Year-end report 2018

Vicore Pharma Holding AB (publ)

Focus on patients with fibrotic lung disease

vicorepharma.com

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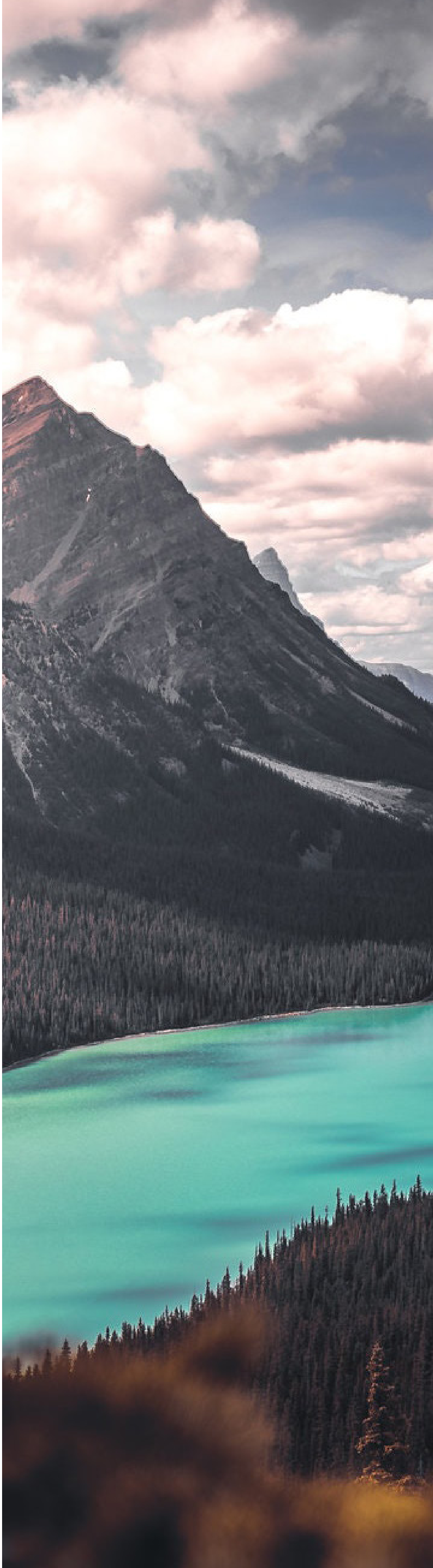


Summary of the period

Important events during the fourth quarter

- In October, Vicore announced that the rights issue completed in September was oversubscribed by 33% and raised approximately 82 MSEK
- In October, Göran Wessman announced his resignation from the board of directors due to health reasons
- In November, the board of directors decided to act for the company's shares to be admitted for trading on the Nasdaq Stockholm's main list in 2019
- In November, the board of directors resolved on a directed share issue raising approximately 160 MSEK

Important events after the period

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

Financial overview during the period

Oct 1 to Dec 31, 2018

- Operating income amounted to 0.1 MSEK (0.3)
- Loss for the period was -13.8 MSEK (-9.1)
- Loss per share, before and after dilution, was -0.42 SEK (-0.26)
- On December 31, 2018, cash and cash equivalents amounted to 224.7 MSEK (24.0)

Financial summary of the group

Amounts in MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income	0.1	0.3	0.6	1.0	0.9
Operating loss	-13.7	-9.1	-44.3	-28.6	-20.1
Loss for the period	-13.8	-9.1	-21.7	-24.2	-24.5
Loss per share, before/after dilution (SEK)[1]	-0.42	-0.26	-0.95	-1.43	-1.77
Equity at the end of the period	295.5	57.6	295.5	57.6	31.6
Cash flow from operating activities	-35.7	-5.9	-43.1	-27.9	-20.7
Cash and cash equivalents at the end of the period	224.7	24.0	224.7	24.0	4.3

[1]. There is no dilutive effect for potential ordinary shares based on exercise of options and share rights, since the net results for the years presented above have been negative

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

CEO comments

2018 has indeed been a transformative year for Vicore, with the acquisition of INIM Pharma in July through an issue in kind, where Vicore gained an active and long-term owner in HealthCap. The subsequent streamlining of operations included the distribution of the majority of the shares held in I-Tech and creating a rare disease company with focus on patients with fibrotic lung disease. Vicore is now determined to develop a product portfolio targeting idiopathic pulmonary fibrosis (IPF) and other associated lung disorders. The emphasis has been on three important success factors: (1) securing financing; (2) building a world class team and (3) developing the pipeline including the design of the key phase II trial with the lead program VP01 (C21) in IPF to enable the detection of a therapeutic effect

The shareholders' confidence in Vicore's acquisition of INIM and start of transformation was confirmed in the over-subscribed rights issue which was completed in October, raising 82 MSEK. The Board of Directors also resolved on a directed share issue, raising 160 MSEK, to finance the new business plan. The directed issue was successfully performed in November and gained significant interest among a number of Swedish and international long-term institutional investors and sector specialist funds. Taken together, we raised approximately 242 MSEK in a few months which will enable us to execute on our plan to reach value-driving milestones for our key programs. In November, the Board of Directors decided to act for an up-listing of the company's shares to the Nasdaq Stockholm main list. The up-listing will be a significant milestone for the company and aims to provide increased liquidity of its shares and increase the level of visibility for the company.

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

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

Following my appointment as CEO of Vicore in September, we made a strategic review of Vicore's lead program VP01 (C21) and how we best could build on its unique profile to capture a functional effect already in our first patient trial. By redesigning the trial - extending the duration of treatment, increasing the number of subjects and monitoring lung function – we will be able to potentially detect a value-driving therapeutic effect of our drug. Together with exploring a second indication for VP01 and developing the VP02 (IMiD) program for IPF and IPF cough, we have two unique and differentiated drug development programs.

