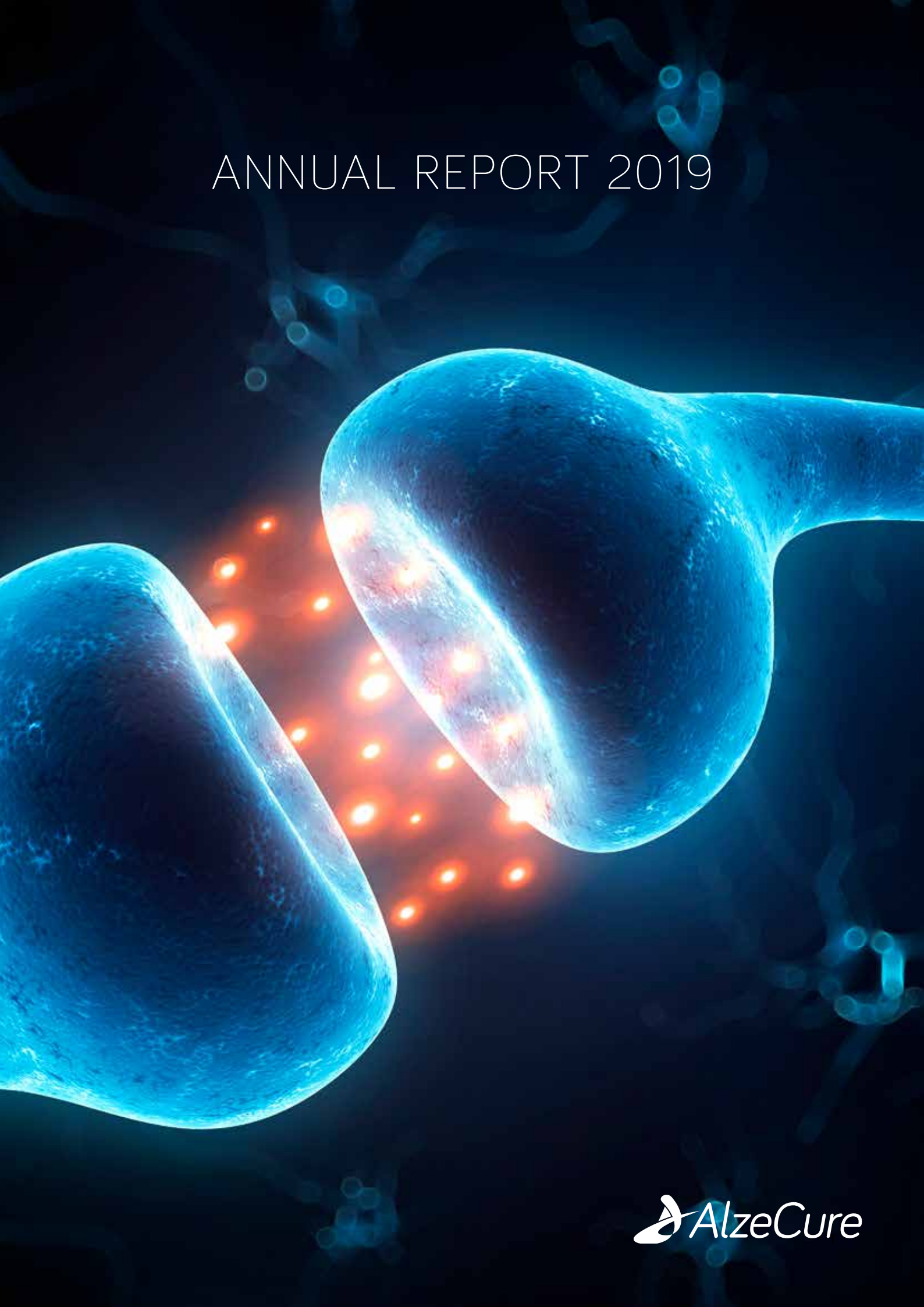
ANNUAL REPORT 2019



AlzeCure

CONTENTS

ALZECURE PHARMA IN BRIEF

AlzeCure Pharma AB is a Swedish pharmaceutical company engaged in innovative drug research and development with a primary focus on Alzheimer's disease and pain. The company is listed on Nasdaq First North Premier Growth Market and is developing five drug candidates based on the two research platforms, NeuroRestore® and Alzstatin®. The NeuroRestore platform comprises symptomatic drug candidates, while Alzstatin comprises disease-modifying and preventive drug candidates for Alzheimer's disease. A diversified portfolio of drug candidates that act on central signaling pathways in the brain also pave the way for other indications, such as cognitive disorders associated with traumatic brain injury, sleep apnea and Parkinson's disease. The company also has two projects in the field of pain, TrkA-NAM and VR1.

FNCA Sweden AB, +46(0)8 528 00 399 info@fnca.se, is the company's Certified Adviser.
For more information, please visit www.alzecurepharma.se.

AlzeCure Pharma develops new drug therapies for the treatment of severe diseases and conditions that affect the central nervous system, such as Alzheimer's disease and pain, for which currently available treatment is extremely limited. AlzeCure® aims to pursue its own projects through preclinical research and development to an early clinical phase.

THE YEAR IN BRIEF

Continued intensive research

Significant events 2019

- In March the company initiated a new drug project in the field of pain, TrkA-NAM.
- The company was represented at the International Conference on Alzheimer's & Parkinson's Diseases where it gave two presentations.
- In May the company chose to redirect the drug candidate ACD855 from cognitive dysfunction to an ocular indication and ACD856 became the primary drug candidate for cognitive dysfunction instead.
- At the annual general meeting on May 22, the company resolved to issue a warrant program aimed at the company's Board of Directors.
- In December the company obtained the necessary approvals from the regulatory authorities to initiate the first clinical studies for the drug candidate ACD856 within the NeuroRestore platform. The company initiated the study shortly thereafter.

Significant events after the end of the financial year

- In January, the company in-licensed a new project, VR1, which focuses on neuropathic pain and is in the clinical development phase.
- Martin Jönsson was appointed to serve as the new Chief Executive Officer on January 8, 2020. Martin has worked in the global pharmaceutical industry for more than 20 years, with extensive experience from various positions at both Ferring Pharmaceutical and Roche.
- Covid-19/Coronavirus – Measures and potential impact. AlzeCure Pharma has taken measures necessary to protect its employees and limit any negative impact on the company's operations. The company is closely monitoring the situation and will take additional measures as needed. In the current situation it is impossible to estimate the extent to which the company's operations could be affected by the virus outbreak. The company is dependent on suppliers and their delivery capacity, which could mean that schedules may need to be pushed forward.

Multi-year overview

SEK thousand	2019	2018	2016/17
	Jan. 1, 2019 -Dec. 31, 2019	Jan. 1, 2018 -Dec. 31, 2018	Nov. 22, 2016 -Dec. 31, 2017
Net sales	0	0	0
Operating profit/loss	-50,908	-35,893	-10,767
Earnings for the year and comprehensive income	-50,858	-35,985	-10,822
Earnings per share, basic (SEK)	-1.35	-1.58	-0.79
Research expenses as a percentage of operating expenses (%)	87.7	92.8	93.5
Total assets	186,755	237,782	55,971
Cash and cash equivalents	182,499	234,549	53,952
Debt/equity ratio (%)	97.5	98.0	92.6
Average number of shares, basic	37,765,715	22,774,048	13,618,333
Average number of employees	4.0	1.5	0.3

A WORD FROM THE CEO

”The company’s goal of initiating the first clinical study for ACD856, which is included in the NeuroRestore project platform, was met according to plan during the last quarter.

Johan Sandin, CEO 2017– January 7, 2020

The last quarter of 2019 entailed continued intensive development work with AlzeCure Pharma’s two innovative small molecule platforms, NeuroRestore® and Alzstatin®, as well as our TrkA-NAM pain project. The company has the explicit goal of developing new therapies for severe disorders affecting the nervous system for which there are currently no effective treatments. At the end of the year AlzeCure also announced exciting news that we are convinced will increase our future value.

Within NeuroRestore, as a result of our strong focus on ACD856 during the fall, the company was able to initiate the first clinical trial at the end of the year. In addition to preclinical safety studies, efforts included formulation work, synthesis of GMP-classified material and preparatory regulatory documentation regarding the drug candidate. Since we had already prepared our clinical partner, we were able to initiate the clinical trial in December. We expect to obtain data in H1 2020 from this first study, which aims to determine the half-life of ACD856. The company then plans to initiate a clinical trial with an innovative design for ACD856 later during the year. This process will take the candidate through phase I clinical trials and generate important safety and tolerability test data in humans, as well as early efficacy data, which will create confidence for future phase II studies. ACD856 could potentially improve cognitive ability in a variety of diseases, including Alzheimer’s, and could become an important treatment to improve patient quality of life.

Work on ACD857 is also proceeding according to plan. We will continue to work on this promising drug candidate to have it ready for clinical trials by the first half of 2021. The ACD855 drug candidate is currently undergoing preclinical efficacy studies for ocular indications and we expect to have data from these studies in the first half of 2020.

The drug substances within the Alzstatin platform are aimed at disease-modifying treatment intended to slow the course of Alzheimer’s disease by reducing the production of amyloid beta (Aβ) in the brain. Based on scientific advances in this field over the past few years, data indicate that maximum benefit can be obtained by initiating this type of treatment as early as possible in the disease, before too much brain damage has occurred. Such long-term treatment requires a safe, cost-effective and easily administered drug. To ensure that we select the best substance when applying for a patent, we are working with several drug candidates simultaneously. One advantage of this type of small molecule therapy is that it can be taken as a tablet, which generally means both lower costs and easier administration than biological drugs. Another advantage is that it acts through a genetically linked and safe biological mechanism that clearly differentiates it from other products currently under development.

It is also noteworthy that the amyloid hypothesis on which Alzstatin is based has gained further validation during the autumn, where Biogen’s antibody Aducanumab was able to demonstrate positive effects on cognition. We have recently also seen major advances in the field of diagnostics, including in blood-based biomarkers, which is important for being able to identify the right patients for our future clinical trials.

AlzeCure also has an exciting project in the field of pain, TrkA-NAM, where we have worked hard this autumn on producing substances that can be used in preclinical pain studies. We plan to initiate such studies with TrkA-NAM in early 2020. The goal is to develop a drug that can reduce movement-induced and spontaneous pain in patients with painful osteoarthritis. This represents a huge market with an estimated 240 million people worldwide who suffer from painful and activity-limiting osteoarthritis of the hip or knee. Unfortunately, many patients experience insufficient pain relief or side effects with current treatment, which today usually consist of NSAIDs or opiates. The need for more effective and better tolerated drugs in this field is therefore great.

I would also like to mention that AlzeCure Pharma has been represented to a greater extent at external events during the autumn. For example, I have had the pleasure of representing the company at RedEye events in Stockholm, Malmö and Gothenburg. I have met many of you shareholders at these meetings, and discussing and hearing your views on the company and our projects is always equally interesting and informative.

In conclusion, I would like to highlight two important events in early January 2020 that I view as an exciting development for the company. Firstly, we have in-licensed a new clinical project, VR1, in the field of pain. It originates from Big Pharma and we intend to develop a new topical treatment for neuropathic pain, a field with great medical need. In addition, AlzeCure has a new CEO, Martin Jönsson, who began on January 8, 2020. With his broad expertise, he will play a key role as the company now enters the next phase, with a focus on external communication, collaboration and partnership to achieve an even stronger focus on business development. I will remain with the company as Chief Scientific Officer and look forward to focusing even more on the development of all of our exciting substances. I also look forward to working with Martin as we now continue our exciting journey.

Huddinge in January 2020

Johan Sandin

We look forward to 2020 with great enthusiasm after a strong fourth quarter in 2019, and we began the new year by in-licensing VR1, a drug candidate in the clinical development phase that aims to treat neuropathic pain.

Martin Jönsson, CEO since January 8, 2020

As the new CEO of AlzeCure Pharma, it is with great pleasure that I view the advances made in 2019 which Johan mentions in his text above. Both the NeuroRestore and the Alzstatin projects are making good progress, as is the TrkA-NAM pain project, which inspires confidence in the future.

It is also encouraging that the company has successfully acquired the rights to the VR1 pain project on such favorable terms, where we can leverage our years of expertise and networking in the field of pain. The many projects for which we have initiated or plan to enter into the clinical development phase in 2020 show that the company is prepared to deliver what we have communicated.

We focus on projects with major and growing medical needs in our therapeutic areas and our new VR1 project, which focuses on neuropathic pain, is no exception. This type of pain is often associated with greatly impaired quality of life and current treatments rarely provide adequate pain relief. In all, an estimated 7–8 percent of the adult population worldwide suffers from pain with neuropathic elements, which corresponds to about 25 million people in Europe, Japan and the US, alone.

With over 20 years of experience in the global pharmaceutical market in fields such as business development, in-licensing and out-licensing and alliance management, including the last five years in senior management positions in the US, I intend to contribute to further strengthening the company. I believe that 2020 will be yet another exciting year for AlzeCure and look forward to advancing our projects together with the team as planned and developing our collaboration with various external parties. As we make progress in our projects, including in Alzheimer's, we will have more to report and we look forward to further increasing our visibility and becoming even more well known and recognized, both in Sweden and abroad, for the exciting and important research and development we conduct, which is so important for patients and relatives, as well as for society. The global cost to society for dementia is currently estimated to exceed USD 1,000 billion and because of the aging population is expected to exceed an astronomical USD 3 trillion by about 2050 unless we find effective treatments. The proud and dedicated team at AlzeCure is developing new solutions for the diseases we focus on and we look forward to presenting our progress in 2020.

Huddinge April 15, 2020

Martin Jönsson

OVERVIEW

AlzeCure Pharma's two innovative small molecule platforms, NeuroRestore® and Alzstatin®, as well as our latest project additions, TrkA-NAM and VR1, are all making good progress in their development. The company has the explicit goal of developing new therapies for Alzheimer's disease and pain – severe disorders affecting the nervous system and for which there is currently no effective treatment. In Alzheimer's we are working on therapies aimed at both symptomatic relief and prevention, where our two unique project platforms focus on two key findings related to the disease: the accumulation of amyloid in the brain and the disruption of normal nerve cell function that leads to the symptoms of the disease. In the field of pain we focus on both nociceptive and neuropathic pain.

AlzeCure® plans to have two of the company's drug candidates in clinical trials during 2020. A diversified portfolio of drug candidates that act on central signaling pathways in the brain also opens up for other indications such as cognitive dysfunctions in traumatic brain injury, sleep apnea and Parkinson's disease. The company also has a project in the field of pain in the early preclinical phase, TrkA-NAM and in January 2020 the company acquired VR1, a pain project in clinical phase.

AlzeCure's organization, which comprises research, development and the management group, possesses more than 100 years of joint experience from global pharmaceutical companies. Parts of the company's current management group was formerly part of AstraZeneca's neurology and pain research unit where they were involved at the center of research and development of both symptomatic and disease-modifying drugs for the treatment of Alzheimer's disease. The organization was further strengthened during the year.

History

2012
- AlzeCure Foundation formed. AstraZeneca decides to focus its internal development on CNS candidates in late clinical development phases. AlzeCure's current management team is offered the opportunity to further develop innovative therapies for Alzheimer's and related diseases in the recently started AlzeCure Foundation.

2013
- The foundation begins research and development at the Karolinska Institutet Science Park in Solna.

2016
- AlzeCure Pharma was founded due to the great commercial potential of the main drug candidates. NeuroRestore is the outcome of in-house research, while Alzstatin derives from AstraZeneca's research portfolio, where the project was begun on the initiative of AlzeCure's scientists.

2017
- In June, the company carries out its first financing round in the amount of SEK 70 million before issue expenses.

2018
- In July, the company carries out its second financing round in the amount of SEK 40 million aimed at financing phase I studies for ACD855.
- Preclinical testing of ACD855 was concluded in July.
- IMPD (application to commence studies in humans) for ACD855 submitted in October.
- Listing takes place on Nasdaq First North Premier Growth Market in November.
- The necessary public authority approvals to begin phase I studies for ACD855 were granted and the company began dosing the first subjects in December.

