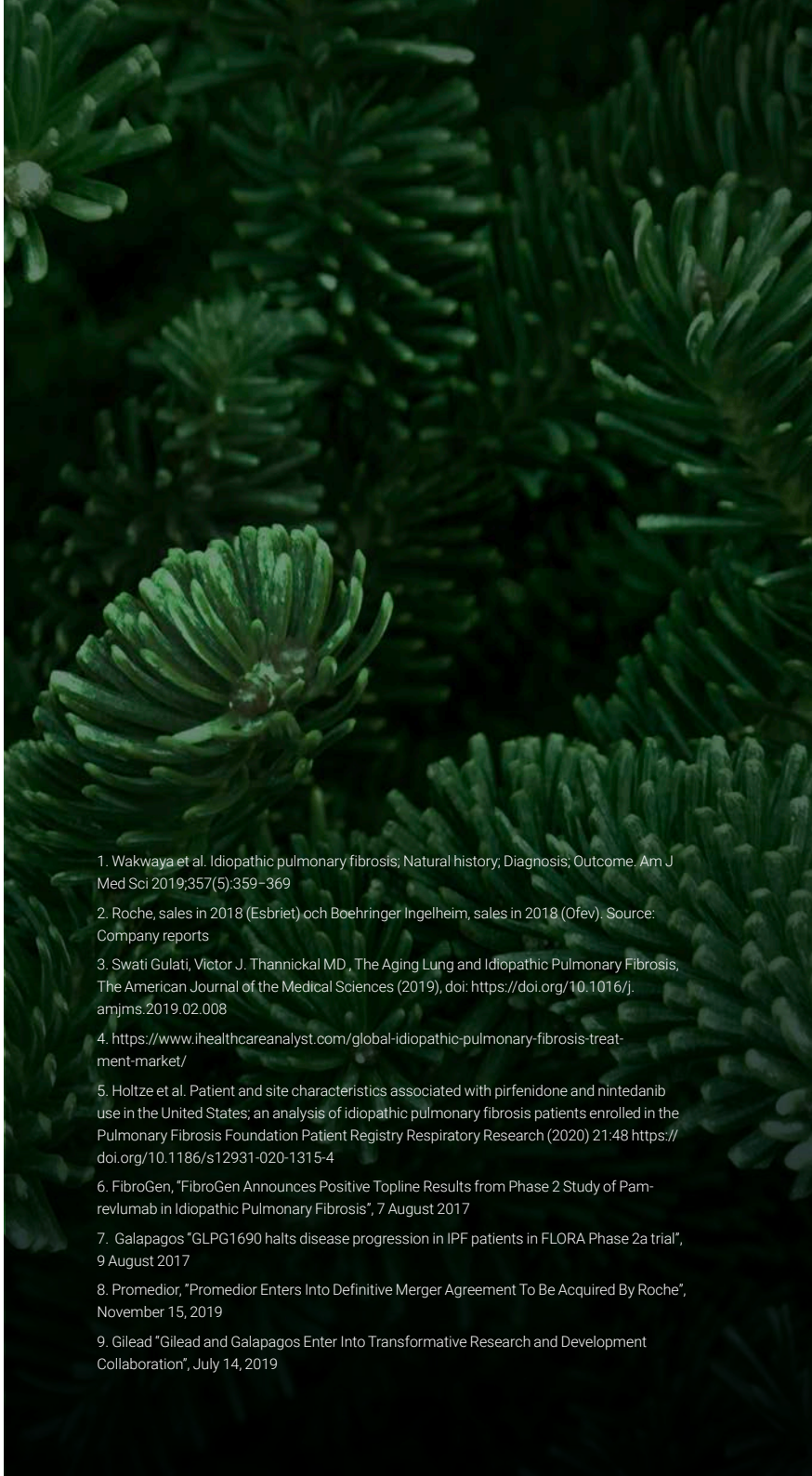
The market today consists of two approved drugs that can slow down the progression of the deterioration of lung function, Esbriet (pirfenidone; Roche / Shionogi) and Ofev (nintedanib; Boehringer Ingelheim). Although both Esbriet and Ofev can slow down the course of the disease, these drugs are associated with side effects such as vomiting and diarrhea and have not yet conclusively shown that they can improve the survival or quality of life of the affected patients. The PFF US registry is one of the largest in the world and found that 40 percent of IPF patients were not prescribed either of these medications and it is possible that concerns about side effects could be one of many reasons for deferral of medication initiation[5]. There is thus a significant medical need for a drug that can show better efficacy and / or better safety and tolerance profile compared to existing treatments.

Market trends and competition within IPF

The market for IPF treatment has in recent years attracted a great deal of interest from the pharmaceutical industry due to the significant unmet medical need. IPF as an indication is now the number one priority in the field of respiration among several of the world's leading pharmaceutical companies. As a result, a number of licensing deals and corporate acquisitions have been completed in the area (see table page 11). An indication of the interest in IPF came in 2017 when two companies, Fibrogen and Galapagos, reported promising data from their respective phase II studies in IPF[6, 7]. When Fibrogen reported data from its 48-week study in 103 patients, the company's market value increased by more than 1.1 BUSD. By comparison, the market value increased by more than 400 MUSD when Galapagos reported positive results from its phase IIa study over 12 weeks in 23 patients.

During 2019 and early 2020, a number of different joint ventures or acquisitions in the IPF area were announced. These included Roche's acquisition of Promedior and a joint venture between Gilead Sciences Inc and Galapagos. In the first case, the purchase price was 390 MUSD in cash and an additional up to 1 BUSD may be added if certain regulatory and business objectives are achieved[8]. In the second case, Gillead Sciences paid a total of 5 BUSD to Galapagos to gain access to a portfolio of substances, including six molecules in clinical trials, including one in IPF, and more than 20 preclinical programs[9].

In 2021, patent protection for Esbriet in the United States will expire, while new improved therapies may reach the market. Among the competitors are several of the large pharmaceutical companies such as Galapagos as well as smaller companies such as Fibrogen and Liminal BioSciences.



1. Wakwaya et al. Idiopathic pulmonary fibrosis; Natural history; Diagnosis; Outcome. Am J Med Sci 2019;357(5):359–369

2. Roche, sales in 2018 (Esbriet) och Boehringer Ingelheim, sales in 2018 (Ofev). Source: Company reports

3. Swati Gulati, Victor J. Thannickal MD , The Aging Lung and Idiopathic Pulmonary Fibrosis, The American Journal of the Medical Sciences (2019), doi: https://doi.org/10.1016/j.amjms.2019.02.008

4. https://www.ihealthcareanalyst.com/global-idiopathic-pulmonary-fibrosis-treatment-market/

5. Holtze et al. Patient and site characteristics associated with pirfenidone and nintedanib use in the United States; an analysis of idiopathic pulmonary fibrosis patients enrolled in the Pulmonary Fibrosis Foundation Patient Registry Respiratory Research (2020) 21:48 https://doi.org/10.1186/s12931-020-1315-4

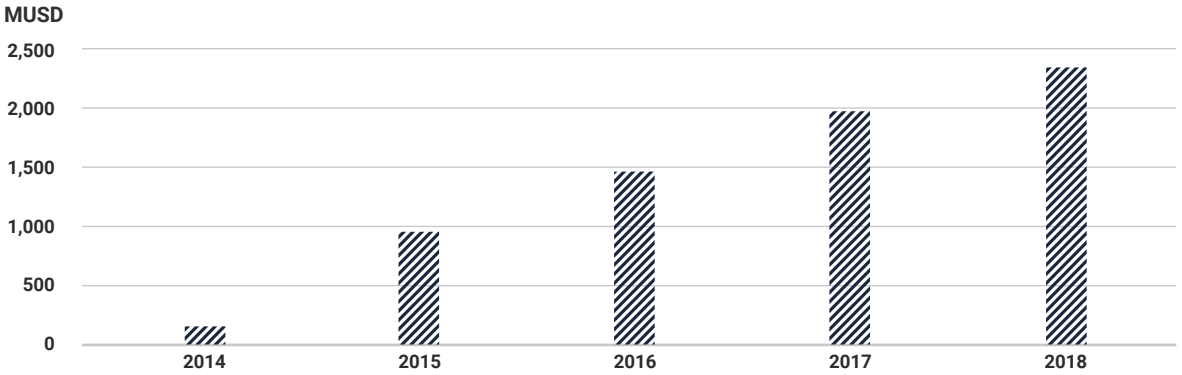
6. FibroGen, "FibroGen Announces Positive Topline Results from Phase 2 Study of Pamrevlumab in Idiopathic Pulmonary Fibrosis", 7 August 2017

7. Galapagos "GLPG1690 halts disease progression in IPF patients in FLORA Phase 2a trial", 9 August 2017

8. Promedior, "Promedior Enters Into Definitive Merger Agreement To Be Acquired By Roche", November 15, 2019

9. Gilead "Gilead and Galapagos Enter Into Transformative Research and Development Collaboration", July 14, 2019

Total sales of IPF drugs



Deals in IPF and severe cough

Year	Target/Licensor	Acquiror/Licensee	Type of deal	Development stage at transaction	Total deal value (MUSD)
2020	Enleofen	Boehringer Ingelheim	License	Preclinical	>1,000 per product, subject to milestones
2019	Promedior	Roche	Acquisition	Phase II	390 + milestones
2019	Galapagos	Gilead Sciences	License	Phase III	5,000 (incl. other therapy areas)
2019	Bridge Biotherapeutics	Boehringer Ingelheim	License	Phase I	1,300
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 Kanada), Registration (USA)	8,300
2014	Galecto Biotech	BMS	Option*	Phase I/IIa	444
2012	Stromedix	Biogen	Acquisition	Phase II	563
2011	Amira Pharmaceuticals	BMS	Acquisition	Phase I	475
2011	Arresto BioSciences	Gilead Sciences	Acquisition	Phase I	225 + milestones

* BMS decided not to exercise its option

The Orphan Drug Market

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.

In the US and Europe, about 60 million people are believed to suffer from one of the 7,000 identified rare diseases[1,2]. It is estimated that in total, about 350 million people around the world suffer from one of the identified rare diseases[3]. Historically, the pharmaceutical industry has not given much 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 were the first to introduce a specific regulatory framework for rare diseases in1983 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[4]:

- USA: <200,000 patients per indication
- Japan: <50,000 patients per indication
- Europe: <5 per 10,000 people (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 up to seven years from approval and in the EU and Japan, up to 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 or a discounted fee to the FDA in the US. In the EU, assistance with the development of the drug is possible and a discount on the fee to the European Medicines Agency (EMA) is also possible[6].

When it comes to orphan drugs, which are aimed at a 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 timeline[7].

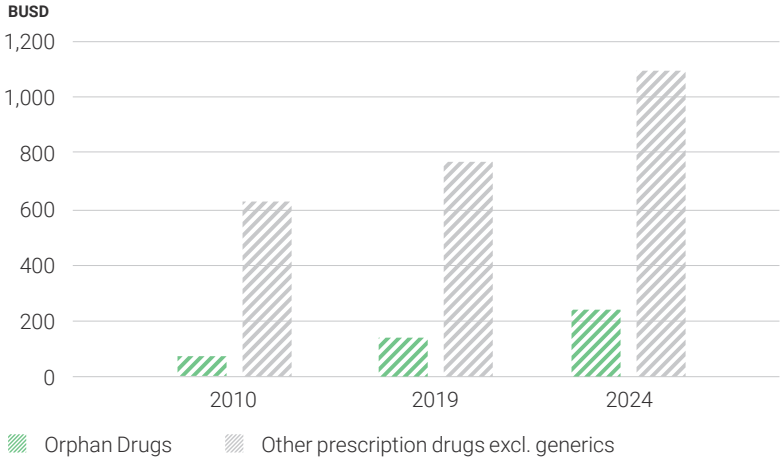
Despite the limited patient population in rare diseases, several large companies focus exclusively on orphan drugs. The US companies Alexion Pharmaceuticals, Biomarin, Celgene and Genzyme are probably the best known examples. Genzyme was acquired in 2011 by Sanofi for approximately 20 BUSD[8] and Celgene was acquired by Bristol-Myers Squibb for approximately 74 BUSD early 2019[9]. 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. 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, Alexion Pharmaceuticals acquired Wilson Therapeutics for approximately 7 BSEK in 2018[10].

The orphan drug market is expanding rapidly

The orphan drug market has shown strong growth in recent years. According to EvaluatePharma, it is projected to grow by 12.3 percent per year until 2024, reaching a value of 242 BUSD. This compares with the expected annual growth of 7.4 percent for the entire pharmaceutical market during the same period[11].

1. ATS (American Thoracic Society) conference 2018
2. European Medicines Agency (EMA), "Orphan designation", 2017
3. Biostock, "The market value of orphan drugs doubled by the year 2022", November 1, 2017
4. EvaluatePharma, Orphan Drug Report 2019, April 2019
5. EvaluatePharma, Orphan Drug Report 2019, April 2019
6. EvaluatePharma, Orphan Drug Report 2019, April 2019
7. Biostock, " The market value of orphan drugs doubled by the year 2022, November 1, 2017
8. Reuters, 2011, "Sanofi to buy Genzyme for more than $20 billion"
9. Bristol-Myers Squibb "Bristol-Myers Squibb to Acquire Celgene", January 3, 2019
10. Alexion,"Alexion To Acquire Wilson Therapeutics", April 11, 2018
11. EvaluatePharma, Orphan Drug Report 2019, April 2019.

Worldwide Orphan Drug & Prescription Drugs Sales



CAGR (cumulative average growth rate) 2018-2024. Orphan drugs 12.3% Other prescription drugs excluding generics 7.4%

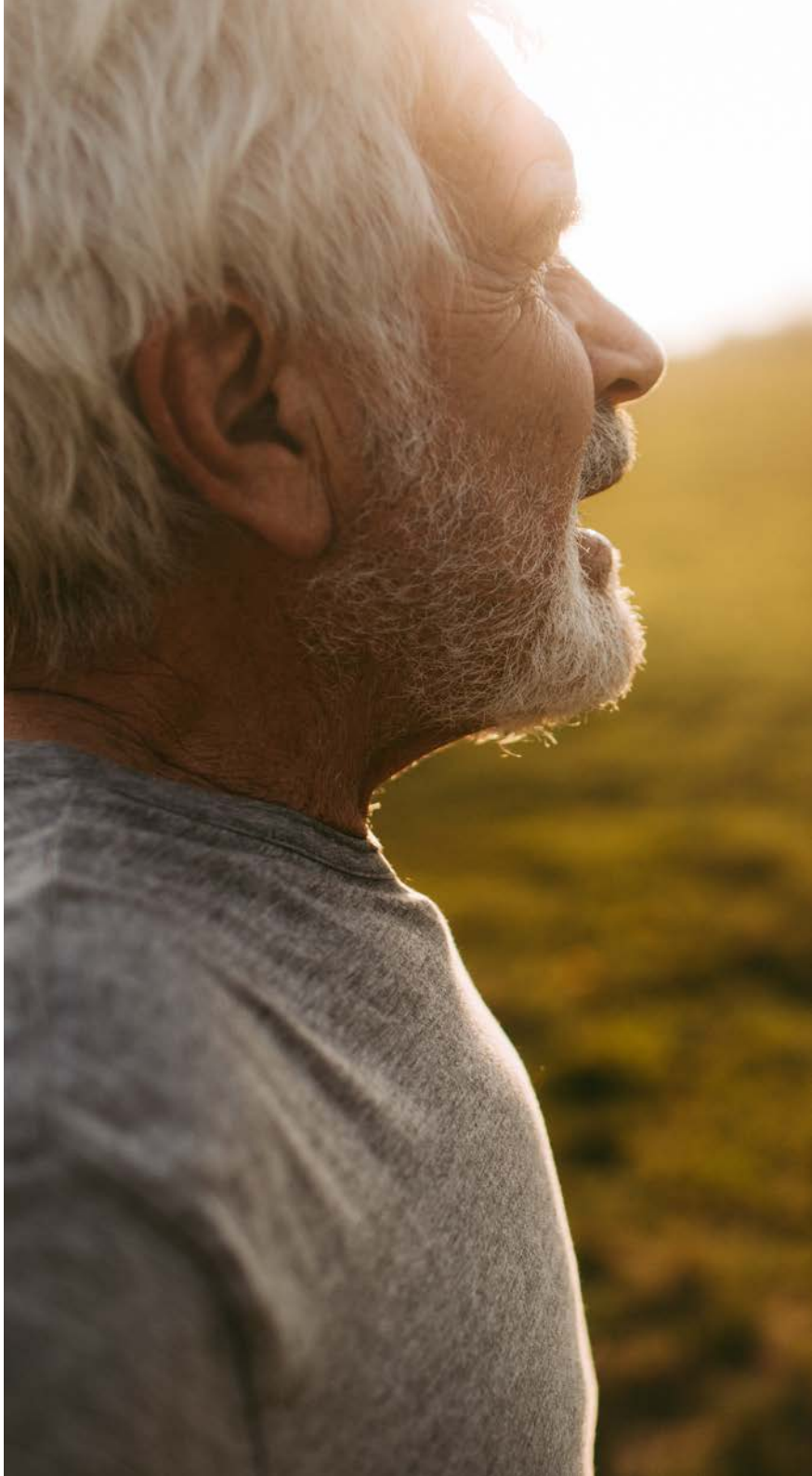
Source: EvaluatePharma, Orphan Drug Report 2019, April 2019.

Idiopathic Pulmonary Fibrosis

Interstitial lung disease (ILD) encompasses a large group of pulmonary disorders of which a majority are classified as rare[1]. In these patients with fibrotic lung disease, the lung tissue becomes thickened, stiff, and scarred. This results in less efficient absorption of oxygen, and breathing becomes increasingly difficult as the disease progresses, leading to dyspnoea. Severe, persistent dry cough is another particularly troubling symptom and correlates with disease progression in conditions such as idiopathic pulmonary fibrosis ("IPF") which is the most common ILD with no known cause.

Debilitating symptoms of dyspnoea and cough typically appear between the ages of 50 and 70 years in IPF and, while the disease is more common in men, the number of cases in women is increasing. Quality of life is significantly impaired as the disease progresses and the prognosis is poor, with a life expectancy of 3-5 years after diagnosis. The five-year survival rate for IPF is less than that for many cancers, including bladder, prostate, breast, thyroid, and colon cancer.

Increased blood pressure in the arteries of the lungs due to vascular compression by scar tissue and other pathological vascular changes can lead to pulmonary hypertension ("PH") and subsequently to right heart failure. PH is a common, often fatal, complication of IPF[2]. which C21 is targeting given the vasodilatory, anti-fibrotic and anti-inflammatory properties[3].



1. Cottin V, Hirani NA, Hotchkin DL, et al. Presentation, diagnosis and clinical course of the spectrum of progressive-fibrosing interstitial lung diseases. Eur Respir Rev 2018; 27: 180076 [https://doi.org/10.1183/16000617.0076-2018].

2. Nathan et al, Pulmonary Hypertension and Pulmonary Function Testing in Idiopathic Pulmonary Fibrosis, CHEST 2007; 131:657–663

3. Bruce, E., Shenoy, V., Rathinasabapathy, A., Espejo, A., Horowitz, A., Oswalt, A., Francis, J., Nair, A., Unger, T., Raizada, M.K., Steckelings, U.M., Sumners, C., Katovich, M.J. 2015. Selective Activation of AT2 Receptor Attenuates Progression of Pulmonary Hypertension and Inhibits Cardiopulmonary Fibrosis. Br. J. Pharmacol., 172: 2219-2231.

Interview with Stephen Jones

IPF patient and chair of the charity organisation Action for Fibrosis.

"Debilitating is the best way to describe IPF cough …it impacted all aspects of my life.

Can you please introduce yourself and your back-ground?

My name is Steve Jones. I am the Chair of Action for Pulmonary Fibrosis UK, a charity founded in 2013 by patients, family members and doctors specialising in pulmonary fibrosis.

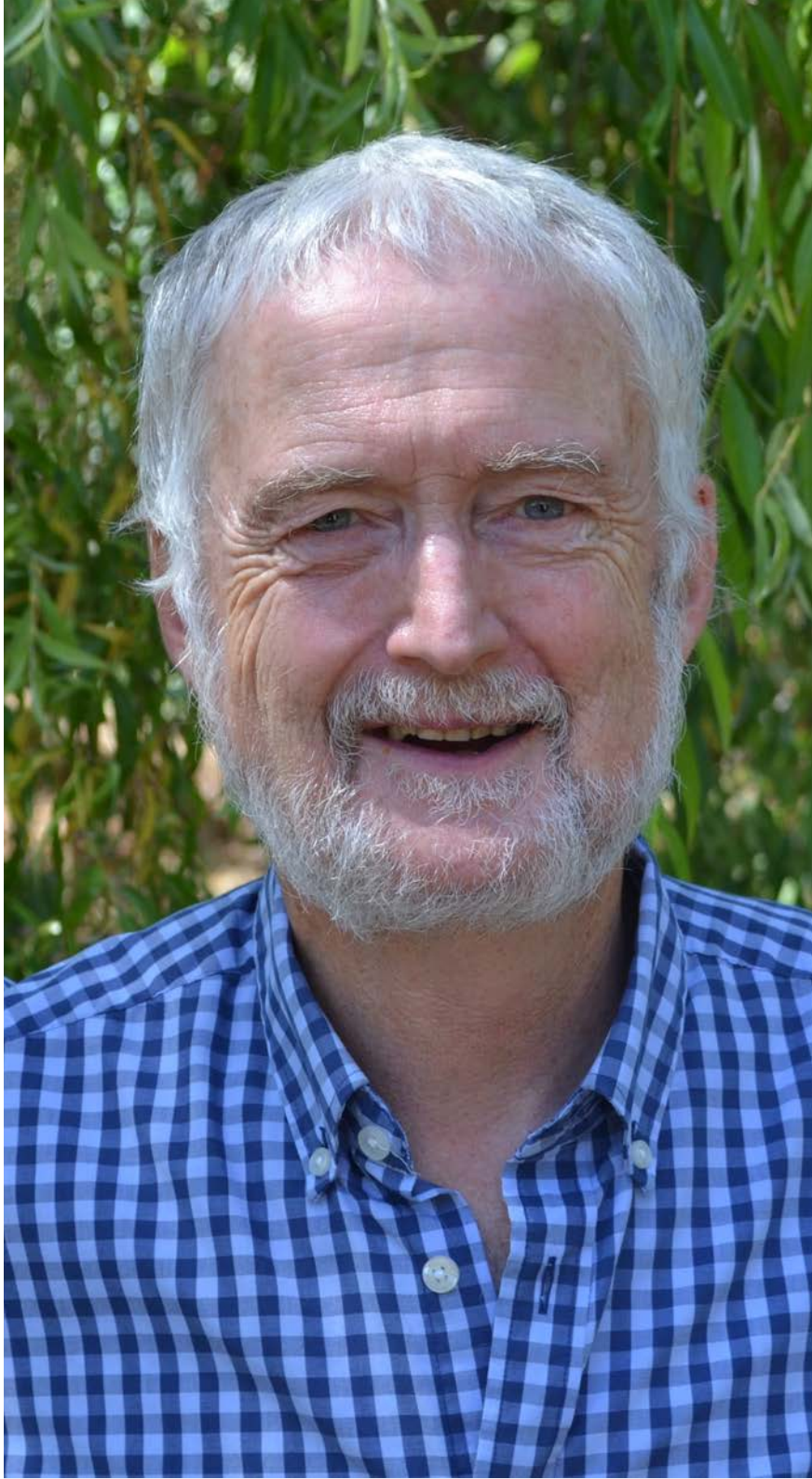
I was diagnosed with IPF in 2008 and lived with the disease for eight years, before receiving a single lung transplant in 2016, at the age of 67. I'm very fortunate to have survived to enjoy my 70th birthday.

