alzinova

INTERIM REPORT Q1

1 Jan – 31 Mar 2020

The Board of Directors and the Chief Executive Officer of Alzinova AB hereby present the interim report for the first quarter 2020.

Summary of events during the first quarter of 2020

Three months (2020-01-01 – 2020-03-31)

- Net sales amounted to SEK 0 (SEK 0).
- Result after financial items amounted to SEK -1,774,906 (SEK -1,170,594).
- Earnings per share amounted to SEK -0.23 (SEK -0.16).
- Solidity amounted to 91.8% (95.4%).

Earnings per share: Result for the period divided by 7,633,415 shares as of 2020-03-31.
Solidity: Equity divided by total capital.
Amounts in brackets: Corresponding period in the previous year.
"The Company" and "Alzinova" refers to Alzinova AB, reg.no/org.nr. 556861-8168.

Significant events during the first quarter of 2020

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

Significant events after the first quarter of 2020

- No significant events.

CEO comments

Our goal is to initiate the first clinical trial with a therapeutic vaccine that specifically targets the toxic *oligomers of amyloid-β* in patients with Alzheimer's disease at the turn of the year, 2020/2021.

The ALZ-101 drug candidate is in late preclinical phase, and during the first quarter of 2020, we have continued our effort to develop and manufacture API in order to be able to deliver GMP material and clinical trial material for the upcoming study in the fall. We have prepared and worked on the regulatory documentation required to initiate the clinical phase 1b study on Alzheimer's disease patients in Finland. This marks the first study with ALZ-101 on humans, and will thus be a so-called safety study, where the objective is to demonstrate safety and good tolerability of the therapeutic vaccine ALZ-101 in Alzheimer's disease patients. In the clinical study, we will also examine the patients' immune response, as well as a number of different biological markers that are associated with Alzheimer's disease.

The drug candidate ALZ-101 and the ALZ-201 antibody differ from previously tested candidates against Alzheimer's disease, which bind non-specifically and to differing degrees to various forms of amyloid-β. Completed clinical trials on other candidates indicate that the specificity matters, to achieve efficacy as well as to avoid adverse side effects.

A therapeutic *oligomer-specific* vaccine against Alzheimer's disease is specific and unique and entails that the body generates its own antibodies that target only the toxic *oligomers of amyloid-β*, which are believed to be the cause of Alzeimer's disease.

Our goal is to develop a disease modifying therapeutic vaccine for the treatment and also prevention of Alzheimer's disease. A long-acting and hence cost-efficient drug will make it possible for patients to lead an independent life without impact from the disease.

Our financial position remains stable. The fixed costs are comprised mainly of comparatively low operating costs, such as salaries, rent of premises and administrative costs. The running costs are related to our ALZ-101 vaccine project, and the clinical study on Alzheimer's disease patients.

We are all affected by the COVID-19 pandemic, directly and indirectly. Alzinova conducts risk analyses on an ongoing basis, and we are working closely with our partners to minimize any negative implications for the company. We have as yet not seen any material impact of COVID-19 on Alzinova's operations.

Kristina Torfgård
CEO, Alzinova AB

About Alzinova

Alzinova is a Swedish biopharmaceutical company specializing in the treatment of Alzheimer's disease – one of our major health scourges, without effective treatment options. The Company's proprietary AβCC peptide™ technology enables the development of disease-modifying therapies that with high precision could target the toxic amyloid-β oligomers involved in the onset and progression of the disease. Alzinova's focus is to develop an oligomer-specific vaccine as a long-acting therapy for treatment and prevention of Alzheimer's disease. The candidate drug ALZ-101 is in late preclinical development and human clinical trials are estimated to initiate during the end of 2020. Based on the same technology, the Company is also developing the ALZ-201 antibody which currently is in early preclinical development phase. The aim is to broaden the scope of activities and bring ALZ-201 into the pipeline to develop an additional disease modifying therapy. Alzinova was founded by researchers from the MIVAC research center at the University of Gothenburg, and by GU Ventures AB.

Future outlook

It is estimated that Alzheimer's disease afflicts on the order of 50 million patients worldwide today. The number of cases is growing by 6.9 million every year. The cost to society of the disease is estimated to be approximately USD 1 trillion annually. There are no treatments available that are capable of providing anything more than temporary symptom relief. A pharmaceutical with even moderate disease-modifying efficacy would therefore be a major sales and revenue opportunity. According to Global Data, the annual sales volume of disease modifying therapies for Alzheimer's disease in the US, EU (Germany, France, UK, Italy and Spain), Japan, China and India will reach up to USD 13 billion.