2019
- In March the company initiated a new drug project in the field of pain, TrkA-NAM.
- The company was represented at the International Conference on Alzheimer's & Parkinson's Diseases where it gave two presentations.
- In May the company chose to redirect the drug candidate ACD855 from cognitive dysfunction to an ocular indication and ACD856 became the primary drug candidate for cognitive dysfunction instead.
- At the annual general meeting on May 22, the company resolved to issue a warrant program aimed at the company's Board of Directors.
- In December the company obtained the necessary approvals from the regulatory authorities to initiate the first clinical studies for the drug candidate ACD856 within the NeuroRestore platform. The company initiated the study shortly thereafter.

Vision

AlzeCure's vision is to become the leading research company developing groundbreaking drugs for Alzheimer's, pain and other serious diseases with high unmet medical need.

Strategy

AlzeCure Pharma's strategy is to develop a broad portfolio of symptomatic, disease-modifying and preventive drugs for Alzheimer's, pain and other serious illnesses through work based on the following four guidelines:

- The right patient: Focusing on genetically, clinically and pathologically defined diseases to increase the ability of clinical effect.
- The right mechanism: The treatment acts on genetically associated signal pathways in Alzheimer's disease and other indications.
- The right clinical testing: The clinical studies are based on validated biomarkers and preclinical methods with good translation to humans.
- The right treatment: Small-molecule drugs that penetrate the blood brain barrier (BBB) and which are designed for safe, efficacious long-term treatment.

AlzeCure is evaluating possibilities for future collaboration agreements and commercial licensing agreements with leading pharmaceutical companies that can contribute R&D, manufacturing, commercialization and geographical reach to enhance the value of the Company's drug platforms and drug candidates.

Strengths and competitive advantages

AlzeCure considers itself to have a number of strengths and competitive advantages that increase the likelihood of success in the clinical trials:

- An organization with extensive experience from pharmaceutical drug development.
- The indications' clear basis in a genetic link to signal pathways and biological profiles, and thus validated target mechanisms.
- The drugs are based on orally available small molecules and being low cost they enable long-term treatment.
- Drug development driven by biomarkers and translational trials.
- An innovative, differentiated portfolio comprising both disease-modifying and symptomatic drug candidates for Alzheimer's and related diseases.
- A strong safety profile in the drug candidates' mechanisms of action.

Market trends affecting AlzeCure

Increased social costs for neurodegenerative diseases.
Costs associated with neurodegenerative diseases are rising and constitute a substantial part of the public healthcare system. These burgeoning costs increase the need for disease-modifying and/or preventive treatments appreciably.

An increasing need for treatment due to an aging population.
Old age is the greatest risk factor in dementia-related illnesses such as Alzheimer's, but also for pain problems. Life expectancy is anticipated to rise globally as a result of improving living standards.

Major pharmaceutical companies are allocating investments in CNS-related illnesses to specialized research projects.
An increasing number of major pharmaceutical companies are starting investment funds aimed at smaller research companies and drug companies, as this is where a great deal of innovation takes place. The trend favors smaller R&D companies as opportunities for licensing agreements concerning the research, development and commercialization of drug candidates are increasing. In 2018, over 64% of all new FDA-approved drugs originated from small research and development companies (Nature Reviews, Vol 18, Feb 2019, pp 93-94).

ALZHEIMER'S DISEASE

Alzheimer's is the most common form of dementia, with around 60-70 percent of all dementia cases stemming from this illness. It is a deadly disease that has a huge impact on sufferers and their relatives alike. Yet despite this, there is currently a lack of preventive and disease-modifying treatments.

Alzheimer's disease causes nerve cells in the brain to die. The parts of the brain usually affected are the hippocampus (the brain's memory center), the temporal and parietal lobes. The disease starts with amyloid beta (Aβ) protein beginning to clump in the brain, which ultimately form the amyloid plaques so characteristic of the illness. These have a negative impact on nerve cell function and lead, inter alia, to changes in the levels of neurotransmitters in the brain. These neurotransmitters, such as acetylcholine and glutamate, are necessary for nerve cells to communicate with each other and for the normal operation of the brain. With time, the ability of nerve cells to survive also deteriorates.

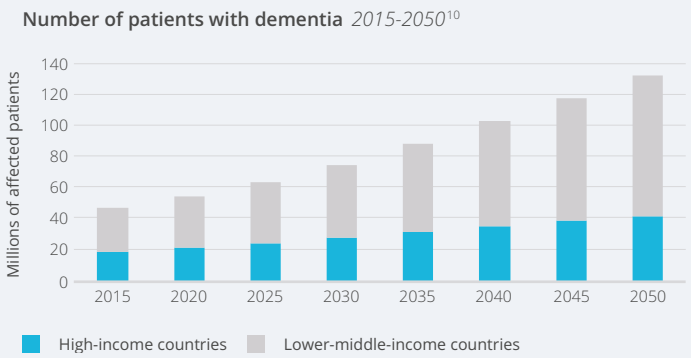
The reasons why some individuals develop the disease while others do not are as yet unknown, but it is clear that accumulations of Aβ amyloid in the brain play a central part in Alzheimer's. The most common risk factors for developing Alzheimer's are old age and genetic proclivity. The disease may appear early, between the ages of 40 and 65, but is most common after 65.

Today, substantial sums are invested in medical research into Alzheimer's due to the extensive human suffering, and the costs to healthcare and society are considerable. Total global costs for dementia-related illnesses are estimated at around USD 1 trillion globally in 2018[1], which is expected to triple by 2050. The lack of effective symptomatic treatments and efficacious treatments for the course of the disease represent an urgent medical need. The few approved drugs sold in today's market have only a limited symptom-relieving effect and have problematic side effects. Thus there is a very urgent medical need for new symptomatic and disease-modifying treatments. A disease-modifying therapy for Alzheimer's is considered capable of generating more than USD 10 billion in annual sales.

Symptoms

Usually, the first signs of Alzheimer's are impaired memory, difficulties in finding words, expressing oneself and understanding. Difficulties with the concept of time are also common. Eventually, sufferers experience orientation problems in their surroundings, and difficulties reading, writing and counting or managing practical tasks. Some have problems with perception and difficulty in recognizing what they see, and reasoning and planning become more difficult. With the passage of time, sufferers become more and more dependent on help from relatives and/or care services. Because a characteristic of the disease is its gradual onset, it can be difficult to identify when the problems actually began. Symptoms may also vary from person to person.

The figure below shows the expected growth in the number of cases of dementia between 2015 and 2050. The largest increase in number of cases of dementia and Alzheimer's is expected to occur in low and medium income countries (LMIC), since these countries are expected to demonstrate a higher relative improvement in quality of life than high-income countries (HIC), which leads to an increased life expectancy. The need for treatment continues to be very high since there are currently no satisfactory treatment options for such patients.



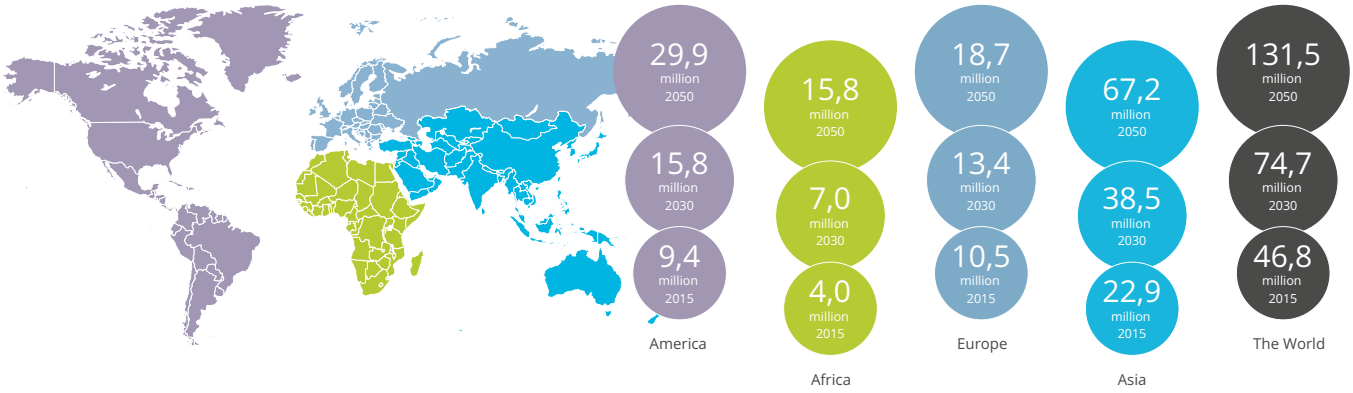
1) Wimo et al., Alz.Dem. (2017) 12;1–7

Prevalence

It is estimated that around 150,000 people in Sweden are living with dementia diseases, a figure that is expected to double by 2050. Every year, around 25,000 people are affected, resulting in major care and healthcare costs for society. The direct costs in Sweden are greater than those caused by cancer and cardiovascular diseases together.

As previously mentioned, Alzheimer's is the most common form of dementia, and worldwide around 47 million people were estimated to be living with dementia-related diseases in 2015, a figure that is expected to rise to 75 and 132 million sufferers by the years 2030 and 2050 respectively. Geographical distribution and the anticipated increase in dementia is shown in the figure below.

Geographic distribution and expected growth of prevalence of dementia.



Treatment

Today there are two classes of symptomatic drugs for the treatment of Alzheimer's disease.

- **Cholinesterase Inhibitors:** The drug allows the neurotransmitter acetylcholine to work longer in the brain and thus boost nerve cell communications. The drug does not slow down progression of the illness, it only relieves the symptoms.
- **NMDA inhibitors:** The drug affects glutamate signaling, which plays an important part in nerve cell communications.

However, the effect of cholinesterase and NMDA inhibitors is usually limited and associated with side effects. The need for alternative drugs with better symptom-relieving effect and fewer side effects is thus urgent.

AlzeCure's NeuroRestore and Alzstatin platforms act in a completely different manner in their treatment of the disease than the drugs described above. NeuroRestore seeks to improve communication between nerve cells by means of a unique mechanism so that memory function is improved in the patient while also avoiding difficult side effects. Alzstatin is aimed at preventing the very occurrence of the illness by acting on and preventing the formation of amyloid plaques.

PAIN

Pain, both acute and chronic, afflicts millions of people around the world. Pain can be categorized in different ways, but one of the most common is nociceptive versus neuropathic pain.

Nociceptive pain is the result of activity in signaling pathways caused by actual tissue damage or potentially tissue-damaging stimuli. Examples of nociceptive pain include post-operative pain, arthritic pain and pain associated with sports injuries. Nociceptive pain is usually acute and develops in response to a specific situation. It tends to disappear when the affected body part heals.

The body contains specialized nerve cells called nociceptors that detect harmful stimuli or things that can injure the body, such as extreme heat or cold, pressure, crushing and chemicals. These warning signals are then transmitted along the nervous system to the brain, resulting in nociceptive pain. This happens very quickly in real time, as when people quickly remove their hands if they touch a hot oven or stop bearing weight on an injured ankle.

Neuropathic pain is chronic pain that is initiated by dysfunction or damage to the nervous system. Chronic pain is a disability that affects every aspect of the patient's life, which includes the ability of the individual to work and engage in social and leisure activities. Neuropathic pain affects a total of approximately 7–8 percent of the adult population. People with some conditions, such as diabetes and HIV, are affected to a greater extent where approximately 25% and 35% respectively experience neuropathic pain. Peripheral neuropathic pain results from various types of damage to the nerve fibers, such as toxic, traumatic, metabolic, infectious or compressional injuries. Common symptoms are painful tingling or itching that can be described as a stabbing or burning pain, including a sensation of getting an electric shock. Patients may also experience allodynia (pain caused by a stimulus that usually does not cause pain) or hyperalgesia (increased pain from a stimulus that normally provokes pain). Three common conditions of neuropathic pain are painful peripheral neuropathy caused by conditions such as diabetes, painful post-therpetic neuralgia (shingles), and neuropathic pain induced by chemotherapy.

Prevalence

A 2012 study from the National Institute of Health's National Center for Complementary and Integrative Health shows that nearly 50 million American adults experience chronic or severe pain, and according to the American Academy of Pain Medicine, more Americans suffer from pain than diabetes, heart disease and cancer combined. The data from Europe show similar results and health and socioeconomic costs are estimated at 3-10% of gross domestic product in Europe.

The neuropathic pain market is characterized by high unmet medical need in all indications and in all major markets, where only half of patients respond to existing treatments. The patient population is expected to continue to grow, due to factors such as an aging population and increased incidence of type 2 diabetes, as well as cancer requiring chemotherapy. The global market for neuropathic pain was valued at USD 5 billion in 2015 and is expected to grow to USD 8 billion by 2024.

Treatment

There is currently a major medical need for several different severe pain conditions. For example, only about 50% of patients with neuropathic pain respond to existing treatments. Opiates are generally not recommended as first-line treatment because of the risk of abuse, overdose and secondary injuries.

The advantages of topical or local therapies include lower systemic drug exposure, fewer side effects and fewer drug interactions. Moreover, unlike systemic therapies, titration with locally targeted therapies are not required, either.

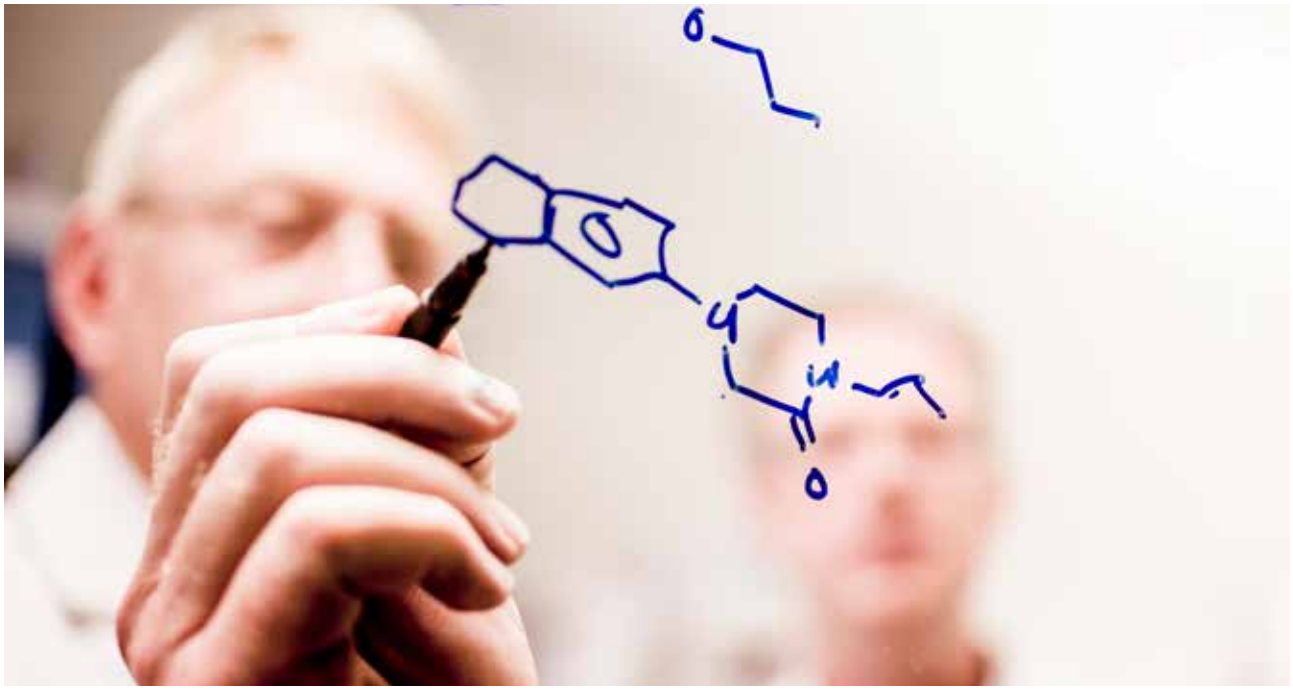
ALZECURE PHARMA'S BUSINESS FOCUS

AlzeCure Pharma's primary focus is Alzheimer's and pain. The company is developing five drug candidates based on two research platforms: NeuroRestore and Alzstatin. The company is also working on a preclinical project within the field of pain – TrkA-NAM. In addition, a new pain project pain project in the clinical development phase, VR1, was in-licensed in January 2020.