Goals for 2019

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

All in all, 2018 was indeed a transformative year for Vicore, and building on what we now have initiated, I see Vicore taking off with value driving activities with the start of our phase II trial as the most important activity during 2019. This will help to make Vicore more visible among patients, doctors and other stakeholders.

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

Carl-Johan Dalsgaard, CEO

Goal

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

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.

Business and focus areas

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

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

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

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

"Vicore is a Swedish rare disease company focused on fibrotic lung diseases and related indications."

Project overview

Idiopathic pulmonary fibrosis

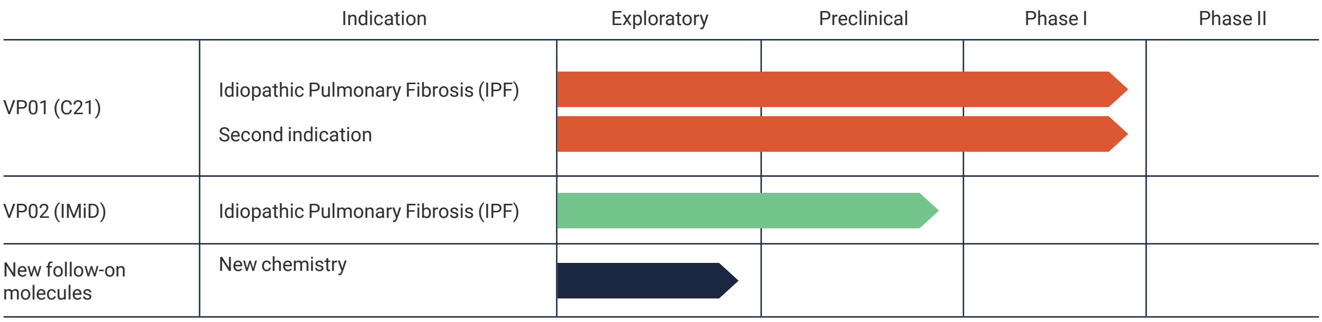
Idiopathic pulmonary fibrosis (IPF) is the most common type of pulmonary fibrosis and is a severe and devastating disease with no known cause. It is characterized by a shrinking of the lungs due to the irreversible formation of fibrosis (i.e. scar tissue) causing stiffness, an irreversible loss of lung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

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

VP01 - AT2 receptor agonist - multi-pronged strategy

Vicore's drug candidate VP01 (C21) was originated from extensive research on the Renin-Angiotensin System (RAS), a central system in the body for regulating blood pressure and salt balance. Within RAS, there is the AT2 receptor which, upon stimulation, may contribute to healing effects in tissue damage or within immune system disorders and may also counteract the negative effects of the AT1 receptor. The AT2 receptor is found to be highly up-regulated in diseases such as IPF to the magnitude of 200x-600x. Results from extensive preclinical research conducted with VP01 indicated that it has anti-inflammatory, anti-fibrotic, anti-proliferative, vasodilatory and vascular

Pipeline



remodeling actions – this distinguishing multi-modal effect is ideal for complex diseases such as IPF. The drug selectively binds to the AT2 receptor and thereby generates several biological effects beneficial to counteracting fibrosis and inflammation. Vicore has received orphan drug designation for VP01 in IPF which e.g. provides for a ten-year market exclusivity period (from the date of registration of an approved drug) in Europe and Japan and seven years in the United States.

Project status

During 2016, Vicore conducted a SAD/MAD[2] phase I trial with VP01 in healthy individuals. The study progressed as expected and confirmed that VP01 has a good safety profile. These results have opened the opportunity to conduct an additional Phase I dose-escalating study, with the objective to identify the highest optimal dose which may be used in the Phase IIa IPF study which is on track to commence during 2019. The Phase IIa study is being designed in collaboration with world renowned IPF clinical experts and will capture both safety and the functional end point FVC[3]. The Phase II a study aims to support the decision to move to confirmatory Phase II/III study.

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

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

VP02 – Targeting IPF and IPF related cough

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

Many IPF patients suffer from a chronic intractable cough which considerably affects the patient's quality of life due to sleep disturbances, difficulties at work and stress incontinence[4]. Currently, there is no therapy for IPF cough and standard cough suppressants have little or no effect. The mechanism is unknown but thought to be due to architectural distortion of the lungs, increased sensitivity of the cough reflex, airway inflammation or changes in mucus production and clearance[5].

Using IMiDs to treat IPF related cough is a breakthrough finding which has been shown to have clinical validity. IMiDs have documented antifibrotic and anti-inflammatory attributes and may therefore be well suited for treatment of interstitial lung diseases. In a clinical study, an IMiD demonstrated a significant positive effect on patients with IPF, reducing the cough and dramatically improving quality of life which is paradoxically never seen in interventional clinical trials[6]. However, the high risk of severe side effects such as constipation, sedation and peripheral neuropathy due to systemic exposure have limited their use. Vicore's VP02 program aims to address the negative aspects of systemic exposure by developing VP02 for local administration in the lungs.

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

Project status

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

[2] SAD (Single Ascending Dose), MAD (Multiple Ascending Dose) [3] FVC (Forced Vital Capacity). FDA and EMA approved measure for lungfunction
[4] Saini et al 2011 [5] Vigeland et al 2017 [6] Horton et al 2012

Other information

Personnel

As of December 31, 2018 the group had seven employees, of whom three were women and four men. The company also engages consultants for specialist tasks and assignments on a frequent basis.