I'm also on the Executive Board of the European Idiopathic Pulmonary Fibrosis and Related Disorders Federation (EU-IPFF) and on the Council of the European Lung Foundation (ELF).

Tell us about your journey to the diagnosis of IPF

It took around five months to be diagnosed with IPF. I first went to my GP with a persistent cough. He changed my blood pressure medication, which seemed to stop my cough for six months but then it came back. I expected my doctor to change my blood pressure medication again, but he referred me to my local hospital for a chest X-ray, then a CT scan, and lastly a bronchoalveolar lavage, at a specialist centre. When the results came back, I had my diagnosis: IPF.

My journey was straight-forward and I was diagnosed fairly quickly, which isn't always the case. Results from a 2018 survey by Action for Pulmonary Fibrosis of 776 patients in the UK showed that 35 percent were initially diagnosed incorrectly, while a study by EU-IPFF showed that 37 percent of patients across Europe were misdiagnosed. Misdiagnosis is very common among IPF patients because the disease can be mistaken for other respiratory conditions such as pneumonia and asthma. The average time to diagnosis in the UK is seven months, with some patients unfortunately remaining undiagnosed for over two years. For a disease with a survival prognosis of only 3-4 years from diagnosis, this is serious.



This narrative has been developed in collaboration with Action for Fibrosis to which Vicore provided a grant to the charity in order to raise awareness of IPF and support research within this field.

You mentioned that one of the initial symptoms of IPF is a cough. What's the difference between IPF cough and what we know as 'normal' coughing?

For many people, IPF cough starts as a tickly, dry and persistent cough. Up to 70 percent of IPF patients experience cough during the disease but not everyone has it from the start. Over time, my cough became productive, with lots of phlegm: sticky phlegm is a particular problem as it's more difficult to clear than watery phlegm. Coughing becomes very exhausting and impacts other parts of an IPF patient's life.

Debilitating is the best way to describe IPF cough… it impacted all aspects of my life. At work, I found myself muting calls to allow myself to cough, or avoiding calls altogether. When I worked with clients, I had to pretend that there was nothing wrong, which was isolating. Before IPF, I used to like telling one-liner jokes, but I had to stop because my cough always seemed to get in the way. My family and friends were understanding but I know some patients are embarrassed by their cough and feel they can no longer meet people socially.

How did IPF cough affect your family?

My children were especially worried about me because, to them, a worsening cough was an indication of the developing disease. They were especially concerned when I spoke to them on the phone because I coughed so much. The cough was always there and very unpleasant. It affected my sleep and my family's as well.

Is there an unmet need when it comes to managing IPF cough?

Yes, most definitely. Currently, there is no treatment available for IPF cough. However, there is some hope now, as we know that there are a few drugs in the pipeline which target IPF cough.

What are the best approaches people can use to relieve IPF cough?

I couldn't find any medicines to relieve my cough. However, I found that riding my electric bike helped. It forced me to breathe more deeply, which loosened the phlegm and made my body feel more efficient. I found a special place on my cycle route where I used to stop for a while and force myself to cough it all up. It felt good for a few hours until the phlegm built up again.

What resources are currently available for IPF patients?

Action for Pulmonary Fibrosis, which I chair, currently has a network of around 80 support groups, which we aim to increase to 100 over the next two years. At first, I was reluctant to go to a support group. When I finally decided to attend a support group meeting, I was surprised at how much I enjoyed it. I became a born-again support group enthusiast! The benefits of the support group are that everyone understands what you're talking about, we support each other, share experiences, and find out about the latest treatments and ways of managing symptoms.

My role as Chair of Action for Pulmonary Fibrosis also includes helping colleagues to organise patient information days, across the UK. We're also in contact with around 4000 patients, directly and indirectly. We aim to provide a space for those diagnosed with pulmonary fibrosis, where they can connect with others and find support.

Systemic Sclerosis (SSc)

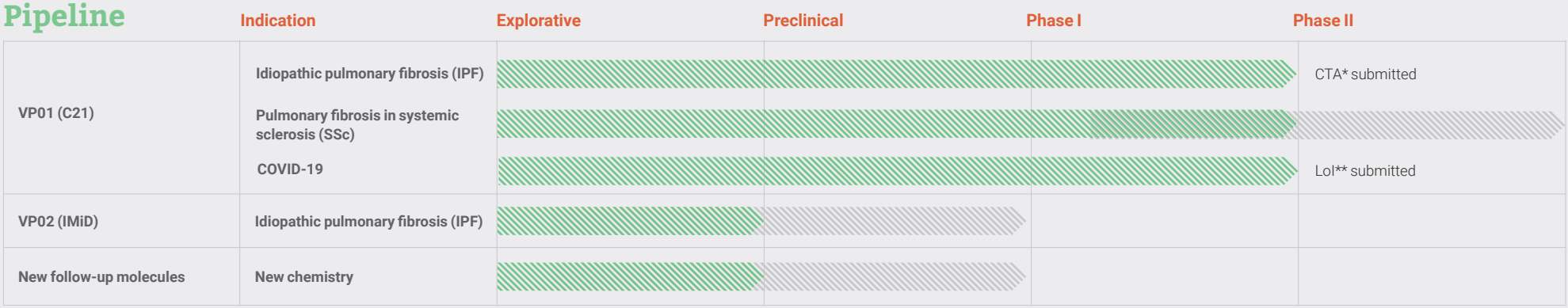
Systemic sclerosis ("SSc") related pulmonary fibrosis is the second potential indication for VP01 (C21). SSc is a disease with a strong involvement of angiotensin II and an upregulation of the angiotensin II type 2 receptor (AT2R - the C21 target) which is known to mediate anti-fibrotic as well as vascular effects in a number of disease models.

SSc is a rare and severe chronic autoimmune disease affecting skin as well as inner organs such as the lung. There is no cure for the disease and severe cases are treated with potent immunomodulatory drugs or in some cases autologous stem cell transplantation, with remaining challenges and high unmet needs. The prevalence of SSc is estimated at 7-34 and 14-44 per 100,000 individuals in Europe and North America, respectively. The incidence is estimated to be 1-2 and 1-6 per 100,000 individuals in Europe and North America, respectively. SSc is 3-4 times as common in women as in men. It is estimated that 20 percent of the SSc patient population has the severe diffuse form. Between 30 and 50 percent of patients also suffer from interstitial lung disease[1]. It is Vicores primary goal to treat one of these interstitial lung diseases which is pulmonary fibrosis.

1. Bergamasco A, et al. Epidemiology of systemic sclerosis and systemic sclerosis-associated interstitial lung disease. Clinical Epidemiology 2019:11 257–273.

Project – Overview

Pipeline



VP01 (C21) – Idiopathic pulmonary fibros ("IPF")

- Completed phase I dose optimization study in 2019.
- The phase I study included 54 individuals. It established a safe and tolerable daily dose of 200 mg for further studies in IPF and SSc.
- The application to start a phase II study in IPF patients was submitted in March 2020.
- The phase II trial will be an open 6 month study of approximately 60 patients. In addition, patients will be given the opportunity to continue treatment for another 3 months. Estimated read-out is two years from the start of the study.

VP01 (C21) – Pulmonary fibrosis in systemic sclerosis ("SSc")

- A phase II study in SSc is ongoing. The first patients were recruited in December 2019.
- Includes 16 patients with SSc. Evaluates cold-induced vasodilation to see if C21 has a vasodilatory effect that can be of great significance in IPF, SSc and pulmonary hypertension manifestations.
- The phase II study is expected to be completed by the end of 2020.

VP01 (C21) – COVID-19

- Letter of Intent (LoI) to file a clinical trial application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with COVID-19 was submitted in March 2020.
- The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation. The clinical part is estimated to take three months to finalize. Estimated read-out is during 2020.

VP02 (IMiD) – Idiopathic pulmonary fibrosis ("IPF")

- Formulation work and preparatory toxicology studies in 2020.
- The application to start a phase I study is planned to be submitted by the end of 2020.

New follow-up molecules

- Preclinical research is underway to evaluate new follow-up molecules to C21 for indications in fibrosis among others.

Our Projects

VP01 - AT2 receptor agonist - multi-modal effect

Vicore's drug candidate C21 (VP01) originates 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, contributes to healing effects after tissue damage or within immune system disorders, and may also counteract the negative effects of AT1 receptor activation. The AT2 receptor is found to be highly up-regulated (>200 times) in diseases such as idiopathic pulmonary fibrosis ("IPF").

Results from extensive preclinical research conducted with C21 indicate that it has anti-inflammatory, anti-fibrotic, anti-proliferative, vasodilatory and positive vascular remodelling actions.

C21 selectively binds to the AT2 receptor and thereby generates several biological effects beneficial to counteracting fibrosis and inflammation, an ideal profile for treatment for complex diseases such as IPF. Vicore has received orphan drug designation for C21 in IPF which e.g. provides for up to ten years of market exclusivity (from the date of registration of an approved drug) in Europe and seven years in the United States.

Project status VP01

During 2019, Vicore selected pulmonary fibrosis in connection with systemic sclerosis ("SSc") as the potential second indication for C21 (VP01). Extensive research with C21 in various disease models has shown the possibility of targeting diseases with both fibrotic and vascular pathological changes which occur in both SSc and other different interstitial lung diseases.

In September, Vicore completed a 54-subject phase I dose-escalation study with C21. The study established that 200 mg daily has a good safety profile and that it is the maximum tolerated dose. This dose is used in the ongoing phase II study in SSc and will be used in the planned phase II study in IPF. Moreover, based on receptor-binding data, Vicore concluded that this dose results in a free C21 plasma concentration that is sufficient to activate the angiotensin II type 2 receptor (AT2R). In addition to being a high affinity AT2R agonist, C21 is also a low affinity thromboxane (TP) receptor antagonist, which is relevant for conditions such as SSc and pulmonary fibrosis where TP receptor activation contributes to disease manifestations. The effect on the TP receptor occurs at higher concentrations of C21 than on the AT2 receptor.

The phase II clinical study with C21 in patients with SSc started to recruit patients in December according to plan, and Vicore expects the study to be completed within a year from the start. The study is designed to study the effect of C21 on cold-induced vasoconstriction in patients with SSc. It will shed light on the AT2 receptor's role in improving blood flow in diseased tissues, an effect that may benefit patients with SSc as well as patients with IPF such as the pulmonary hypertension manifestations of the disease.

During the second half of 2019, the pharmaceutical formulation development in the VP01 program progressed ahead of schedule allowing Vicore to switch from an oral solution to capsules in the upcoming phase II proof of concept study in IPF. This is important since a capsule formulation is much more convenient for the patient, superior from a logistical point of view and can be used commercially if the product reaches the market.

The phase II study in IPF is designed in collaboration with international clinical experts in IPF and will investigate both safety and lung function. The study aims to support the decision to initiate a

confirmatory phase IIb/III study. Vicore is currently in the process of finalizing the clinical trial application. The IPF study design has been modified in order to

1. give a stronger statistical power to detect a treatment effect
2. give better prerequisites for patient recruitment and
3. reduce the number of patients needed

Instead of a blinded placebo-controlled three months study, which the safety package automatically allows for, Vicore will conduct a six months study and compare to well documented patient baseline values. This is feasible since the important endpoint, FVC, a measurement of lung volume, is an objective measure and because disease progression has consistently been documented to correspond to a decrease of lung volume of approximately 120 ml per six months. By doing this change, we also benefit from eliminating the risk of unintentional unblinding, since patients may realize whether they are on drug or placebo during the course of the study. In addition, patients will be given the opportunity to continue treatment for another 3 months.

In addition, Vicore is planning for a phase II study with C21 in patients with COVID-19. The combination of internal preclinical findings with C21 and the fact that the RAS plays a key role in the development of COVID-19 suggested that C21 could have a role in the treatment of the disease.

There is a good scientific rationale for studying C21 as a potential treatment of COVID-19. It has recently been shown that the SARS CoV-2 virus utilizes the enzyme ACE2, which is part of RAS, for entry into the cell. This inactivates the ACE2 enzyme, creating an imbalance in the local RAS, leading to acute lung injury. Given that ACE2 generates the natural ligands for AT2R, Vicore Pharma believes that, by acting directly on the AT2R, C21 may suppress inflammatory mediators and bypass the way by which the virus incapacitates the system.

The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation.

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

VP02 – Targeting IPF and IPF related cough

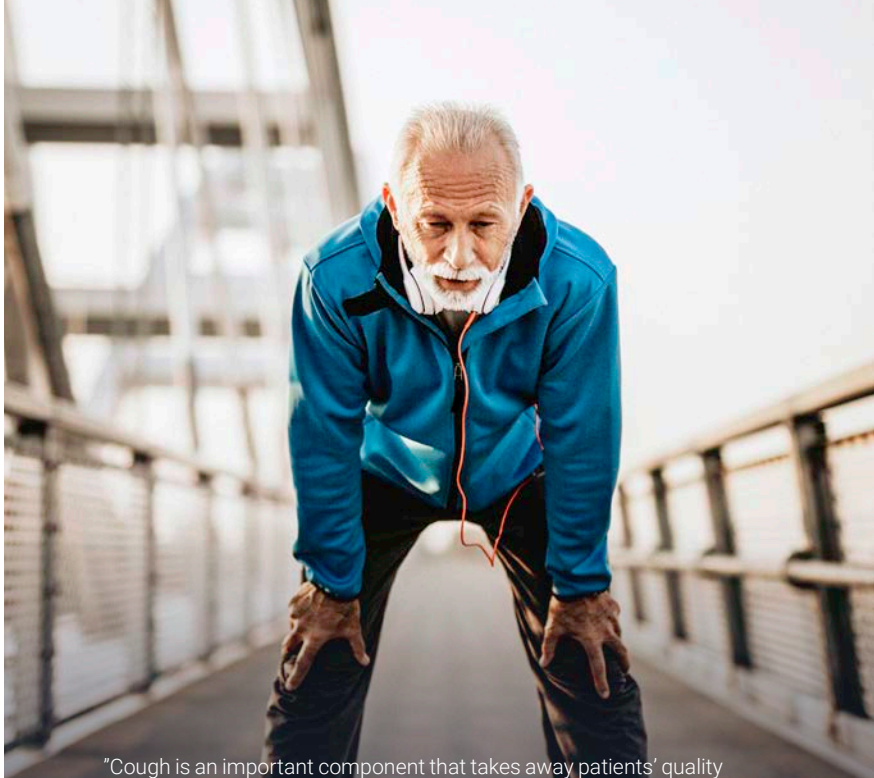
VP02 is a novel formulation utilizing an existing immunomodulatory drug (IMiD) that can be administered locally to the lung by loading the drug molecules into amorphous micro particles. It is thought that the actions of IMiD (VP02) suppress pathways involved in the cough reflex together with disease modifying antifibrotic effects. Many IPF patients suffer from a chronic intractable cough which considerably affects the patients' quality of life due to sleep disturbances, difficulties at work and stress incontinence. Currently, there is no therapy for IPF related cough and standard cough medications have little or no effect. The cough mechanism in IPF is unknown but is thought to be due to structural changes in the lungs, increased sensitivity of the cough reflex, airway inflammation and/or changes in mucus production and clearance.

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 a number 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 not seen in interventional clinical trials. However, the high risk of severe side effects such as peripheral neuropathy, constipation and sedation due to systemic IMiD exposure has limited their use. Vicore's VP02 program aims to eliminate the negative aspects of systemic exposure by developing VP02 for local administration to the lungs.

Project status VP02

Vicore works with Nanologica AB to develop formulations for targeted dosing to the lung and thus a lower risk of systemic side effects. The program, which relates to local lung delivery of an IMiD to patients with IPF and IPF cough, is progressing according to plan and a product candidate showing promising separation between local and systemic exposure is being progressed into toxicology studies. The regulatory application in connection with the first clinical study within the VP02 program is planned for late 2020.

1. Saini et al 2011
2. Vigeland et al 2017
3. Horton et al 2012



"Cough is an important component that takes away patients' quality of life. Our unit is the largest ILD clinic (University of Sao Paulo) in Brazil where we see around 1,500 ILD pts/year. In our ILD clinic we have had some clinical experience in treating patients with IPF cough with thalidomide.

For some patients, the medicine has an impressive response, meaning that a patient with very disturbing cough comes back happy refering to a 80-90 percent improvement. We have also experienced similar improvements in other fibrotic ILD's associated with a refractory cough such as SSc-ILD and CHP (Chronic Hypersensitivity pneumonitis); in total we have treated approximately ten patients with thalidomide.

The challenge however are the prescription and supply issues, together with the long-term side effects related to peripheral neuropathy, which then usually determine its suspension. There is no doubt that we need better ways to manage cough in fibrotic ILDs.

Dr Leticia Kawano-Dourado

Medical researcher and pulmonologist

Research institute - Hospital in Coração (HCor) and the pulmonary division of the University of Sao Paolo

São Paulo - SP, Brasil

Interview with our CMO Rohit Batta about Our focus on Patients

Dr Rohit Batta, Chief Medical Officer

Rohit has extensive experience of leading medical and clinical development teams in developing drugs for rare diseases. During his time as Senior Director of Cell and Gene Therapy at GlaxoSmithKline (GSK), Rohit led clinical development and strategy teams to launch the world's first gene therapy for a rare paediatric disease. This treatment was awarded the 2017 Prix Galien Orphan Drug Innovation of the year. Rohit has 19 years of experience as a medical doctor and is a fellow of the Faculty of Pharmaceutical Medicine, where he also chairs the Rare Diseases Expert Group.

What is Vicore's main focus?

Our priority is our patients. Currently, people with idiopathic pulmonary fibrosis (IPF) or other rare fibrotic lung diseases have a significant disease burden and a poor prognosis. Some compare IPF to a condition like Alzheimer's disease: essentially, the lungs age much faster than the rest of the body. Our mission at Vicore is to turn a terminal disease into a treatable condition.

We are constantly finding new ways to engage with patient advocacy groups to try to understand how patients feel, function, and survive. These crucial insights give us a strong foundation to be able to develop medicines that will change lives above and beyond what is currently available.

Tell us about the Vicore team

We are a diverse and passionate team with complementary skillsets. While we all have distinct roles, we share a deep faith in our science and operate a patient-centric approach to drug development. We are currently growing our in-house clinical operations team in preparation for Phase II studies. We are also looking at rolling out a patient-preferred clinical trial that we will use to understand patient insights and support patients through our Vicore clinical development programme, every step of the way.

"These are transformational times for Vicore"

What treatments are currently in development?

We currently have two drugs in our pipeline, both for the treatment of interstitial lung diseases (ILD) such as IPF. C21 is a small molecule compound for oral administration. The ultimate goal with C21 is to stabilise the disease such that the quality of life does not deteriorate and may even significantly improve. In 2020 we will conduct three Phase II studies with C21.

The coronavirus pandemic has ravaged through countries, and analysts suggest that it may be up to 12-18 months before a vaccine could be made available. The mode of action of C21 is considered to have potential in mitigating the effects of COVID-19 infection by activating the downstream AT2R target of ACE2 and counteracting the deranged ACE2/ACE imbalance. We have been mobilising to find ways to assess the potential of C21 for improving the clinical outcomes of infected patients. The emphasis has been on speed and timeliness together with a design that will provide interpretable data. The phase II study is anticipated to commence in Q2 2020.

The other drug in our pipeline is VP02, which is being investigated for IPF cough. The active compound in VP02 has shown early clinical evidence against the severe, persistent, dry cough associated with IPF. This cough affects a high proportion of patients, and could

Study design phase II in IPF

A phase II, multi-centre, open-label, single-arm trial investigating the safety, efficacy and pharmacokinetics of C21 in 60 subjects with IPF

be a marker of more severe disease as well as an indicator of worse prognosis. VP02 is aimed at relieving IPF cough since there are no approved therapies to treat it, as yet. Given the anti-inflammatory and immunomodulatory effects of VP02, we will also research whether it could impact the underlying pathogenesis and have disease-modifying effects which could then also benefit other fibrotic lung diseases. These are transformational times for Vicore.

Can you share details of the study design that will usher VP01/C21 to IPF patients?

When I first joined Vicore just over a year ago, I decided to connect with the IPF community and hear first-hand the unmet need of the disease and the characteristics of a medicine which could provide a step change in the management of patients, stabilisation of disease and significant improvement in quality of life, and it is this target product profile we are aiming for with VP01 (C21). It also became apparent that the placebo arm of historic studies behaved very similarly whereby the lung function declined in a linear fashion, approximate 240mls/year and it didn't really matter whether a patient was mild, moderate or even severe. It made us question the ethics of performing a placebo controlled trial in this setting. In parallel we also received positive feedback from the MHRA (Medicines and Healthcare products regulatory agency) opening up the opportunity to having a 6 month endpoint which in turn would give us a lot more confidence with the data and on the flip side a smaller sample size. In the spirit of this, we are excited to move forward with a single arm study and operational activities are underway. A high level graphic design of the study is shared above.

What makes Vicore's approach to drug discovery stand out?