The NeuroRestore platform comprises symptomatic drugs for Alzheimer's where the primary drug candidate, ACD856, initiated scheduled clinical trials in December 2019, as planned. Our other platform, Alzstatin, comprises disease-modifying and preventive drugs. We plan to have two drug candidates in clinical trials during 2020. A diversified portfolio of drug candidates that act on central signaling pathways in the brain also opens up for other indications such as cognitive dysfunctions in traumatic brain injury, sleep apnea and Parkinson's disease. The TrkA-NAM project is based on well validated signaling pathways in the field of pain and is currently in the research phase. The recently in-licensed VR1 project focuses on neuropathic pain and is in the clinical development phase.

Together, the members of AlzeCure's research, development and management group possess more than 100 years of experience in drug developmentfrom global pharmaceutical companies. Parts of the company's current management group was formerly part of AstraZeneca's neurology and pain research unit where they were involved at the center of research and development of both symptomatic and disease-modifying drugs for the treatment of Alzheimer's disease, but also of new pain-relieving drugs.

AlzeCure's drug candidates are orally available small molecules that are well suited for cost-effective long-term treatment. The company bases the clinical trials on validated biomarkers and preclinical methods with good translation to humans.



ALZECURE'S PROJECT PORTFOLIO

AlzeCure is developing several drug candidates in parallel based on the different research platforms.

- Within NeuroRestore, a new generation of symptomatic therapies is being developed for the treatment of Alzheimer's.
- Within Alzstatin, disease-modifying and preventive drugs are being developed for the treatment of Alzheimer's.
- Within TrkA-NAM, new drugs are being developed to treat patients with painful osteoarthritis.
- Within VR1, a new drug is being developed to treat patients with peripheral neuropathic pain.

AlzeCure plans to have two of the company's drug candidates in clinical trials during 2020. A diversified portfolio of drug candidates paves the way for other indications, such as cognitive disorders associated with traumatic brain injury, sleep apnea and Parkinson's disease.

The company has three candidates in the NeuroRestore platform and two candidates in the Alzstatin platform, as shown in the image below. The company is also working on two projects in the field of pain, TrkA-NAM and VR1. The TrkA-NAM project is currently in the preclinical development phase and VR1 is in the clinical development phase.

AlzeCure's pipeline

Platform	Candidate	Indication	Research phase	Preclinical phase	Phase I	Phase II	Phase III
NeuroRestore	ACD856	Alzheimer's disease/ Sleep disorders/ Traumatic brain injury					
	ACD857	Alzheimer's disease					
	ACD855	Eye disease					
Alzstatin	ACD679	Alzheimer's disease					
	ACD680	Alzheimer's disease					
Analgesia	VR1	Neuropathic pain					
	TrkA-NAM	Osteoarthritic pain					

In progress Completed

1) For definitions of the phases, please see the AlzeCure Pharma website, www.alzecurepharma.se

NeuroRestore®

In Alzheimer's disease, the nerve cells cease functioning as they should, which leads to a deterioration of memory and learning. AlzeCure Pharma has identified drug-like substances that stimulate neurotrophic signal pathways and nerve cell function and also improve memory.

NeuroRestore is a platform of symptomatic drug candidates for diseases where cognitive ability is impaired, such as Alzheimer's.

NeuroRestore stimulates several important signal pathways in the brain, which among other things leads to improved cognition. In preclinical studies with NeuroRestore, we have been able to demonstrate that our drug substances not only boost communication between nerve cells but also improve cognitive ability.

The drug candidates in NeuroRestore stimulate signaling of "neurotrophins," the most well-known of which is Nerve Growth Factor (NGF) and Brain Derived Neurotrophic Factor (BDNF). The levels of NGF and BDNF are disrupted in many diseases and signaling is reduced. This reduced function impairs communication between the synapses, i.e. the contact surfaces at nerve ends, and reduces the survivability of nerve cells, which gives rise to cognitive impairments. Neurotrophins play a crucial part in nerve cell function, and disrupted BDNF function has a strong genetic association to impaired cognitive ability in several different diseases such as Alzheimer's and Parkinson's, as well as traumatic brain injuries and sleep apnea.

In addition to these indications, the same signal pathway is involved in certain eye indications including dry eye syndrome and neurotrophic keratitis, an indication that affect the cornea leading to a gradual deterioration of eyesight. AlzeCure also considers there to be a potential for adding further indications such as depression, as the company has demonstrated good effects from the drug substances in preclinical depression models. The effects in the preclinical studies are comparable to those of the antidepressant drug Prozac.

In several different preclinical models ACD856 has been shown to be able to significantly improve cognitive ability. This, combined with its demonstrated potential to significantly boost BDNF signaling, leads the company to believe that ACD856 could serve as symptomatic therapy in indications with reduced cognitive ability.

In 2019 the company received approval from the Swedish Medical Products Agency and the relevant ethics committee to begin clinical trials with ACD856. In December, treatment of the first individuals was initiated, with the primary endpoint marker being the half-life in humans. The study start is on schedule, with the aim of treating patients who suffer from conditions with cognitive disorders, such as Alzheimer's. The results of this study are expected to be ready by mid-year 2020.

AlzeCure's primary drug candidates within NeuroRestore – ACD855, ACD856 and ACD857 – act as enhancers of BDNF/NGF signaling, and the biological mechanism the substances affect enable their use in several different diseases in which the same signal pathway is disrupted. These indications can be grouped into three main categories:

- Cognitive impairments linked to:
  - Alzheimer's disease
  - Parkinson's disease
  - TBI and other head injuries
  - Sleep disruptions
  - Complications from major surgery
- Depression
- Specific eye and ear indications, such as
  - Dry eye syndrome
  - Impaired hearing

Alzstatin®

Our disease-modifying research platform, Alzstatin, consisting of disease-modifying and preventive drug candidates, focuses on reducing the production of toxic amyloid beta (Aβ) in the brain. Aβ plays a key pathological role in Alzheimer's and begins to accumulate in the brain years before clear symptoms develop.

The project originated in AstraZeneca's CNS research, and AlzeCure estimates AstraZeneca's total investment in Alzstatin to be around SEK 200 million before AlzeCure took over the project. The assessment is based on estimated time spent in the form of working hours in the project and project-related material costs. The drug is based on small molecules, which enables oral administration (tablets), low production costs and good BBB penetration. The target molecule is the genetically supported Aβ molecule.

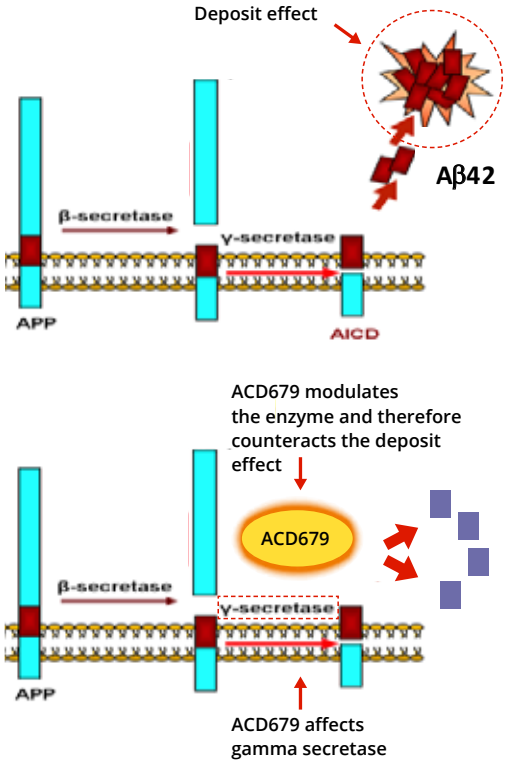
The drug candidates in the Alzstatin platform are known as gamma secretase modulators (GSMs) which modulate the function of a specific enzyme, gamma secretase. Gamma secretase gives rise to the formation of Aβ42 peptide, which over time forms clumps of so-called oligomers and fibrils that ultimately form the amyloid plaques in the brain so characteristic of the disease. These various Aβ aggregates cause nerve cell fibers to degenerate and ultimately die. Mutations in gamma secretase that lead to a relative increase in Aβ42 peptide is the cause of hereditary Alzheimer's disease. This demonstrates the role of Aβ42 in the progression of the disease and is, together with mutations in the Aβ-peptide itself, the strongest known genetic link to Alzheimer's disease.

Aβ42 slowly accumulates to form an aggregate growing from monomers to oligomers, fibrills and ultimately plaques. Research has not yet identified what in these processes, or which molecular form, is most harmful to nerve cells and causes the disease to progress. Thus we consider the best treatment alternative is to reduce the production of Aβ42 as this will reduce all forms of amyloid and is therefore likely to affect and hinder the progression of the disease. GSM has a directly opposite effect on Aβ compared to the mutations that cause the disease in the hereditary forms of Alzheimer's.

We have shown in preclinical tests that the modulation of gamma secretase leads to a reduction of up to 50 percent in the production of Alzheimer-related Aβ42 without affecting other signaling important for cells. The project is further substantiated by positive findings made in the recently published clinical patient studies with BAN2401, which we believe validate the amyloid hypothesis as a treatable and clinically relevant pathological mechanism.

Major advances have also been made in the field of diagnostics with new blood-based tests, which should provide a cost-effective means of screening high-risk populations and thus identifying the right patients in the presymptomatic phase of the disease for upcoming clinical studies and future treatments.

The drug candidates in the Alzstatin platform modulate the function of the enzyme gamma secretase. Gamma secretase acts like a pair of scissors and cuts Aβ42 out from a longer protein known as APP. The sticky Aβ42 clumps together giving rise to the amyloid plaque so typical of Alzheimer's disease. The candidates in the Alzstatin platform affect enzyme function so that it instead cuts out shorter forms of the Aβ peptide, Aβ37 and Aβ38, which in addition to them not being sticky and not forming aggregates, also have a restrictive effect on Aβ42 aggregates already formed. This means the drug candidates in the Alzstatin platform have two separate but synergistic effects that together contribute to a stronger anti-amyloidogenic – and thus more potent – disease-modifying effect.

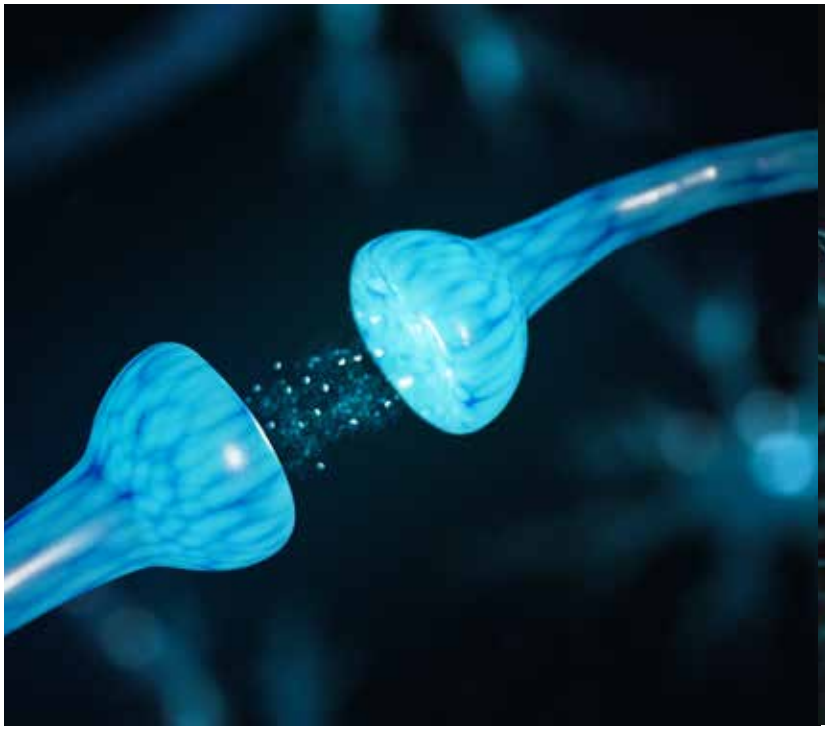


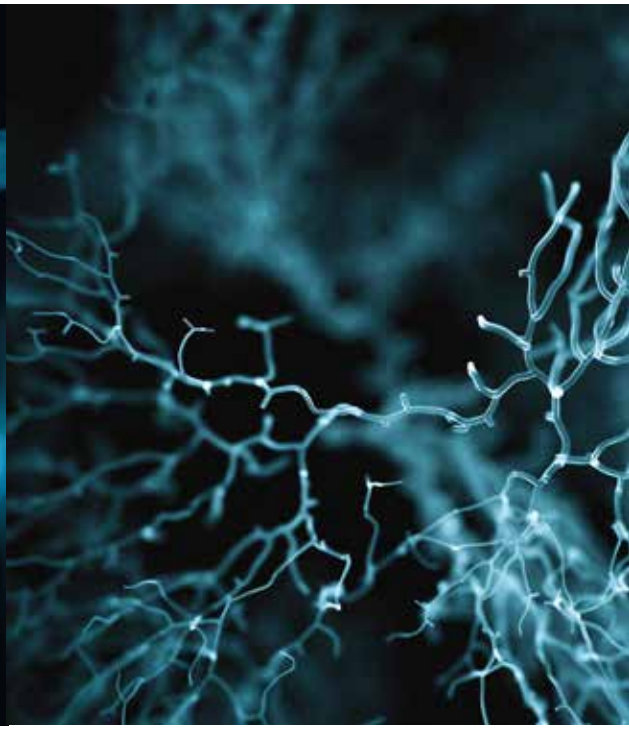
VR1

The VR1 project is in the clinical development phase, and the company's aim is to develop a new topical local treatment for neuropathic pain. The mechanism of action of the project is via VR1 receptors, which have a key role in pain signaling.

The VR1 project is an important strategic in-licensing that was carried out in January 2020 which fits well into the company's existing pipeline and strengthens the clinical portfolio. The VR1 project has its origins in Big Pharma and is based on strong scientific grounds. The substance has previously undergone phase I clinical trials, in which both tolerability and early efficacy endpoints were observed.

The VR1 receptor is expressed in sensory neurons and is upregulated in the skin of individuals with certain types of neuropathic pain. Consequently, there is strong scientific support for local treatment with this type of target mechanism. Neuropathic pain is associated with impaired quality of life and current treatments rarely provide adequate pain relief. In all, an estimated 7–8 percent of the adult population worldwide, which corresponds to about 25 million people in Europe, Japan and the US alone, suffers from pain with neuropathic elements. About 50 percent of patients do not respond to current first-line treatment and it is specifically toward this group of individuals that AlzeCure is aiming its new intended treatment.





TrkA-NAM

The TrkA-NAM project, which is in the preclinical development phase, is aimed at treatment of pain and has strong validating data, both preclinical and clinical.

For the TrkA-NAM drug project, we have leveraged our knowledge concerning the underlying biology for the Neuro-Restore platform in order to develop new substances that focus on providing pain relief in conditions associated with severe pain. The goal of the project is to develop a small-molecule TrkA-negative allosteric modulator that can reduce movement-induced and spontaneous pain in patients with painful osteoarthritis. Over 240 million people worldwide suffer from painful and activity-limiting osteoarthritis of the hip or knee. Many patients experience insufficient pain relief or side effects with current treatment, which today usually consist of NSAIDs or opiates and there is a great need for more effective and better tolerated drugs in this field.

The target mechanism has been strongly validated by both preclinical and clinical data, and AlzeCure's unique substances differentiate themselves with their selective effect on relevant signaling pathways to achieve optimal pain relief without inducing side effects. In addition, the TrkA-NAM substances are small molecules, which facilitates administration for patients (tablets) while contributing to more cost-effective treatment. Moreover, the product is non-opioid, an important consideration with respect to gaining future regulatory approval from authorities such as the FDA.