Annual General Meeting

The Annual General Meeting will be held at 16:00 CET on May 15, 2019, at Astra Zeneca, Mölndal, Sweden. The Annual Report for 2018 will be available at Vicore's office at address: c/o Bioventurehub, Pepparedsleden 1, 431 83 Mölndal and will be published on the company's website on April 12, 2019.

Events after the end of the report period

On November 30, 2018, Vicore resolved, subject to approval by an Extraordinary General Meeting, on a directed share issue of 9,414,706 shares at a subscription price of SEK 17 per share. The issue was approved on January 7, 2019, resulting in proceeds of approximately 160 MSEK before issue costs.

Nomination committee for the 2019 Annual General Meeting

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

The share

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

Largest shareholders

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

Shareholder	No of shares	%
HealthCap VII L.P.	11,796,408	27.8%
Göran Wessman[7]	3,526,849	8.3%
Swedbank Robur	2,683,332	6.3%
Fourth Swedish National Pension Fund	2,060,000	4.9%
HBM Healthcare Investments (Cayman) Ltd	1,952,666	4.6%
Kjell Stenberg	1,531,303	3.6%
Unionen	1,438,990	3.4%
Pomona-gruppen AB	1,074,440	2.5%
Alfred Berg	941,666	2.2%
Handelsbanken Funds	900,000	2.1%
Other	14,469,060	34.1%
Total number of shares	**42,374,714**	**100.0%**

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

Incentive programs

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

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

At the Extraordinary General Meeting on August 13, 2018, it was resolved to implement two new incentive programs: a maximum of 2,000,000 warrants 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 warrant 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. The increase in the company's share capital, assuming full utilization and maximum goal achievement of both incentive programs, amounts to a maximum of approximately SEK 1,237,500, corresponding to a dilution of 5.5% of the total number of shares.

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

Dividend

During the year, a total of 1,983,563 shares in I-Tech AB (publ) were distributed to Vicore's shareholders.

Related-party transactions

No transactions with related parties occured during 2018.

Certified adviser

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

I-Tech, financial asset

Vicore has a long history as a shareholder in I-Tech AB. I-Tech commercializes a substance, Selektope®, which prevents fouling on ship hulls and marine installations. The holding in I-Tech has, over the years, shifted from being a financial asset (2016), to being classified as an associated company (2017), and then re-classified as a financial asset (2018).

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

Risk factors

Operational risks

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

Financial risks

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 company's overall risk management focuses on the unpredictability of the financial markets and strives to minimize potentially unfavorable consequences for the company's financial performance. Vicore's financial transactions and risks are managed centrally by Vicore's CFO and CEO. The overall goal in terms of financial risks is to maintain cost-effective financing and liquidity management, as well as to ensure that all payment obligations are processed at the right time.

For a more detailed description of the risk factors, please refer to Vicore's most recent prospectus (Prospectus for rights issue in September 2018) which can be downloaded from the company´s website: www.vicorepharma.com.

Audit review

This year-end report has not been reviewed by the company's auditor.

Financial information

Operating income

During the fourth quarter, operating income amounted to 0.1 MSEK (0.3) and to 0.6 MSEK (1.0) for the year 2018, whereof 0.5 MSEK was management from I-Tech.

Operating expenses

Operating expenses for the fourth quarter amounted to 13.8 MSEK (9.3) and to 44.9 MSEK (29.6) for the year 2018.

Research and development costs

During the fourth quarter, research and development costs amounted to 6.7 MSEK (5.8) and to 20.5 MSEK (17.6) for the full year. Following the change in accounting principles from K3 to IFRS, research and developments costs are now expensed in the period that they occur.

Personnel costs

During the fourth quarter, personnel costs including share-based payments amounted to 4.2 MSEK (1.9) and to 12.7 MSEK (6.2) for the year 2018. The increase is mainly due to the company´s growing organization.

Costs for share-based incentive programs

The costs for social security contributions related to share-based incentive programs vary from quarter to quarter due to the change in the underlying share price. Related provisions are reported as long-term liabilities. The total costs for the share-based incentive programs in the fourth quarter amounted to 0.7 MSEK (0) and for the full year to 1.0 MSEK (0) out of which 0.3 MSEK (0) was provisions for social security contributions and 0.7 MSEK (0) was IFRS 2 classified salary costs. These costs have had no cash impact.

Share of result in I-Tech

The share of results in I-Tech, during the period when the holding was classified as an associated company, had a negative impact on the operating result amounting to -2.7 MSEK during 2018. During the second quarter 2018, the holding in I-Tech was reclassified from an associated company to a financial asset. The financial asset was revalued to market value at the stock market listing for I-Tech, which contributed positively to earnings by 19.3 MSEK during the year 2018.

Earnings

The loss for the fourth quarter was -13.8 MSEK (-9.1) and the loss for the year 2018 was -21.7 MSEK (-24.2). This corresponds to a loss per share, before and after dilution, of SEK -0.42 (-0.26) for the fourth quarter and a loss per share, before and after dilution, of SEK -0.95 (-1.43) for the year 2018.