Vicore is committed to asking the tough questions so that we can produce innovative medicines and make them accessible to patients. One of the ways we are doing this is by attempting to understand the disease pathology by finding novel therapeutic targets such as the angiotensin type 2 receptor (AT2R) which has antifibrotic, anti-inflammatory, and vasodilatory effects. For example, with C21 which is an AT2R agonist, we're trying to research the vasodilatory mechanism in the arteries of the extremities in patients with Raynaud's phenomenon secondary to systemic sclerosis. The aim is to understand whether local peripheral benefits could translate into central dilatation of the pulmonary arteries and improve the challenging pulmonary hypertension aspect of ILD with our drugs.

Looking beyond the clinical approach, what are the regulatory and manufacturing approaches for these therapies?

One of the things we're doing in this area is improving our medicine formulations to better fit patients' needs. When I first joined Vicore, the mode of administration for C21 was an oral solution, which needed to be kept frozen and thawed prior to administration. Because of our patient-centric approach, we are now looking at a capsule, which is more convenient and can be stored at room temperature.

Vicore is always looking for opportunities to establish dialogue with regulators and payers to improve the designs of our clinical programmes. We are particularly interested in truncating our programmes and bringing medicines to patients in the most efficient way. This requires a collaborative approach.

What is Vicore's vision for the future?

Our vision for the future is to alleviate the pain and suffering caused by fibrotic lung diseases. As a company, we pride ourselves on our collaborative approach to science. We are committed to working closely with the patient community, scientific experts, and clinicians to find novel solutions that meet the needs of patients. We have an energetic and dedicated team aiming to convert science and biology into medicines that are truly transformational.

Intellectual Property

Vicore holds licensed chemistry patents that cover the substance C21 for the treatment of high blood pressure and IPF, which are valid until 2022 and 2024, respectively in the US (see Table A). Vicore assesses that the patents are of importance for the development activities, but will substantially decrease in importance if Vicore succeeds in developing and registering an approved drug. Instead of patent protection, Vicore can likely rely on the so-called orphanl drug status Vicore obtained in the EU and the US for C21 regarding treatment of IPF in the VP01 program. Orphan drug status provides a up to ten-year protection in Europe and a up to seven-year protection in the United States, from the time of registration of an approved drug. If Vicore subsequently receives a market approval, the sale of C21 for the treatment of IPF will also be protected by regulatory data / market exclusivity (ten years in Europe and five years in the US). The company also sees good opportunities to obtain orphan drug status for C21 for interstitial lung diseases other than IPF.

Vicore also develops new patentable C21-like molecules with new and in some respects improved properties. The goal is to develop competitive pharmaceutical products for broader indications where it is not possible to obtain orphan drug status. A patent application with C21 analogs has been filed (see Table A).

Overall, Vicore believes that the company has strong product protection for C21 based on the development plan being followed.

VP02 is based on a known immunomodulatory substance in combination with new drug formulation. Five patent applications have been filed to protect this drug candidate (see Table B). In a later stage of the patent process, the company will be able to decide for which area / country to apply.

Table A – Substance patents VP01 (C21) and new molecules

Project	Country	Application date (priority)	Application number (publication number)	Status	Expiry date (planned)
VP01	USA	30.05.2002 (31.05.2001)	10/721,892 (2004-0167176)	Approved	04.09.2024
VP01	USA	30.05.2002 (31.05.2001)	12/553,939 (2009-0326026)	Approved	30.05.2022
New molecules	International	20.09.2019	GB2019/136035	Submitted	

Table B – Product patents VP01 (C21) and VP02

Project	Country	Application date	Application number	Status
VP02	International	03.05.2018	PCT/GB2019/051237	Submitted
VP01	International	07.11.2018	PCT/GB2018/181644	Submitted
VP02	International	06.11.2019	GB2019/161199	Submitted
VP02	International	06.11.2019	GB2019/161215	Submitted
VP02	International	06.11.2019	GB2019/161306	Submitted
VP02	International	06.11.2019	GB2019/161173	Submitted

Annual Report 2019
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 2019 fiscal year.

Vicore's operations

Vicore is a 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") and systemic sclerosis ("SSc"). VP02 is based on a new formulation and delivery route of an existing immunomodulatory compound (an "IMiD"). In addition to the underlying disease, VP02 focuses on the severe cough associated with IPF. VP01 and VP02 are also being actively evaluated for other indications within the field of fibrotic lung diseases where the unmet need is significant. In addition to the two main projects, work is underway to identify new selective AT2 receptor molecules for further development. This work is done in collaboration with external researchers.

The phase II clinical study with C21 in patients with SSc started to recruit patients in December according to plan, and Vicore expects the study to be completed within a year. The study is designed to study the effect of C21 on cold induced vasoconstriction in patients with SSc. The clinical trial application (CTA) for the Phase II study in patients with IPF was submitted to the UK regulatory agency, MHRA, at the end of March. The study has been modified to give a stronger statistical power and further strengthen the prerequisites for patient recruitment. The extension from three to six months has a dramatic effect on the statistical power to capture any treatment effect. The fact that it is an open label study without a placebo group makes it more attractive for patients as they are certain to be treated with the active substance. The study includes approximately 60 patients and the observed treatment effect of C21 will be compared with the well-documented linear decline of lung function in untreated patients. Depending on the COVID-19 situation, Vicore anticipates that patient recruitment for the study can start during Q3 2020.

The VP02 program, which relates to local lung delivery of an IMiD to patients with IPF and IPF cough, is progressing according to plan and a product candidate showing encouraging separation between local and systemic exposure is being progressed into toxicology studies. The application for the first clinical studies with VP02 are expected to be submitted during the latter part of 2020.

Vicore Pharma's shares are listed on Stockholm Nasdaq's main market since September 2019.

Important events during 2019

- In January, the directed share issue of approximately 160 MSEK was approved by an Extraordinary General Meeting.
- In April, pulmonary fibrosis in systemic sclerosis ("SSc") was chosen as the second indication for the lead program VP01 (C21). It complements the primary indication, idiopathic pulmonary fibrosis ("IPF").
- In September, the outcome of the dose escalation phase I study with C21 was announced. The study established that 200 mg daily has a good safety profile and that it was the maximum tolerated dose. This dose will be used in the planned phase II studies in IPF and SSc.
- In September, Vicore was approved for uplisting to Nasdaq Stockholm. First day of trading was on September 27.
- In October, an application to start a phase II study with C21 on cold induced vasoconstriction in subjects with SSc was submitted. The application was approved and the first patient was recruited in December. The study is expected to be completed within one year.
- In November, a directed share issue raising 125 MSEK before transaction costs was performed.

Important events after the year end

- In January, Vicore issued 243,525 shares to the warrant holders in the incentive programme LTIP 2016.
- In the beginning of 2020, the phase II study with C21 in patients with SSc dosed its first patients.
- In March, Vicore submitted a Clinical Trial Application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with IPF. The study has been re-designed and extended to six months, compared to the earlier planned three months, in order to increase the probability of documenting a treatment effect. This will be enabled by comparing the development of the patients' lung function with the well documented disease progression in untreated patients. In addition, patients will be given the opportunity to continue treatment for another three months. The study will not include a placebo group.
- In March, Vicore submitted a Letter of Intent (LoI) to file a clinical trial application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with COVID-19. The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation. The clinical part is estimated to take three months to finalize. Estimated read-out is during 2020.

Revenue

Net sales amounted to 0.0 MSEK (0.5) for the full year 2019.

Operating expenses

As of the fourth quarter 2019, Vicore classifies operating expenses by function instead of by nature of expense. The transition has been made to give a more accurate picture of the company. This is because the company has high costs for clinical studies and staff in research and development, which are now being more clearly presented. A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statements for the comparative period 2018 have also been prepared in accordance with a classification by function. Note 31 describes the transition from the nature of expense method to the function of expense method.

Operating expenses amounted to -94.1 MSEK (-42.2) for the full year 2019. Research and development expenses comprise a large fraction of the operating expenses. Administrative expenses were -26.9 MSEK (-14.8) for the full year 2019. The increase in costs compared to the previous year is mainly attributable to costs for the company's listing process to the Nasdaq Stockholm main list as well as the company's growing organization. The costs for share-based incentive programs related to administration amounted to -1.9 MSEK (-0.9) for the full year 2019.

Research and development expenses amounted to -67.0 MSEK (-26.9) for the full year 2019. Research and development expenses are mainly related to clinical trial costs for VP01 and formulation work. The costs for share-based incentive programs related to research and development expenses amounted to -0.4 MSEK (-0.1) for the full year 2019.

Other operating income and expenses amounted to -0.1 MSEK (-0.4) for the full year 2019. Other operating income and expenses mainly consist of exchange rate differences on supplier invoices.

The total costs for the share-based incentive programs for the full year 2019 amounted to -2.3 MSEK (-1.0), of which -0.3 MSEK (-0.3) consisted of provisions for social security contributions and -2.0 MSEK (-0.7) were IFRS 2 classified salary costs. These costs have had no cash flow impact.

Result

The operating loss amounted to -94.0 MSEK (-41.6) for the full year 2019. The result after tax for the full year 2019 was -93.3 MSEK (-21.7). Tax amounted to 0.2 MSEK (0.0) for the full year 2019. Tax is related to a change in deferred tax liability attributable to acquired intangible assets. The group's accumulated tax loss carryforwards as of December 31, 2019, amounted to 263.3 MSEK. 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 accounted for only when the group has established a level of earnings which management with confidence estimates will lead to taxable profits. The loss for the full year 2019 amounted to -93.1 MSEK (-21.7). The loss per share before and after dilution amounted to SEK -2.16 (-0.95) for the full year 2019. The loss increase is, as discussed above, mainly related to an increase in the company's research and development as well as due to a larger organization.

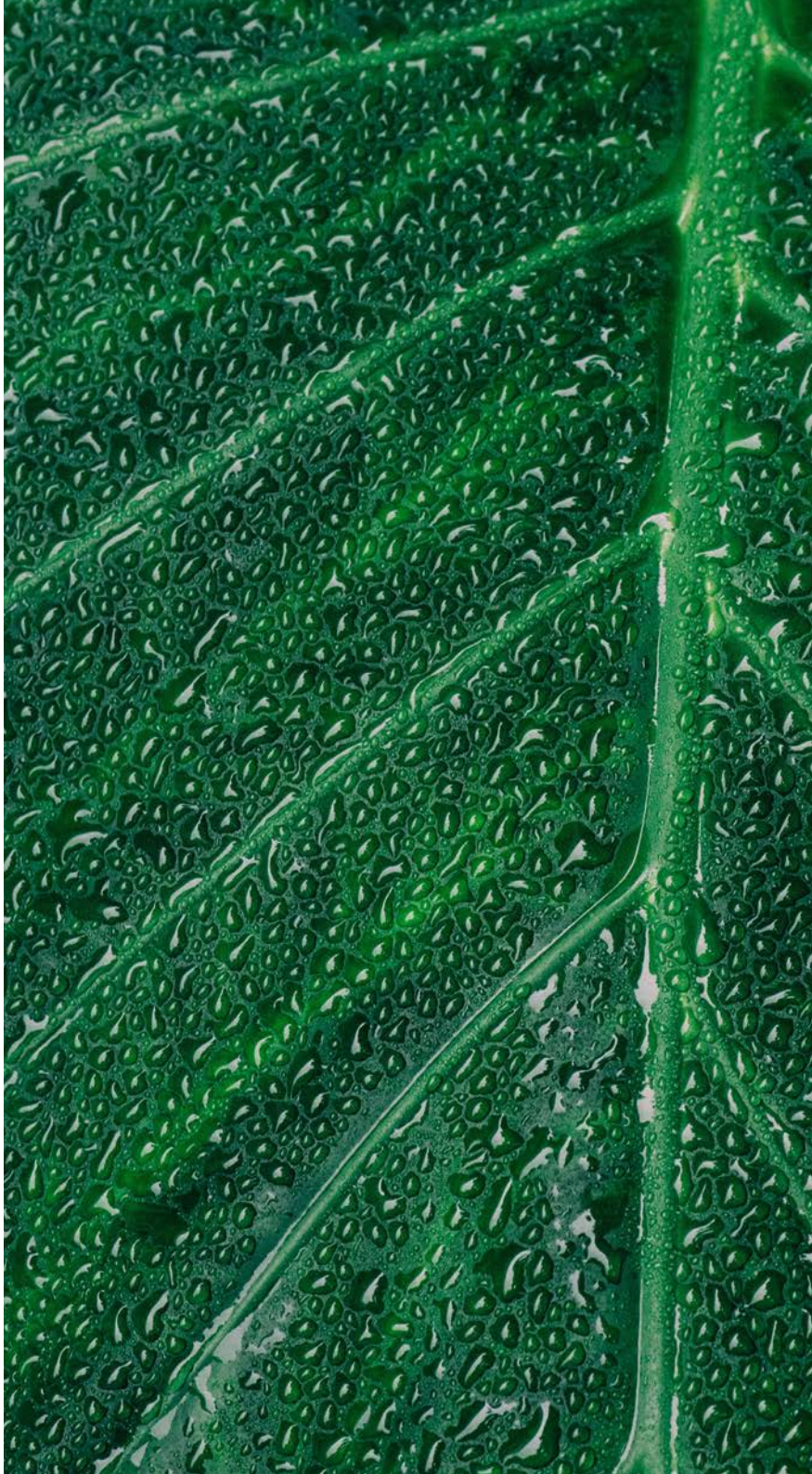
Cash flow, investments and financial position

Cash flow from operating activities amounted to -87.0 MSEK (-33.0) for the full year 2019.

Cash flow from investing activities for the full year 2019 was -77.1 MSEK (15.0). The difference compared with the previous year is mainly attributable to the increase in short-term investments.

Cash flow from financing activities amounted to 127.0 MSEK (218.7) for the full year 2019. On November 13, 2019, the company raised 124.8 MSEK before issue costs from Swedish and international institutional investors. The subscription price of SEK 16 per share corresponded to a 1.5 percent discount compared to the closing price on the previous trading day. The issue proceeds are mainly intended to finance the company's development programs.

As of December 31, 2019, cash and cash equivalents amounted to 187.6 MSEK (224.7) and short-term investments were 77.0 MSEK (0). The equity ratio at the end of the period was 94.3 percent (94.6 percent) and equity amounted to 321.6 MSEK (285.4). Total equity and liabilities amounted to 341.1 MSEK (301.6).



Parent company

Net sales for the parent company amounted to 3.1 MSEK (2.7) for the full year 2019. Net sales mainly consisted of management fees to group companies. Management fees to group companies were reported in the annual report 2018 together with management fees to I-Tech (the agreement was terminated in 2018) under other operating income. Management fees to group companies were reclassified from other operating income to net sales during the second quarter of 2019. Historical figures have been adjusted to reflect this reclassification. Administrative expenses amounted to -26.5 MSEK (-14.5) for the full year 2019. The increase compared to the previous year is mainly attributable to costs for the company's listing process to the main list as well as a larger organization. The operating loss for the full year 2019 amounted to -24.9 MSEK (-12.2). The loss amounted to -24.7 MSEK (-11.1) for the full year 2019.

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") and the dormant company ITIN Holding AB.

Personnel

As of December 31, 2019, the group had twelve employees, of whom seven were women and five men. Seven of the employees are active within R&D, whereof 71 percent have a doctoral degree. The company also engages consultants for specialist tasks and assignments on a frequent basis.

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 two active programs that include the management team, certain board members, key employees and key consultants.

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 the Annual Report 2018. The increase in the company's share capital, assuming full utilization and maximum goal achievement of both incentive programs, amounts to a maximum of SEK 1,237,500, corresponding to a dilution of 4.7 percent of the total number of shares.

As of December 31, 2019, a total of 475,000 share awards have been granted in Board LTIP 2018 and options corresponding to 765,800 shares have been granted in Co-worker LTIP 2018.

On January 8, 2016, Vicore issued 570,000 warrants to key employees and key consultants. As a result of the rights issue decided by the Annual General Meeting on August 13, 2018, the subscription price and number of shares per option shall be recalculated in accordance with the terms of the issued warrants. Recalculation in accordance with the terms of the warrants results in a new subscription price of SEK 10.47 and recalculated number of shares per option of 1.146.

After the year end, 243,525 shares of a total of 653,220 shares were issued within the framework of the LTIP 2016 incentive program. The increase in the company's share capital for the options amounts to SEK 121,762.50, which corresponds to a dilution of 0.48 percent of the total number of shares and the total number of votes in the company. The incentive program LTIP 2016 expired on January 3, 2020 and is now closed.

The share

Vicore's share is listed on Nasdaq Stockholm since September 27, 2019, with the ticker VICO and ISIN SE0007577895. Before that, the company's share was listed on Nasdaq First North Growth Market since December 2015. As of December 31, 2019, the total number of shares amounted to 50,174,714 and the market capitalization was 738 MSEK. In January, after the reporting period, the total number of shares increased to 50 418 239 due to the exercise of warrants. The company's shares are issued in one class and each share carries one vote.

The AGM resolved to, in accordance with the Board of Directors' proposal,

authorize the Board of Directors, at one or several occasions, with or without deviation from the shareholders' preferential rights and for the period up until the next annual general meeting, to increase the company's share capital by issuing new shares. The number of shares that may be issued under the authorization may not entail a dilution effect of more than 20 per cent of the number of shares and votes in the company at the 2019 Annual General Meeting. On November 13, 2019, the company completed a directed share issue of approximately 125 MSEK, which means that most of the authorization has been utilized.

Largest shareholders

Largest shareholders in Vicore as of December 31, 2019:

Shareholder	No. of shares	%
HealthCap VII L.P.	13,763,908	27.4%
Göran Wessman[1]	3,826,849	7.6%
Swedbank Robur	3,293,332	6.6%
Fourth Swedish National Pension Fund	3,210,000	6.4%
HBM Healthcare Investments (Cayman) Ltd	2,419,438	4.8%
Unionen	1,663,990	3.3%
Kjell Stenberg	1,531,303	3.1%
Pomona-gruppen AB	1,239,440	2.5%
Shaps Capital	1,197,100	2.4%
Länsförsäkringar	1,190,000	2.4%
Handelsbanken funds	1,100,000	2.2%
Others	15,739,354	31.4%
Total number of shares	**50,174,714**	**100.0%**

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

Share capital development

Year	Event	Quota value	Increase in number of shares	Increase in share capital	Total no. of shares	Total share capital
2020	Share issue	0.5	243,525	121,762.5	50,418,239	25,209,119.3
2019	Share issue	0.5	7,800,000	3,900,000.0	50,174,714	25,087,356.8
2019	Share issue	0.5	9,414,706	4,707,353.0	42,374,714	21,187,356.8
2018	Share issue	0.5	8,240,002	4,120,001.0	32,960,008	16,480,003.8
2018	Issue in kind	0.5	8,851,502	4,425,751.0	24,720,006	12,360,002.9
2017	Share issue	0.5	1,500,000	750,000.0	15,868,504	7,934,251.9
2017	Share issue	0.5	2,000,000	1,000,000.0	14,368,504	7,184,251.9
2015	Share issue/Listing	0.5	3,248,144	1,624,072.0	12,368,504	5,684,252.0
2015	Reverse split,1:10	0.5	-73,083,239	-	8,120,360	4,060,180.0
2015	Share issue	0.05	12,639,073	631,953.7	81,203,599	4,060,180.0
2013	Share issue	0.05	34,282,263	1,714,113.2	68,564,526	3,428,226.3
2012	Offset issue	0.05	474,498	23,724.9	34,282,263	1,714,113.2
2011	Share issue	0.05	10,402,389	520,119.5	33,807,765	1,690,388.3
2010	Offset issue	0.05	1,000,000	50,000.0	23,405,376	1,170,268.8
2010	Share issue	0.05	5,601,344	280,067.2	22,405,376	1,120,268.8
2010	Share issue	0.05	5,601,344	280,067.2	16,804,032	840,201.6
2008	Share issue	0.05	688	34,4	11,202,688	560,134.4
2008	Split 1:2000	0.05	11,196,399	-	11,202,000	560,100.0
2008	Bonus issue	100	4,601	460,100.0	5,601	560,100.0
2005	Formation	100	1,000	100,000.0	1,000	100,000.0

The Board of Directors proposes the Annual General Meeting 2020 to adopt the following guidelines for executive remuneration:

The Board of Directors, the CEO and other members of the executive management fall within the provisions of these guidelines. The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the annual general meeting 2020. These guidelines do not apply to any remuneration already decided or approved by the general meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

In short, the company's business strategy is the following.

Vicore Pharma is an orphan drug company with a focus on fibrotic lung diseases and related indications. The company currently has two drug development programs, VP01 and VP02. VP01 aims to develop the drug substance C21 for the treatment of idiopathic pulmonary fibrosis ("IPF"). VP02 is based on a new formulation and delivery route for an existing immunomodulatory substance (a so-called "IMiD"). VP02 focuses on IPF with respect to both the underlying disease and the severe cough associated with IPF. VP01 and VP02 are also evaluated for other indications in the field of fibrotic lung disease. Vicore's long-term goal is to obtain regulatory approvals and establish the company as a pharmaceutical company specializing in fibrotic lung disease.

For more information regarding the company's business strategy, please see Vicore Pharma's company presentation at https://vicorepharma.com/investors/events-presentations/.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration.

These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

The company also has long-term share-related incentive plans in place. The plans have been resolved by the general meeting and aim to align the interests of the board members and key employees with those of the shareholders.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. Furthermore, additional variable cash remuneration may be awarded in extraordinary circumstances. Additionally, the general meeting may – irrespectively of these guidelines – resolve on, among other things, share-related or share price-related incentive programs.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one to several years. The variable remuneration payable in cash may amount to a maximum of 40 percent of the annual fixed cash salary for the CEO and a maximum of 30 percent of the annual fixed cash salary to other senior executives under the measurement period for such criteria. Further variable cash remuneration may be awarded in extraordinary circumstances, provided that such extraordinary arrangements are limited in time and only made on an individual basis, either for the purpose of recruiting or retaining executives, or as remuneration for extraordinary performance beyond the individual's ordinary tasks. Such remuneration may not exceed an amount corresponding to 50 percent of the fixed annual cash salary and may not be paid more than once per year for each individual. Any resolution on such remuneration shall be made by the Board of Directors based on a proposal from the remuneration committee.