AlzeCure anticipates receiving the first preclinical efficacy data during the first half of 2020 and then starting preclinical development work toward a clinical drug candidate in late 2020.

The team at AlzeCure has many years of research experience in the fields of neuorology and pain. This project is an excellent example of leveraging synergies between the projects and maximizing shareholder value.

Report of the Board of Directors

The Board of Directors and the Chief Executive Officer of AlzeCure Pharma AB (publ), corp. ID no. 559094–8302, hereby present the annual report for the financial year 2019.

The annual report has been prepared in Swedish crowns (SEK) and rounded to the nearest thousand unless otherwise indicated. Figures within parentheses refer to the corresponding period for the previous financial year.

The business

Information about the business

AlzeCure Pharma AB (publ), hereinafter AlzeCure®, was incorporated on November 22, 2016 and is domiciled in Stockholm, Sweden.

AlzeCure is a Swedish pharmaceutical company engaged in innovative drug research with a primary focus on Alzheimer's disease and pain. The company is listed on Nasdaq First North Premier Growth Market and is developing five drug candidates based on the two research platforms, NeuroRestore® and Alzstatin®. The company also has two projects in the field of pain, TrkA-NAM and VR1. AlzeCure carries out research in laboratories located at Novum at Karolinska Institutet in Huddinge.

Development of the business

AlzeCure aims to pursue its own projects through preclinical research and development to an early clinical phase.

Research and development

AlzeCure Pharma is actively engaged in research and development of innovative and effective new drugs for the treatment of diseases that affect the brain, with a primary focus on Alzheimer's disease and pain. The company is developing five drug candidates simultaneously, based on the NeuroRestore and Alzstatin platforms. The company is also working on a preclinical project, TrkA-NAM, and since 2020, on a project in the clinical development phase, VR1, for treatment of pain.

- The NeuroRestore platform is developing a new generation of symptom-relieving drugs for the treatment of illnesses with cognitive disorders, such as Alzheimer's disease. The target mechanism also has other potential indications, including ocular indications.
- Innovative disease-modifying and preventive drugs for Alzheimer's disease are under development within the Alzstatin platform.
- The TrkA-NAM project is aimed at treating severe pain caused by disorders such as osteoarthritis, which today lacks sufficiently effective treatment.
- In January 2020 VR1 was in-licensed, a drug candidate in the clinical development phase aimed at treating neuropathic pain.

AlzeCure plans to have two of the company's drug candidates in clinical trials during 2020. A diversified portfolio of drug candidates paves the way for other indications, such as cognitive disorders associated with traumatic brain injury, sleep apnea and Parkinson's disease, as well as ocular indications. With its broad portfolio of assets, the company maximizes shareholder value by working in multiple indication areas where there is scientific support for the biological target mechanisms.

The NeuroRestore platform includes three drug candidates, where ACD856 is the primary candidate for cognitive dysfunction/Alzheimer's disease. The substance has demonstrated potent effect on both memory and learning functions in several preclinical models.

In Q4 2019 the company received approval from the Swedish Medical Products Agency and the relevant ethics committee to begin clinical trials, and in December a study was initiated primarily aimed at evaluating the pharmacokinetics and half-life of ACD856. The results of this clinical trial are expected to be ready by mid-year 2020. ACD856 is then planned to undergo phase I clinical trials in which both important safety/tolerability data and early human efficacy data can be generated. This drug candidate could potentially improve cognitive ability in a variety of diseases and could therefore become an important treatment to improve patients' quality of life. ACD856 is administered orally, which will also be a great advantage for patients. The company is also continuing to work on development of the substance ACD857.

ACD855 focuses on ocular indications and after completed ocular tolerance studies the company has now initiated preclinical efficacy studies with the substance during the winter of 2019-2020, with results expected during the first half of 2020.

The company's disease-modifying research platform, Alzstatin, focuses on reducing the production of toxic amyloid beta (Aβ) in the brain. Aβ plays a key pathological role in Alzheimer's disease and begins to accumulate in the brain years before clear symptoms develop. The target mechanism in Alzstatin is confirmed by recently reported study results in the field, which we believe validate the amyloid hypothesis and thus Alzstatin's focus.

The leading drug candidate in the Alzstatin platform, ACD679, is currently undergoing the important safety pharmacological and toxicological studies necessary before clinical trials may begin. Alongside this work, the development of new derivatives is in progress (primarily ACD680) to ensure that the company has the best substance for patient studies. The need for these types of treatments is great and disease-modifying therapy for Alzheimer's is expected to be able to generate more than USD 10 billion in annual sales.

In Q1 2019, a new project was added – TrkA-NAM – which is aimed at treating severe pain caused by disorders such as osteoarthritis. The project builds on the knowledge amassed and assets developed in the NeuroRestore platform. The project is currently in the preclinical development phase and the company anticipates receiving the first preclinical efficacy data during the first half of 2020 and beginning preclinical development work toward a clinical candidate in late 2020.

At the beginning of 2020 VR1, a drug candidate in the clinical development phase aimed at treating neuropathic pain, was in-licensed. The VR1 project is an important strategic in-licensing that strengthens the company's current clinical portfolio. The VR1 project has its origins in Big Pharma and is based on strong scientific grounds. The substance has previously undergone phase I clinical trials, in which both tolerability and early efficacy endpoints were observed.

Activities are supported by continuous access to important knowledge, unique ideas and the latest technology. AlzeCure consists of a very experienced team of industrial pharmaceutical developers with extensive experience within the fields of CNS and pain, and a scientific network comprising world-leading expertise in neurodegenerative diseases in both preclinical and clinical research. This proximity to, and integration of, clinical expertise in AlzeCure enables the development of new methods for testing therapeutic concepts and allowing the early clinical testing of new treatment methods.

Significant events during the year

- In March 2019, the company initiated a new drug project in the field of pain, TrkA-NAM.
- In March 2019, the company was represented at the International Conference on Alzheimer's & Parkinson's Diseases where it gave two presentations.
- In May the company chose to redirect the drug candidate ACD855 from cognitive dysfunction to an ocular indication and ACD856 became the primary drug candidate for cognitive dysfunction instead.
- At the Annual General Meeting on May 22, the company resolved to issue a warrant program aimed at the company's Board of Directors.
- In December the company obtained the necessary approvals from the regulatory authorities to initiate the first clinical studies for the drug candidate ACD856 within the Neuro-Restore platform. The company initiated the study shortly thereafter.

Significant events after the end of the financial year

- In early January 2020, the company in-licensed a new project, VR1, which focuses on neuropathic pain and is in the clinical development phase.
- Martin Jönsson was appointed to serve as the new Chief Executive Officer on January 8, 2020. Martin has worked in the global pharmaceutical industry for more than 20 years, with extensive experience from various executive positions at both Ferring Pharmaceutical and Roche.
- See also note 15.

Revenue and profit/loss

During 2019, net sales totaled SEK 0 thousand (0), and the company is not expected to generate any revenues before its products have progressed further in their development phases. However, AlzeCure qualified for payments linked to grants from Vinnova, which had a positive impact on earnings for the period in 2018. The grants in 2018 amounted to SEK 3,643 thousand and were reported as other income. However, the projects related to the grants were completed in 2018, for which reason the corresponding revenue was not relevant for 2019.

The operating loss for the year totaled SEK –50,908 thousand (–35,893). The company's research activities have developed steadily and thus also its expenses. In 2019, research expenses increased by 21 percent compared with 2018, which is according to plan.

During the year administrative expenses totaled SEK -6,035 thousand (-2,558). The increase can mainly be explained by the fact that the company was listed on Nasdaq First North Premier Growth Market throughout 2019.

AlzeCure's earnings for the financial year totaled SEK -50,858 thousand (-35,985). Earnings per share totaled SEK -1.35 (-1.58).

Liquidity and financial position

At the end of the year, equity was SEK 182,007 thousand (233,169) and the debt/equity ratio was 97.5% (98.0).

Cash and cash equivalents at the end of the period totaled SEK 182,499 thousand (234,549).

In the opinion of the Board of Directors and the Chief Executive Officer, AlzeCure's financial position is sufficiently strong to run the key projects through the important clinical phase I studies. Because the operation is currently in a precommercial stage with no sales revenues, the board has resolved to propose to the AGM that no dividend be paid to shareholders in 2020.

Cash flow and investments

Cash flow from operating activities including changes in working capital for the year totaled SEK -50,285 thousand (-36,274).

Cash flow from investing activities totaled SEK -1,461 thousand (-459), mainly attributable to investments in laboratory equipment.

Cash flow from financing activities totaled SEK -304 thousand (217,330) for the year. In the summer of 2018, the company issued new shares in the amount of SEK 40 million and on November 28, 2018, the company's shares were introduced on the Nasdaq First North Premier Growth Market, providing the company with a total of SEK 200 million before transaction expenses. The negative cash flow from financing activities in 2019 can be attributed late submission of transaction expenses related to the company's listing in 2018.

Personnel

During the year, work continued building and preparing AlzeCure's organization for the future. The company had eight employees on the balance sheet date. The organization is still relatively small, but the company is also working with a large and talented network of consultants who are dedicated to AlzeCure.

Share-related remuneration

During the year the company launched an incentive program with warrants aimed at the Board of Directors. A total of 110,000 warrants were issued.

The warrants, which were issued at the market price based on an external valuation as of May 22, 2019, entitle the holder to subscribe for shares during the period June 15, 2022–June 30, 2022. The issue price for newly subscribed shares totaled 150 percent of the volume-weighted average closing price for the company's shares on the Nasdaq First North Premier Growth Market during the 10 trading days preceding the Annual General Meeting on May 22, 2019. For more information, please see the minutes from the AGM of May 22, 2019.

Other than this warrant program, the company has not established any share-based incentive programs or other outstanding securities that can be translated into equity, warrants or other share-related financial instruments.

However, in order to safeguard future recruitment of key personnel, means have been put in place to enable the provision of incentive programs. The Annual General Meeting of May 22, 2019 resolved to authorize the Board of Directors, on one or more occasions during the period until the next AGM, with or without deviation from shareholders' preferential rights, to resolve on new issues of shares, warrants and/or convertibles that entails issuing, subscribing to or converting a number of shares corresponding to a maximum dilution of 20 percent of the total number of shares in the company at the time of the resolution. The new issues can be carried out with or without a provision regarding contribution in kind, set-off or other provisions referred to in Chapter 13, Section 5, first paragraph 6, Chapter 14, Section 5, first paragraph 6 and Chapter 15, Section 5, first paragraph 4, of the Swedish Companies Act. The purpose of the authorization is to increase the company's financial flexibility and the Board of Directors' scope of action. However, no decision has been taken based on this authorization.

Share-related incentive programs must be decided upon by the AGM, as appropriate.

Guidelines for remunerations to senior executives

The Annual General Meeting on May 22, 2019 resolved to adopt guidelines for remuneration to the CEO and other senior executives. AlzeCure Pharma shall offer a total compensation package at market levels that enables skilled senior executives to be recruited and retained. Remuneration to the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits and pension. The basic salary forms the basis of the total remuneration and shall be proportionate to the executive's responsibilities and authority. The variable remuneration must not exceed an amount equal to six months' salary for the executive concerned. The variable remuneration is based on performance in relation to individually defined qualitative and quantitative measures,

and also on the performance of the company relative to targets set by the Board of Directors. Pensionable pay consists only of basic salary.

The notice period shall be at least three months if employment is terminated on the initiative of the senior executive and between three and twelve months if terminated by the company. No severance pay is due on termination of employment. Any share and share-related programs shall be decided by the general meeting of shareholders. Allocations will be made in accordance with the resolutions passed by the general meeting. Other than as follows from employment contracts as described above, the senior executives are not entitled to any benefits after their employment/duties have ended.

The CEO's remuneration shall be set and approved by the Board of Directors. Remuneration to other senior executives shall be set by the CEO, who shall present a proposal to the Board of Directors for approval. The Board of Directors shall be entitled to deviate from the above guidelines for remuneration of senior executives if there is particular reason to do so.

Compensation to the CEO consists of a fixed monthly salary; see also note 6. All pension commitments must be based on defined contributions.

Agreements under market terms between the company and representatives from the Board and management group are in place. See also note 6.

Nomination Committee

The nomination committee for the 2020 Annual General Meeting consists of:

- William Gunnarsson, appointed by BFCM P/C BFCM Sweden Retail FT
- Bo Rydlinger, appointed by FV Group AB
- Liselotte Jansson, appointed by AlzeCure Discovery
- Thomas Pollare (Chairman of the Board)

Prior to the 2020 Annual General Meeting, the nomination committee shall prepare resolutions on election and remuneration issues and, where appropriate, procedural issues for the next nomination committee.

Environment

AlzeCure is actively engaged in reducing any negative environmental impact and to develop as a sustainable company. As the company does not have any product sales it has no environmental impact in this regard; its focus instead is to exercise responsibility in its purchases of goods and services and its use of energy and transportation.

Work of the Board of Directors

The company's Board comprises five members including the Chairman, who were elected at the general meeting to serve until the end of the 2020 AGM. In 2019 the Board met eight times. The Board is responsible for matters such as setting objectives and strategies, ensuring the adoption of procedures and systems for evaluating objectives; the ongoing evaluation of the company's financial performance and position, and evaluating its operational management.

The Board follows written rules of procedure that are revised and adopted at the statutory annual board meeting. The rules of procedure govern such things as Board practice, the Board's functions and the distribution of work between the Board and the CEO, and where appropriate between the Board and various committees.

The share and ownership structure

The share has traded on Nasdaq First North Premier Growth Market under the name ALZCUR since November 28, 2018. On December 31, 2019, the number of shares in the company totaled 37,765,715.

All shares are ordinary shares and have equal rights to the company's profit, and each share entitles the holder to one vote at the AGM. At the AGM, each shareholder is entitled to vote the full number of shares, owned or represented, without limitation to the number of votes. BFCM P/C BFCM Sweden Retail FT is the only shareholder that has a proportion of shares and votes larger than 10 percent. Their holding was 11.5 as of December 31, 2019.

Incentive program

The company launched an incentive program with warrants aimed at some members of the Board of Directors. A total of 110,000 warrants were issued: 35,000 warrants went to Thomas Pollare and 25,000 warrants each went to An van Es Johansson, Ragnar Linder and Pirkko Sulila Tamsen. The dilution effect is less than 0.03%.

The warrants, which were issued at the market price as of May 22, 2019, entitle the holder to subscribe for shares during the period June 15–30, 2022. The issue price for newly subscribed shares totaled 150 percent of the volume-weighted average closing price for the company's shares on the Nasdaq First North Premier Growth Market during the 10 trading days preceding the Annual General Meeting on May 22, 2019. For more information, please see the minutes from the AGM of May 22, 2019.

Owners as of December 31, 2019

The ten largest owners as of December 31	Number of shares	Share capital and votes
BFCM P/C BFCM Sweden Retail FT	4,347,500	11.5%
Nordnet Pensionsförsäkring AB	2,575,865	6.8%
FV Group AB	2,000,000	5.3%
AlzeCure Discovery	1,710,000	4.5%
SEB-Stiftelsen	1,400,000	3.7%
Danica Pension Försäkrings AB	1,110,134	2.9%
Pontus Forsell	853,643	2.3%
BNP Paribas Sec Serv Luxembourg	850,000	2.3%
Johan Sandin	850,000	2.3%
Gunnar Nordvall	850,000	2.3%
10 largest owners	**16,547,142**	**43.8%**
Other	21,218,573	56.2%
TOTAL	**37,765,715**	**100%**

Activities and prospects

2019 was an extremely intense year for AlzeCure, which further developed and expanded its two research platforms and its portfolio. This enables better opportunities for proceeding all the way to patients and the market, as well as the potential for more indications in addition to Alzheimer's, such as cognitive disorders related to Traumatic Brain Injury (TBIs), Parkinson's and sleep apnea, as well as possible eye/ear indications and pain. The company plans to have two drug candidates in clinical trials during 2020.