Cash flow, investments and financial position

Cash flow from operating activities for the fourth quarter amounted to -35.7 MSEK (-5.9) and to -43.1 MSEK (-27.9) for the full year 2018. The increase is mainly due to changes in operating receivables and liabilities during the period. The company repaid the bridge loan to Erik Penser Bank as part of the net proceeds from the rights issue. Cash flow from investing activities was -2.0 MSEK (-2.5) for the fourth quarter and 15.0 MSEK (-2.6) for the year. The increase compared with the previous year is mainly related to the completed acquisition of INIM, which consisted of approximately 20 MSEK in cash at the time of acquisition. Cash flow from financing activities amounted to 230.1 MSEK (-0.3) for the fourth quarter

Financial summary of the group

Amounts in MSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income	0.1	0.3	0.6	1.0	0.9
Operating loss	-13.7	-9.1	-44.3	-28.6	-20.1
Loss for the period	-13.8	-9.1	-21.7	-24.2	-24.5
Loss per share, before/after dilution (SEK)[8]	-0.42	-0.26	-0.95	-1.43	-1.77
Equity at the end of the period	295.5	57.6	295.5	57.6	31.6
Cash flow from operating activities	-35.7	-5.9	-43.1	-27.9	-20.7
Cash and cash equivalents at the end of the period	224.7	24.0	224.7	24.0	4.3

and to 228.7 MSEK (50.2) for the full year 2018. During the year, the company raised approximately 242 MSEK before issue costs of 12.3 MSEK in two financing rounds. In the rights issue completed in October, 2018, the company raised 82.4 MSEK before issue costs. In the directed share issue announced in November, 2018, which subsequently was approved by the Extraordinary General Meeting on January 7, 2019, the company raised approximately 160 MSEK before issue costs. At December 31, 2018, cash and cash equivalents amounted to 224.7 MSEK, compared with 24.0 MSEK at December 31, 2017. Of the 224.7 MSEK in cash and cash equivalents as of December 31, 2018, 150 MSEK were restricted cash held in escrow and subject to shareholder approval at the Extraordinary General Meeting on January 7, 2019. Furthermore, approximately 10 MSEK related to the capital raise were recorded as other receivables

Equity

Total shareholders' equity at December 31, 2018, amounted to 295.5 MSEK (57.6), equivalent to SEK 8.96 (3.63) per share. The two new share issues in 2018 of 242.4 MSEK before issue costs together with issue in kind of INIM Pharma (70.8 MSEK) increased equity by a total of 313.2 MSEK. The dividend of 1,983,563 shares in I-Tech decreased shareholders' equity by approximately 40.7 MSEK. The company's equity ratio at the end of the period was 95% (90%). The equity ratio has been calculated as shareholders' equity for the period divided by balance sheet total for the period. The company believes that this key ratio provides investors with useful information of the company's capital structure.

Parent company

During the fourth quarter, operating income for the parent company amounted to 3.0 MSEK (0.8) and to 5.2 MSEK (3.0) for the full year. The loss for the fourth quarter was -3.8 MSEK (-0.8) and the loss for the year 2018 was -11.1 MSEK (-3.9).

The costs consisted mainly of consultancy fees, salaries, travel and marketing. During the fourth quarter, a shareholder contribution amounting to 131.4 MSEK was provided from Vicore Pharma Holding to Vicore Pharma.

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

Accounting principles

The year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting. This is the Group's first financial report in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

Upcoming financial reports

April 12, 2019 .... Annual Report
May 15, 2019 .... Interim report, quarter 1
August 23, 2019 .... Interim report, quarter 2
October 18, 2019 .... Interim report, quarter 3

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

[8]There is no dilution effect for potential ordinary shares in the form of options and share rights, since the results for the years presented above have been negative.

Financial reports group

Group statement of comprehensive income

KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income					
Operating income	146	257	633	1 029	912
	146	**257**	**633**	**1 029**	**912**
Operating expenses					
Research and development costs	-6 665	-5 833	-20 463	-17 555	-12 257
Other external expenses	-2 927	-1 131	-9 082	-5 431	-5 006
Personnel costs	-4 242	-1 943	-12 667	-6 209	-3 770
Depreciation of tangible assets	-3	-2	-7	-7	-6
Share of result in associated companies	0	-410	-2 694	-410	0
Profit/loss from operations	**-13 691**	**-9 062**	**-44 280**	**-28 583**	**-20 127**
Share of result in associated companies	0	0	19 267	0	0
Financial income	0	4 414	3 684	4 414	0
Financial expenses	-68	-1	-352	-62	-4 417
Finance net	**-68**	**4 413**	**22 599**	**4 352**	**-4 417**
Profit/loss before tax	**-13 759**	**-4 649**	**-21 681**	**-24 231**	**-24 544**
Tax	0	0	0	0	0
Profit for the period attributable to the parent company´s shareholders	**-13 759**	**-4 649**	**-21 681**	**-24 231**	**-24 544**
Other comprehensive income					
Other comprehensive income	0	0	0	0	0
Other comprehensive income for the period, net of tax	**0**	**0**	**0**	**0**	**0**
Total comprehensive income attributable to the parent company´s shareholders	**-13 759**	**-4 649**	**-21 681**	**-24 231**	**-24 544**
Earnings per share, before and after dilution	**-0,42**	**-0,26**	**-0,95**	**-1,43**	**-1,77**

Consolidated statement of financial position

KSEK	31-dec 2018	31-dec 2017	31-dec 2016	1-jan 2016
Assets				
Fixed assets				
Intangible assets	69 192	16 637	16 637	16 637
Tangible assets	21	28	2	8
Financial assets	5 567	22 745	16 196	20 110
Total fixed assets	**74 780**	**39 410**	**32 835**	**36 755**
Current assets				
Customer receivables	4	206	122	146
Other receivables	11 643	337	223	973
Prepaid expenes and accrued income	364	163	188	52
Cash and cash equivalents	224 688[9]	24 019	4 266	25 175
Total current assets	**236 699**	**24 725**	**4 799**	**26 346**
Total assets	**311 479**	**64 135**	**37 634**	**63 101**
Equity and liabilities				
Equity attributable to parent company shareholders	**295 466**	**57 576**	**31 581**	**55 806**
Long-term debt				
Provision for social security contributions, share based incentive program	278	0	0	0
Deferred tax liability	1 978	1 978	1 978	1 978
Total long-term debt	**2 256**	**1 978**	**1 978**	**1 978**
Current liabilities				
Trade payables	2 384	2 780	2 184	2 312
Current tax liability	285	143	86	126
Other liabilities	445	250	188	1 816
Accrued expenses	10 643	1 408	1 617	1 063
Total current liabilities	**13 757**	**4 581**	**4 075**	**5 317**
Total equity and liabilities	**311 479**	**64 135**	**37 634**	**63 101**