For the CEO, pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums for premium defined pension shall amount to not more than 30 percent of the fixed annual cash salary. For other executives, pension benefits, including health insurance, shall be premium defined unless otherwise required by for example collective agreements. The pension premiums for premium defined pension shall amount to not more than 30 percent of the fixed annual cash salary.

Other benefits may include, for example, life insurance, medical insurance (Sw: sjukvårdsförsäkring) and company cars. Such benefits may not amount to more than 10 percent of the fixed annual cash salary.

For employments governed by rules other than Swedish, pension benefits and other benefits may be duly adjusted for compliance with mandatory rules or established local practice, taking into account, to the extent possible, the overall purpose of these guidelines.

Termination of employment

For all executives the notice period may be up to six months if notice of termination of employment is made by the company. For the CEO, fixed cash salary during the notice period and severance pay may, in total, not exceed twelve months' fixed salary, and for other executives, such remuneration may not correspond to an amount which exceeds six months fixed salary. The period of notice may be up to six months without any right to severance pay when termination is made by the executive.

Additionally, remuneration may be paid for non-compete undertakings. Such remuneration shall compensate for loss of income and shall only be paid in so far as the previously employed executive is not entitled to severance pay. The remuneration shall amount to not more than 60 percent of the monthly income at the time of termination of employment and be paid during the time the non-compete undertaking applies, however not for more than 12 months following termination of employment.

Criteria for awarding variable cash remuneration, etc.

The variable cash remuneration shall be linked to predetermined and measurable criteria. These criteria can be measurable advancements in the company's preclinical and clinical trials and other associated activities. The criteria can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or the executive's long-term development. The Board of Directors shall have the possibility, under applicable law or contractual provisions, subject to the restrictions that may apply under law or contract, to in whole or in part reclaim variable remuneration paid on incorrect grounds (claw-back).

To which extent the criteria for awarding variable cash remuneration have been satisfied shall be evaluated/determined when the measurement period has ended. The remuneration committee is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other executives, the CEO is responsible for the evaluation, subject to approval by the Board of Directors for those executives who report directly to the CEO. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Salary and employment conditions for employees

In the preparation of the Board of Directors' proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the remuneration committee's and the Board of Directors' basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board of Directors has established a remuneration committee. The committee's tasks include preparing the Board of Directors' decision to propose guidelines for executive remuneration. The Board of Directors shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the general meeting. The remuneration committee shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The members of the remuneration committee are independent of the company and its executive management. The CEO and other members of the executive management do not participate in the Board of Directors' processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Directors may temporarily resolve to derogate from the guidelines, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.
As set out above, the remuneration committee's tasks include preparing the Board of Directors' resolutions in remuneration-related matters. This includes any resolutions to derogate from the guidelines.

Nomination committee for the 2020 Annual General Meeting

Vicore's nomination committee for the 2020 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

Vicore's business is influenced by a number of factors, the effects of which on the company's earnings and financial position, in certain respects, cannot be controlled by the company at all or in part. In an assessment of the company's future development, it is important, alongside the possibilities for growth, to also consider these risks.

Set forth below is a description, without any internal order of priority, of the risks which are considered to have greatest significance for the company's future development. Risk factors related to Vicore's operations, industry and markets, and further include operational risks, regulatory risks and financial risks.

Research and development and the dependency of two drug candidates

Vicore's business consists mainly of two drug development projects (VP01 and VP02). The company's main value consists of the potential of the company's respective drug development projects. The drug development projects are in preclinical or clinical phase. There is a risk that Vicore's various projects will not develop as planned, which could have a material adverse effect on the company's value and future potential. This is especially true if any of the above would occur in the more advanced project VP01, which is of the greatest value to the company. For example, there is a risk that Vicore, any collaborating partners, institutional review bodies and / or regulatory authorities will discontinue clinical studies if the results of such studies do not demonstrate the intended treatment effect, fail to achieve an acceptable safety profile, or result from unwanted side effects. If a project or study is interrupted, in addition to a significant decline in the company's share price as a result of a reduced value of the company's project portfolio and a significantly impaired revenue potential for the specific project, it may cause an impairment of fixed assets.

Clinical trials and regulatory approvals

Before conducting certain clinical trials, approval must be obtained from the relevant regulatory authority and an ethics committee. The main markets for the company's future products are the United States and the EU, and the relevant regulators are the US Food and Drug Administration ("FDA") and / or the European Medicines Agency ("EMA"). There is a risk that the regulatory authority and / or the ethics committee will not grant the necessary approvals for the company's more significant projects, VP01 or VP02, or other ongoing or future projects. There is also a risk that project approvals or opinions will be delayed or withdrawn. If the necessary approvals are not obtained, delayed or withdrawn, this could delay the relevant drug development project or mean that it needs to be cancelled. The afore

mentioned risks could have a material adverse effect on the company's operations, financial position and earnings

Delays in clinical studies

There is a risk that the company's clinical studies within the framework of, for example, VP01 or VP02 will be delayed. Delays can occur for a variety of reasons, including difficulties in reaching agreements with clinics about participation under acceptable conditions, problems in identifying patients for studies, patients not completing a study, or not returning for follow-up. A pandemic could negatively affect the availability and recruitment of potential trial participants as well as their possibility of carrying out non-essential hospital visits. Difficulties in adding new clinics or if a clinic withdraws from a study also entail a risk of delays. Furthermore, there may be delays as a result of problems in the supplier route, where a delay in the delivery of an ordered substance may cause a delay in the studies. A delay in a project usually means that the project will be more expensive, since the research and development costs will run for a longer time than planned. This may result in the company having to raise additional capital to complete the project.

Development of further candidate drugs

In addition to the drug development projects, VP01 and VP02, work is being performed to identify and develop new selective AT2 receptor molecules for treatment of diseases within or outside the orphan disease area. This development work is performed in collaboration with external researchers.

There is a risk that Vicore's available financial resources will prove insufficient to conduct such development and that the company, as a result thereof, may be forced to discontinue development or find other sources of financing. Continuing the further development of new molecules could create a need to expand the company's organisational resources, which could incur further costs for the company. There is thus a risk that the company's work on further drug candidates will have a negative impact on its operations, financial position and results.

Intellectual property issues

The value of Vicore is largely dependent on its ability to obtain and defend patents and its ability to protect specific knowhow. Patent protection for pharmaceutical companies may be uncertain and involve complicated legal and technical questions. There is a risk that a patent sought will not be granted for an invention, that the patent granted will not provide sufficient protection, or that the patent granted will be circumvented or revoked.

Vicore holds two patents within VP01. There is a risk that these patents do not constitute adequate protection. If intellectual property protection is not satisfactory, other parties can exploit this by circumventing the company's protection and conduct competing drug development. Such drug development could show higher efficacy. This may force Vicore to terminate a particular drug project for commercial reasons, or that the company's future product will not generate any revenue.

Vicore has a pending patent application within the VP02 project. There is a risk that this patent application or future patent applications by the company are not granted. If a patent application is not granted, it can lead to insufficient commercial protection which may result in termination of relevant projects due to lack of market prospects. Both insufficient commercial protection and a decision to terminate projects would have a material adverse effect on the company's project portfolio and outlook.

Orphan drug status

In addition to the company's patents, Vicore has received so-called orphan drug status for C21 for the treatment of IPF in the USA and EU, which becomes particularly relevant if Vicore succeeds in developing and launching a drug. This means that Vicore will depend on other protection than patents, that is, alternative commercial protections in the form of orphan drug status or data exclusivity.

There is a risk that these protections are not adequate for Vicore's purposes, or that the market exclusivity or the orphan drug status is revoked. If Vicore's commercial and / or intellectual property protection is not adequate, other actors can take advantage of this, bypassing the company's protection, and conduct competing drug development, or launching competing products on the market. If other players develop and / or launch competing products that show higher efficiency or are sold at a lower price than Vicores, the company could lose significant revenue.

Market and competition

The development and commercialization of new pharmaceutical products constitute a competitive market. Vicore's competitors are mainly large pharmaceutical companies, biotech companies and academic institutions. It is possible that competitors, such as large pharmaceutical companies, have greater opportunities in terms of, for example, research and development, contacts with regulatory authorities, patient recruitment and marketing than Vicore. Therefore, there is a risk that competitors, who in many cases have greater resources than Vicore, may develop competing products more quickly and / or more efficiently, achieve broader market acceptance or succeed in obtaining market exclusivity earlier or in parallel with Vicore. This may lead to a significant weakening of the company's ability to generate revenues and the company may be forced to terminate parts of the business for commercial reasons. Furthermore, this could mean that the value of the company's project portfolio is significantly reduced

Production

Since Vicore has no proprietary production facilities, the company is dependent on sub-suppliers for the production of pharmaceuticals. The manufacturing process for Vicore's drugs are made in collaboration with contract manufacturers in Europe. Vicore is dependent on the quality of the manufacturing processes as well as the availability and maintenance of the production facilities. Regulatory authorities require that all manufacturing processes and methods, as well as all equipment comply with current requirements of Good Manufacturing Practice, GMP requirements and consequences for the company in the event of deficiencies in GMP requirements may lead to delays in clinical trials or to market products.

None of the company's current manufacturers are significant in the sense that they are not replaceable, but the company is dependent on them, since changing manufacturers can be both costly and time-consuming. There is a risk that the company will not find suitable manufacturers that offer the same quality and quantity on terms acceptable to the company.

Reliance on key individuals and employees

Vicore is highly dependent on retaining and recruiting both qualified employees and consultants as well as board members. The company's future performance is affected by its ability to attract and retain qualified key personnel. In the event that one or more key persons leave and the company fails to replace him or her, this could have a negative effect on the company's operations, financial position and earnings.

In order for the company to have sufficient capacity to further develop its drug candidates and conduct phase III studies, several persons must be recruited. If the recruitment is not successful, or if Vicore fails to retain key personnel, there is a risk that the company's drug projects cannot be developed according to plan, which would have significant negative consequences for the company's operations and project portfolio. Such a lack of competence or resources may, in the long run, lead to delays in the company's projects, which would be associated with significant research and development costs.

Financing and capital requirements

The company currently has no approved drugs and does not generate any revenue from drug sales. It may take a long time before the company's drug candidates will be sold commercially and generate cash flow ongoing. The company's ongoing and planned

clinical trials entail significant costs. The company is therefore still dependent on raising capital or borrowing money to finance clinical studies. Both the extent and timing of Vicore's future capital needs will depend on a number of factors, including results from and costs for future studies. The access to, and the conditions for, additional financing, for example through new share issues, licenses or partnership agreements or loans are affected by a number of factors such as Vicore's clinical study results, market conditions, general access to capital and Vicore's credit rating and credit capacity. Disruptions and uncertainty in the credit and capital markets can also limit access to additional capital. If Vicore fails to raise sufficient capital on favorable terms, or at all, it would mean that the company may have to accept a more expensive financing solution, share issues with significant discount and large dilution, or cause the company to limit its development or cease operations. For further description of the company's financial risks, see Note 20.

Currency risk

Assets, liabilities, income and expenses in foreign currency give rise to currency exposures. A weakening of the Swedish krona (SEK) against other currencies increases the reported amounts of Vicore's assets, liabilities, income and earnings while a strengthening of the SEK against other currencies decreases these items. The company is exposed to such changes, as parts of the company's costs are paid in EUR and other international currencies and because a part of the company's future sales revenue may be received in international currencies. A material change in such exchange rates could have a negative impact on the company's financial statements, which in turn could have negative effects on Vicore's financial position and results. See also Note 20.

Tax

The company has filed an open claim to the Swedish Tax Agency regarding an internal transaction of a patent application and certain intellectual property rights that occurred in 2018. After the transfer, it was noted that it was not decided in the correct order, which is why it was declared invalid and reversed. The company's opinion is that the transfer should therefore not be taken into account or cause any tax consequences. However, there is a risk that the Swedish Tax Agency will not approve the reversal of the transfer with the consequence that the company will either be subject to so-called tax withholding of approximately 11 MSEK or that the company must waive tax losses carryforward up to and including 2017 of approximately 53 MSEK, which corresponds to a deferred tax claim of 11.4 MSEK. The company has not made any reservations in its accounts for this. If this or any other transaction were to render in additional tax costs, it would have an effect on the company's financial position and the company's capital situation.

Tax loss carryforwards

As a result of the business having generated significant loss, Vicore has large accumulated tax loss carryforwards. As of December 31, 2019, Vicore's tax loss carryforwards amounted to 263.3 MSEK. Changes in ownership resulting in a change of controlling influence over Vicore, or certain internal transfers described above, may impose restrictions, in whole or in part, on the possibility of utilizing such losses in the future. There is also a risk that Vicore will not be able to generate enough profits to exploit such tax losses. The possibility of utilizing the losses in the future may also be adversely affected by future changes in the applicable legislation.

Proposed appropriation of the company's profits or loss for the 2019 financial year

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

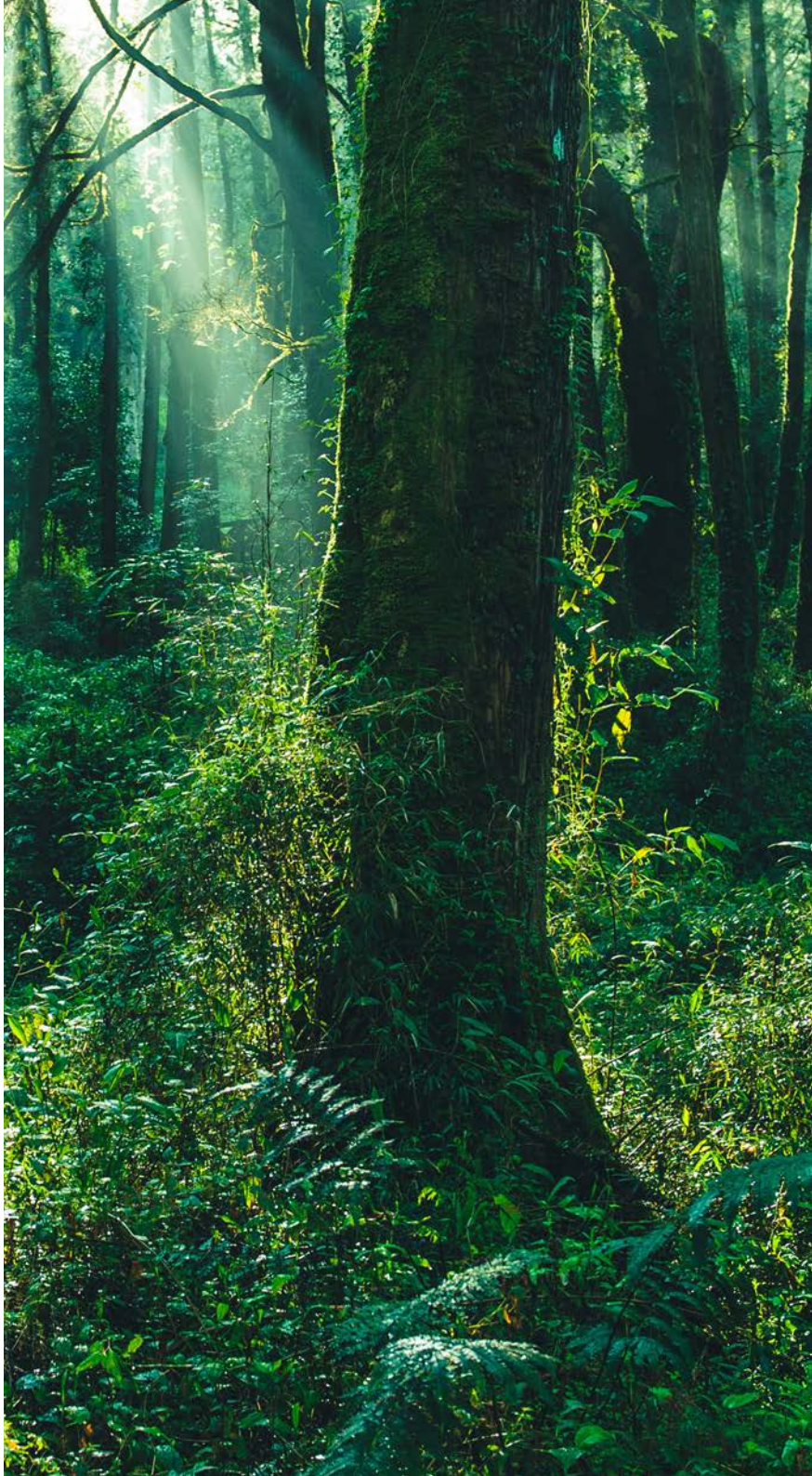
Share premium reserve	515,987,595
Loss brought forward	-20,376,070
Loss of the year	-24,739,771
	470,871,754

The Board of Directors proposes that SEK 470,871,754 are to be carried forward.

Financial targets and dividend policy

The target is to distribute approximately 50 percent 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 of Directors' dividend policy, no dividend is to be paid before the company generates significant revenue.



Multi-year Overview

Multi-year overview, group

	2019	2018	2017	2016
Net sales (KSEK)	0	508	932	852
Loss after financial items (KSEK)	-93,329	-21,681	-24,231	-24,544
Total assets (KSEK)	341,108	301,600	64,135	37,634
Equity ratio (%)	94.3	94.6	89.8	83.9
Number of employees	8	6	5	3

Multi-year overview, parent company

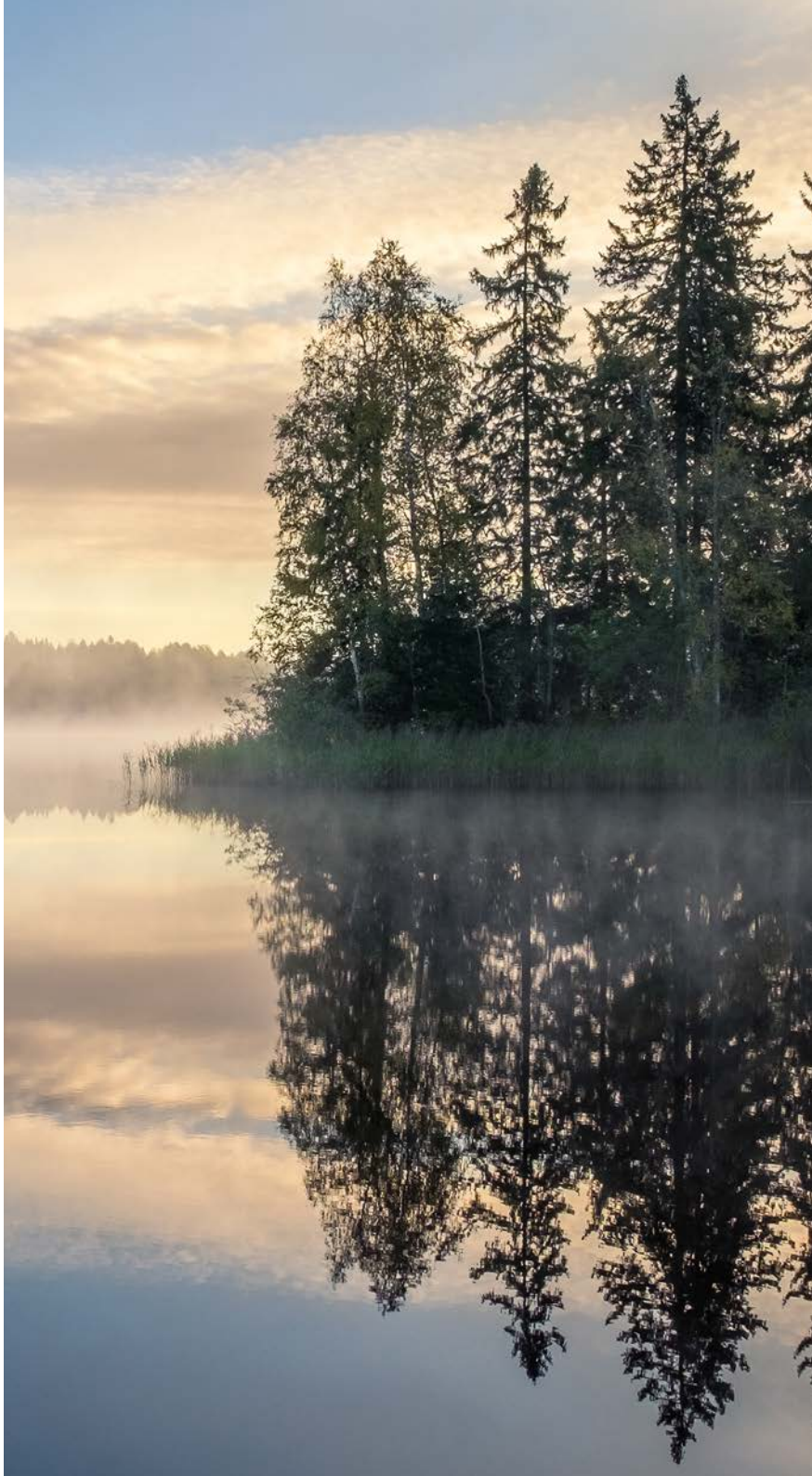
	2019	2018	2017	2016
Net sales (KSEK)	3,092	2,653	2,947	2,175
Loss after financial items (KSEK)	-24,803	-11,100	-3,876	-2,231
Total assets (KSEK)	503,959	488,965	126,309	80,017
Equity ratio (%)	98.4	82.1	98.6	97.7
Number of employees	3	3	2	2

Proposed appropriation of the company's profits or loss for the 2019 financial year

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

Share premium reserve	515,987,595
Loss brought forward	-20,376,070
Loss of the year	-24,739,771
	470,871,754

The Board of Directors proposes that SEK 470,871,754 are to be carried forward.



Financial reports
Group

Consolidated statement of comprehensive income*

KSEK	Note	2019 Jan-Dec	2018 Jan-Dec
Net sales		0	508
Gross profit		**0**	**508**
Administrative expenses	4, 31	-26,875	-14,839
Research and development expenses	4, 31	-67,048	-26,858
Other operating income and expenses	4, 9, 10, 31	-91	-397
Profit/loss from operations		**-94,014**	**-41,586**
Share in profits in associated companies	17	0	16,573
Financial income	11	712	3,684
Financial expenses	12	-27	-352
Net financial income/expense		**685**	**19,905**
Loss after financial items		**-93,329**	**-21,681**
Tax	13	245	0
Loss for the year attributable to the parent company´s share-holders		**-93,084**	**-21,681**
Other comprehensive income			
Other comprehensive income		0	0
Other comprehensive income for the year, net of tax		**0**	**0**
Total comprehensive income attributable to the parent company´s shareholders		**-93,084**	**-21,681**
Earnings per share, before and after dilution	14	**-2.16**	**-0.95**

* As of the fourth quarter of 2019, Vicore classifies operating expenses by function instead of by nature of expense. A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statement for the comparative period 2018 has also been prepared in accordance with a classification by function. Note 31 describes the transition from the nature of expense method to the function of expense method.