At the beginning of 2020 VR1, a drug candidate in the clinical development phase aimed at treating neuropathic pain, was in-licensed. The VR1 project is an important strategic in-licensing that strengthens the company's current clinical portfolio. The VR1 project has its origins in Big Pharma and is based on strong scientific grounds. Neuropathic pain is often associated with greatly impaired quality of life and current treatments rarely provide adequate pain relief. In all, an estimated 7-8 percent of the adult population worldwide suffers from pain with neuropathic elements, which corresponds to about 25 million people in Europe, Japan and the US, alone.

AlzeCure intends to continue its activities and holds the opinion that the company's projects have great market potential. The company has no revenues and is dependent on external financing to safeguard continued operation until the projects begin to generate revenues. The new share issue conducted at the end of November 2018, in conjunction with the listing on Nasdaq First North Premier Growth Market, enabled the company to secure the financing of continued development and to minimize the risks related to the development of drugs. AlzeCure does not anticipate having any substantial revenues in 2020.

Risks and uncertainties

Commercial risks

In addition to financial risks, commercial risks are primarily linked to research and development efforts. Drug development in general is risky and capital-intensive.

The risks involved in the R&D necessary for a drug candidate to gain authority approval for use as a drug are many and include product development delays, higher-than-anticipated expenses, failure of the drug candidates to meet efficacy expectations and unexpected or undesirable side effects.

The pharmaceutical industry is characterized by global competition, rapid technological development and extensive investment requirements. There are competitors with significant financial resources and there is a risk that competitors develop drugs that have a negative impact on the company's competitive situation.

When a drug is approved, there is still a risk that national or international sales fail to meet expectations and the product does not become commercially successful. A drug's market acceptance and sales are dependent on a number of factors including product characteristics, clinical documentation and outcomes, competing products, distribution channels, availability, price, subsidies/reimbursements, and sales and marketing initiatives. These circumstances can have a negative effect on AlzeCure's future operations, financial position and profitability.

Financial risks and procedures for asset management

See note 13 for comments on the financial risks.

Multi-year overview

SEK thousand	2019	2018	2016/17
	Jan. 1, 2019 -Dec. 31, 2019	Jan. 1, 2018 -Dec. 31, 2018	Nov. 22, 2016 -Dec. 31, 2017
Net sales	0	0	0
Operating profit/loss	-50,908	-35,893	-10,767
Earnings for the period and comprehensive income	-50,858	-35,985	-10,822
Earnings per share, basic (SEK)	-1.35	-1.58	-0.79
Research expenses as a percentage of operating expenses (%)	87.7	92.8	93.5
Total assets	186,755	237,782	55,971
Cash and cash equivalents	182,499	234,549	53,952
Debt/equity ratio (%)	97.5	98.0	92.6
Average number of shares, basic	37,765,715	22,774,048	13,618,333
Number of outstanding shares	37,765,715	37,765,715	18,880,000
Average number of employees	4.0	1.5	0.3

For definitions of key performance indicators, see note 17.

Proposed disposition of the company's earnings

The following earnings are at the disposal of the Annual General Meeting:

SEK thousand	
Accumulated loss	-46,807
Share premium reserve	278,728
Profit/loss for the year	-50,858
	181,063

The Board of Directors and Chief Executive Officer propose that earnings be distributed as follows:

SEK thousand	
to be carried forward	181,063
	181,063

Dividend policy

AlzeCure is currently in an expansive growth phase where any capital surpluses in the operation are invested in the operation and/or acquisitions. To date, the company has not allocated any dividends to its shareholders since the formation of the company. In light of this, AlzeCure has not adopted any dividend policy.

The company's earnings and position in general are shown in the income statement and balance sheet, as well as the statement of cash flows with notes.

Corporate governance report

Overview

AlzeCure Pharma AB (AlzeCure®) is a Swedish public limited liability company governed by Swedish law, primarily the Swedish Companies Act (2005:551), the Swedish Annual Accounts Act (1995:1554) and internal rules and regulations. Because the company's shares are traded on Nasdaq First North Premier Growth Market, the company also complies with Nasdaq First North's regulatory framework, the Swedish Corporate Governance Code (the Code) and pronouncements by the Swedish Securities Council concerning best practices on the Swedish stock market.

As a rule, the Code is not applicable to companies whose shares are admitted to trading on a so-called multilateral trading facility (such as Nasdaq First North Growth Market); however, since July 1, 2018 the Code applies to companies whose shares are admitted to trading in the Premier segment at Nasdaq First North Growth Market. While the Code specifies a higher standard of good corporate governance than the minimum requirements of the Swedish Companies Act, companies are not obliged to comply with all of the rules in the Code as it provides leeway to deviate from the rules on the condition that all such deviations and the chosen alternative solutions are described and that the reason for the deviations are explained in the corporate governance report under the so-called comply-or-explain principle. The company complies with the Code, but deviates in that a nomination committee was not set up until the 2019 Annual General Meeting, the first AGM as a listed company.

Shareholders

AlzeCure's share is listed on Nasdaq First North Premier Growth Market. Share capital as of December 31, 2019 amounted to SEK 944,000 distributed over 37,765,715 shares, each with a quota value of SEK 0.025. BFCM P/C BFCM Sweden Retail FT was the largest individual shareholder as of December 31, 2019 and represented 11.5 percent of the shares. They were also the only shareholder who, as of December 31, 2019, had a shareholding in the company that represented at least one tenth of votes for all shares in the company.

All shares are ordinary shares and have equal rights to the company's profit, and each share entitles the holder to one vote at the AGM. At the AGM, each shareholder is entitled to vote the full number of shares, owned or represented, without limitation to the number of votes.

Annual General Meeting (AGM)

Shareholders exercise their voting rights at the AGM. The AGM must be held within six months of the end of each financial year.

Shareholders exercise their right to decide on the company's affairs at the AGM. Shareholders exercise their voting rights on key issues such as the approval of income statements and balance sheets, the appropriation of the company's profit or loss, the discharge from liability of Board members and the CEO, the election of Board members and auditors, and compensation to the Board and auditors.

Extraordinary shareholders' meetings may be convened in addition to the AGM. In accordance with AlzeCure's articles of incorporation, notice convening the AGM is announced through the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice available on the company's website. At the same time, an advertisement informing that notice has been given must be placed in the Swedish business daily, Dagens Industri. According to the company's articles of incorporation, the AGM must be held in Stockholm, Sweden.

Right to attend the AGM

Shareholders who are registered directly in the shares ledger kept by Euroclear Sweden AB five working days (including Saturdays) before the AGM and who have notified the company of their intention to participate in the AGM not later than the date specified in the notice to attend the AGM, have the right to participate in the AGM and to vote the number of shares they hold. Shareholders whose shares are registered in the name of a nominee or trustee must register their shares with Euroclear in their own name for the right to participate in the AGM. Such registration may be temporary. Shareholders may participate in the AGM in person or by proxy, but by no more than two persons. Shareholders are usually able to register for the AGM in a number of different ways, described in more detail in the notice to attend.

Initiatives from shareholders

Shareholders who wish to have a matter addressed at the AGM are required to submit a request in writing to the Board. Usually, the request must be received by the Board no later than seven weeks before the AGM.

2019 Annual General Meeting

AlzeCure's 2019 Annual General Meeting was held on May 22 in Stockholm. In addition to the customary agenda items, the AGM resolved the following:

- to reelect Thomas Pollare, An van Es Johansson, Pirkko Sulila Tamsen, Ragnar Linder and Ellen Donnelly as board members until the end of the next AGM;
- to reelect Thomas Pollare as Chairman of the Board until the end of the next AGM;
- to reelect registered auditors Grant Thornton Sweden AB as the company auditor;
- that a fee be paid in the amount of SEK 150,000 to the Chairman of the Board and SEK 75,000 to each of the other Board members who are not employees of the company;
- that the auditors fee be paid against approved invoice;
- to establish a nomination committee tasked with preparing resolutions prior to AGMs on matters concerning elections and fees and, where appropriate, procedural matters for the next nomination committee, and to establish instructions for said committee's work;
- to adopt guidelines for remunerations to senior executives;
- to establish an warrants scheme for the Board. The right to subscribe to warrants must, in the case of deviation from shareholders' preferential rights, only fall to certain of the company's board members elected at the 2019 AGM, and
- to authorize the Board to resolve on the new issue of shares, warrants and/or convertibles on one or more occasions before the next AGM, with or without deviation from shareholders' preferential rights, that involves the issue, subscription to or conversion to a number of shares corresponding to a maximum dilution of 20 percent of the total number of shares in the company at the time of the resolution. The new issues can be carried out with or without a provision regarding contribution in kind, set-off or other provisions referred to in Chapter 13, Section 5, first paragraph 6, Chapter 14, Section 5, first paragraph 6 and Chapter 15, Section 5, first paragraph 4, of the Swedish Companies Act. The purpose of the authorization is to increase the company's financial flexibility and the Board of Directors' scope of action.

2020 Annual General Meeting

The 2020 Annual General Meeting will be held on May 20 in Stockholm. Notice convening the AGM will be announced through the Official Swedish Gazette (Post- och Inrikes Tidningar) and by making the notice available on the company's website. At the same time, an advertisement informing that notice has been given will be placed in the Swedish business daily, Dagens Industri.

Shareholders who wish to have an issue addressed at the AGM must submit a written request to the Board well in advance of the AGM. The Board may be contacted by letter at: Board of Directors, AlzeCure Pharma AB, Hälsovägen 7, 141 57 Huddinge, or by e-mail to: info@alzecurepharma.com

Nomination Committee

The 2019 AGM resolved to establish a nomination committee tasked with preparing resolutions prior to AGMs on matters concerning elections and fees and, where appropriate, procedural matters for the next nomination committee, and to establish instructions for said committee's work. The nomination committee must comprise the three largest shareholders as of September 30 in terms of votes, and who wish to participate in the nomination committee's work.

Instructions concerning the work and composition of the nomination committee

The Chairman of the Board must contact the company's three largest shareholders in terms of votes according to a transcript of Euroclear Sweden AB's shares ledger on September 30, and allow each to appoint a representative, who together with the Chairman of the Board, will constitute the nomination committee. Should any of them not exercise the right to appoint a member, the right to appoint such a member will be transferred to the next biggest shareholder in terms of votes who does not already have the right to appoint a member to the nomination committee. This procedure must continue until the nomination committee comprises three members excluding the Chairman of the Board. Unless otherwise agreed, the member representing the biggest shareholder in terms of votes must be appointed chairman of the nomination committee. The Chairman of the Board may not be chairman of the nomination committee.

The Chairman of the Board must convene the nomination committee's first meeting and also, as part of the nomination committee's work, present to it the conditions regarding the work of the Board and the requirement for special skills etc. that may be of importance for the nomination committee's work.

The names of nomination committee members must be published as soon as the nomination committee is appointed, but no later than six months before the next AGM. The nomination committee's term of office runs from the date

when its composition is made public until such time as a new nomination committee is appointed.

If any change in the company's ownership structure takes place after September 30 but before the nomination committee's complete motions have been made public, and if a shareholder, who following this change has become one of the company's three biggest shareholders in terms of votes, expresses a wish to the nominating committee chairman to become a member of said committee, the shareholder has the right to appoint an additional member to the nomination committee. Furthermore, the nomination committee may resolve that a member, who in terms of votes has become significantly smaller than the third biggest company shareholder in terms of votes, must resign from the nomination committee if this is deemed appropriate.

If a member of the nomination committee resigns during the term of office or if said member is prevented from fulfilling the assignment, the nomination committee must urge the shareholder who appointed the member to appoint a new member within a reasonable time. Should any shareholder not exercise the right to appoint a new member, the right to appoint such a member will be transferred to the next biggest shareholder in terms of votes who has not already appointed, or who has declined the right to appoint, a member to the nomination committee. Changes to the composition of the nomination committee must be made public as soon as they take place.

The nomination committee must put forth proposals on the matters listed below for presentation to the AGM for resolution:

- proposed chairman of the meeting,
- proposed Board of Directors,
- proposed Chairman of the Board
- proposal for board fees and their distribution between the Chairman and other members of the Board,
- proposals for fees to members of the remuneration and audit committees (where applicable),
- proposed auditors
- proposed fees to auditors and to the extent considered necessary, proposals for amendments in current nomination committee regulations.

No fee shall be paid to the members of the nomination committee. These instructions are applicable until the AGM resolves otherwise.

Nomination committee for the 2020 Annual General Meeting

The company's nomination committee for the 2020 Annual General Meeting consists of:

- William Gunnarsson, appointed by BFCM P/C BFCM Sweden Retail FT
- Bo Rydlinger, appointed by FV Group AB
- Liselotte Jansson, appointed by AlzeCure Discovery
- Thomas Pollare (Chairman of the Board)

Guidelines for remunerations to senior executives

The guidelines shall apply to employment contracts entered into after this decision on guidelines, and to any changes made to existing terms after this decision. The 2019 Annual General Meeting resolved to adopt the following guidelines for remuneration of senior executives:

AlzeCure Pharma shall offer a total compensation package at market levels that enables skilled senior executives to be recruited and retained. Remuneration to the CEO and other senior executives may consist of basic salary, variable remuneration, other benefits and pension. The basic salary forms the basis of the total remuneration and shall be proportionate to the executive's responsibilities and authority. The variable remuneration must not exceed an amount equal to six months' salary for the executive concerned. The variable remuneration is based on performance in relation to individually defined qualitative and quantitative measures, and also on the performance of the company relative to targets set by the Board of Directors. Pensionable pay consists only of basic salary.

The notice period shall be at least three months if employment is terminated on the initiative of the senior executive and between three and twelve months if terminated by the company. No severance pay is due on termination of employment. Any share and share-related programs shall be decided by the general meeting of shareholders. Allocations will be made in accordance with the resolutions passed by the general meeting. Other than as follows from employment contracts as described above, the senior executives are not entitled to any benefits after their employment/duties have ended.

The CEO's remuneration shall be set and approved by the Board of Directors. Remuneration to other senior executives shall be set by the CEO, who shall present a proposal to the Board of Directors for approval. The Board of Directors shall be entitled to deviate from the above guidelines for remuneration of senior executives if there is particular reason to do so.

Board of Directors

The responsibilities of AlzeCure Pharma's Board are governed by the Swedish Companies Act and the articles of incorporation. According to the Swedish Companies Act, the Board of Directors is responsible for administration and organization, which means it is responsible for such things as establishing objectives and strategies, ensuring that procedures and systems for evaluating objectives are in place; the ongoing evaluation of the company's financial performance and position, and evaluating its operational management. The Board is also responsible for ensuring that the annual report and, where appropriate, consolidated financial statements and interim reports are prepared in a timely manner. The Board also appoints the CEO.

Board members are elected annually at the AGM for the period up until the end of the next AGM. According to the company's articles of incorporation, the Board must comprise no fewer than three and no more than ten members without alternates.

Chairman of the Board

The Chairman of the Board is elected by the Board or where appropriate by the AGM; the Chairman bears particular responsibility for the management of the work of the Board and ensuring that such work is well organized. The Chairman of the Board is also responsible for ensuring the Board evaluates its work annually and that the Board is provided with information sufficient to enable its work to be performed effectively.

The Chairman of the Board is also responsible for ensuring that the Board is provided with satisfactory documentation in support of its work, and for contacts with shareholders on ownership matters and for conveying the views of the owners to the Board.

Board procedures

In addition to the provisions of the Swedish Companies Act, the Board follows written rules of procedure that are revised annually and adopted by the Board at the statutory annual board meeting held following the AGM in which elections to the Board have taken place. The rules of procedure govern e.g. the allocation of assignments and responsibilities between the board, the Chairman of the Board and the CEO and it specifies the procedure for the CEO's financial reporting. At the first Board meeting, the Board also sets forth and adopts instructions for the CEO. The Board's work is evaluated on an ongoing basis.

The Board meets according to an annual schedule laid down in advance. In addition to these meetings, further meetings may be arranged to address issues that cannot be referred to a scheduled meeting. In addition to Board meetings, the Chairman of the Board and the CEO maintain a dialog concerning the management of the company.