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

Group report on changes in equity in summary

	Shareholders equity attributable to the parent company		
KSEK	**Jan-Dec 2018**	**Jan-Dec 2017**	**Jan-Dec 2016**
Initial equity	**57 576**	**31 581**	**55 806**
Profit for the period	-21 681	-24 231	-24 544
Other comprehensive income for the period	0	0	0
Total income for the year	**35 895**	**7 350**	**31 262**
Transactions with owners:			
Issue of new shares	313 262	56 000	**0**
Issue costs	-13 745	-5 774	0
Tax effect issue costs	0	0	0
Incentive program	717	0	319
Dividend of shares in I-Tech	-40 663	**0**	**0**
Total transactions with owners	**259 571**	**50 226**	**319**
Outgoing equity	**295 466**	**57 576**	**31 581**

Summary of the group's cash flow statement

KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
The running business					
Operating profit	-13 640	-9 062	-44 280	-28 583	-20 126
Adjustment for items not included in the cash flow	547	412	3 416	417	6
Obtained interest	0	0	0	0	0
Interest paid	-35	-1	-351	-62	-3
Paid income tax	48	7	142	47	0
Cash flow from operating activities before changes in working capital	**-13 080**	**-8 644**	**-41 073**	**-28 181**	**-20 123**
Cash flow from changes in working capital					
Change in operating receivables	-10 955	101	-11 305	-174	638
Change in operating liabilities	-11 628	2 679	9 312	450	-1 243
Cash flow from operating activities	**-35 663**	**-5 864**	**-43 066**	**-27 905**	**-20 728**
Investment					
Acquisition of intangible assets	-2 000	0	-2 000	0	0
Acquisition of furniture	0	0	0	-33	0
Acquisition of long-term securities	0	-2 545	-3 228	-2 545	-500
Acquisition of subsidiaries, net liquidity impact	0	0	20 258	0	0
Cash flow from investment activities	**-2 000**	**-2 545**	**15 030**	**-2 578**	**-500**
Financing activities					
Issue of new shares	242 450	0	242 450	56 000	319
Issue costs	-12 308	-306	-13 745	-5 764	0
Cash flow from financing activities	**230 142**	**-306**	**228 705**	**50 236**	**319**
The cash flow for the period	**192 479**	**-8 715**	**200 669**	**19 753**	**-20 909**
Cash and cash equivalents at the beginning of the period	**32 209**	**32 734**	**24 019**	**4 266**	**25 175**
Cash and cash equivalents at the end of the period	**224 688**[10]	**24 019**	**224 688**[10]	**24 019**	**4 266**

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

Financial reports parent company

The parent company's income statement

KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
Operating income					
Net sales	577	748	2 653	2 974	2 804
Other operating income	2 456	5	2 524	8	5
	3 033	**753**	**5 177**	**2 982**	**2 809**
Operating expenses					
Other external expenses	-3 870	-707	-8 065	-3 879	-3 332
Personnel costs	-3 444	-1 025	-9 285	-3 530	-2 444
Depreciation of tangible fixed assets	-2	-2	-7	-7	-6
Operating profit	**-4 283**	**-981**	**-12 180**	**-4 434**	**-2 973**
Profit from financial items					
Interest income from group companies	476	202	1 428	616	745
Other interest income and similar items	0	0	0	0	0
Interest expenses and similar income items	-34	0	-348	-58	-3
	442	**202**	**1 080**	**558**	**742**
Profit after financial items	**-3 841**	**-779**	**-11 100**	**-3 876**	**-2 231**
Tax	0	0	0	0	0
The result of the period	**-3 841**	**-779**	**-11 100**	**-3 876**	**-2 231**

The parent company's statement of comprehensive income

KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017	Jan-Dec 2016
The result for the period	-3 841	-779	-11 100	-3 876	-2 231
Other comprehensive income	0	0	0	0	0
Total income for the period	**-3 841**	**-779**	**-11 100**	**-3 876**	**-2 231**

The parent company's balance sheet in summary

KSEK	31-dec 2018	31-dec 2017	31-dec 2016	1-jan 2016
Assets				
Fixed assets				
Equipment, tools and installations	22	28	2	8
Shares in group companies	275 898	73 643	42 243	42 243
Receivables from group companies	0	9 526	26 936	10 155
Shares in associated companies	0	19 930	0	0
Long-term securities holdings	565	0	6 981	6 481
Total fixed assets	**276 485**	**103 127**	**76 162**	**58 887**
Current Assets				
Receivables				
Accounts receivable	4	206	101	146
Receivables from group companies	4 019	0	431	672
Other receivables	10 373	1	29	527
Prepayments and accrued income	61	73	175	52
	14 457	**280**	**736**	**1 397**
Cash and cash equivalents	198 023	22 902	3 119	24 983
Total current assets	**212 480**	**23 182**	**3 855**	**26 380**
Total assets	**488 965**	**126 309**	**80 017**	**85 267**