Consolidated statement of financial position

KSEK	Note	2019 Dec 31	2018 Dec 31
ASSETS			
Fixed assets			
Patents, licenses and similar rights	15	68,082	69,192
Equipment	16	143	21
Contract asset	6	189	0
Long-term investments	18, 19	6,116	5,567
Deferred tax asset	13	63	0
Total fixed assets		**74,593**	**74,780**
Current Assets			
Trade receivables	20	0	4
Other receivables		1,426	1,613
Prepaid expenses and accrued income	21	474	515
Short-term investments	22	77,029	0
Cash and cash equivalents	23	187,586	224,688
Total current assets		**266,515**	**226,820**
TOTAL ASSETS		**341,108**	**301,600**
EQUITY AND LIABILITIES			
EQUITY	25		
Share capital		25,087	20,892
Other contributed capital		527,397	402,347
Retained earnings (including profit (loss) for the period)		-230,887	-137,803
Total equity attributable to the parent company's shareholders		**321,597**	**285,436**
LIABILITIES			
Non-current liabilities			
Contract liability	6	186	0
Other provisions	26	575	278
Deferred tax liability	13	1,796	1,978
Total non-current liabilities		**2,557**	**2,256**
Current liabilities			
Contract liability	6	4	0
Trade payables	19, 20	5,300	2,384
Current tax liability		534	285
Other liabilities		2,982	445
Accrued expenses and deferred income	27	8,134	10,794
Total current liabilities		**16,954**	**13,908**
TOTAL LIABILITIES		**19,511**	**16,164**
TOTAL EQUITY AND LIABILITIES		**341,108**	**301,600**

Consolidated statement of changes in shareholders´ equity

	Shareholders' equity attributable to the parent company				
KSEK	Share capital	Ongoing new share issue	Other contributed capital	Retained earnings including profit (loss) for the period	Total
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 costs	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**
Equity Jan 1, 2019	**16,480**	**4,412**	**402,347**	**-137,803**	**285,436**
Profit for the year	0	0	0	-93,084	-93,084
Other comprehensive income for the year	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-93,084**	**-93,084**
Transactions with owners:					
Issue of new shares and issue in kind	4,195	0	130,634	0	134,829
Issue of new shares, paid but not registered	4,412	-4,412	0	0	0
Issue costs	0	0	-7,575	0	-7,575
Long-term incentive program	0	0	1,991	0	1,991
Total transactions with owners	**8,607**	**-4,412**	**125,050**	**0**	**129,245**
Equity Dec 31, 2019	**25,087**	**0**	**527,397**	**-230,887**	**321,597**

Consolidated statement of cash flow

KSEK	Note	2019 Jan-Dec	2018 Jan-Dec
Operating activities			
Operating profit		-94,014	-41,586
Adjustment for items not included in the cash flow	28	3,351	722
Interest received		134	0
Interest paid		-28	-351
Income tax paid		0	142
Cash flow from operating activities before changes in working capital		**-90,557**	**-41,073**
Cash flow from changes in working capital			
Change in operating receivables		234	-1,275
Change in operating payables		3,324	9,312
Cash flow from operating activities		**-86,999**	**-33,036**
Investing activities			
Acquisition of intangible assets	30	0	-2,000
Acquisition of equipment		-147	0
Acquisition of long-term investments		0	-3,228
Acquisition of short-term investments	22	-77,000	0
Acquisition of subsidiaries, net liquidity impact		0	20,258
Cash flow from investing activities		**-77,147**	**15,030**
Financing activities			
Amortization contract liability		-210	0
Issue of new shares		134,829	232,420
Issue costs		-7,575	-13,745
Cash flow from financing activities		**127,044**	**218,675**
Cash flow for the year		**-37,102**	**200,669**
Cash and cash equivalents at the beginning of the year		**224,688**	**24,019**
Cash and cash equivalents at year-end	23	**187,586**	**224,688**

Financial reports
Parent company

Parent company's income statement*

KSEK	Note	2019 Jan-Dec	2018 Jan-Dec
Net sales	2	3,092	2,653
Gross profit		**3,092**	**2,653**
Administrative expenses	3, 4, 5, 6	-26,485	-14,453
Research and development expenses	3, 6	-1,536	-384
Other operating income and expenses	3	-17	4
Profit/loss from operations		**-24,946**	**-12,180**
Interest income and similar profit items	7	163	1,428
Interest expenses and similar loss items	8	-20	-348
Net financial income/expense		**143**	**1,080**
Loss after financial items		**-24,803**	**-11,100**
Tax	9	63	0
Loss for the year		**-24,740**	**-11,100**
Other comprehensive income			
Other comprehensive income		0	0
Other comprehensive income for the year		**0**	**0**
Comprehensive income for the year		**-24,740**	**-11,100**

* As of the fourth quarter of 2019, Vicore classifies operating expenses by function instead of by nature of expense. A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statement for the comparative period 2018 has also been prepared in accordance with a classification by function. Note 31 for the group describes the transition from the nature of expense method to the function of expense method.

Parent company's balance sheet

KSEK	Note	2019 Dec 31	2018 Dec 31
ASSETS			
Fixed assets			
Tangible assets			
Equipment	10	0	22
Total tangible assets		**0**	**22**
Financial assets			
Participations in group companies	11	276,274	275,898
Long-term investments	13	565	565
Deferred tax asset	9	63	0
Total financial assets		**276,902**	**276,463**
Total fixed assets		**276,902**	**276,485**
Current assets	14		
Receivables			
Trade receivables		0	4
Receivables from group companies		244	4,019
Other receivables		594	10,373
Prepaid expenses and accrued income	15	287	61
		1,125	**14,457**
Short-term investments	16	77,029	0
Cash and cash equivalents	17	148,903	198,023
Total current assets		**227,057**	**212,480**

Parent company's balance sheet

KSEK	Note	2019 Dec 31	2018 Dec 31
TOTAL ASSETS		**503,959**	**488,965**
EQUITY AND LIABILITIES			
EQUITY	18		
Restricted equity			
Share capital		25,087	16,480
Ongoing new share issue		0	4,707
Total restricted equity		**25,087**	**21,187**
Non-restricted equity			
Share premium reserve		515,988	402,663
Accumulated profit or loss		-20,376	-11,267
Profit (loss) for the year		-24,740	-11,100
Total non-restricted equity		**470,872**	**380,296**
TOTAL EQUITY		**495,959**	**401,483**
LIABILITIES			
Provisions			
Other provisions	19	500	278
Total provisions		**500**	**278**
Non-current liabilities			
Liabilities to group companies	20	0	400
Total non-current liabilities		**0**	**400**
Current liabilities			
Trade payables		917	1,510
Liabilities to group companies	20	400	75,000
Current tax liability		341	157
Other liabilities		2,738	358
Accrued expenses and deferred income	21	3,104	9,779
Total current liabilities		**7,500**	**86,804**
TOTAL LIABILITIES		**8,000**	**87,482**
TOTAL EQUITY AND LIABILITIES		**503,959**	**488,965**

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, 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
Other comprehensive income for the year	0	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-3,876**	**-7,224**	**-11,100**
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 costs	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**
Equity Jan 1, 2019	**16,480**	**4,707**	**402,663**	**-11,267**	**-11,100**	**401,483**
Transfer of previous year's loss	0	0	0	-11,100	11,100	0
Loss for the year	0	0	0	0	-24,740	-24,740
Other comprehensive income for the year	0	0	0	0	0	0
Total comprehensive income for the year	**0**	**0**	**0**	**-11,100**	**-13,640**	**-24,740**
Transactions with owners:						
Issue of new shares	3,900	0	120,900	0	0	124,800
Issue of new shares, not registered	4,707	-4,707	0	0	0	0
Issue costs	0	0	-7,575	0	0	-7,575
Incentive programs	0	0	0	1,991	0	1,991
Total transaction with owners	**8,607**	**-4,707**	**113,325**	**1,991**	**0**	**119,216**
Equity Dec 31, 2019	**25,087**	**0**	**515,988**	**-20,376**	**-24,740**	**495,959**

The parent company's cash flow statement

KSEK	Note	2019 Jan-Dec	2018 Jan-Dec*
Operating activities			
Operating profit		-24,946	-12,180
Adjustments for items not included in the cash flow		1,638	717
Interest received		134	1,428
Interest paid		-20	-349
Income tax paid		0	88
Cash flow from operating activities before changes in working capital		**-23,194**	**-10,296**
Cash flow from changes in working capital			
Change in operating receivables		3,303	-3,826
Change in operating payables		-4,483	10,632
Cash flow from operating activities		**-24,374**	**-3,490**
Investing activities			
Loans granted to group companies		-75,000	-36,836
Acquisition of long-term investments		0	-3,228
Acquisition of short-term investments		-77,000	0
Cash flow from investing activities		**-152,000**	**-40,064**
Financing activities			
Issue of new shares		134,829	232,420
Issue costs		-7,575	-13,745
Cash flow from financing activities		**127,254**	**218,675**
The cash flow for the year		**-49,120**	**175,121**
Cash and cash equivalents at the beginning of the year		**198,023**	**22,902**
Cash and cash equivalents at the end of the year	17	**148,903**	**198,023**

* **Correction of the cash flow statement for 2018**
In the annual report for the fiscal year 2018, an amount of 10,029 KSEK was reported as a negative change in operating receivables and as a positive change during the financing activities. The amount had no cash flow impact, which means that it should not have been included in the cash flow statement. The comparative column for the year 2018 has therefore been adjusted to the correct amounts. Lines that have been affected are changes in operating receivables (increase) and issue of new shares during financing activities (decrease).

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 Kronhusgatan 11, 411 05 Gothenburg. The main operation of the group is research and development of pharmaceutical products.

On April 14 2020, 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 20, 2020.

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".

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.

Change of presentation of the income statement

As of the fourth quarter 2019, Vicore classifies operating expenses by function instead of by nature of expense. The transition has been made to give a more accurate picture of the company. This is because the company has high costs for clinical studies and staff in research and development, which is now being more clearly presented.
A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statements for the comparative period 2018 have also been prepared in accordance with a classification by function. Note 31 "Transition to income statement classified by function" for the group describes the transition from the nature of expense method to the function of expense method for the group and the parent company.

New and revised standards and interpretations that are not yet effective

None of the other IFRS or IFRIC interpretations that are not yet effective are expected to have any material effect on the consolidated financial statements.

New and amended IFRS that were effective during 2019

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 increased due to the recognition of contract assets (right-of-use assets) and contract liabilities (lease liabilities). Lease payments that previously under IAS 17 have been recognized as operating expenses were replaced by depreciation of the contract 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 applied 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 applied 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.

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 percent 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.

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 agreement

New accounting principle applicable from January 1, 2019 – IFRS 16 Leases

The group's leasing portfolio consists of a few operating leases for premises and vehicles, which are the two classes of leased assets presented by the group.

The leasing agreements are reported as contract assets with a corresponding lease liability on the day that the leased asset is available for use by the group. Short-term leases and low value leases are excluded.

Each leasing payment is divided between amortization of the lease debt and financial cost. The financial cost shall be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability reported during each period.

The leasing period is determined as the non-cancellable period together with both periods covered by an option to extend the lease if the lessee is reasonably sure to take advantage of that option, and periods covered by an opportunity to terminate the lease if the lessee is reasonably sure not to exercise that option.

The group's leasing liabilities are recognized at the present value of the group's future leasing fees. Leasing payments have been discounted with the group's marginal loan interest rate.

The group's contract assets are recognized at cost and initially include the present value of the leasing liabilities, adjusted for leasing fees paid on or before the commencement date and initial direct expenses. Recovery costs are included in the asset if a corresponding provision regarding recovery costs has been identified. The contract asset is amortized on a straight-line basis over the shorter of the asset's useful life and the duration of the lease.

Previous accounting principle in accordance with IAS 17, applicable to transactions before 1 January 2019

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.

Incentive programs

There are three types of share-based incentive programs in the group: one warrant program for employees, one option program for employees, and one share awards program 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 security 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.

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

Acquired intangible assets

Intangible assets in the group consist 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 finite useful lives are reported at cost less depreciation and any impairment losses. Intangible fixed assets with finite useful lives are depreciated linearly over the asset's estimated useful life. Intangible assets with indefinite useful lives are instead tested annually for impairment.

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.

The estimated useful life for intangible fixed assets with a finite useful life is 5 years. Depreciation is made on a straight-line basis over the estimated useful life of the asset, which coincides with the remaining patent period for the product.

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, short-term investments, 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.

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 of Directors. For more information about impairment testing, see Note 15 "Patent, licenses and similar rights".

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 three share-based long-term incentive programs. The applicable accounting policies are described on page 42. 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 8 "Share-based payments".

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 August 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 and 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 filed during 2019 an open claim to the Swedish Tax Agency in connection with the submission of the declaration. 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.

Not 3 Operating segments

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 mainly in Sweden, where the group's tangible and intangible fixed assets are attributed.

Note 4 Operating expenses by nature of expense

As of the fourth quarter 2019, operating expenses are presented with a classification based on the functions "Administrative expenses" and "Research and development expenses". The total expenses classified by function are distributed in the following cost categories:

	2019	2018
Other external expenses	69,124	29,087
Personnel expenses	23,449	13,125
Depreciation and amortization	1,338	7
Other operating expenses	157	0
Total	**94,068**	**42,219**

Note 31 "Transition to income statement classified by function" describes the transition from the nature of expense method to the function of expense method.

Note 5 Audit fees

Ernst & Young AB	2019	2018
Audit fees*	827	243
Other audit related services	121	70
Tax consultancy services	366	0
Other services**	3,147	187
Total	**4,461**	**500**

* Audit engagement refers to fees for the statutory audit, i.e. work that has been necessary to produce the auditor's report as well as audit advisory services provided in connection with the audit engagement. The audit fee for 2018 was 227 KSEK higher than the reserved value and is therefore included in the audit fee for 2019.

** Other services refer to advisory and consulting services in connection with Vicore's transfer from First North Growth Market to the main list of Nasdaq Stockholm (Small Cap).

Note 6 Leases

	2019 Dec 31	2019 Jan 1
Contract assets		
Premises	185	120
Equipment	4	56
Total	**189**	**176**
Contract liabilities		
Long-term	186	120
Short-term	4	56
Total	**190**	**176**

The following amounts related to leasing contracts are reported in the consolidated statement of comprehensive income:	**2019**	**2018**
Leasing fees, short-term	503	203
Depreciation		
Premises	171	0
Equipment	52	0
Interest	5	0
Total	**731**	**203**

The total cash flow related to leasing agreements was 227 KSEK for 2019. For information on the maturity of leases, see Note 20 "Financial risks".

Comparative information for 2018 according to previous accounting principles (IAS 17)

Operating leasing costs in 2018 concerning operating leases mainly comprise rent for premises, office equipment and cars and amounts to 203 KSEK.

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

Future minimum lease payments	**2019**	**2018**
No later than 1 year	191	191
Between 1 and 5 years	0	14
Later than 5 years	0	0
Total	**191**	**205**

Note 7 Employees and personnel costs

Average number of employees	**2019**		**2018**	
	No. of employees	**of which men/ women**	**No. of employees**	**of which men/ women**
Parent company	3	67%/33%	3	67%/33%
Subsidiaries	5	40%/60%	3	0%/100%
Group total	**8**	**50%/50%**	**6**	**33%/67%**

Personnel costs for the Board of Directors, senior executives and other employees	**2019**	**2018**
Group		
The Board and other senior executives		
Salaries and other remuneration	10,104	7,097
Social security contributions	3,290	2,330
Pension costs	1,989	821
	15,383	**10,248**
Group		
Other employees		
Salaries and other remuneration	5,962	1,484
Social security contributions	1,326	517
Pension costs	555	207
	7,843	**2,208**
Group		
Other personnel costs	**223**	**669**
	223	**669**
Total personnel costs	**23,449**	**13,125**

Personnel costs for the Board of Directors, senior executives and other employees	2019	2018
Parent company		
The Board and other senior executives		
Salaries and other remuneration	8,866	5,841
Social security contributions	2,884	1,944
Pension costs	1,764	592
	13,514	**8,377**
Parent company		
Other employees		
Salaries and other remuneration	237	525
Social security contributions	88	177
Pension costs	59	50
	384	**752**
Parent company		
Other personnel costs	188	156
	188	**156**
Total personnel costs	**14,086**	**9,285**

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

Salaries and other remuneration

Costs related to the long-term incentive programs amounts to 1,991 KSEK (710 KSEK) of the payroll expenses and 297 KSEK (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 2,544 KSEK (1,028 KSEK).

Gender breakdown among senior executives

	2019 Dec 31	2018 Dec 31
Group		
Proportion of women on the Board	17%	14%
Proportion of men on the Board	83%	86%
Proportion of women among other senior executives	40%	20%
Proportion of men among other senior executives	60%	80%
Parent company		
Proportion of women among other senior executives	25%	0%
Proportion of men among other senior executives	75%	100%

Information regarding remuneration to the Board and other senior executives

2019	Basic salary, board fee*	Pension costs	Variable remuneration	Share-based payments	Other remuneration	Total
Chairman of the Board						
Leif Darner	300	0	0	286	25	611
Members of the Board						
Jacob Gunterberg	100	0	0	0	100	200
Hans Schikan	100	0	0	286	75	461
Maarten Kraan	100	0	0	286	75	461
Peter Ström	100	0	0	114	50	264
Sara Malcus	100	0	0	114	50	264
Senior executives						
CEO	2,578	873	328	274	0	4,053
Other senior executives (4 individuals)	3,992	1,116	282	389	0	5,779
Total	**7,370**	**1,989**	**610**	**1,749**	**375**	**12,093**

* Board fees as resolved at the AGM, excluding social security contributions for the May 2019 to May 2020 financial year, including remuneration of Board committee work.

2018	Basic salary, board fee*	Pension costs	Variable remuneration	Share-based payments	Other remuneration	Total
Chairman of the Board						
Leif Darner	300	0	0	135	0	435
Members of the Board						
Jacob Gunterberg	85	0	0	0	0	85
Hans Schikan	85	0	0	135	0	220
Maarten Kraan	100	0	0	135	0	235
Peter Ström	100	0	0	54	0	154
Sara Malcus	100	0	0	54	0	154
Kjell Stenberg, resigned	100	0	0	0	0	100
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**

* Board fees as resolved at the AGM, excluding social security contributions for the financial year June 2018 to May 2019.

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 interim report for the second quarter of 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 8 "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, bonus, 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 for 2019 refer to the Chief Financial Officer, Head of Project Management, Investor Relations Manager, and Chief Administrative Officer. Other senior executives for 2018 refer to the Chief Financial Officer, Chief Medical Officer, Chief Scientific Officer, and Head of Project Management.

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 8 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. As of December 31, 2019, Vicore has three active incentive programs that include the management team, certain board members, key employees and key consultants. One of these incentive programs, LTIP 2016, expired on January 3, 2020. For more information, see below.

Long-term incentive program 2016

On January 8, 2016, Vicore issued 570,000 warrants to key employees and researchers. Each warrant entitles the holder to subscribe for one new share in Vicore 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 326,610, 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.

As a result of the rights issue decided by the Annual General Meeting on August 13, 2018, the subscription price and number of shares per option shall be recalculated in accordance with the terms of the issued warrants. Recalculation in accordance with the terms of the warrants results in a new subscription price of SEK 10.47 and recalculated number of shares per option of 1.146. After the year end, 243,525 shares of a total of 653,220 shares were issued within the framework of the LTIP 2016 incentive program. The increase in the company's share capital for the options amounts to SEK 121,762.50, which corresponds to a dilution of 0.48 percent of the total number of shares and the total number of votes in the company. The incentive program LTIP 2016 expired on January 3, 2020 and is now closed.

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 765,800 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 approximately 4.7 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 interim report for the second quarter of 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 interim report for the second quarter 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 earliest date at which accrued share awards may be exercised is the date

of publication of the interim report for the second quarter of 2021.

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 depends, 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 during 2019 and 2018, respectively, amounts to SEK 3,68 and SEK 4.20 per option. The following inputs have been used in the model:

	2019		2018	
Average share price	17.20	SEK	17.70	SEK
Excercise price	26.17	SEK	25.26	SEK
Expected volatility	45.00	%	45.00	%
Option life	4	years	4	years
Expected dividends	0	SEK	0	SEK
Risk-free interest rate	-0.59	%	-0.05	%

Summary of issued share awards and options

Issued share awards (Board LTIP 2018)	2019 Average exercise price per share award	2019 Number of share awards	2018 Average exercise price per share award	2018 Number of share awards
At January 1	0	475,000	0	0
Granted during the year	0	0	0	475,000
At December 31	0	475,000	0	475,000

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)	2019 Average exercise price per option	2019 Number of options	2018 Average exercise price per option	2018 Number of options
At January 1	0	300 000	0	0
Granted during the year	26,17	465 800	25,26	300 000
At December 31	25,81	765 800	25,26	300 000

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

Outstanding share awards and options at year-end

Program per year	Date of expiration	Exercise price	Dec 31, 2019 Share awards/ options	Dec 31, 2019 Vested (%)	Dec 31, 2018 Share awards/ options	Dec 31, 2018 Vested (%)
Program share awards (Board LTIP 2018)	September, 2021	0	475,000	68%	475,000	23%
Program 2018 options (Co-worker LTIP 2018)	September 27, 2022	25.26	300,000	68%	300,000	15%
Program 2019 options (Co-worker LTIP 2018)	September 27, 2023	26.17	465,800	15%	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 5,104 KSEK. The total costs for the share-based incentive programs for each year is presented below. These costs have had no cash impact.