Board committees

Based on its size and composition, the Board has decided that the duties and assignments of a remuneration committee and audit committee are best performed by the Board as a whole, and has accordingly decided not to appoint any special committees.

Compensation to Board members

Compensation to the company's board members is resolved by the shareholders' meeting. The AGM of May 22, 2019 resolved that until the next AGM, a fee be paid in the amount of SEK 150,000 to the Chairman of the Board and SEK 75,000 to the other board members who are not employees of the company.

Composition of the Board

The company's Board comprises five members including the Chairman, who were elected at the general meeting to serve until the end of the 2020 AGM. All members were elected by the AGM held May 22, 2019. The Board met eight times in 2019. The attendance of individual members at meetings is shown in the table below. All of the meetings during the year followed approved agendas that were provided, together with documentation for each agenda item, to Board members prior to Board meetings. The CEO participates in Board meetings but has no vote. Each scheduled Board meeting includes a review of the current business situation, the company's economic performance and financial position and the outlook for the rest of the year. See pages 30–31 for a description of the members of the Board of Directors.

BOARD OF DIRECTORS

Name	Assignment	Attendance at Board meetings	Elected	Holdings, shares[1]	Holdings, warrants	Independent company and company management	Independent major owners
Thomas Pollare	Chairman	8/8	2017	801,887	35,000	No	Yes
Annigje van Es Johansson[2]	Board member	7/8	2017	82,000	25,000	No	Yes
Ragnar Linder	Board member	8/8	2017	5,429	25,000	Yes	Yes
Ellen Donnelly	Board member	7/8	2018	–	–	Yes	Yes
Pirkko Sulila Tamsen	Board member	8/8	2018	11,000	25,000	Yes	Yes

1) Refers to own holding and that of physical related parties and legal persons.
2) Member of the Board of Directors until March 2, 2020.

The CEO and other senior executives

The CEO is appointed by, and is subordinate to, the Board of Directors and bears primary responsibility for the company's day-to-day administration and its daily operations. The CEO must comply with the Board of Directors' guidelines and instructions. The distribution of assignments between the Board of Directors and the CEO is set forth in the Board's rules of procedure and the CEO's instructions. The CEO is also responsible for preparing reports and compiling information from management prior to Board meetings and presents materials at Board meetings.

According to the instructions for financial reporting, the CEO is responsible for such in AlzeCure and must therefore ensure that the Board of Directors is provided with sufficient information to enable it to evaluate AlzeCure's financial position on an ongoing basis.

The CEO must keep the Board of Directors continuously informed of developments in the company's operations, sales trends, earnings and financial position, the liquidity and credit situation, important business events and other circumstances that the Board is aware of that cannot be regarded as insignificant for the company's shareholders (such as material disputes and the termination of agreements essential to the company and other significant circumstances affecting operations)

Company management, headed by the CEO of the company, consists of people in charge of key business areas at AlzeCure. The CEO and other senior executives are presented in greater detail on pages 32–33.

Remuneration and employment terms for the CEO and other senior executives

The Board decides on compensation to the CEO, and the CEO decides on conditions for other senior executives and employees.

Compensation to senior executives who are employees can consist of a basic salary, pension and other benefits. Periods of notice and compensation in the event of termination are individual and governed by the applicable employment contract. Compensation to the CEO consists of a fixed monthly compensation and a mutual, six-month period of notice applies. Under his employment contract, the CEO has the right to compensation from the company amounting to the difference between the CEO's monthly salary at the time the contract is terminated and any new salary the CEO receives during a period of six months from the time the contract is terminated. However, this compensation may not amount to more than 60 percent of the monthly salary the CEO received from the company. AlzeCure's employment agreements include provisions under which all intellectual property rights developed by an employee as part of his or her employment will accrue to AlzeCure. The company's employment agreements contain restrictions on competition.

Other than as described above, no senior executive has the right to compensation after termination of employment.

For more information about remuneration to the CEO and senior executives, see note 6.

Share-related compensation program

The company launched an incentive program with warrants aimed at some members of the Board of Directors. A total of 110,000 warrants were issued; 35,000 warrants went to Thomas Pollare and 25,000 warrants each went to Annigje van Es Johansson, Ragnar Linder and Pirkko Sulila Tamsen. The warrants, which were issued at the market price as of May 22, 2019, entitle the holder to subscribe for shares during the period June 15, 2022 – June 30, 2022. The issue price for newly subscribed shares will total 150 percent of the volume-weighted average closing price for the company's shares on Nasdaq First North Premier during the 10 trading days preceding the Annual General Meeting on May 22, 2019. For more information, please see the minutes from the AGM of May 22, 2019.

Audit

The company's statutory auditor is appointed by the AGM. The auditor must examine the company's annual report, its accounting records and the administration of the Board of Directors and the Chief Executive Officer. Following the end of each financial year, the auditor must submit an auditor's report to the AGM. According to the company's articles of incorporation, it must have one or two auditors and no more than one alternate auditor.

Grant Thornton Sweden AB (Box 7623, SE 103 94 Stockholm, Sweden) has been the company's auditor since 2017, with Camilla Nilsson as auditor-in-charge since 2019. Camilla Nilsson is an Authorized Public Accountant and a member of FAR, the Swedish Institute of Authorised Public Accountants.

Resolutions concerning compensation to auditors are passed by the general meeting. The AGM of May 22, 2019 resolved that the auditor's fee be paid against approved invoice. For more information about remuneration to auditors, see note 5.

Internal controls

The company has decided not to set up any special function for internal control; instead this task is carried out by the Board of Directors as a whole. Each year, the Board evaluates the need to establish a special internal audit department.

The Board of Directors bears overall responsibility for internal controls. Provisions in the Swedish Companies Act and the Swedish Annual Accounts Act require the inclusion of information about the most important features in AlzeCure's system for internal control and risk management in the company's Corporate Governance Report. In order to maintain good internal control, the Board has established a number of policy documents such as the Board's rules of procedure, the CEO instruction, instructions for financial reporting, and an information and communications policy.

Internal control includes control of the company's organization, procedures and actions. The aim is to ensure reliable and accurate financial reporting; that the company's financial reporting is performed in compliance with the law and applicable accounting standards and that other requirements are met.

The internal control system also seeks to monitor compliance with the company's guidelines, principles and instructions. Furthermore, the protection of the company's assets and the appropriate and cost-effective use of the company's resources are also monitored. Internal control is also carried out by monitoring by means of the implemented information and business management systems, and by analyzing risks. A review of financial statements and reporting paths takes place at every Board meeting.

See pages 30–33 for more information about the composition of the Board of Directors and the management group.

Board of Directors and auditor

According to the company's articles of incorporation, the Board must comprise no fewer than three and no more than ten members without alternates. The Board currently comprises five members with no alternates. The Board members were elected to serve until the end of the 2020 AGM.

THOMAS POLLARE

Born: 1953

Chairman of the Board and Board member since 2017.

Education/experience: Thomas Pollare holds an M.D. from Karolinska Institutet and a Ph.D. from Uppsala university. He was previously a partner in the Venture Capital company 3i. Thomas has held VP positions in both Pharmacia Corp and Schering-Plough Inc. He has been responsible for the market approval of several pharmaceutical products in various therapeutic areas and which generated billions in annual sales He has previous experience of board work in both start-up companies and private equity investments.

Current assignments: Chairman of the Board and CEO of Oncolution AB. Chairman of the Boards of AC Intressenter AB, Sinfonia Biotherapeutics AB, AlzeCure Discovery AB and Stiftelsen AlzeCure. Member of the boards of Bio-Works Technologies AB, SSI Diagnostics Holding A/S, Pharmaceuticals Sales & Development Sweden AB and Psilox AB. Alternate board member in Bio-Works Sweden AB.

Completed assignments (past five years): Chairman of the boards of QuiaPEG Pharmaceuticals AB and QuiaPEG Pharmaceuticals Holding AB. Member of the boards of Cereno Scientific AB, Premacure Holding AB, Premacure AB, Xellia Pharmaceuticals ApS, Centro Gamma Knife Santiago S.a.P Chile, Gamma Knife Center Ecuador S.A, PT GammaKnife Center Indonesia, Cancun Oncology Center S.A.P.I de C.V Mexico, Center de Neuroradiocirurgia Gamma Knife San Javier S.A de C.V Mexico, Center Oncologico y de Radioterapia TEC 100 S.A.P.I de C.V Mexico, Centro Gamma Knife Domnicana S.R.L. and Sweden Ghana Medical Center Ltd. CEO of Global Medical Investments GMI AB.

Holdings: 801,887 shares and 35,000 warrants.

Dependent in relation to the company and company management, but independent in relation to the company's largest shareholders.

ANNIGJE VAN ES JOHANSSON

Born: 1960

Board member since 2017 until March 2, 2020.

Education/experience: An van Es Johansson holds an M.D. (physician) from Erasmus University Rotterdam (the Netherlands). An has previously held various executive positions relating to clinical development, medical affairs, business development and marketing at Sobi, Eli Lilly, Roche, Pharmacia & Upjohn and biotechnology companies in the USA, the Netherlands, Switzerland and Sweden. She is an entrepreneur and a mentor/coach with extensive experience.

Current assignments: Member of the boards of Van Es Consulting AB, Medivir AB, BioInvent International AB, Savara Pharmaceuticals Inc, PLUS Therapeutics Inc and Agendia BV. Advisor & consultant.

Completed assignments (past five years): VP Medical Affairs at Swedish Orphan Biovitrum AB.

Holdings: 82,000 shares and 25,000 warrants.

Dependent in relation to the company and company management, but independent in relation to the company's largest shareholders.

RAGNAR LINDER

Born: 1953

Member of the Board of Directors since 2017.

Education/experience: Ragnar Linder has a Master of Science degree in Chemical Engineering from KTH Royal Institute of Technology. Ragnar is a co-founder of Pygargus, a research company in the field of real-world evidence, which was bought by IMS Health (currently IQVIA) in 2013 and in which Ragnar has held senior positions ever since. He has also held several senior positions in Amgen Nordic (CEO), Aventis, HMR and Hoechst. Ragnar has also been a member of the boards of several biotech, pharmaceutical and CRO companies. Today, Ragnar is an independent consultant.

Current assignments: Member of the boards of R. Linder Holding AB and Pharmacolog i Uppsala AB.

Completed assignments (past five years): Member of the boards of Umecrine Cognition AB and Pygargus AB.

Holdings: 5,429 shares and 25,000 warrants.

Independent in relation to the company, company management, and the company's major shareholders.

PIRKKO SULILA TAMSEN

Born: 1959

Board member since 2018.

Education/experience: Pirkko Sulila Tamsen has a Ph.D. in zoophysiology from Uppsala University and an MSc in biology and chemistry from Uppsala University. Pirkko is an owner and consultant in Arandi Innovation AB, a member of the boards of Örebro Universitet Holding AB and start-up companies originating from academic research. Pirkko has many years' experience from major pharmaceutical companies, as CEO and partner in a clinical contract research company and from development companies in the pharmaceutical sector and research, entrepreneurship and leadership in knowledge companies. Pirkko was previously the CEO of Dilaforette AB (currently Modus Therapeutics) and Head of Uppsala University Innovation (UU Innovation).

Current assignments: Member of the boards of Örebro Universitet Holding AB, Örebro Universitet Uppdrag AB, Örebro Universitet Enterprise AB, HepaPredict AB and C26 Bioscience AB. Chairman of the Board and CEO at Arandi Innovation AB. Chairman of the Board of Curenc AB. Alternate member of the board and deputy CEO at Arandi Development AB.

Completed assignments (past five years): Chairman of the Board of Rapp AB. Member of the boards of Karolinska Institutet Innovations AB and Uppsala University Innovation Tools AB. CEO at Dilaforette AB and NovaSAID AB.

Holdings: 11,000 shares and 25,000 warrants.

Independent in relation to the company, company management, and the company's major shareholders.

ELLEN DONNELLY

Born: 1974

Board member since 2018.

Education/experience: Ellen Donnelly has a Ph.D. from Yale University Medical School (USA). Ellen has previously held various executive positions in clinical development, project management, research and strategy at Pfizer. Prior to joining Pfizer, Ellen held various positions in American biotechnology and management consultancy companies.

Current assignments: CEO of Modus Therapeutics Holding AB (publ) and Modus Therapeutics AB.

Completed assignments (past five years): None.

Holdings: No holdings.

Independent in relation to the company, company management, and the company's major shareholders.

Auditor

The company's statutory auditor is appointed by the AGM. According to the company's articles of incorporation, it must have one or two auditors and no more than one alternate auditor.

Grant Thornton Sweden AB (Box 7623, SE 103 94 Stockholm, Sweden) has been the company's auditor since 2017, with Camilla Nilsson as auditor-in-charge since 2019. Camilla Nilsson, born 1973, is an Authorized Public Accountant and a member of FAR, the Swedish Institute of Authorised Public Accountants.

Senior executives

The management group expanded in 2019, for more information see www.alzecurepharma.se.

JOHAN SANDIN

Born: 1970

CEO 2017–2019, CSO from January 8, 2020.

Education/experience: Johan Sandin has a Ph.D. from Karolinska Institutet. Johan is a behavioral pharmacist in neurology with significant international academic and industrial experience. He has worked at AstraZeneca since 2003, where he has held scientific, project and executive positions in charge of in vitro biology, in vivo pharmacology and biochemical biomarkers within the CNS field.

Current assignments: Member of the board and CEO at Sandin Pharma Consulting AB. Member of the board and deputy CEO at ArgusEye AB. Member of the boards of AC Intressenter AB and Sinfonia Biotherapeutics AB. CEO of AlzeCure Discovery AB.

Completed assignments (past five years): None.

Holdings: 850,000 shares.

MARTIN JÖNSSON

Born: 1968

CEO since January 8, 2020

Education/experience: Martin Jönsson holds an M.Sc. in business from the University of Lund, and has studied at the University of Freiburg, Germany and the University of Ottawa, Canada. Martin Jönsson has more than 20 years of experience in the global pharmaceutical industry and has held several executive positions, with experience in business development, marketing, sales, alliance management and medical affairs. Previous employers include Roche and Ferring Pharmaceuticals.

Completed assignments (past five years): Senior positions in several different areas at Ferring Pharmaceuticals, including business area manager for several therapeutic fields.

Holdings: No holdings.

Name	Position	Employed/ worked for AlzeCure	Holdings, shares[1]
Johan Sandin	Chief Executive Officer/CSO	2017	850,000
Martin Jönsson	Chief Executive Officer 2020	2020	–
Birgitta Lundvik	CFO	2017	65,000
Pontus Forsell	Director Pharmacology	2017	853,642
An van Es Johansson	Head of Development	2018	82,000

1) Refers to own holding and that of physical related parties and legal persons.

BIRGITTA LUNDVIK

Born: 1967

CFO since 2017.

Education/experience: Birgitta Lundvik has an MSc in business from Uppsala University and an eMBA in finance from Stockholm Business school, Sweden. Birgitta Lundvik has more than 25 years of experience from software development, life science and real estate companies. She has been involved in several M&A projects and has broad experience of venture capital companies.

Current assignments: Chair of the board of LobSor Pharmaceuticals AB. Member of the board and CEO of Enable – Finance & Business Development in Sweden AB. Secretary and Treasurer of Favro North America Inc. Member of the board of Lobsor Europe AB. Deputy chairman of Swedsoft. Alternate member of the board of Helander & Lundvik Ekonomikonsulter AB, Balanced Competence Uppsala Redovisningsbyrå AB, and Brf Arken.

Completed assignments (past five years): Member of the board and CEO of Hansoft Technologies AB. CEO of Favro AB and Nonna Holding AB.

Holdings: 65,000 shares.

ANNIGJE VAN ES JOHANSSON

Born: 1960

Head of Development, engaged as a consultant since 2018.

Education/experience: An van Es Johansson holds an M.D. (physician) from Erasmus University Rotterdam (the Netherlands). An has previously held various executive positions relating to clinical development, medical affairs, business development and marketing at Sobi, Eli Lilly, Roche, Pharmacia & Upjohn and biotechnology companies in the USA, the Netherlands, Switzerland and Sweden. She is an entrepreneur and a mentor/coach with extensive experience.