The parent company's balance sheet in summary

KSEK	31-dec 2018	31-dec 2017	31-dec 2016	1-jan 2016
Equity and liabilities				
Equity				
Restricted equity				
Share capital	21 187	7 934	6 184	6 184
Non-restricted equity				
Premium fund	402 663	116 400	67 913	67 913
Other non-restricted equity	391	319	319	0
Balanced result	-11 658	3 768	6 000	7 967
This period's result	-11 100	-3 876	-2 231	-1 967
Total equity	**401 483**	**124 545**	**78 185**	**80 097**
Long-term liabilities				
Provision of social security incentive programs	278	0	0	0
Long-term liabilities to Group companies	400	400	400	400
	678	**400**	**400**	**400**
Current liabilities				
Accounts payable	1 510	404	318	1 983
Group debt	75 000	0	0	0
Current tax debt	157	69	64	122
Other debts	358	143	90	1 661
Short-term provisions	0	0	0	0
Accrued expenses and prepaid income	9 779	748	960	1 004
	86 804	**1 364**	**1 432**	**4 770**
Total equity and liabilities	**488 965**	**126 309**	**80 017**	**85 267**

Notes

Note 1 Accounting principles

The year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable sections of the Annual Accounts Act.

This is the group's first financial report in accordance with IFRS with the transition date: 1 January 2016. The group has previously applied BFNAR 2012:1 Annual Reports and Consolidated Accounts (K3). The transition to IFRS has taken place in accordance with IFRS 1 First-time Adoption of IFRS, which is described in more detail in Note 6 Impact of IFRS Transition. The accounting principles according to IFRS are described in Appendix 1.

The parent company has previously applied the Annual Accounts Act and BFNAR 2012:1 Annual Reports and Consolidated Accounts (K3) when preparing financial reports. From this year, as a result of the group transitioning to IFRS, the parent company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The transition to RFR 2 has entailed a smaller change described in Note 6.

The company has decided to apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as of the transition to IFRS on 1 January 2016.

New and amended IFRS that have not yet entered into force

IFRS 16 Leases

As of January 1, 2019, IFRS 16 Leases replaced the former lease standard IAS 17 and related interpretations IFRIC 4, SIC 15 and SIC 27.

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

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

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

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

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

Note 2 Operating segments

Vicore Pharma does not divide its business into different segments. Instead the group's entire business is treated as one segment. This reflects the company's internal organisation and reporting system. Vicore Pharma's chief operational decision maker is the CEO.

Vicore Pharma's operations are only carried out in Sweden, where the company's tangible and intangible fixed assets are reported.

Note 3 Fair value measurement

Fair value for financial assets

Financial assets classified at fair value through profit or loss	31-dec 2018	31-dec 2017	31-dec 2016	1-jan 2016
Holding in I-Tech AB, unlisted	0	0	16 196	20 110
Holding in I-Tech AB, listed	5 567	0	0	0

During 2017 the holding in I-Tech was classified as an associated company.

Valuation at fair value

IFRS 13 Valuation at fair value contains a valuation hierarchy regarding input data to the valuations. This valuation hierarchy is divided into three levels, which consist of:

Level 1- Listed prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Other observable inputs for the asset or liability other than quoted prices included in level 1, either directly (ie as price quotes) or indirectly (ie derived from quotations)

Level 3 - Input for the asset or liability that is not based on observable market data (ie non-observable input)

Financial assets

Holdings in the group's financial fixed assets are valued continuously at fair value with changes in value in profit. Holdings in listed shares are valued continuously at fair value according to level 1 in the valuation hierarchy. Holdings in unlisted shares have been valued according to level 3 in the valuation hierarchy based on non-observable inputs.

Listed holdings are valued on the basis of their share price on the balance sheet date. Holdings in unlisted shares are valued on the last private round of financing. Significant increases (decreases) in valuations in private financing rounds would result in a significantly higher (lower) fair value measurement. All valuations in level 3 are based on assumptions and judgments that management consider to be reasonable based on the circumstances prevailing at the time. Changes in assumptions may result in adjustments to reported values and the actual outcome may differ from the estimates and judgments that were made. Change in value for holdings in unlisted shares in level 3 is presented below.

Change in value for holdings in unlisted shares	2016
Initial carrying amount	20 610
Change in value in profit	-4 414
Outgoing carrying amount	16 196

Other financial assets and liabilities

For accounts receivable, cash and cash equivalents, accounts payable and accrued expenses with a short maturity, the carrying amount is considered a reasonable estimate of the fair value.

Note 4 Acquisition of subsidiary

On August 20, 2018, Vicore completed the acquisition of 100% of the shares and votes in INIM Pharma AB through an issue in kind. Through the acquisition, Vicore gained access to VP02, a pharmaceutical project focused on IPF with regards to both the underlying disease and the severe cough associated to IPF, as well as additional interstitial lung diseases. The acquisition also entailed a broadening of the operations while focusing on rare and severe lung diseases in line with the company's strategy. Furthermore, the acquisition of INIM Pharma provided the company with additional competencies in drug development and in the area of interstitial lung diseases.

Since INIM mainly consisted of intangible assets in the form of patents and development projects, the acquisition was considered to be an asset acquisition and not a business combination. The purchase price amounted to SEK 70.8 million, which is allocated to intangible assets amounting to SEK 50.8 million and liquid funds of SEK 20 million.

Note 5 Contingent liabilities

The following contingent liabilities related to collaboration agreements existed in the group at the end of the reporting period:

Agreement with Emeriti Bio AB

Vicore Pharma entered into a cooperation and development agreement with Emeriti Bio AB on August 24, 2016. On November 1, 2017, the parties expanded their collaboration by concluding an additional agreement. The agreement is valid until there is no longer any obligation to pay royalties to Emeriti Bio AB. The main purpose of the agreement is to develop new follow-on molecules based on C21 and other drug substances. For Emeriti Bio AB's development work, Vicore Pharma pays consultancy fees, possible milestone payments based on the achievement of certain goals as well as royalties should the collaboration result in approved products relating to the collaboration. Vicore Pharma owns all results. The total maximum payments in the form of milestone and royalty payments under the agreement is limited to SEK 29 million, of which none have been paid.