Alzinova continues to focus primarily on development of the candidate drug ALZ-101. Our objective is to initiate clinical trials by the end of 2020. The company's assessment is that there is sufficient capital to finance operations throughout the financial year.

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

The Company will evaluate the possibilities of continuing development of the antibody, ALZ-201. There may be opportunities for the company to develop the antibody as a disease modifying therapy. The *oligomer-specific* vaccine ALZ-101 is still the focus of activity, however.

Corporate structure and shareholding

Alzinova has no subsidiaries and is not part of any group. Neither does the company hold any shares.

Risk factors

Alzinova maintains procedures to continuously identify and manage risk factors.
At present times, it is very difficult to assess how the covid-19 pandemic will develop and what impact it will have on the Company and its risk factors.

Since Alzinova has not yet launched any pharmaceuticals or diagnostic medical devices, neither individually nor through cooperation, the Company has not made any sales or generated any revenue. Assessing the Company's sales potential may therefore be difficult; there is a risk that revenue is forgone, in whole or in part. The pre-clinical, clinical and registration phases are all associated with risks that may prevent the Company's products from resulting in commercializable therapies, and thereby from generating revenue, fully or partially.

Alzinova still has no revenue. Depending on when the Company is able to generate a positive cash flow, the Company may therefore find itself forced to raise additional external capital in the future. Both the amount and timing of the Company's future capital requirements are dependent on a number of factors, such as the commercial success of the Company's products.

Alzinova has cooperations with suppliers and manufacturers. The Company is continually evaluating its direct and indirect suppliers, and active measures are being taken to mitigate the effect on the Company’s operations.

A detailed assessment of the Company's uncertainty factors was included in the Annual Report 2019. The Board of Directors finds that covid-19 thus far has not had any material impact on the operations. The Company monitors the development of the pandemic continuously and is working proactively to manage any long-term risks.

The share

The Alzinova share was listed on Spotlight Stock Market on 25 November 2015. As of 11 March 2019, the Company is listed on Nasdaq First North Growth Market. There is one class of shares in the company. The share entitles to one (1) vote per share. Each share has equal right to shares in the Company's assets and profit. As of 31 March 2020, the number of shares in Alzinova amounted to 7,633,415.

Financial development

During the quarter, the company has mainly invested in the development of ALZ-101, a vaccine to treat Alzheimer's disease. At the turn of the quarter, the company had a cash balance of approximately MSEK 26.3. The solidity at the end of the quarter was 91.8%.

Auditors' review

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

Policies for the preparation of the interim financial report

The interim financial report is prepared in accordance with the Swedish Annual Accounts Act as well as the Swedish Accounting Standards Board BFNAR 2012:1 annual report and consolidated (K3).

Upcoming financial reports

Half-yearly report, 2020	2020-08-26
Interim financial report 3, 2020	2020-10-29
Year-end Report, 2020	2021-02-26

The Board of Directors and the Chief Executive Officer hereby confirm that this report provides a true and fair view of the Company's operations.

Gothenburg, 15 May 2020
Alzinova AB

Income statement

(SEK)	2020-01-01 2020-03-31 *3 months*	2019-01-01 2019-03-31 *3 months*	2019-01-01 2019-12-31 *12 months*
Net sales	-	-	-
Own work capitalized	6 101 301	2 043 794	6 808 837
Other operating income	-	-	-
	6 101 301	**2 043 794**	**6 808 837**
Operating expenses			
Other external expenses	-6 287 776	-2 506 368	-8 764 417
Personnel expenses	-1 588 431	-708 020	-4 221 897
Operating result	**-1 774 906**	**-1 170 594**	**-6 177 477**
Result from financial items			
Interest expenses	-	-	-12 426
Result after financial items	**-1 774 906**	**-1 170 594**	**-6 189 903**
Result before tax	**-1 774 906**	**-1 170 594**	**-6 189 903**
Result for the period	**-1 774 906**	**-1 170 594**	**-6 189 903**