Current assignments: Member of the boards of Van Es Consulting AB, Medivir AB, BioInvent International AB, Savara Pharmaceuticals Inc, PLUS Therapeutics Inc and Agendia BV. Advisor & consultant.

Completed assignments (past five years): VP Medical Affairs at Swedish Orphan Biovitrum AB. Member of the Board of Directors for AlzeCure Pharma through March 2, 2020.

Holdings: 82,000 shares and 25,000 warrants.

PONTUS FORSELL

Born: 1967

Head of Discovery, engaged as a consultant since 2017, employed since 2019.

Education/experience: Pontus Forsell holds a Ph.D. in Medical Biochemistry & Biophysics from Karolinska Institutet, Sweden. Pontus Forsell has 20 years of experience from several biotech and pharmaceutical companies, such as Biolipox, Orexo, Merck and AstraZeneca in project and management positions. He is an expert in early phase drug development within the disease areas neurology, analgesia and inflammation, as well as respiratory diseases.

Current assignments: Chairman of the Board and CEO of Research, Education & Training AB (RETAB).

Completed assignments (past five years): None.

Holdings: 853,643 shares.

Income statement and other comprehensive income

SEK thousand	Note	2019	2018
Net sales		0	0
Operating expenses	6.7		
Research expenses		-44,789	-36,932
Administrative expenses	5	-6,035	-2,558
Other operating income		175	3,925
Other operating expenses	4	-259	-328
Operating profit/loss		**-50,908**	**-35,893**
Profit/loss from financial items			
Interest income and similar profit/loss items		199	0
Interest expenses and similar profit/loss items		-149	-92
Loss after financial items		**-50,858**	**-35,985**
Earnings for the year and comprehensive income	8	**-50,858**	**-35,985**
Earnings for the period per share, basic (SEK)		-1.35	-1.58
Earnings for the period per share, diluted (SEK)		-1.33	-1.58
Average number of shares, basic		37,765,715	22,774,048
Average number of shares, diluted		37,820,715	22,774,048

Balance sheet

SEK thousand	Note	Dec. 31, 2019	Dec. 31, 2018
ASSETS			
Non-current assets			
Intangible non-current assets			
Project rights	9	17	17
Total intangible non-current assets		**17**	**17**
Tangible fixed assets			
Equipment, tools, fixtures and fittings	10	1,768	597
Total property, plant and equipment		**1,768**	**597**
Financial fixed assets		7	7
Total non-current assets		**1,792**	**621**
Current assets			
Current receivables			
Trade receivable		16	8
Other current receivables		1,918	2,503
Prepaid expenses and accrued income		530	101
Total current receivables		**2,464**	**2,612**
Cash and bank balances	12	**182,499**	**234,549**
Total current assets		**184,963**	**237,161**
TOTAL ASSETS		**186,755**	**237,782**

SEK thousand	Note	Dec. 31, 2019	Dec. 31, 2018
EQUITY AND LIABILITIES			
Equity	11		
Share capital		944	944
Share premium reserve		278,728	279,032
Accumulated loss		-46,807	-10,822
Profit/loss for the year		-50,858	-35,985
Total equity		**182,007**	**233,169**
Current liabilities			
Trade payable		2,997	3,646
Other current liabilities		251	39
Accrued expenses and deferred income	14	1,500	928
Total current liabilities		**4,748**	**4,613**
Total liabilities		**4,748**	**4,613**
TOTAL EQUITY AND LIABILITIES		**186,755**	**237,782**

Statement of change in equity

SEK thousand	Share capital	Share premium reserve	Accumulated loss	Profit/loss for the year	Total equity
Opening balance January 1, 2018	**189**	**62,458**	**0**	**-10,822**	**51,825**
Appropriation of earnings			-10,822	10,822	0
New share issue	46	39,974			40,020
Transaction expenses		-4,401			-4,401
Bonus issue	352	-352			0
New share issue	357	199,643			200,000
Transaction expenses		-18,290			-18,290
Earnings for the year and comprehensive income				-35,985	-35,985
Closing balance December 31, 2018	**944**	**279,032**	**-10,822**	**-35,985**	**233,169**
Opening balance January 1, 2019	**944**	**279,032**	**-10,822**	**-35,985**	**233,169**
Appropriation of earnings			-35,985	35,985	0
Transaction expenses, new share issue for listing 2018		-381			-381
Warrant program		77			77
Earnings for the period and comprehensive income				-50,858	-50,858
Closing balance December 31, 2019	**944**	**278,728**	**-46,807**	**-50,858**	**182,007**

Statement of cash flows

SEK thousand	2019	2018
Operating activities		
Operating loss before financial items	-50,908	-35,893
Adjustment for items not included in cash flow:		
Depreciation and amortization	290	104
Interest received	199	0
Interest paid	-149	-93
Cash flow from operating activities before changes in working capital	-50,568	-35,882
Statement of change in working capital		
Change in trade receivable	-8	-8
Change in other current receivables	156	-851
Change in trade payable	-649	2,314
Change in other current receivables	784	-1,847
Cash flow from operating activities	**-50,285**	**-36,274**
Investing activities		
Acquisition of tangible fixed assets	-1,461	-459
Cash flow from investing activities	**-1,461**	**-459**
Financing activities		
New share issue incl. transaction expenses	-381	217,330
Warrant program	77	0
Cash flow from financing activities	**-304**	**217,330**
Profit/loss for the year	**-52,050**	**180,597**
Cash and cash equivalents, Jan. 1	234,549	53,952
Cash and cash equivalents, Dec. 31	**182,499**	**234,549**

Notes

NOTE 1 General information

General information
This annual report concerns the Swedish company AlzeCure Pharma AB (publ), corporate ID number 559094-8302. The company is registered and domiciled in Stockholm, Sweden. The company was formed on November 22, 2016 and its shares have been listed on the Nasdaq First North Premier Growth Market since November 28, 2018. The company's address is Hälsovägen 7, SE 141 57 Huddinge.

The nature of the business
AlzeCure Pharma AB (publ), hereinafter as AlzeCure®, was founded on November 22, 2016 and is domiciled in Stockholm. This is the company's third financial year.

AlzeCure is a Swedish pharmaceutical company engaged in innovative drug research with a primary focus on Alzheimer's disease and pain. The company is listed on Nasdaq First North Premier Growth Market and is developing five drug candidates based on the two research platforms, NeuroRestore® and Alzstatin®. The company also has two projects in the field of pain, TrkA-NAM and VR1. The VR1 project was acquired in January 2020. AlzeCure carries out research in laboratories located at Novum at Karolinska Institutet in Huddinge.

FNCA Sweden AB, +46(0)8 528 00 399 info@fnca.se, is the company's Certified Adviser. For more information, please visit www.alzecurepharma.se.

NOTE 2 Accounting policies and valuation principles

General Information, compliance with IFRS and the going concern principal
This annual report has been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (EU) with the restrictions arising from the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities. AlzeCure Pharma does not constitute a group.

AlzeCure has only one line of business and only operates in Sweden. The chief operating decision maker is the Chief Executive Officer. The company is not anticipated to have any direct revenues until its products are launched on the market or licensed for external production. Consequently, segment reporting is not relevant.

The annual report has been drawn up under the proviso that the company conducts its business according to the going concern principle.

New and amended standards currently known are not expected to affect the company's financial reports in any material way.

The Annual Report for AlzeCure Pharma AB (publ) for the financial year ending on December 31, 2019 has been approved by the Board of directors and Chief Executive Officer and will be presented to the Annual General Meeting on May 20, 2020 for adoption.

The annual report was prepared using the accruals concept and based on cost. Monetary amounts are expressed in Swedish crowns (SEK), which is the company's accounting currency, and rounded to the nearest thousand unless otherwise indicated.

Non-current assets and non-current liabilities consist in all material respects of amounts that are expected to be recovered or settled more than twelve months from the closing date. Current assets and current liabilities consist in all material respects of amounts that are expected to be recovered or settled within twelve months of the closing date.

Currency translation
Foreign currency transactions are translated into the accounting currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are translated to the accounting currency at the exchange rate prevailing on the closing date.

Exchange rate differences that arise from translations are reported under profit/loss for the year. Exchange-rate gains and losses on operating receivables and liabilities are reported under operating profit/loss while exchange-rate gains and exchange-rate losses on financial receivables and liabilities are reported as financial items.

Revenue
Because the company conducts operations that to date have only included pharmaceutical research, it has not yet entered into any agreements with customers and thus does not report any revenues.

Other income – Reporting public subsidies
Public subsidies are reported at fair value. Subsidies received intended for covering costs are reported under Other operating income during the period in which the costs eligible for subsidy arise. In 2018 the company received support from Vinnova regarding certain parts of its research efforts.

Operating expenses
Operating expenses are reported under profit/loss when the service is used or when the event has occurred.

Research expenditures are reported as expenses under Research expenses as they arise. Thus the item Research expenses includes expenditures for research aimed at obtaining new scientific or technical knowledge.

Borrowing costs
Borrowing costs are expensed in the period during which they occur and are reported under Interest expenses and similar profit/loss items. Financial expenses consist primarily of interest expenses on loans and exchange rate losses. The company currently has no borrowing costs.

Employee benefits
Current compensation
Liabilities for salaries, compensation and paid absence whose settlement is expected within 12 months of the financial year, are reported as current liabilities in the amount that is expected to be paid when the liabilities are settled, without regard to discounting.

Expenses for current compensation are reported as the services are performed by the employees.

Pensions
The company's pension commitments only include defined contribution plans. A defined contribution pension plan is one where the company pays fixed premiums to a separate juridical entity. The company has no legal or constructive obligation to pay further contributions if the juridical entity lacks sufficient assets to pay all the employee benefits associated with the employees' service during the current or prior periods. Thus the company has no additional risk.

Income tax
Income tax consists of current tax and deferred tax. Income tax is reported in the income statement except when the underlying transaction is reported in equity, in which case the associated tax effect is reported under equity.

Current tax is tax that must be paid or received in respect of the current year by applying the tax rates that were enacted, or announced, as of the closing date. Adjustments of current tax attributable to prior periods are also reported under current tax.

As yet, the company does not meet requirements for capitalizing deferred tax assets on tax losses.

Non-current assets
The carrying amount of an intangible asset or property, plant and equipment is removed from the balance sheet when the asset is retired or disposed of or when no future economic benefits are anticipated from the use or retirement/disposal of the asset. Gains and losses that arise from the disposal or retirement of an asset consist of the difference between the sales price and the asset's carrying amount less deductions for direct selling expenses. Profit and loss are reported as other operating income/expense.

Intangible non-current assets
Intangible non-current assets consist of project rights in respect of NeuroRestore and are reported at cost as the project is not yet concluded. Cost includes expenditures directly attributable to the acquisition of the asset.

Intangible non-current assets that have a limited useful life are depreciated systematically over the asset's estimated useful life. Useful life is tested at every balance sheet date and adjusted as necessary. Depreciation commences upon completion. When the depreciable amounts of the assets are determined, the asset's residual value is taken into account where applicable.

Development expenditures are capitalized when they meet the criteria under IAS 38, i.e. when research proceeds to development and the total work is estimated to reach significant amounts. Otherwise, development expenditures are expensed as normal operating expenses. The most important criteria for capitalization are that the development's end product has demonstrable future earnings, cost-saving or cash flow potential and that there are technological and financial conditions for completing development work once started. As yet, the company's research has not advanced this far. The company currently only has acquired intangible assets.

Property, plant and equipment
Property, plant and equipment are reported at cost after deductions for accumulated depreciations and any impairments. Cost includes the purchase price and expenditures directly attributable to an asset in order to bring it to the position and condition necessary for use in accordance with the purpose of the acquisition.

Property, plant and equipment that have a limited useful life are depreciated systematically over the asset's estimated useful life. Useful life is tested at every balance sheet date and adjusted as necessary. The estimated useful life of the company's property, plant and equipment is five years. Depreciation commences upon completion. When the depreciable amounts of the assets are determined, the asset's residual value is taken into account where applicable.

Impairment charges
Assets are considered for impairment whenever events or changes in circumstances indicate that the asset's carrying amount may not be recoverable. An impairment loss is reported in the amount by which the asset's carrying amount exceeds its recoverable value. The recoverable value is the asset's fair value less selling expenses or its value in use, whichever is the higher. When calculating value in use, the estimated future cash flows are discounted to present value at a discount rate before tax that reflects current market assessments of the time value of money and the risks associated with the asset.

When assessing the need to recognize impairment, assets are grouped at the lowest levels at which there are in all material respects independent cash-flows (cash generating units). Assets previously impaired are tested on the closing date to see if a reversal is necessary.

Financial instruments
Reporting and valuation at initial recognition
Financial assets and liabilities are reported when the company becomes party to an agreement in respect of the financial instrument's agreed conditions. The carrying amount is a reasonable approximation of fair value.

Financial assets are removed from the statement of financial position/balance sheet when the contractual rights in respect of the financial asset expire, or when the financial asset and all significant risks and benefits are transferred. A financial liability is removed from the statement of financial position/balance sheet when it is extinguished, i.e. when it is discharged, canceled or expires.

Classification and valuation of financial assets upon initial recognition
Accounts receivable that do not include a significant financing component are initially measured at fair value adjusted for transaction expenses (where appropriate).

Financial assets other than those identified and effective as hedging instruments, are classified in the following categories:
- Accrued acquisition cost
- Fair value via the income statement
- Fair value via other comprehensive income

In 2019, which is included in the financial report, the company only reports financial assets that are categorized as measured at amortized cost. This is consistent with the measurement in 2018.

The classification is determined by:
- the company's business model for the administration of the financial asset, and
- the properties of the contractual cash flows from the financial asset

Financial assets are measured at amortized cost if the assets meet the following criteria and are not reported at fair value via the income statement:
- they are held within the framework of a business model whose objective is to hold the financial assets and collect the contractual cash flows, and
- the contractual conditions for the financial assets give rise to cash flows that are only payments for the capital amount and interest on the outstanding principal.

All revenues and expenses in respect of the financial assets reported in the income statement are classified as interest income or interest expenses.

Because of the connection between accounting and taxation, the rules on financial instruments under IAS 39 in legal entities are not applied; instead the cost method according to the Swedish Annual Accounts Act is applied.

Subsequent valuation
Financial assets measured at amortized cost
Financial assets are measured at amortized cost if the assets meet the following criteria and are not recognized at fair value through profit or loss:
- they are held within the framework of a business model whose objective is to hold the financial assets and collect the contractual cash flows, and
- the contractual conditions for the financial assets give rise to cash flows that are only payments for the capital amount and interest on the outstanding principal.

Following initial recognition, financial assets are measured at amortized cost by using the effective interest method. Discounting is omitted if the effect is insignificant. The company's cash and cash equivalents, accounts receivable and most other receivables belong to this category of financial instruments.

Impairment of accounts receivable
The company uses the simplified method when reporting accounts receivable and shows anticipated credit losses for the remaining term. This is where the anticipated shortcomings in contractual cash flows are found given the risk of nonpayment at some time during the lifetime of the financial instrument. When calculating, the company uses its historical experience, external indications and forward-looking information to calculate the

anticipated credit losses with the aid of a provision matrix. Because they have common credit attributes, the company assesses the impairment of accounts receivable collectively where the receivables are grouped based on the number of overdue days.

Classification and measurement of liabilities
The company's financial liabilities include trade accounts payable and other liabilities. Financial liabilities are initially measured at fair value adjusted for transaction expenses. Following initial recognition, financial liabilities are measured at amortized cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents only include bank balances.

Contingent liabilities
A contingent liability is reported when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence of one or more uncertain future events or when there is an obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required.

Equity, reserves and dividends
Equity in the company consists of the following items:
- Equity representing the nominal value of issued and registered shares.
- Share premium reserve including equity premiums obtained on new share issues. Any transaction expenses associated with the new share issue are deducted from the share premium reserve taking into account any income tax effects.
- Profit or loss brought forward, i.e. all retained earnings or losses for the current and prior periods.