Agreement with Nanologica AB

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

Note 6 Impact of IFRS transition

These financial statements for the group are the first to be prepared in accordance with IFRS as adopted by the EU. Previously prepared annual accounts for the group have been reported in accordance with BFNAR 2012: 1 Annual Report and Consolidated Accounts (K3).

The accounting principles in Appendix 1 have been applied when the consolidated financial accounts were prepared as of 31 December 2018, and for the comparative information presented as of 31 December 2017, as of 31 December 2016, and when preparing the statement on the opening financial position of the period as of 1 January 2016. The estimates made according to IFRS as of 1 January 2016 are in accordance with the estimates made according to previously applied accounting principles.

The group has decided not to retroactively apply IFRS 3 Aquisitions for periods prior to the transition to IFRS, ie January 1, 2016.

The following summary shows the effects of the above-mentioned applications on the group's statement of comprehensive income and the statement of financial position. The transition to IFRS has had no impact on the group's cash flow statement.

The parent company's transition to RFR 2 has entailed an small adjustment regarding the cost of share rights in the third quarter 2018 (see Note D).

The group’s summary of financial position in summary as of January 1, 2016

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

Consolidated statement of comprehensive income for Jan-Dec 2016

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		852	0	852
Activated work for own account	A	1 221	-1 221	0
Other operating income		60	0	60
		2 133	**-1 221**	**912**
Operating expenses				
Research and development costs	A	0	-12 257	-12 257
Other external expenses		-5 006	0	-5 006
Personnel costs		-3 770	0	-3 770
Depreciation		-6	0	-6
Share of result in associated companies		0	0	0
Operating profit		**-6 649**	**-13 478**	**-20 127**
Share of result in associated companies		0	0	0
Financial income		0	0	0
Financial costs	C	-3	-4 414	-4 417
Net financial		**-3**	**-4 414**	**-4 417**
Profit before tax		**-6 652**	**-17 892**	**-24 544**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-6 652**	**-17 892**	**-24 544**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total income for the period attributable to the parent company's shareholders		**-6 652**	**-17 892**	**-24 544**

The group's summary of financial position as of December 31, 2016

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

Consolidated statement of comprehensive income for Jan-Dec 2017

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		932	0	932
Activated work for own account	A	2 645	-2 645	0
Other operating income		97	0	97
		3 674	**-2 645**	**1 029**
Operating expenses				
Research and development costs	A	0	-17 555	-17 555
Other external expenses		-5 431	0	-5 431
Personnel costs		-6 209	0	-6 209
Depreciation and write-downs	A	-4 417	4 410	-7
Share of result in associated companies		-410	0	-410
Operating profit		**-12 793**	**-15 790**	**-28 583**
Share of result in associated companies		0	0	0
Financial income	C	0	4 414	4 414
Financial costs		-62	0	-62
Net financial		**-62**	**4 414**	**4 352**
Profit before tax		**-12 855**	**-11 376**	**-24 231**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-12 855**	**-11 376**	**-24 231**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total income for the period attributable to the parent company's shareholders		**-12 855**	**-11 376**	**-24 231**

Consolidated statement of comprehensive income for Jan-Sep 2017

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		725	0	725
Activated work for own account	A	1 908	-1 908	0
Other operating income		47	0	47
		2 680	**-1 908**	**772**
Operating expenses				
Research and development costs	A	0	-11 722	-11 722
Other external expenses		-4 300	0	-4 300
Personnel costs		-4 266	0	-4 266
Depreciation and write-downs	A	-626	621	-5
Share of earnings in associated companies		0	0	0
Operating profit		**-6 512**	**-13 009**	**-19 521**
Share of earnings in associated companies		0	0	0
Financial income		0	0	0
Financial costs		-61	0	-61
Net financial		**-61**	**0**	**-61**
Profit before tax		**-6 573**	**-13 009**	**-19 582**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-6 573**	**-13 009**	**-19 582**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total income for the period attributable to the parent company's shareholders		**-6 573**	**-13 009**	**-19 582**

The group's statement of comprehensive income for Oct-Dec 2017

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		207	0	207
Activated work for own account	A	737	-737	0
Other operating income		50	0	50
		994	**-737**	**257**
Operating expenses				
Research and development costs	A	0	-5 833	-5 833
Other external expenses		-1 131	0	-1 131
Personnel costs		-1 943	0	-1 943
Depreciation and write-downs	A	-3 791	3 789	-2
Share of result in associated companies		-410	0	-410
Operating profit		**-6 281**	**-2 781**	**-9 062**
Share of result in associated companies		0	0	0
Financial income	C	0	4 414	4 414
Financial costs		-1	0	-1
Net financial		**-1**	**4 414**	**4 413**
Profit before tax		**-6 282**	**1 633**	**-4 649**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**-6 282**	**1 633**	**-4 649**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total income for the period attributable to the parent company's shareholders		**-6 282**	**1 633**	**-4 649**