Summary of the total cost of the incentive programs

	2019	2018
IFRS 2-classified payroll expenses	1,991	717
Provisions for social security contributions	297	278
Total	**2,288**	**995**

Summary of allotted options and share awards

Program 2018 share awards (Board LTIP 2018)	2019 Number outstanding at Jan 1, 2019	2019 Granted/ forfeited	2019 Number outstanding at Dec 31, 2019	2018 Number outstanding at Jan 1, 2018	2018 Granted/ forfeited	2018 Number outstanding at Dec 31, 2018
Chairman of the Board Leif Darner	125,000	0	125,000	0	125,000	125,000
Member of the Board Hans Schikan	125,000	0	125,000	0	125,000	125,000
Member of the Board Maarten Kraan	125,000	0	125,000	0	125,000	125,000
Member of the Board Peter Ström	50,000	0	50,000	0	50,000	50,000
Member of the Board Sara Malcus	50,000	0	50,000	0	50,000	50,000
Total	**475,000**	**0**	**475,000**	**0**	**475,000**	**475,000**

Program 2018 and 2019 options (Co-worker LTIP 2018)	2019 Number outstanding at Jan 1, 2019	2019 Granted/ forfeited	2019 Number outstanding at Dec 31, 2019	2018 Number outstanding at Jan 1, 2018	2018 Granted/ forfeited	2018 Number outstanding at Dec 31, 2018
CEO Carl-Johan Dalsgaard	100,000	100,000	200,000	0	100,000	100,000
Other senior executives	150,000	212,500	337,500	0	150,000	150,000
Other employees	50,000	153,300	228,300	0	50,000	50,000
Total	**300,000**	**465,800**	**765,800**	**0**	**300,000**	**300,000**

Other senior executives for 2019 refer to the Chief Financial Officer, Head of Project Management, Investor Relations Manager, and Chief Administrative Officer. Other senior executives for 2018 refer to the Chief Financial Officer, Chief Medical Officer, Chief Scientific Officer, and Head of Project Management.

Note 9 Other operating income

Other operating income amounted to 66 KSEK (125 KSEK) and mainly consist of exchange rate differences on supplier invoices.

Note 10 Other operating expenses

Other operating expenses amounted to 157 KSEK (522 KSEK) and mainly consist of exchange rate differences on supplier invoices.

Note 11 Financial income

	2019	2018
Financial assets measured at fair value through profit and loss		
Change in value for long-term investments	549	3,684
Total	**549**	**3,684**
Financial assets measured at amortized cost		
Interest income short-term investments	163	0
Total interest income calculated using the effective interest method	**163**	**0**
Total disclosed in net financial income/expenses	**712**	**3,684**

Note 12 Financial expenses

	2019	2018
Financial assets measured at fair value through profit and loss		
Change in value for long-term investments	0	0
Total	**0**	**0**
Financial liabilities measured at amortized cost		
Interest expenses other financial liabilities	-27	-352
Total interest expenses calculated using the effective interest method	**-27**	**-352**
Total disclosed in net financial income/expenses	**-27**	**-352**

Not 13 Tax

	2019	2018
Current tax	0	0
Change in deferred tax regarding temporary differences	245	0
Recognized tax	**245**	**0**

Reconciliation of effective tax rates	2019	2018
Loss before tax	-93,329	-21,681
Tax according to applicable tax rate for parent company 21.4% (22%)	19,972	4,770
Non-deductable expenses	-184	-101
Non-taxable economic benefits	0	4,456
Tax effect unrecognized tax assets	-19,788	-9,125
Change in deferred tax	245	0
Recognized tax	**245**	**0**
Effective tax rate	**0%**	**0%**

The group has no tax items that are recognized in other comprehensive income, but there are issue costs 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	2019 Dec 31	2018 Dec 31
Intangible assets	1,796	1,978
Carrying amount	**1,796**	**1,978**
Deferred tax asset		
Provision for pension premium	63	0
Carrying amount	**63**	**0**

Tax loss carryforwards

Tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounted to 263,325 KSEK (163,875 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 "Judgements and accounting estimates".

Note 14 Earnings per share

Earnings per share before and after dilution	2019	2018
Profit for the year attributable to shareholders of the parent company	-93,083,456	-21,680,676
Average number of ordinary shares	43,041,933	22,882,323
Earnings per share before and after dilution	**-2.16**	**-0.95**

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 8 "Share-based payments". 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 25 "Shareholders' equity".

Note 15 Patents, licenses and similar rights

	2019 Dec 31	2018 Dec 31
Opening cost	69,192	16,637
Additions for the year	0	52,555
Closing accumulated cost	**69,192**	**69,192**
Opening amortizations	0	0
Amortizations for the year	-1,110	0
Closing accumulated amortizations	**-1,110**	**0**
Closing carrying amount	**68,082**	**69,192**

Amortizations

Amortization refers to previously acquired intangible assets (16.6 MSEK). This consists of a patent portfolio related to C21, whose main patent expires in the United States in September 2024. Amortization began in September 2019 and is amortized over its estimated useful life, which is the remaining patent period. Amortization has not yet begun for the group's other intangible assets.

Impairment testing

To test the value of acquired intangible assets, Vicore uses a probability-adjusted discounted cash flow model based on fair value. The value in use for VP01 and VP02 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 25.6% and for VP02 at 7.2%.

- The weighted average pre-tax cost of capital has been estimated at 15% (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.

The impairment assessment for the years 2019 and 2018 have not demonstrated a need for any impairments. No reasonable changes in the assumptions and estimates made would lead to an impairment.

Note 16 Equipment

	2019 Dec 31	2018 Dec 31
Opening cost	93	93
Additions for the year	147	0
Sales/disposals	-93	0
Closing accumulated cost	**147**	**93**
Opening depreciations	-72	-65
Depreciations for the year	-5	-7
Sales/disposals	73	0
Closing accumulated depreciations	**-4**	**-72**
Closing carrying amount	**143**	**21**

Note 17 Participations in associated companies

	Carrying amount	
Company	**2019 Dec 31**	**2018 Dec 31**
I-Tech	0	0

I-Tech	**Corp.reg.no** 556585-9682	**Domicile of the entity** Mölndal
	2019 Dec 31	**2018 Dec 31**
Opening carrying amount	0	22,745
Share in profits	0	0
Acquisitions for the year	0	3,228
Dividend of holding in I-Tech	0	-40,663
Change in value in profit	0	16,573
Reclassifications	0	-1,883
Closing carrying amount, proportion of equity	**0**	**0**

Note 18 Long-term investments

	2019 Dec 31	2018 Dec 31
Opening carrying amount	5,567	0
Reclassification	0	1,883
Change in value in profit	549	3,684
Closing carrying amount	**6,116**	**5,567**

Vicore holds 91,829 shares in I-Tech AB (publ), which are classified as long-term investments.

Note 19 Financial assets and liabilities

Financial assets and liabilities at December 31, 2019

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
Long-term investments	6,116	0	6,116
Other current receivables	0	48	48
Short-term investments	0	77,029	77,029
Cash and cash equivalents	0	187,586	187,586
Total	**6,116**	**264,663**	**270,779**
Financial liablilities			
Contract liability	<	190	190
Trade payables	0	5,300	5,300
Other current liabilities	0	1,800	1,800
Accrued expenses	0	4,818	4,818
Total	**0**	**12,108**	**12,108**

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, 2018

	Financial assets/ liabilities measured at fair value through profit and loss	Financial assets/ liabilities measured at amortized cost	Total carrying amount
Financial assets			
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
Total	**5,567**	**224,892**	**230,459**
Financial liablilities			
Trade payables	0	2,384	2,384
Accrued expenses	0	7,373	7,373
Total	**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.

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)

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. Listed investments are measured on the basis of their share price on the closing day.

Other financial assets and liabilities

For trade receivables, other current receivables and liabilities, short-term investments, 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 20 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.

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

	2019 Dec 31	2018 Dec 31
Non-overdue trade receivables	0	4
Carrying amount	**0**	**4**

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 2019 (%)		
GBP	-	4%
EUR	-	18%
DKK	-	2%
SEK	-	77%
Foreign exchange exposure 2018 (%)		
USD	-	14%
GBP	-	1%
EUR	-	20%
SEK	-	66%

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 EUR. A 10% stronger EUR against SEK would have a negative impact on the profit after tax and shareholders' equity by approximately 1,703 KSEK (674 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, 2019		
	<1 month	1-3 months	>3 months
Maturity analysis			
Contract liability	14	21	155
Trade payables	5,244	56	0
Other current liabilities	1,800	0	0
Accrued expenses	49	4,769	0
Total	**7,107**	**4,846**	**155**

	Dec 31, 2018		
	<1 month	1-3 months	>3 months
Maturity analysis			
Trade payables	2,384	0	0
Other current liabilities	0	0	0
Accrued expenses	6,144	1,229	0
Total	**8,528**	**1,229**	**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 21 Prepaid expenses and accrued income

	2019 Dec 31	2018 Dec 31
Prepaid rental charges	190	15
Other prepaid expenses	284	500
Total	**474**	**515**

Note 22 Short-term investments

	2019 Dec 31	2018 Dec 31
Fixed-rate account, SBAB	77,000	0
Accrued interest income	29	0
Total	**77,029**	**0**

Vicore has in total eleven fixed-rate accounts (investment accounts) at SBAB. Each account amounts to 7 MSEK and were opened during December 2019 (fixed for 12 months). The annual interest rate per account is between 0.86% and 0.90%.

Note 23 Cash and cash equivalents

	2019 Dec 31	2018 Dec 31
Available balances	187,586	224,688
Total	**187,586**	**224,688**

Note 24 Group companies

		Share of equity and voting rights	
Company	**Principal activity**	**2019 Dec 31**	**2018 Dec 31**
Vicore Pharma Holding AB	Own and manage shares in subsidiaries		
Vicore Pharma AB	Research and development of pharmaceutical products	100%	100%
INIM Pharma AB	Research and development of pharmaceutical products	100%	100%
ITIN Holding AB	Ongoing liquidation	100%	100%

Note 25 Shareholders' equity

Share capital and other contributed capital

SEK	Number of ordinary shares	Share capital	Other contributed capital
At January 1, 2018	**15,868,504**	**7,934,252**	**125,112,056**
New share issue decided on August 13, 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 on November 30, 2018, and registered on January 10, 2019	9,414,706	4,707,353	147,000,764
New share issue decided on November 13, 2019	7,800,000	3,900,000	113,324,876
Share-based payments	0	0	1,990,787
At December 31, 2019	**50,174,714**	**25,087,357**	**527,397,207**

Share capital

At December 31, 2019, the registered share capital encompassed 50,174,714 ordinary shares. All shares have been fully paid and no shares are reserved for transfer. Each share carries one vote. The quotient value is SEK 0.50 (0.50). No shares are held by the company itself or its subsidiaries.

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

As of December 31, 2019, Vicore has three active incentive programs that include the management team, certain board members, key employees and key consultants. For more information, see Note 8 "Share-based payments".

Note 26 Other provisions

Social security contributions related to share-based incentive programs	2019 Dec 31	2018 Dec 31
Opening amount	278	0
Provisions for the year	297	278
Total	**575**	**278**

For more information about incentive programs, see Note 8 "Share-based payments".

Note 27 Accrued expenses and deferred income

	2019 Dec 31	2018 Dec 31
Accrued personnel-related expenses	3,306	3,421
Accrued interest	0	103
Accrued consulting fees	4,717	7,270
Other	111	0
Total	**8,134**	**10,794**

Note 28 Supplementary information to the cash flow statement

Adjustment for items not included in the cash flow	2019 Dec 31	2018 Dec 31
Depreciations	1,338	7
Loss on disposal of equipment	20	0
Incentive programs	1,991	710
Other	2	5
Total	**3,351**	**722**

Note 29 Related-party transactions

Related parties are defined as individuals with holdings of more than ten percent, members of the group's senior management, meaning the Board of Directors and senior executives, as well as their immediate family members.

For information about remuneration to senior executives and the Board of Directors, see Note 7 "Employees and personnel costs".

Transactions with associated companies

	Sale of goods or services	Purchase of goods or services	Other	Receivables at closing day	Payables on closing day
2019	0	0	0	0	0
2018	493	0	0	0	0

Note 30 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 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. In 2019, a milestone payment of S250 KSEK was paid to Emeriti Bio AB in connection with the filing of a patent application by Vicore Pharma.

Agreement with Nanologica AB

On May 9, 2018, INIM Pharma AB ("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 the fourth quarter of 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 loose 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.

Note 31 Transition to income statement classified by function

As of the fourth quarter of 2019, Vicore classifies operating expenses by function instead of by nature of expense. The transition has been made to give a more accurate picture of the company. This is because the company has high costs for clinical studies and staff in research and development, which is now being more clearly presented. A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statements for the comparative periods 2018 have also been prepared in accordance with a classification by function. This note describes the transition from the nature of expense method to the function of expense method.

2018-01-01 - 2018-12-31
Group statement of comprehensive income

KSEK	Information	Income statement classified by nature of expense	Adjustment other operating income	Adjustment other external costs	Adjustment personnel costs	Adjustment depreciations and amortizations	Income statement classified by function
Net sales		508					508
Other operating income		125	-125				0
		633	**0**				**508**
Other external costs	1	-29,087		29,087			0
Personnel costs	2	-13,125			13,125		0
Depreciations and amortizations		-7				7	0
Administrative expenses				-5,857	-8,975	-7	-14,839
Research and development expenses				-22,708	-4,150		-26,858
Other operating income and expenses			125	-522			-397
Profit/loss from operations		**-41,586**	**0**	**0**	**0**	**0**	**-41,586**
Share in profits in associated companies		16,573					16,573
Financial income		3,684					3,684
Financial expenses		-352					-352
Net financial income/expense		**19,905**					**19,905**
Profit/loss before tax		**-21,681**					**-21,681**
Tax		0					0
Loss for the period attributable to the parent company's shareholders		**-21,681**					**-21,681**
Other comprehensive income							
Other comprehensive income		0					0
Other comprehensive income for the period, net of tax		**0**					**0**
Total comprehensive income attributable to the parent company´s shareholders		**-21,681**					**-21,681**

1. Other external costs have been allocated to administrative expenses, research and development expenses, and other operating expenses. Research and development conducted by external parties have previously been reported separately as research and development expenses in the income statement, which amounted to 20,463 KSEK during the full-year 2018. In the transition to income statement classified by function, these research and development expenses have been reversed into other external costs for illustrative purposes. Other external costs that are classified as administration consist, for example, of costs for office, legal costs, audit fees and other overhead costs. Other operating income and expenses consist of exchange rate differences on supplier invoices.

2. Personnel costs have been allocated according to the function of each employee. Three people on administrative expenses and two people on research and development expenses. Personnel costs also include board fees, which are allocated to administrative expenses.

2018-01-01 - 2018-12-31
The parent company's income statement

KSEK	Information	Income statement classified by nature of expense	Adjustment other operating income	Adjustment other external costs	Adjustment personnel costs	Adjustment depreciations and amortizations	Income statement classified by function
Net sales		2,653					2,653
Other operating income		2,524	-2,524				0
		5,177	**-2,524**				**2,653**
Other external costs	1	-8,065		8,065			0
Personnel costs	2	-9,285			9,285		0
Depreciation and amortization of tangible and intangible assets		-7				7	0
Administrative expenses				-5,545	-8,901	-7	-14,453
Research and development expenses					-384		-384
Other operating income and expenses			2,524	-2,520			4
Profit/loss from operations		**-12,180**	**0**	**0**	**0**	**0**	**-12,180**
Interest income and similar profit items		1,428					1,428
Interest expenses and similar loss items		-348					-348
Net financial income/expense		**1,080**					**1,080**
Result after financial items		**-11,100**					**-11,100**
Tax		0					0
The result for the period		**-11,100**					**-11,100**

The parent company's statement of comprehensive income

KSEK	
The result for the period	-11,100
Other comprehensive income	0
Total comprehensive income for the period	**-11,100**

1. Other external costs have been allocated to administrative expenses, research and development expenses, and other operating expenses. Other external costs that are classified as administration consist, for example, of costs for office, legal costs, audit fees and other overhead costs. Other operating income and expenses consist of reinvoiced consulting fees and exchange rate differences on supplier invoices.

2. Personnel costs have been allocated according to the function of each employee, which in the parent company is mainly within administration. Personnel costs also include board fees, which are allocated to administrative expenses.

Note 32 Events after the balance sheet date

- In January, Vicore issued 243,525 shares to the warrant holders in the incentive programme LTIP 2016.
- In the beginning of 2020, the phase II study with C21 in patients with SSc dosed its first patients.
- In March, Vicore submitted a Clinical Trial Application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with IPF. The study has been re-designed and extended to six months, compared to the earlier planned three months, in order to increase the probability of documenting a treatment effect. This will be enabled by comparing the development of the patients' lung function with the well documented disease progression in untreated patients. In addition, patients will be given the opportunity to continue treatment for another three months. The study will not include a placebo group.
- In March, Vicore submitted a Letter of Intent (LoI) to file a clinical trial application (CTA) to the UK regulatory agency MHRA, for a phase II study with C21 in patients with COVID-19. The proposed study will be a randomized, double blind, placebo controlled study in COVID-19 patients with a moderately severe disease, requiring oxygen support, but not mechanical ventilation. The study will investigate the efficacy on respiratory failure as measured by capacity to oxygenize the blood circulation. The clinical part is estimated to take three months to finalize. Estimated read-out is during 2020.

Notes
Parent company

Note 1 Accounting principles

The 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 Entities". 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.

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.

Change of presentation of the income statement

As of the fourth quarter 2019, Vicore classifies operating expenses by function instead of by nature of expense. The transition has been made to give a more accurate picture of the company. This is because the company has high costs for clinical studies and staff in research and development, which is now being more clearly presented. A change in the presentation of the income statement entails a change of principle, which is carried out with retroactive effect. Consequently, the income statements for the comparative period 2018 have also been prepared in accordance with a classification by function. Note 31 "Transition to income statement classified by function for the group" describes the transition from the nature of expense method to the function of expense method for the group and the parent company.

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 does not apply IFRS 16 Leases. The parent company as lessee recognizes leasing fees as a linear cost over the lease period, unless another systematic way better reflects the user's economic benefit over time. The parent company only recognizes leasing fees from leasing contracts as a linear cost over the leasing period under administrative expenses. Thus, the contract asset and the contract liability are not recognized in the balance sheet.

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 Net sales

Net sales mainly consists of management fees to group companies. In 2018, net sales also include management fee to an associated company, which amounted to 493 KSEK.

Note 3 Operating expenses by nature of expense

As of the fourth quarter 2019, operating expenses are presented with a classification based on the functions "Administrative expenses" and "Research and development expenses". The total expenses classified by function are distributed in the following cost categories: :

	2019	2018
Other external expenses	13,933	8,065
Personnel expenses	14,086	9,285
Depreciation and amortization	2	7
Other operating expenses	17	0
Total	**28,038**	**17,357**

Note 31 "Transition to income statement classified by function for the group" describes the transition from the nature of expense method to the function of expense method for also the parent company.

Note 4 Audit fees

Ernst & Young AB	2019	2018
Audit fees	650	172
Other audit related services	121	70
Tax consultancy services	366	0
Other services	3,147	187
Total	**4,284**	**429**

For further information on audit fees, see Note 5 "Audit fees" for the group.

Note 5 Leases

Operating leasing costs for the year concerning operating leases mainly comprise rent for premises, office equipment and cars and amounts to 638 KSEK (336 KSEK)
Future payment commitments as of December 31 for operating leases are divided up as follows:

Future minimum lease payments	2019	2018
No later than 1 year	89	132
Between 1 and 5 years	0	9
Later than 5 years	0	0
Total	**89**	**141**

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 8 "Share-based payments" for the group.

Note 7 Interest income and similar profit items

	2019	2018
Financial assets measured at fair value through profit and loss		
Change in value for long-term investments	0	0
Total	**0**	**0**
Financial assets measured at amortized cost		
Interest income from group companies	0	1,428
Interest income from other financial assets	163	0
Total interest income according to the effective interest method	**163**	**1,428**
Total	**163**	**1,428**
Total in profit or loss from financial items	**163**	**1,428**

Note 8 Interest expenses and similar loss items

	2019	2018
Financial assets measured at fair value through profit and loss		
Change in value for long-term investments	0	0
Total	**0**	**0**
Financial liabilities measured at amortized cost		
Interest expenses other financial liabilities	-20	-348
Total interest expenses calculated using the effective interest method	**-20**	**-348**
Total	**-20**	**-348**
Total in profit or loss from financial items	**-20**	**-348**

Note 9 Tax on profit for the year

	2019	2018
Current tax	0	0
Change in deferred tax assets	63	0
Recognized tax	**63**	**0**

Reconciliation of effective tax rates	2019	2018
Loss before tax	-24,803	-11,100
Tax according to applicable tax rate for parent company 21,4% (22%)	5,308	2,442
Non-deductible expenses	-135	-80
Non-taxable economic benefits	0	0
Tax effect unrecognized deferred tax assets	-5,110	-2,362
Recognized tax	**63**	**0**
Effective tax rate	**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

The following table specifies the tax effect of the temporary differences:

Deferred tax asset:	2019 Dec 31	2018 Dec 31
Provision for pension premium	63	0
Carrying amount	**63**	**0**

Specification of change in deferred tax assets:

	2019 Dec 31	2018 Dec 31
Opening carrying amount	0	0
Change of temporary differences	63	0
Carrying amount deferred tax asset	**63**	**0**

Tax loss carryforwards for which deferred tax assets have not been recognized in the balance sheet amounted to 78,729 KSEK (46,924 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

	2019 Dec 31	2018 Dec 31
Opening cost	93	93
Sales/disposals	-93	0
Closing accumulated cost	**0**	**93**

	2019 Dec 31	2018 Dec 31
Opening depreciations	-72	-65
Depreciations for the year	-2	-7
Sales/disposals	74	0
Closing accumulated depreciation	**0**	**-72**
Closing carrying amount	**0**	**22**

Note 11 Participations in group companies

Company	No. of shares	Proportion of equity	Share of voting power	Carrying amount 2019 Dec 31	Carrying amount 2018 Dec 31
Vicore Pharma AB	10,000	100%	100%	204,962	204,586
INIM Pharma AB	50,000	100%	100%	70,812	70,812
ITIN Holding AB	500,000	100%	100%	500	500
				276,274	**275,898**

	Corp. Reg. No.	Domicile of the entity	Equity	Loss for the year
Vicore Pharma AB	556607-0743	Mölndal	26,339	-61,079
INIM Pharma AB	559156-8471	Stockholm	12,408	-7,395
ITIN Holding AB	556989-2143	Mölndal	466	0

	2019 Dec 31	2018 Dec 31
Opening cost	275,898	73,643
Acquisitions for the year	376	202,255
Closing accumulated cost	**276,274**	**275,898**
Closing carrying amount	**276,274**	**275,898**

Note 12 Participation in associated companies

Company	Corp. Reg. No.	Domicile of the entity	Carrying amount 2019 Dec 31	Carrying amount 2018 Dec 31
I-Tech	556585-9682	Mölndal	0	0

	2019 Dec 31	2018 Dec 31
Opening carrying amount	0	9,526
Dividend	0	-12,189
Acquisitions for the year	0	3,228
Reclassifications	0	-565
Closing carrying amount, proportion of equity	**0**	**0**

Note 13 Long-term investments

	2019 Dec 31	2018 Dec 31
Opening cost	565	0
Reclassifications	0	565
Closing carrying amount	**565**	**565**

Note 14 Financial assets and liabilities

Financial assets and liabilities at December 31, 2019

	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	244	244
Other current receivables	0	16	16
Short-term investments	0	77,029	0
Cash and cash equivalents	0	148,903	148,903
Total	**0**	**226,192**	**149,163**
Financial liablilities			
Liabilities to group companies	0	400	400
Trade payables	0	917	917
Other current liabilities	0	1,800	1,800
Accrued expenses	0	1,105	1,105
Total	**0**	**4,222**	**4,222**

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, 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
Total	**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	0	0
Accrued expenses	0	6,573	6,573
Total	**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.