Transactions with the company's owners, such as shareholder contributions and dividends, are reported separately in equity.

Statement of cash flows
The statement of cash flows was prepared according to the indirect method. The reported cash flow includes only those transactions that entail receipts or payments. The company classifies available bank deposits as cash and cash equivalents.

NOTE 3 Significant estimations and uncertainties in assessments

Significant estimates
Preparing the financial statements in accordance with IFRS taking into account relief rules in RFR2, requires company management to make estimations, assessments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual outcomes may deviate from these estimations.

Uncertainties in assessments
The estimations and assumptions are evaluated on an ongoing basis. Changes in estimations are reported in the period in which the change is made if the change only affects that period, or in the period in which the change is made and future periods if the change affects both the current and future periods.

The demarcation between research expenses and development expenses constitutes a source of uncertainties in estimations and entails a significant risk of substantial adjustment to the value of an asset or liability during the coming financial year. Apportioning research and development phases in new development projects, and determining whether or not the requirements for capitalizing development expenses have been met, requires estimations.

An important part of this estimation takes place when the company proceeds from a research phase to a development phase, which is where the demarcation difficulty comes into focus. Because the company's operation as yet focuses solely on research, there is currently no need for such an estimation.

Another source of uncertainty lies in estimating the extent to which deferred tax assets can be reported based on an estimation of the likelihood of the company's future taxable revenues against which the deferred tax asset can be exercised. Accordingly, the company has not reported any deferred tax assets.

NOTE 4 Other operating expenses

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Public subsidies: Vinnova	–	3,643
Exchange rate gains	97	246
Other operating expenses	78	36
Total	**175**	**3,925**

NOTE 5 Remuneration to auditors

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Grant Thornton Sweden AB		
Audit assignment	175	173
Audit activities in addition to the audit assignment	287	417
Total	**462**	**590**

NOTE 6 Salaries, other remuneration and social security expenses

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Average number of employees		
Women	1	–
Men	3	2
Total	**4**	**2**

Salaries, remuneration, social security contributions and pension expenses		
Salaries and remuneration to the Board of Directors and the Chief Executive Officer	1,375	1,002
Salaries and remuneration to other employees	2,516	359
Total	**3,891**	**1,361**
Pension expenses for the Board of Directors and the Chief Executive Officer	326	188
Pension expenses for other employees	279	–
Statutory and contractual social security contributions	1,140	453
Total	**5,636**	**2,002**

Board members and senior executives

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Number of Board members on closing date		
Women	3	3
Men	2	2
Total	**5**	**5**

Number of CEOs and other senior executives		
Women	2	–
Men	2	1
Total	**4**	**1**

Information regarding compensation to the Board and senior executives, 2019

Name	Assignment	Basic salary/fee	Pension expense	Total
Thomas Pollare	Chairman of the Board	129	–	129
Annigje van Es Johansson	Board member	515	–	515
Ragnar Linder	Board member	65	–	65
Ellen Donnelly	Board member	65	–	65
Pirkko Sulila Tamsen	Board member	65	–	65
Johan Sandin	CEO	958	326	1,284
Other senior executives		2,339	125	2,464
Total		**4,136**	**451**	**4,587**

Related party transactions

"Related parties" refers to all members of the Board and senior executives and their family members. The guiding principles for what constitutes related party transactions are set forth in IAS 24.

The Chairman and Board members are paid a fee in accordance with the AGM's resolution. The AGM of May 22, 2019 resolved that the Chairman of the Board would receive a fee in the amount of SEK 150,000 and that other Board members who are not employees of the company, will receive a fee in the amount of SEK 75,000 each. Board members are not entitled to any benefits after they have left the Board. In 2019, the Board was offered an incentive program based on warrants.

Board member An van Es-Johansson, through the wholly-owned company van Es Consulting AB, entered into a consultancy agreement with AlzeCure in September 2018 concerning the provision of services related to phase I studies and the development of clinical programs. The consultancy does not include the Board duties performed under the Board assignment awarded at the AGM. A total of SEK 450,000 (301,000) was charged to earnings during the year.

Compensation to senior executives who are employees can consist of a basic salary, pension and other benefits. Periods of notice and compensation in the event of termination are individual and governed by the applicable employment contract. A mutual six-month period of notice applies in the case of the CEO. Under his employment contract, the CEO has the right to compensation from the company amounting to the difference between the CEO's salary at the time the contract is terminated and any new salary the CEO receives during a period of six months from the time the contract is terminated. However, this compensation may not amount to more than 60 percent of the monthly salary the CEO received from the company. AlzeCure's employment agreements include provisions under which all intellectual property rights developed by an employee as part of his or her employment will accrue to AlzeCure. The company's employment agreements contain restrictions on competition.

Other than as described above, no senior executive has the right to compensation after termination of employment. In 2019, the company was not party to related party transactions that are singly or jointly of material importance for the company other than those described above.

NOTE 7 Expenses classified by type

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Personnel costs	-5,688	-2,013
Consultancy costs	-39,895	-32,495
Depreciation and amortization	-290	-104
Other	-5,210	-5,206
Total	**-51,083**	**-39,818**

NOTE 8 Tax on profit for the year

	Jan. 1, 2019 –Dec. 31, 2019	Jan. 1, 2018 –Dec. 31, 2018
Current tax	–	–
Deferred tax	–	–
Total	**–**	**–**

Reconciliation of effective tax

Theoretical tax:		
Loss before tax	-50,858	-35,985
Tax according to the applicable tax rate (21.4% and 22%, resp.)	10,883	7,913
Tax effect of:		
Non-deductible expenses	-3	-4
Deferred tax assets unrecognized	10,886	7,917
Total	**10,883**	**7,917**

Tax losses amount to SEK 105,074 thousand. However, it is uncertain how large a part will remain after future changes in ownership and those already made. There is no question of there being a need to report any deferred tax assets for these items, as the company will most likely continue making losses in the coming year.

NOTE 9 Project rights

	Dec. 31, 2019	Dec. 31, 2018
Opening cost	17	17
Cost for the year	–	–
Closing accumulated cost	17	17
Closing residual value according to plan	**17**	**17**

NOTE 10 Equipment, tools, fixtures and fittings

	Dec. 31, 2019	Dec. 31, 2018
Opening cost	709	250
Cost for the year	1,461	459
Closing accumulated cost	2,170	709
Opening depreciation	-112	-8
Depreciation for the year	-290	-104
Closing accumulated depreciation	-402	-112
Closing residual value according to plan	**1,768**	**597**

All depreciation is included in the item Research expenses.

NOTE 11 Equity

Number of shares	Dec. 31, 2019	Dec. 31, 2018
At the beginning of the period	37,765,715	18,880,000
New share issue	–	4,600,000
New share issue	–	14,285,715
At the end of the period	**37,765,715**	**37,765,715**

At the end of the year the company has 37,765,715 shares, with a quota value of SEK 0.025.

During the year the company launched an incentive program with warrants aimed at some members of the Board of Directors. A total of 110,000 warrants were issued: 35,000 warrants went to Thomas Pollare and 25,000 warrants each went to An van Es Johansson, Ragnar Linder and Pirkko Sulila Tamsen. The dilution effect is less than 0.03%. The warrants, which were issued at the market price as of May 22, 2019, entitle the holder to subscribe for shares during the period June 15–30, 2022. The issue price for newly subscribed shares totaled 150 percent of the volume-weighted average closing price for the company's shares on the Nasdaq First North Premier Growth Market during the 10 trading days preceding the Annual General Meeting on May 22, 2019. For more information, please see the minutes from the AGM of May 22, 2019.

NOTE 12 Pledged assets and contingent liabilities

There are no pledged assets other than a blocked bank account in the amount of SEK 50 thousand (50) for warranties, and the Board has not identified any contingent liabilities

NOTE 13 Financial risk management and the company's asset management procedures

The company's activities expose it to various financial risks such as market risk (including currency risk in cash flow), credit risk and liquidity risk.

Market risk consists mainly of currency risks. The company collaborates with international parties and has some exposure to fluctuations in different currencies, in particular GBP, USD and EUR. Currency risk arises through future business transactions and the carrying amount of assets and liabilities. The company's net exposure in foreign currencies is limited because of the current scope of its operations.

The credit risk for cash and cash equivalents is considered to be negligible as the counterparties for the company's bank balances are reputable banks with high credit ratings from external evaluators.

Financing risk constitutes the ability to finance projects to commercialization. The company manages this by the timely preparation of new share issues.

Liquidity risk is where the company cannot meet its obligations. The company manages this risk by constantly monitoring cash flow to reduce liquidity risk and ensure its ability to pay.

The objective of asset management is to ensure that operations are financed through equity.

NOTE 14 Accrued expenses and deferred income

	Dec. 31, 2019	Dec. 31, 2018
Accrued vacation pay	428	166
Accrued social security expenses, payroll tax	343	149
Prepaid public subsidies	–	400
Accrued expenses, external services	729	213
Total	**1,500**	**928**

NOTE 15 Significant events after the end of the financial year

No significant events leading to adjustments have occurred between the closing date and the date of approval of this report.

In January, the company in-licensed a new project, VR1, which focuses on neuropathic pain and is in the clinical development phase.

Martin Jönsson was appointed to serve as the new Chief Executive Officer on January 8, 2020. Martin has worked in the global pharmaceutical industry for more than 20 years, with extensive experience from various executive positions at both Ferring Pharmaceutical and Roche.

Covid-19/Coronavirus – Measures and potential impact. AlzeCure Pharma has taken measures necessary to protect its employees and limit any negative impact on the company's operations. The company is closely monitoring the situation and will take additional measures as needed. In the current situation it is impossible to estimate the extent to which the company's operations could be affected by the virus outbreak. The company is dependent on suppliers and their delivery capacity, which could mean that schedules may need to be pushed forward.

NOTE 16 Approval of the annual report

The company's annual report for the financial year Jan. 1, 2019 to Dec. 31, 2019 was approved by the Board of Directors and the Chief Executive Officer on April 15, 2020.

NOTE 17 Definitions KPI

Key performance indicator definitions

Net sales

Revenues from the sale of goods and services in the main operation during the current period.

Equity/assets ratio

Equity and untaxed reserves (less deferred tax), in relation to total assets.

Research expenses as a percentage of operating expenses

Research expenses divided by operating expenses, which include research expenses, administrative expenses and other operating expenses. Research expenses include the company's direct expenses relating to research such as expenditures for personnel, material and external services.

Signatures

Stockholm April 15, 2020

Thomas Pollare
Chairman of the Board

Pirkko Sulila Tamsen
Board member

Ragnar Linder
Board member

Ellen Donnelly
Board member

Martin Jönsson
Chief Executive Officer

Our auditor's report was submitted on April 15, 2020
Grant Thornton Sweden AB

Camilla Nilsson
Authorized auditor

Audit report

To the general meeting of the shareholders of Alzecure Pharma AB. Corporate identity number 559094-8302

Report on the annual accounts

Opinions

We have audited the annual accounts of AlzeCure Pharma. We have audited the annual accounts of AlzeCure Pharma AB (publ) for the 2019 financial year with the exception of the Corporate Governance Report on pages 24–33. The Company's annual accounts are included on pages 18–43 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of AlzeCure Pharma AB as of December 31, 2019 and of its financial performance and its cash flow for the year then ended in accordance with the Annual Accounts Act. Our opinions do not cover the Corporate Governance Report on pages 24–33. The Administration Report is consistent with the other parts of the annual accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the Income Statement and Balance Sheet.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the AlzeCure Pharma AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other information than the annual accounts

The Board of Directors and the Chief Executive Officer are responsible for this other information. The other information is found on pages 1-17 but does not include the annual accounts and our auditor's report thereon.

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

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and Chief Executive Officer are responsible for the preparation of the annual accounts and that they give a fair presentation in accordance with the Annual Accounts Act. The Board of Directors and Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors and Chief Executive Officer are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or mistakes, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or mistakes and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- Conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting in preparing the annual accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion about the

annual accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts, we have examined the administration of the Board of Directors and Chief Executive Officer of AlzeCure Pharma AB for 2019, as well as the proposed appropriations of the company's profit or loss.

We recommend to the General Meeting of shareholders that the profit be appropriated in accordance with the proposal in the Administration Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the "Auditor's Responsibilities" section. We are independent of the AlzeCure Pharma AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

Auditor's review of the corporate governance report

The Board of Directors is responsible for the Corporate Governance Report on pages 24–33 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act. Our review has been conducted in accordance with Statement RevU 16 The Auditor's Examination of the Corporate Governance Report issued by FAR, the professional institute for authorised public accountants in Sweden. This means that our examination of the Corporate Governance Report has a different orientation and is significantly more limited in scope compared with the orientation and scope of an audit according to International Standards on Auditing and generally accepted auditing standards in Sweden. We believe this review gives us a sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures pursuant to Chapter 6, Section 6, second paragraph 2–6 of the Annual Accounts Act and Chapter 7, Section 31, second paragraph of the said Act are consistent with the other parts of the annual accounts, and comply with the Annual Accounts Act.

Stockholm April 15, 2020

Grant Thornton Sweden AB

Camilla Nilsson
Authorized auditor

Definitions

TERM	DEFINITION
AlzeCure, AlzeCure Pharma or the company	AlzeCure Pharma AB
Amyloid-beta	A peptide that is the main component in the plaque found in the brains of Alzheimer's patients
Antibody	Protein used by the body's immune system to detect and render harmless foreign substances
BDNF	Brain Derived Neurotrophic Factor
Biomarker	Measurable indicator of a biological state
BBB, blood-brain barrier	Connected capillary pathways in the brain that protect brain tissue
CNS	Central nervous system
Fibrils	Small, thread-like structures that occur in and around cells About one nanometer thick and made up of proteins or polysaccharides
GBP	Pounds Sterling
GSM	Gamma secretase modulator
In vitro	Biological process, outside organisms, in test tubes or cell cultures
In vivo	Biological process occurring in animals or humans
Clinical studies/trials	Drug testing performed in humans
Cognition	The brain's ability to receive, store and process, as well as to produce information
Drug candidate	A drug under development that has not yet received market approval
Monomers	A monomer is the initial molecule in polymerization where monomers combine to form long molecule chains called polymers.
NGF	Nerve Growth Factor
Oligomers/protofibrils	Molecular chain of several monomers
Peptide	Molecule comprising amino acids
Preclinical studies	Studies carried out in a lab environment (not in humans)
SEK	Swedish crowns
TBI	Traumatic brain injury
USD	US dollar

Shareholder information

Financial calendar 2020	**Date**
Interim report Q1, January – March 2020	May 5, 2020
2020 Annual General Meeting	May 20, 2020
Interim report Q2, April–June 2020	August 25, 2020
Interim report Q3, July–October 2020	November 17, 2020

All financial reports are available on the AlzeCure website, www.alzecurepharma.se

For additional information about AlzeCure, please contact:
AlzeCure Pharma AB (publ)
Corporate ID no. 559094-8302, domiciled in Stockholm, Sweden.
Address: Hälsovägen 7, SE 141 57 Huddinge.
info@alzecurepharma.com

FNCA Tel: +46(0)8-528 00 399, info@fnca.se is the company's Certified Advisor

2020 Annual General Meeting

The Annual General Meeting will be held at 4:00 p.m. on May 20, 2020 in the premises of Advokatfirman Schjødts at Hamngatan 27, 111 47 Stockholm.

To have the right to participate at the Annual General Meeting shareholders must:
- be recorded as a shareholder in the share register maintained by Euroclear Sweden AB as of May 14, 2020.
- notify the company of their intention to attend the AGM no later than May 15.

Notice to participate shall be made in writing to the address: AlzeCure Pharma AB, Hälsovägen 7, 141 57 Huddinge, or by e-mail to: birgitta.lundvik@alzecurepharma.com

For complete information about the 2020 Annual General Meeting, please see the notice which is posted on the AlzeCure website www.alzecurepharma.se.

Contact details

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