Balance sheet

(SEK)	2020-03-31	2019-03-31	2019-12-31
ASSETS			
Fixed assets			
Intangible assets			
Capitalized expenditure for development work	33 896 757	23 030 413	27 795 456
Patent	1 632 086	1 576 565	1 626 732
	35 528 843	**24 606 978**	**29 422 188**
Total fixed assets	**35 528 843**	**24 606 978**	**29 422 188**
Current assets			
Short term receivables			
Tax receivables	62 397	-	49 026
Other receivables	353 745	218 372	216 420
Prepaid expenses and accrued income	182 380	113 801	109 942
	598 522	**332 173**	**375 388**
Cash and cash receivables	***26 338 099***	***40 649 354***	***33 733 608***
Total current assets	**26 936 621**	**40 981 527**	**34 108 996**
TOTAL ASSETS	**62 465 464**	**65 588 505**	**63 531 184**

Balance sheet (cont.)

(SEK)	2020-03-31	2019-03-31	2019-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	2 007 588	1 980 343	2 007 588
Fund for development costs	31 560 685	22 701 441	25 726 620
	33 568 273	**24 681 784**	**27 734 208**
Unrestricted equity			
Share premium	77 601 555	76 081 120	77 601 555
Retained result	-52 059 054	-37 009 907	-40 035 086
Result for the year/period	-1 774 906	-1 170 594	-6 189 903
	23 767 595	**37 900 619**	**31 376 566**
Total equity	**57 335 868**	**62 582 403**	**59 110 774**
Long term liabilities			
Other long term liabilities	800 000	800 000	800 000
	800 000	**800 000**	**800 000**
Current liabilities			
Accounts payable	1 331 433	946 661	425 367
Other current liabilities	717 659	469 135	558 992
Accrued expenses and prepaid income	2 280 504	790 306	2 636 051
	4 329 596	**2 206 102**	**3 620 410**
TOTAL EQUITY AND LIABILITIES	**62 465 464**	**65 588 505**	**63 531 184**

Change in equity, condensed

2020-01-01 - 2020-03-31	Share capital	Rights issue	Fund for development costs	Share premium	Retained result	Result for the period/year
At the beginning of the period	2 007 588	0	25 726 620	77 601 555	-40 035 086	-6 189 903
Transfer of previous year's result					-6 189 903	6 189 903
Transfer within equity			5 834 065		-5 834 065	
Net result for the period/year						-1 774 906
At the end of the period	**2 007 588**	**0**	**31 560 685**	**77 601 555**	**-52 059 054**	**-1 774 906**

2019-01-01 - 2019-03-31	Share capital	Rights issue	Fund for development costs	Share premium	Retained result	Result for the period/year
At the beginning of the period	1 440 819	539 524	18 917 780	76 081 120	-29 036 935	-4 189 311
Registered new share issue	539 524	-539 524				
Transfer of previous year's result					-4 189 311	4 189 311
Transfer within equity			3 783 661		-3 783 661	
Net result for the period/year						-1 170 594
At the end of the period	**1 980 343**	**0**	**22 701 441**	**76 081 120**	**-37 009 907**	**-1 170 594**

Condensed cash flow statement

(SEK)	2020-01-01 2020-03-31 3 months	2019-01-01 2019-03-31 3 months	2019-01-01 2019-12-31 3 months
OPERATING ACTIVITIES			
Result after financial items	-1 774 906	-1 170 594	-6 189 903
Adjustments for items not included in cash flow	-	-	-
	-1 774 906	**-1 170 594**	**-6 189 903**
Cash flow from operating activities before change in working capital	**-1 774 906**	**-1 170 594**	**-6 189 903**
Cash flow from change in working capital			
Increase (-)/Decrease (+) in operating receivables	-223 134	871 697	128 542
Increase (+)/Decrease (-) in operating liabilities	709 186	671 354	2 085 626
Cash flow from operating activities	**-1 288 854**	**372 457**	**-3 975 735**
Investing activities			
Acquisition of intangible fixed assets	-6 106 655	-2 076 644	-6 891 854
Cash flow from investing activities	**-6 106 655**	**-2 076 644**	**-6 891 854**
Financing activities			
New share issue / Warrants	-	-	2 247 656
Cash flow from financing activities	**0**	**0**	**2 247 656**
Cash flow for the period	**-7 395 509**	**-1 704 187**	**-8 619 933**
Cash and cash equivalents at the beginning of the period	**33 733 608**	**42 353 541**	**42 353 541**
Cash and cash equivalents at the end of the period	**26 338 099**	**40 649 354**	**33 733 608**