For fair value measurement of long-term investments see Note 19 "Financial assets and liabilities" for the group.

For trade receivables, other current receivables and liabilities, short-term investments, 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 Note 20 "Financial risks" for the group.

Note 15 Prepaid expenses and accrued income

	2019 Dec 31	2018 Dec 31
Prepaid rental charges	156	8
Other prepaid expenses	131	53
Total	**287**	**61**

Note 16 Short-term investments

	2019 Dec 31	2018 Dec 31
Fixed-rate account, SBAB	77,000	0
Accrued interest income	29	0
Total	**77,029**	**0**

Vicore has in total eleven fixed-rate accounts (investment accounts) at SBAB. Each account amounts to 7 MSEK and were opened during December 2019 (fixed for 12 months). The annual interest rate per account is between 0.86% and 0.90%.

Not 17 Cash and cash equivalents

	2019 Dec 31	2018 Dec 31
Available balances	148,903	198,023
Total	**148,903**	**198,023**

Note 18 Shareholders' equity

At December 31, 2019, the registered share capital comprised 50,174,714 ordinary shares. All shares are fully paid and no shares are reserved for transfer. Each share carries one vote. The quota value amounts to 0.5 SEK (0.5 SEK). No shares are held by the company itself or its subsidiaries.

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 19 Other provisions

Social security contributions related to share-based incentive programs	2019 Dec 31	2018 Dec 31
Opening amount	278	0
Provisions for the year	222	278
Total	**500**	**278**

For more information about incentive programs, see Note 8 "Share-based payments" for the group.

Note 20 Non-current liabilities to group companies

Non-current liabilities	2019 Dec 31	2018 Dec 31
Opening cost	400	400
Reclassifications	-400	0
Closing carrying amount	**0**	**400**

Current liabilities	2019 Dec 31	2018 Dec 31
Opening cost	75,000	0
Additions	0	75,000
Deduction	-75,000	0
Reclassifications	400	0
Closing carrying amount	**400**	**75,000**

Note 21 Accrued expenses and deferred income

	2019 Dec 31	2018 Dec 31
Accrued personnel-related expenses	2,834	3,206
Accrued interest	0	103
Accrued consulting fees	270	6,470
Total	**3,104**	**9,779**

Note 22 Pledged assets and contingent liabilities

For information about pledged assets and contingent liabilities in the parent company, see to the group's Note 30 "Pledged assets and contingent liabilities".

Note 23 Related-party transactions

	Sales of goods or services	Purchase of goods or services	Other	Receivables on closing day	Payables on closing day
Transactions with subsidiaries					
2019	3,092	0	558	244	400
2018	2,160	0	3,929	4,019	400

Other in the table above relates to reinvoiced costs.

For information about salaries and remuneration to employees and senior executives, see Note 7 "Employees and personnel costs" for the group.

Board of Directors and Organisation

Board of Directors

Leif Darner
Chairman of the Board since 2017. Board member since 2016

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.

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 and I-Tech AB.

Previous assignments for the past five years: Board member of LKAB and Flowserve Corporation.

Holdings in the company: 173,333 shares and 125,000 shares in the framework of the company's incentive program.

Leif is a member of Vicore's remuneration committee.

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

Hans Schikan
Board member since 2018

Hans Schikan is the former CEO of Prosensa (acquired by BioMarin). His previous assignments include leading roles at Genzyme (acquired by Sanofi) and Organon (acquired by Schering Plough). He has served on the Board of Directors of Hansa Biopharma, Asceneuron, Wilson Therapeutics (acquired by Alexion) and Therachon (acquired by Pfizer).

Education: PharmD from the University of Utrecht.

Other assignments: Chairman of the investment committee of Swanbridge Capital, board member of VectivBio, Pharvaris B.V. and Swedish Orphan Biovitrum. Chairman of the Board of InteRNA Technologies B.V. and Complix NV.

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

Holdings in the company: 125,000 shares in the framework of the company's incentive program.

Hans is chairman of Vicore's remuneration committee and a member of the scientific committee.

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 HealthCap Orx Holdings GP AB, Carisma Therapeutics Inc. and former chairman of INIM Pharma AB.

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

Other assignments: Board member in JUSG AB, EllAug AB, Tova Skrenen Stockholm AB, Ancilla AB and Skipjack AB.

Previous assignments for the past five years: Board member in MIPS Helmet AB, MIPS AB, OxThera Intellectual Property AB, Trimb Holding AB, Trimb Healthcare AB, HealthCap Holdings GP AB, HealthCap Annex Fund I-II Bis GP AB and HealthCap Aero Holdings GP AB (which were merged in 2016) and Cenova AB. Chairman and board member in OxThera AB. Deputy board member in BONESUPPORT AB, BONESUPPORT HOLDING AB and Wilson Therapeutics AB.

Holdings in the company: None.

Jacob is chairman of Vicore's audit committee and a member of the scientific committee.

Independent of the company and its senior management but dependent 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.

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 R&D Director of Pierre-Fabre SA.

Previous assignments for the past five years: None.

Holdings in the company: 125,000 shares in the framework of the company's incentive program.

Maarten is chairman of Vicore's scientific committee and a member of the remuneration committee

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.

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

Other assignments: Board member of Wnt Research AB, Comtax AB, Stockholm Corporate Finance and Dentosystem AB.

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

Holdings in the company: 84,084 shares and 50,000 shares in the framework of the company's incentive program.

Peter is a member of Vicore's audit committee.

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.

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: Board member of Oncorena AB, Oncorena Holding AB, Cereno Scientific AB and MetaboGen AB.

Holdings in the company: 50,000 shares in the framework of the company's incentive program.

Sara is a member of Vicores audit committee.

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

Organisation

Carl-Johan Dalsgaard*
Chief Executive Officer 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.

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

Other assignments: Board member and CEO of INIM Pharma AB and Vicore Pharma AB.

Holdings in the company: 477,981 shares and 200,000 options within the framework of the company's incentive program.

Hans Jeppsson*
Chief Financial Officer 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.

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

Other assignments: Deputy board member of Vicore Pharma AB and INIM Pharma AB.

Holdings in the company: 5,000 shares and 150,000 options within the framework of the company's incentive program.

Christian Hall*
Investor Relations Manager since 2019

Christian Hall is an IR professional with 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. Between 1999 and 2012 he worked for Swedbank in different positions, including Head of Equity Research, Equity Strategist and as head of several sectors.

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

Other assignments: Board member and CEO of Hall Konsult AB.

Holdings in the company: 25,000 options within the framework of the company's incentive program.

Christina Johansson*
Head of Project Management 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.

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

Other assignments: Board member of KickStart Strategy AB.

Holdings in the company: 87,500 options within the framework of the company's incentive program.

* Part of the management team

Nina Carlén*
Chief Administrative Officer since 2009

Nina has more than 15 years of experience working with marketing and communication in the pharmaceutical industry.

Education: Completed training in project management, PR, communication and graphic design at, among others, Bergh's School of Communication.

Other assignments: Deputy board member of North River AB and North River Maintenance AB.

Holdings in the company: 24,840 shares and 75,000 options within the framework of the company's incentive program.

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.

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

Holdings in the company: 100,000 options within the framework of the company's incentive program.

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.

Education: MD Ph.D. from the Karolinska Institute and Vanderbilt university, USA.

Holdings in the company: 238,991 shares and 40,000 options within the framework of the company's incentive program.

Mimi Flensburg
Head of Clinical Development since 2019

Mimi Flensburg is an experienced biotech R&D leader with strategic and operational background from managing clinical operations. She has an extensive track record of building successful clinical development platforms to lead drug candidates efficiently through clinical phase I, II and III. International experience from handling global clinical trials and working with pharmaceutical companies, in Denmark, Sweden, Austria, US, UK Israel and Switzerland.

Education: DVM, Ph.D.

Holdings in the company: 29,100 options within the framework of the company's incentive program.

Ola Camber
Head Pharmaceutical Research and Development. Employed as consultant since 2018

Ola is PhD and Assoc. Prof. in Pharmaceutics & Biopharmaceutics and expert in drug formulation/delivery. He has more than 30 years of experience in drug development e.g. Director of Pharmaceutical R&D at Pharmacia, Astra/AstraZeneca, VP Drug Development and Board member at Biotech Companies and Senior Adviser at Karolinska Institutet Innovation AB. Ola is member of the Review Panel of the Swedish research council.

Education: Ph.D. and Assoc. Prof.

Holdings in the company: 149,326 shares.

*Part of the management team

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.

Gothenburg April 14, 2020

Leif Darner
Chairman

Hans Schikan
Board member

Maarten Kraan
Board member

Sara Malcus
Board member

Jacob Gunterberg
Board member

Peter Ström
Board member

Carl-Johan Dalsgaard
CEO

Our audit report was submitted on April 14, 2020

Ernst & Young AB

Andreas Mast
Authorized Public Accountant

Auditors-Report

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 2019. The annual accounts and consolidated accounts of the company are included on pages 24-65 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 31 December 2019 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 31 December 2019 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 administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter 1

Reporting of research and development costs	*How our audit addressed this key audit matter*
The costs of the Group's research and development activities amounted to a total of SEK 67.0 million during the financial year 2019, corresponding to 68% of Vicore Pharma's total operating expenses. Most of these costs relate to the development of the product candidates VP01 and VP02 and mainly consists of costs for the clinical studies conducted. For further information, please refer to the Group's accounting policies in Note 1, operating expenses per cost type in Note 4 and Note 31 for information on the company's transition to a functional income statement. In our audit, we have focused on this area as the costs amount to a material amount and there is a risk regarding the completeness and the accrual and accuracy of the expenditures.	Our review of the research and development costs has included, but is not limited to the following measures. • Evaluation of the company's procedures and internal control related to financial reporting. • Testing of internal controls for approval and payment of invoices. • Reconciled and performed detailed testing to invoice documents, contracts and other financial statements documentation. • Analysis of costs based on our knowledge of the business and follow-up to internal project reports. • We have also assessed the company's information in the annual report.

Key Audit Matter 2

Valuation of intangible assets	*How our audit addressed this key audit matter*
As of December 31, 2019, a substantial portion (20% or SEK 68 m) of the Group's total assets consists of patents and goodwill (hereinafter referred to as the assets). The company examines the assets for impairment annually and when events or changes in circumstances indicate that the carrying amount of the assets may be less than the recoverable amount. Impairment assessment involves a number of significant estimates and assessments, including estimating the value in use by assessing the likelihood of future product launch, estimating expected future discounted cash flows, and calculating weighted average cost of capital ("WACC"). For further information, please refer to the Group's accounting policies in Note 1, assessments and estimates in Note 2, as well as information on patents, licenses and similar rights in Note 15. We focused on this area as the carrying value of the assets is material and impairment testing is sensitive to changes in assumptions and is therefore a particularly important area in our audit.	Our review, conducted in conjunction with our valuation specialists, has included, but is not limited to the following measures: • Evaluation of the company's probability-adjusted cash flow model for impairment testing. • Examination of the assumptions made by the company when assessing impairment requirements with a focus on the assumptions for which the result of the impairment test is most sensitive. • We have also assessed the company's information in the annual report.

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 1-23. 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 conclusion 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 however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

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, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts 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 disclosures 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.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

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 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) 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 responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's 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 otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB with Andreas Mast as auditor in charge, Box 7850, 103 99 Stockholm, was appointed auditor of Vicore Pharma Holding AB (publ) by the general meeting of the shareholders on May 15th, 2019 and has been the company's auditor since October 10th, 2018.

Göteborg 14 April 2020

Ernst & Young AB

Andreas Mast

Authorized Public Accountant

Corporate Governance Report

Introduction

The Board of Directors of Vicore Pharma Holding AB (publ), company reg. no. 556680-3804 ("Vicore" or the "company") hereby submits the 2019 corporate governance report in accordance with the requirements of the Swedish Annual Accounts Act) (Sw. årsredovisningslagen) and the Swedish Code of Corporate Governance (the "Code"; see the Swedish Corporate Governance Board website at www.bolagsstyrning.se). The company's shares have been listed on Nasdaq Stockholm since September 27, 2019. The company's shares were previously, since December 2015, listed on the Nasdaq First North Growth Market. The company's corporate governance is mainly regulated by the provisions of the company's articles of association, the Swedish Companies Act (2005:551) (Sw. aktiebolagslagen) and other Swedish legislation, the Nasdaq Stockholm Rulebook for issuers and the Code.

The corporate governance report has been reviewed by the company's auditors in accordance with the Swedish Annual Accounts Act. It does not constitute a part of the formal annual report documents.

The group comprises the parent company Vicore Pharma Holding AB and the subsidiaries Vicore Pharma AB ("Vicore Pharma"), INIM Pharma AB ("INIM Pharma") and the dormant company ITIN Holding AB. The company's research and development operations are conducted in Vicore Pharma and INIM Pharma.

There are no deviations from the Swedish Corporate Governance Code (the "Code") to report for the financial year of 2019. No infringements of Nasdaq Stockholm's rules and no breach of good practice on the securities market was reported by the stock exchange's disciplinary committee or the Swedish Securities Council during the financial year.

Corporate governance within Vicore

The purpose of Vicore's corporate governance is to create a clear allocation of roles and responsibilities among the owners, the Board of Directors and management. Corporate governance, management and control of Vicore are allotted among the general meeting, the Board of Directors, its elected committees and the CEO.

Important external and internal regulations and policies that affect corporate governance:

Signficant external regulations:

- Swedish Companies Act
- Swedish Accounting Act
- Swedish Annual Accounts Act
- International standards for audits and financial reporting (IFRS)
- Nasdaq Stockholm Rulebook for issuers
- Swedish Code of Corporate Governance
- Other applicable rules and recommendations

Significant internal regulations and policies:

- Articles of association
- Rules of procedure for the Board of Directors
- Instruction for the CEO, including the financial reporting instruction
- Finance policy
- Financial handbook
- Internal control policy
- Risk management policy
- Information policy
- Insider policy
- IT policy

Shareholders and the share

At the end of 2019, Vicore had 1,798 shareholders and the number of shares was 50,174,714 with a quotient value of SEK 0.5. After the turn of the year, an additional 243,525 shares were issued under the incentive program LTIP 2016, which means that there are now a total of 50,418,239 shares. There is only one class of shares. The company's shares are issued in one class and each share carries one vote at the AGM.

On December 31, 2019, HealthCap VII L.P. was the single largest shareholder in Vicore, with a total of 13,763,908 shares, corresponding to 27.4 percent of the votes and capital. No shareholder other than HealthCap VII L.P. has a direct or indirect shareholding that represents one tenth, or more, of the voting rights for all shares in the company. Further information on shareholders and Vicore's share is presented on pages 26-27 in the 2019 annual report.

General meetings of shareholders

According to the Companies Act (2005: 551), the General Meetings of shareholders is the company's highest decision-making body. At the General Meetings, the shareholders exercise their voting rights in the company. The Annual General Meeting shall be held within six (6) months from the end of the financial year. At the Annual General Meeting, the shareholders decide, among other things, on the Board of Directors and, where applicable, auditors, how the Nomination Committee is to be appointed and on discharge from liability for the Board of Directors and the CEO for the past year. Decisions are also made on the adoption of Annual Report, the appropriation of profit or loss, fees for the Board of Directors and auditors, as well as guidelines for remuneration to the CEO and other senior executives.

The Articles of Association stipulate that the Annual General Meeting shall be held in Mölndal, Stockholm or Gothenburg. Shareholders who wish to attend General Meetings, in person or through a representative, must be included in the share book kept by Euroclear Sweden

AB five (5) working days before the General Meeting and make a notification to the company in accordance with the notice. Notice of General Meetings is made through advertising and via the company's website (www.vicorepharma.com).

2019 AGM

The Annual General Meeting 2019 was held on May 15, 2019 in Mölndal. At the AGM, approximately 50.1 percent of the total votes were represented. Leif Darner was elected chairman of the meeting.

At the AGM the following principal resolutions were passed:

- Leif Darner, Jacob Gunterberg, Maarten Kraan, Sara Malcus, Hans Schikan and Peter Ström were re-elected as board members. Leif Darner was re-elected Chairman of the Board.
- EY AB with principal auditor Andreas Mast was re-elected as auditor.
- Remuneration to the Chairman of the Board and the members elected by the Board of Directors and the auditor were established.
- Proposed guidelines for remuneration to senior executives were approved
- Authorization for the Board of Directors to resolve, on one or more occasions, with or without deviation from the shareholders' preferential rights, and no later than the time for the next Annual General Meeting, to resolve to increase the company's share capital through a new share issue. The number of shares that may be issued pursuant to the authorization may not have a dilution effect exceeding 20 percent of the number of shares and votes in the company at the 2019 AGM.
- Resolution on adoption of balance sheet and income statement.
- No dividend will be paid for 2018 and the company's earnings shall be carried forward.
- Discharge from liability of the Board of Directors and CEO for the financial year 2018.

Full minutes and information from the AGM are available on Vicore's website (www.vicorepharma.com).

Extraordinary General Meeting 2019

At the Extraordinary General Meeting on January 7, 2019, approximately 49.6 percent of the total number of votes were represented. The following resolutions were made at the meeting:

- Resolution to amend the articles of association.
- Resolution to approve the Board of Directors proposal to issue new shares.

AGM 2020

The AGM 2020 will be held on May 20, 2020, at 16: 00 in Gothenburg. In order to participate and for more information see Vicore's website (www.vicorepharma.com). The minutes of the AGM will be available on Vicore's website (www.vicorepharma.com).

Nomination Committee

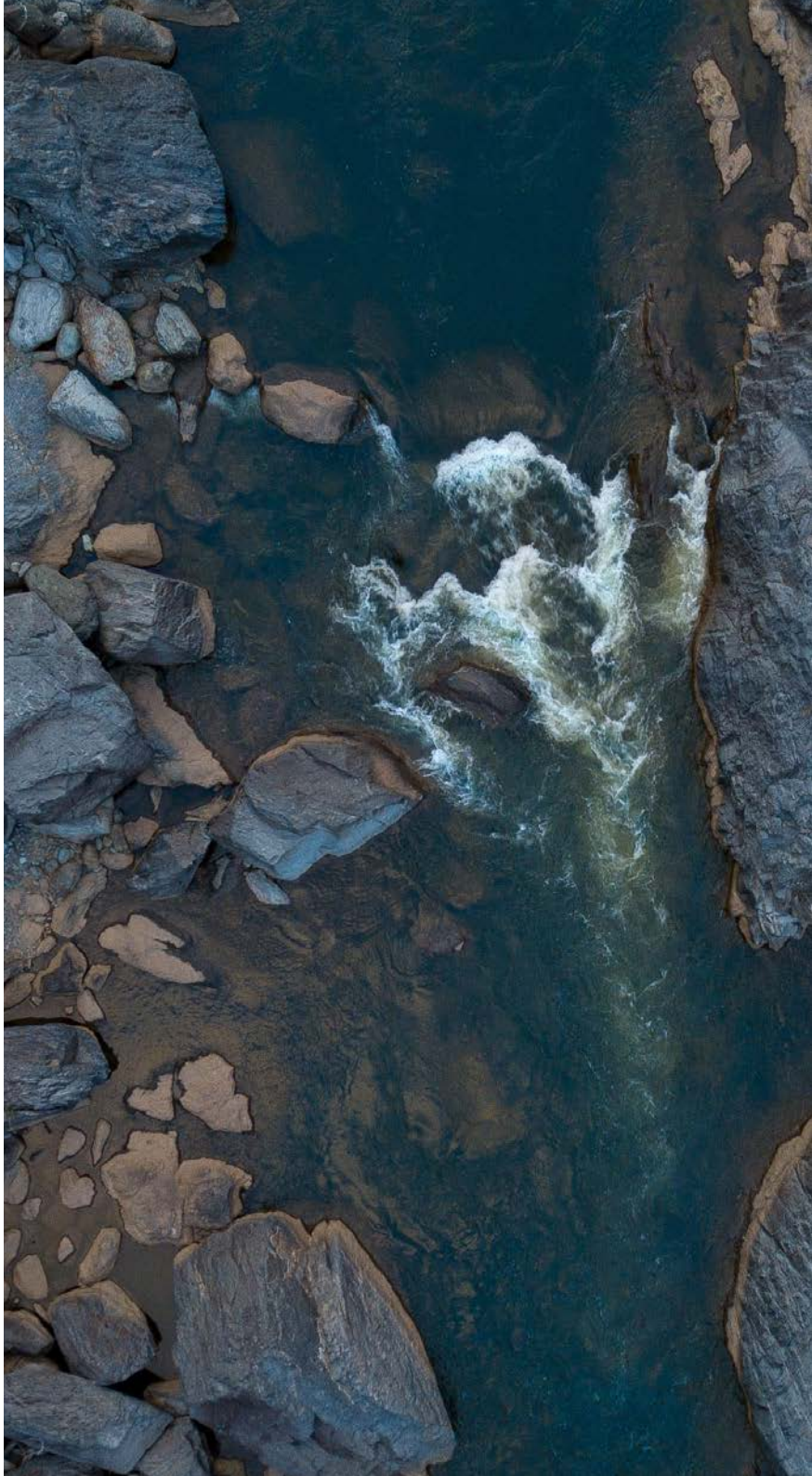
The Nomination Committee for the AGM 2020 consists of Staffan Lindstrand (Chairman) appointed by oHealthCap VII L.P., Göran Wessman appointed by Protem Wessman AB, Evert Carlsson appointed bySwedbank Robur. Staffan Lindstrand is chairman of the Nomination Committee. The Committee also includes the Chairman of the Board, Leif Darner, as convener.