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

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

Consolidated statement of comprehensive income for Jan-Sep 2018

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Operating income				
Net sales		472	0	472
Activated work for own account	A	1 980	-1 980	0
Other operating income		15	0	15
		2 467	**-1 980**	**487**
Operating expenses				
Research and development costs	A	0	-13 798	-13 798
Other external expenses		-6 155	0	-6 155
Personnel costs	D	-8 201	-275	-8 476
Depreciation and write-downs	C	-1 662	1 658	-4
Share of result in associated companies		-2 694	0	-2 694
Operating profit		**-16 245**	**-14 395**	**-30 640**
Share of result in associated companies		19 267	0	19 267
Financial income	C	0	3 717	3 717
Financial costs		-317	0	-317
Net financial		**18 950**	**3 717**	**22 667**
Profit before tax		**2 705**	**-10 678**	**-7 973**
Tax		0	0	0
Profit for the year attributable to the parent company's shareholders		**2 705**	**-10 678**	**-7 973**
Other comprehensive income				
Other comprehensive income		0	0	0
Other comprehensive income for the period after tax		**0**	**0**	**0**
Total income for the period attributable to the parent company's shareholders		**2 705**	**-10 678**	**-7 973**

The Group's summary of financial position as of September 30, 2018

KSEK	Note	According to previous accounting principles	IFRS adjustments	According to IFRS
Assets				
Fixed assets				
Patents, licenses and similar rights	A, B	136 704	-69 512	67 192
Equipment		23	0	23
Financial assets	C	1 883	3 717	5 600
Total fixed assets		**138 610**	**-65 795**	**72 815**
Current assets		**33 264**	**0**	**33 264**
Total assets		**171 874**	**-65 795**	**106 079**
Equity and liabilities				
Shareholders' equity attributable to the parent company		**144 385**	**-65 900**	**78 485**
Long-term liabilities	D	**1 978**	**105**	**2 083**
Current liabilities		**25 511**	**0**	**25 511**
Total equity and liabilities		**171 874**	**-65 795**	**106 079**

Comments on the reconciliation between previous accounting principles and IFRS

Note A. Development costs

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

Note B. Asset acquisitions

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

Note C. Financial assets

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

Note D. Incentive programs

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

Note E. Effects on equity

The sum of the net effect of the adjustments on equity after tax is summarized in the table below:

Effects on equity

	30-sept 2018	31-dec 2017	31-dec 2016	1-jan 2016
Equity according to previous principles	**144 385**	**112 968**	**75 597**	**81 930**
Development costs, Note A	-69 512	-59 806	-39 602	-26 124
Asset acquisitions, Note B	0	0	0	0
Financial assets, Note C	3 717	4 414	-4 414	0
Incentive programs, Note D	-105	0	0	0
Deferred tax	0	0	0	0
Shareholders' equity according to IFRS	**78 485**	**57 576**	**31 581**	**55 806**

Appendix 1
Accounting principles

Accounting principles year-end report 2018-12-31

Vicore Pharma'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.” The year-end report has been prepared in accordance with IAS 34 Interim Financial Reporting.

This is the group's first financial report in accordance with IFRS and the group has applied IFRS 1, "First-time Adoption of International Financial Reporting Standards" in preparing these financial statements. The group has previously applied BFNAR 2012:1 Annual Reports and Consolidated Accounts (K3). The transition to IFRS is described in more detail in Note 1-6.

The parent company applies the same accounting principles as the group, aside from the cases stated in the passage, "parent company's accounting principles". The parent company applies the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The deviations that occur are a result of limitations in the possibilities of applying IFRS in the Parent Company, this being due to the Annual Accounts Act and applicable tax regulations.

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.

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

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

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

Shares in associated companies

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

Eliminated transactions during consolidation

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

Currency

Functional currency and reporting currency

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

Foreign currency transactions

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

Operating segments

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

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

Classification

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

Revenue from contracts with customers

The group reports revenue when the group fulfils a performance obligation, i.e. when a promised product is delivered to the customer and the customer takes control of the product. Control of a performance obligation can be transferred over time or at a point in time. Revenue consists of the amount the company expects to receive as compensation for the transferred products or services. For the group to report revenue from contracts with customers, each customer contract is analyzed according to the five-step model included in the standard:

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

Step 2: Identify the performance obligations in the contract.

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

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

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

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

Leasing

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

Employee benefits

Short term remuneration

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

Pension obligations

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

Option programs

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

The fair value of share-based payments is accounted for as personnel costs. The fair value of the employee stock options is determined at grant date with the Black-Scholes model for pricing of options. For the share awards, the fair value is determined at the time of allocation using a Monte Carlo simulation of future

stock price development. The cost is reported, along with a corresponding increase in equity, during the period in which the vesting conditions are fulfilled, up to and including the date when the persons concerned are fully entitled to the compensation

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

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

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

Financial income and expenses

Financial income

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

Exchange rate gains and losses are reported net.

Financial costs

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

Income taxes

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

Current tax

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

Deferred tax asset/tax liability

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

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

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

Earnings per share

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

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

Intangible assets

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

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

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

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

Capitalization of development expenditure

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

The group only has acquired intangible assets.

Depreciation principles

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

Tangible fixed assets

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

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

Additional expenses

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

Depreciation principles

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

The estimated useful lives are:
Equipment ....5 years

Impairment of non-financial assets

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

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

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

Financial assets and liabilities

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

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

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

Classification and valuation of financial assets

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

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

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

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

Impairment of financial assets

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

Classification and valuation of financial liabilities

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

Cash and cash equivalents

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

Equity

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

Contingent liabilities

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

Cash flow

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

Parent company's accounting principles

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

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

Modified accounting principles

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

Classification and format

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

Subsidiary and associated companies

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

Financial assets and liabilities

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

Leasing

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

Group contributions and shareholder contributions

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

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The CEO certifies that the interim report gives a true and fair view of the company's operations.

Mölndal, March 15, 2019

Carl-Johan Dalsgaard, Chief Executive Officer

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