The task of the Nomination Committee is to prepare and present proposals for the number of board members to be elected by the AGM, the election of a Chairman and other members of the Board of Directors, board fees and, if any, remuneration for committee work, election of a Chairman to the Annual General Meeting, election of auditors (if applicable) and auditors fees (if applicable) and proposals for rules for the appointment of a Nomination Committee for the next annual general meeting. The proposals will be published at the latest in conjunction with the notice of the AGM 2020.

External auditors

The external audit of the accounts of the parent company and the group, as well as of the management by the Board of Directors and the CEO, is carried out in accordance with generally accepted accounting standards in Sweden. The auditor participates in at least one board meeting per year, going through the accounts for the year and leading a discussion with the Board of Directors without the CEO or any other senior executive present.

Pursuant to the articles of association, Vicore must have an authorized public accountant or a registered accounting firm as its external auditor. Since the AGM 2010, the accounting firm EY AB has been auditor of the company. As of the 2019 AGM, certified public accountant Andreas Mast is the auditor in charge. From the 2016 AGM



to the AGM 2018, the certified public accountant Stefan Kylebäck was the auditor in charge. Stefan Kylebäck and Andreas Mast are members of the Swedish Institute of Authorized Public Accountants. For information regarding fees paid to the auditors, please refer to Note 5 of the 2019 Annual Report.

The Board of Directors

The Board of Directors is the company's highest decision-making body after the Annual General Meeting. According to the Companies Act, the Board of Directors is responsible for the company's management and organization, which means that the Board of Directors are responsible for, among other things, setting goals and strategies, ensuring routines and systems for evaluating established goals, continuously evaluating the company's results and financial position and evaluating the operational management. The Board of Directors are also responsible for ensuring that the annual accounts and interim reports are prepared in a timely manner. In addition, the Board of Directors appoints the company's CEO. Board members are normally elected by the AGM for the period until the end of the next AGM.

According to the Code, the Chairman of the Board must be elected by the Annual General Meeting and have a special responsibility for the management of the Board of Directors work and for the Board of Directors work being well organized and implemented in an efficient manner. The Board of Directors adheres to written rules of procedure that is reviewed annually and is determined at the statutory board meeting each year. The rules of procedure govern, among other things, the practices and tasks of the Board of Directors, decision-making within the company, the Board of Directors meeting agenda, the Chairman's duties and the allocation of responsibilities between the Board of Directors and the CEO. Instructions for financial reporting and instructions for the CEO are also determined in connection with the statutory board meeting.

The Board of Directors meets in accordance with a yearly schedule and essentially follows an annual cycle determined by the Board of Directors, which is decided at the statutory board meeting in conjunction with the Annual General Meeting. If necessary, special decisions are made such as acquisitions or divestments, other investment decisions, financing decisions and decisions on structural or organizational issues. In 2019, the Board of Directors held 13 board meetings, of which 9 were ordinary meetings. At the board meetings, the company's CEO and CFO were also present when needed. Currently, the company's Board of Directors consists of six ordinary members, without deputies, elected by the AGM, which are presented in the section "Board of Directors".

Board of Directors

According to the Articles of Association, Vicore's Board of Directors shall consist of a minimum of three and a maximum of nine members. The company's Board of Directors currently consists of six people without deputies. The assignment for all members runs until the end of the upcoming AGM.

At the end of the financial year, Vicore's Board of Directors consisted of; Leif Darner, Chairman and Hans Schikan, Jacob Gunterberg, Sara Malcus, Peter Ström and Maarten Kraan. For further information on the Board of Directors with year of inclusion to the Board of Directors, education, work experience, assignments in the company, other significant assignments as well as their respective direct and indirect holdings (own and / or related parties) in Vicore as of March 31, 2020, see pages 61-64 or at vicorepharma.com.

Board of Directors' work 2019

During 2019, the Board of Directors held 13 board meetings, of which 6 by telephone. The Board of Directors has also made decisions per capsulam on two occasions during 2019, one of which was the statutory meeting. The issues that the Board of Directors dealt with in 2019 are mainly: The company's listing process to Nasdaq Stockholm's main list, decision to carry out a new share issue, clinical studies and organizational issues.

At the board meetings held during the financial year 2019, the members have been present as shown below.

Reporting period January 1 – December 31, 2019

			Independent in relation to		Remuneration, KSEK[1]					Attendance[2]			
Board member	Function	Elected	The company and its management	Major shareholders	Board fees	Remuneration Committee	Audit Committee	Scientific committee	Total	Board of Directors[3]	Remuneration Committee	Audit Committee	Scientific committee
Leif Darner	Chairman	2016	Yes	Yes	300	25	-	-	325	13/13	3/3	-	-
Hans Schikan	Board member	2018	Yes	Yes	100	50	-	25	175	10/13	3/3	-	2/3
Jacob Gunterberg	Board member	2018	Yes	No	100	-	75	25	200	11[4]/13	-	13/13	2/3
Maarten Kraan	Board member	2018	Yes	Yes	100	-	-	50	150	12/13	2/3 [5]	-	3/3
Peter Ström	Board member	2015	Yes	Yes	100	-	50	-	150	13/13	-	13/13	-
Sara Malcus	Board member	2018	Yes	Yes	100	-	50	-	150	11/13	-	12/13	-
Kjell Stenberg[6]	Board member	2010-2019	Yes	Yes	0	-	-	-	0	6/13	1/3	-	-

1) Fee set by the AGM, excluding social security contributions, for the May 2019 to May 2020 financial year

2) Figures in table show the total number of meetings attended/total number of meetings

3) Excluding per capsulam meetings

4) Absence due to conflict of interest on two occasions

5) Elected in May 2019

6) Kjell Stenberg announced at the AGM on May 15, 2019 that he had declined re-election as a member of the Board of Directors.

Evaluation of the Board of Directors' work

Pursuant to the Code, the Board of Directors is to evaluate its work annually, using a systematic and structured process, with the aim of developing the Board of Directors working methods and efficiency. The work of the Board of Directors has been evaluated by having the board members answer anonymously a number of questions about the Board of Directors activities. The results of the evaluation have been compiled and reported orally to the members of the Board of Directors and the Nomination Committee.

Board committees

Remuneration Committee

The Remuneration Committee is appointed by the company's Board of Directors and consists of three members: Hans Schikan (Chairman), Leif Darner and Maarten Kraan. The Remuneration Committee shall fulfill the tasks specified in the Code. The Remuneration Committee shall keep minutes at its meetings and make the minutes available to the Board of Directors.

The Remuneration Committee's main tasks are as follows:

- Prepare decisions for the Board of Directors regarding remuneration principles, remuneration and other employment terms and conditions for senior management.
- Monitor and evaluate any programs pending or adopted during the year for variable compensation for senior management.
- monitor and evaluate the application of the guidelines for remuneration adopted by the annual general meeting, as well as applicable remuneration structures and levels for the company.

In 2019, the Remuneration Committee held three meetings.

Audit Committee

The Audit Committee is appointed by the Board of Directors and consists of Jacob Gunterberg (Chairman), Peter Ström and Sara Malcus.

Primary duties of the Audit Committee:

- The Audit Committee shall, without impact on the responsibilities and duties of the Board of Directors in other respects, among other things, monitor the company's financial reporting, monitor the effectiveness of the company's internal control, internal audit and risk management, keep informed of the audit of the annual accounts and the consolidated accounts, review and monitor the auditor's impartiality and independence and in this case pay special attention to whether the auditor provides the company with services other than audit services, and assist in the preparation of proposals for the general meeting's election of auditor.

In 2019, the Audit Committee held eleven meetings, which have been called for given the company's transition to financial reporting in accordance with IFRS, issues related to the list change, policy work and other work with the company's internal control.

Scientific Committee

The Scientific Committee shall consist of at least three non-employed board members with a broad scientific and medical understanding and experience in the field concerned. The Board of Directors shall appoint the members of the Scientific Committee, including the Chairman. Vicore's Scientific Committee consists of Maarten Kraan (chairman), Jacob Gunterberg and Hans Schikan.

The main tasks and responsibilities of the Committee are:

- Reviewing and discussing the company's preclinical and clinical product portfolio, including its commercial attractiveness and ranking.
- Reviewing and discussing the company's R&D strategy and reviewing scientific and technological trends that the company considers are of great importance.
- Providing strategic advice and recommendations for the company's ongoing R&D program.
- To review the (quality of) R&D capacity of the company and its organization, including the product development process.
- To review and discuss the company's intellectual property strategies.

In 2019, the Scientific Committee held three meetings.

Remuneration

Remuneration to the Board of Directors

At the Annual General Meeting on May 15, 2019, it was resolved that the remuneration to the members of the Board of Directors for the period up to the end of the 2020 Annual General Meeting shall be paid with SEK 300,000 to the Chairman of the Board and SEK 100,000 to each of the other board members. As remuneration for committee work, it was decided that the Chairman of the Audit Committee should receive SEK 75,000 and the other members of the Audit Committee SEK 50,000 each. Furthermore, it was decided that the Chairman of the Remuneration Committee should receive SEK 50,000 and the other members of the Remuneration Committee SEK 25,000 each. The Chairman of the Scientific Committee shall receive SEK 50,000 and the other members of the Scientific Committee SEK 25,000 each. The table on page 71 shows the fees paid to members elected by the AGM in 2019.

Remuneration to management

Remuneration issues for senior executives are dealt with by the Board of Directors Remuneration Committee. The Board of Directors decides on the CEO's remuneration on a proposal from the Remuneration Committee. Remuneration and terms for senior executives must be based on market conditions and consist of a balanced mix of fixed salary, variable remuneration, pension benefits and terms of notice. Salaries and other remuneration for the 2019 financial year were paid to the CEO and other senior executives in accordance with what is stated in note 7 "Employees and Personnel costs".

Guidelines on remuneration to senior executives and Board of Directors 2019

At the 2019 AGM, guidelines were adopted that are valid up to the 2020 AGM as follows. 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, variable remuneration, share and share-price related incentive programs, pension and other benefits.

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.

Fixed salary

The fixed remuneration shall take into account the individual's responsibilities and experience. The fixed salary should be reviewed annually.

Variable salary

Variable remuneration paid in cash may amount to a maximum of 40 per cent of the annual fixed remuneration of the CEO and a maximum of 30 per cent of the annual fixed remuneration to other senior executives. Variable remuneration must be linked to predetermined and measurable criteria, designed to promote the company's long-term value creation.

Share- and share price-based remuneration

Share- and share price-based incentive programs shall, if applicable, be decided by the AGM. Already decided incentive programs are described on page 73.

Pension

Pension should, where possible, be premium-based. For the CEO and other senior executives, the premium, in cases where a premium-based pension is applicable, can amount to up to 30 percent of the fixed salary. The Board of Directors has the right, without prejudice to the above, to offer other solutions that are equivalent in cost to the above.

Severance pay etc.

A notice period of up to six months between the company and the CEO shall apply if notice is given by the company. If notice is given by the company, the Board of Directors may decide that the President shall be entitled to severance pay of up to twelve months' salary. In the event of termination by the CEO, a notice period of up to six months shall apply. Other senior executives shall have a notice period of three to six months. During the notice period, normal salary shall be paid.

Other benefits

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

Vetting and decision processes

The CEO's remuneration shall be vetted by the Remuneration Committee and decided by the Board of Directors. The remuneration of other senior executives shall be vetted by the CEO and the Remuneration Committee, which shall submit a proposal for approval to the Board of Directors. The Board of Directors has the right to deviate from the above guidelines if there are special reasons that justify it in an individual case.

Incentive programs

At the end of 2019, Vicore had three active programs that include the company's management, certain board members, founders and staff. In 2016, a long-term incentive program was established. In 2018, two long-term incentive programs were set up "Co-worker LTIP 2018" and "Board LTIP 2018". Below is an account of the various programs. For other information about the incentive programs, see Note 8 in the Annual Report 2019.

Long-term incentive program 2016

On January 8, 2016, Vicore issued 570,000 warrants to key individuals and researchers. Each warrant entitled the holder to subscribe for a new share in Vicore at a strike price of SEK 12. The exercise date was January 3, 2020. The warrants were sold to key individuals and researchers on market terms at a price determined on the basis of the estimated market value of the warrants using the Black & Scholes model. The value has been set at SEK 0.56 per option based on the share price of SEK 7.025 with a future annual increase of about 14 percent.

As a consequence of the rights issue that was resolved by the General Meeting on August 13, 2018, the subscription price and number of shares per warrant was recalculated in accordance with the terms of the warrants issued. Translation in accordance with the terms of the warrants resulted in a recalculated subscription price of SEK 10.47 and a recalculated number of shares per warrant of 1,146. After year-end 2019, 243,525 shares were issued under the incentive program LTIP 2016. The increase in the company's equity amounted to SEK 121,762.50, corresponding to a dilution of 0.48 percent of the total number of shares and the total number of votes. The LTIP 2016 incentive program expired on January 3, 2020 and is therefore closed.

Long-term incentive program 2018

The Extraordinary General Meeting of Vicore Pharma Holding AB on August 13, 2018 resolved, in accordance with the Board of Directors proposal to adopt a long-term incentive program for senior executives and key employees ("Co-worker LTIP 2018") and to introduce a performance-based long-term incentive plan for certain directors ("Board LTIP 2018") in Vicore Pharma Holding AB. A maximum of 2,000,000 options (Co-worker LTIP 2018) and 475,000 share rights (Board LTIP 2018) may be granted to participants in the programs. The increase in the company's share capital upon full utilization of both incentive programs amounts to a maximum of around SEK 1,237,500, which corresponds to a dilution of approximately 4.7 per cent with respect to the total number of shares. The participants in the programs have received the share rights / options free of charge and settlements 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 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 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 earliest date at which accrued share rights may be exercised is the date of publication of the Q2 report 2021.

At the Extraordinary General Meeting of Vicore Pharma Holding AB on August 13, 2018, it was decided to grant a maximum of 475,000 share rights and to issue 475,000 options. As of December 31, 2019, a total of 475,000 shares were granted in Board LTIP 2018.

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 ("Options") subject to a 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.

As of December 31, 2019, options corresponding to 765,800 shares have been granted in Co-worker LTIP 2018.

Internal control and risk management regarding the financial reporting

Introduction

According to the Companies Act and the Annual Accounts Act, the Board of Directors are responsible for internal control. The purpose of internal control is to achieve efficient and effective operations, to ensure reliable financial reporting and information about the business, and to comply with applicable laws, regulations, policies and guidelines.

Vicore's internal control is based on principles developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) which consists of five consecutive components:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring including monitoring and evaluation

Internal control of financial reporting

Internal control over financial reporting aims to provide reasonable reliability and security in financial reporting and to ensure that financial external reporting is conducted in accordance with applicable laws and accounting standards. The Board of Directors are ultimately responsible for internal control and continuously evaluates, via the Audit Committee, Vicore's risk management and internal control.

Vicore ensures internal control of financial reporting through a qualitative and quantitative analysis of the balance sheet and income statement for the Group. The purpose of the quantitative analysis is to identify risks linked to significant and transaction-intensive items. The qualitative analysis aims to identify risks linked to complexity and irregularities. Based on the results of the analysis, significant financial processes and risks have been identified.

Vicore has designed procedures and activities to follow up on financial reporting and to ensure that any errors are detected and corrected. Key controls have been designed and followed up as part of the effort to maintain good internal control.

In addition to the abovementioned controls, the company has standardized procedures that govern the control and quality of drug development.

Vicore's group management shall annually conduct a risk assessment of strategic, operational, legal and financial risks with the aim of identifying potential problem areas and assessing the risk exposure in the company. The risk assessment includes identifying risks that may arise that may prevent the company from achieving its vision and goals, for example if the basic requirements for financial reporting in the company are not met. Within the scope of each risk area, the responsible person identifies risks and their potential consequences and probabilities, and proposes measures. The Audit Committee is responsible for continuously evaluating the company's risk situation and shall assist the Board of Directors with proposals regarding the management of the company's financial risk exposure and risk management.

Control activities

To identify and manage the risks associated with the company's operations, the Board of Directors has adopted a risk management policy. Risk management is a high priority within Vicore. Ultimately, it is the Board of Directors that is responsible for risk management. The company's risk situation must be evaluated annually, after which an action plan will be drawn up. Vicore base its control environment on the risks identified during the risk assessment process. The company has also appointed process owners who are responsible for individual processes. The CEO and other senior executives are all involved in the ongoing work to manage the risks associated with the business.

Vicore has designed procedures and activities to follow up on financial reporting and to ensure that any errors are detected and corrected. These activities include, among other things, follow-up and comparison of earnings performance or items, account reconciliations and balance sheet specifications, as well as approval of bank transactions and cooperation agreements, proxy and attestation instructions, and accounting and valuation principles. The company's CFO has a key role in analyzing and following up the company's financial reporting and results. Authorizations to IT systems are limited according to powers, responsibilities and roles.

Information and communication

The company also has internal control functions for information and communication that aim to ensure that correct financial and other company information is communicated to employees and other stakeholders.

The company's internal instructions and policies are available to all employees and provide detailed information on current routines in all parts of the company and describe the control functions and how they are implemented.

Monitoring including follow-up and evaluation

Compliance and effectiveness regarding internal controls are regularly monitored. The CEO ensures that the Board of Directors receives regular reports on the development of the company's operations, including the development of the company's earnings and financial position and information on important events, such as research results and important agreements and contracts. The CEO reports on these issues at

each board meeting. The company's compliance with applicable policies and governance documents and the effectiveness of internal control are subject to annual evaluation. The results of these evaluations are compiled by the company's CEO and reported to the Board of Directors annually. The Board of Directors handles all interim reports and annual reports before they are published and follows up the audit of the internal control via the Audit Committee. The Audit Committee supports the Board of Directors by preparing questions and provides the Board of Directors with support in its work to fulfill its responsibilities in the areas of internal control and accounting and to assure the quality of Vicore's financial reporting.

Management

The Board of Directors appoints the CEO to lead the company. The management team consists of five people:

- CEO
- Chief Financial Officer
- Investor Relations Manager
- Head of Project Management
- Chief Administrative Officer

The management team holds monthly meetings to discuss the group's results and financial position, follow-up of budgets and forecasts, status in research and development projects, administration, HR and organization, IR and strategy.

The CEO's responsibility

The CEO is subordinate to the Board of Directors and is responsible for the company's day-to-day management and operations of the company. The division of duties between the Board of Directors and CEO is specified in the rules of procedure for the Board of Directors and the CEO's instructions. The CEO shall ensure that the company's accounting is in order and that the business is conducted in accordance with relevant regulations, including Nasdaq Stockholm's Rule Book for Issuers.

The CEO shall keep the Board of Directors continuously informed of the development of the company's operations, the company's earnings and financial position, liquidity and credit situation, important business events and any other event, circumstances or conditions that may be of material importance to the company's shareholders.

The CEO is also responsible for producing reports and necessary documentation to facilitate decisions for board meetings and is the main presenter of the material at board meetings.

Management team

Vicore's management team currently consist of five individuals; CEO Carl-Johan Dalsgaard; Chief Financial Officer Hans Jeppsson; Investor Relations Manager Christian Hall; Head of Project Management Kicki Johansson and Chief Administrative Officer Nina Carlén.

For further information about Vicore's management team, including; name, position, year of employment, education, work experience, significant assignments outside the company and holdings (own and / or close relatives) in Vicore on March 31, 2020, see pages 63-64 or vicorepharma.com.

Glossary

Agonist

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

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.

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.

AT1 receptor

Stimulation of the AT1 receptor (AT1R) via Angiotensin II provides, among other things, a contraction of the blood vessels and raised blood pressure

AT2 receptor (AT2R)

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 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 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. Interstitiell lungsjukdom.

Interstitial lung disease (ILD)

Term used for a group of lung diseases.

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.

IMiD (Immunomodulatory drugs)

Is a class of drugs that affect the immune response and contains an imide group. The IMiD class includes thalidomide.

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 or 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.

Raynaud's phenomenom

Expresses itself in that fingers or toes whitens. This is due to decreased blood flow due to temporary cramps in the blood vessels of the fingers.

You distinguish between primary form, which arises without known cause, and secondary form. The secondary form is often caused by damage from working with vibrating tools, but also occurs in connection with arteriosclerosis, SLE, previous cold injuries etc. White fingers often arise in connection with cold. It is a side effect that occurs with treatment with beta blockers. The cause of the primary form is not known, but it is known that there are some hereditary relationships.

Systemic sclerosis (SSc)

Systemic sclerosis (SSc) is a rheumatic disease and connective tissue disease where the skin first becomes thick and hardens through increased collagen formation, later the skin becomes thin and tight. The cause is unknown. The first symptom is usually attacks of frostiness and paleness in the fingers and toes (Raynaud's phenomenon). Often, muscles, joints and various internal organs (systemic sclerosis) are also affected.

Systemic sclerosis is a so-called chronic autoimmune disease, which means that the body responds to its own tissues in a similar way that the immune system attacks other viruses. The disease usually debuts in the ages between 30 and 50 years. There are two types of the disease. One is called diffuse cutaneous systemic sclerosis (dcSSc) and the other type is limited cutaneous systemic sclerosis (lcSSc).

Orphan drugs

The regulatory authorities can grant a drug candidate Orphan Drug Designation (ODD). Orphan drug status is a way of encouraging research and development of drugs for the treatment of rare diseases. The market for orphan drugs is growing faster than other pharmaceuticals market.

In the US and Europe, about 60 million people are estimated to suffer from one of the 7,000 identified rare diseases. In total, some 350 million people around the world are estimated to suffer from one of the rare diseases identified.

The definition of rare disease for different markets:

USA: <200,000 patients per indication

Japan: <50,000 patients per indication

Europe: <5 per 10,000 inhabitants (approximately 250,000 patients per indication)

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