FINANCIAL STATEMENT
1 January 2018 to 31 December 2018

PharmaLundensis AB (publ)
556708-8074

1. Financial statement in summary

Final quarter (1 October 2018 to 31 December 2018)
✓ Net sales in the final quarter amounted to SEK 0 (0).
✓ Loss after financial items amounted to SEK -1 331 050 SEK (-7 368 968).
✓ Earnings per share* amounted to SEK -0.06 (-0.36).
✓ Equity ratio** on 31 December 2018 was 84%.

Full year (1 January 2018 to 31 December 2018)
✓ Net sales for the financial year amounted to SEK 0 (0).
✓ Loss after financial items amounted to SEK -5 487 129 SEK (-11 648 603).
✓ Earnings per share* amounted to SEK -0.24 (-0.57).

** Loss for the period divided by 22 400 569 (20 280 344) outstanding shares which includes shares subscribed for in the new share issue that was registered on 9 January 2019.*
*** Shareholders' equity divided by total shareholders' capital.*

- Chemical optimisation of Iodocarb continuing, with the aim of reducing the release of iodine, preferably down to zero. The next clinical trials of the new candidate medicine are planned for when optimisation is completed.
- Discussions continuing with international pharmaceutical companies focused on pre-licensing agreements.
- Realistic tests of an EcoFilter system have been performed. The mechanical results were good. Purification levels will be analysed soon. Contacts have been made with healthcare organizations to initiate sales.
- Several patents from the company's projects were approved during the year.
- The company raised SEK 6 294 839.50 through two rights issue performed during the year.

2. Key events during the 2018 financial year

A. General

Rights issue of share and units
PharmaLundensis carried out a rights issue of shares in the spring of 2018. The share price for the issue was set at SEK 3.50 per share and a limit of around 2.9 million shares were issued in the subscription period of 4-20 April. After an extension of the subscription period, subscriptions for a total of 994 277 shares had been received, amounting to SEK 3 479 969.50 and a subscription level of 34.3%. After subscription costs of around SEK 500 000, a total of SEK 3 019 534 was raised for the company. As far less money was raised than planned, the company's Board of Directors adjusted the company's strategy. The focus for the near future will be on EcoFilter, which is considered to be closest to a market launch, and which does not have such large capital requirements.

In the autumn of 2018, PharmaLundensis carried out a new rights issue. The company issued a maximum of 1 063 731 units comprising 4 new shares and 1 subscription option at a subscription price of SEK 10 per unit. Subscriptions for a total of 281 487 units were received, raising SEK 2 814 870 with a subscription level of 26.5%. After subscription costs of around SEK 350 000, a total of SEK 2 546 157 was raised for the company. This amount is considered sufficient for a basic operational year for a significant portion on 2019.

The Board's options scheme was fully subscribed
The options scheme for members of the company's Board of Directors that was agreed at the Annual General Meeting held on 15 June 2018 was fully subscribed (700 000 options). An independent assessor set the value of the options at SEK 0.35 per option with an exercise price of SEK 18.50 per share in three years.
Pricing of warrants 31 Aug 2018 – PharmaLundensis
The Board considers that the opportunity to buy PharmaLundensis shares for SEK 18.50 in three years is beneficial. If it is calculated that the company at this point in time has sales turnover of around SEK 100 million and profits of around SEK 20 million, a p/e ratio of 50-100 as a fast-growing business with around 20 million shares, this would mean that a share in PharmaLundensis would be worth SEK 50-100 in 2021 (20 x 50-100/20 = approx. SEK 50-100 per share).

CEO acquires shares
CEO Staffan Sogvall acquired a total of 24 616 PharmaLundensis shares in 2018.
Insider trading

B. IodoCarb – a new, effective medicine for COPD and chronic bronchitis

Development of Iodocarb novum
During the year, PharmaLundensis developed an improved production method for the company's test substance. The new substance is called Iodocarb novum and releases around 70% less iodine while retaining the same effect of binding mercury as the previous iodated carbon. It can therefore be expected that the substance will have the same positive effects on lung capability that were shown in the company's clinical COPD study, but without any side effects in the thyroid at the same dosage.

Patent for Iodocarb approved on all key markets
Iodocarb comp, a combination of iodine carbon and perchlorate, was approved during the year on all three of the largest pharmaceutical markets in the world (USA, Europe and Japan). Patents have also been approved in South Africa, Israel and Saudi Arabia, while applications for patents have been made in several other countries. These patents are expected to be used primarily for the treatment of patients with severe COPD, since the addition of perchlorate improves lung function.

Chemical optimisation of Iodocarb
PharmaLundensis is performing chemical optimisation and further development of the test substance, IodoCarb novum. The purpose is to further reduce the release of iodine, preferably down to zero, while significantly increasing the capability to bind mercury. This would produce an even greater improvement in lung function for COPD sufferers and even greater reduction of coughing and mucous for patients with chronic bronchitis. It is furthermore possible that other significant illnesses such as chronic fatigue syndrome could be treated effectively with the new substance.

IodoCarb novum releases around 70% less iodine with an unchanged effect of binding mercury. This reduction in the release of iodine is judged to be sufficient to eliminate side-effects concerning the thyroid at the same amount of IodoCarb. It is however probable that the effect of IodoCarb is based on dosage, and that an increased amount of substance therefore has the capability to provide an even larger increase in lung function and reduction in coughing and mucous. To enable an increase in dosage, iodine release must be reduced even further, preferably down to zero. This work is now progressing with the aim of producing a substance that does not release any iodine at all.

Licensing
During the year, PharmaLundensis held discussions with several major and minor pharmaceutical companies concerning the licensing of our pharmaceutical substances. In general, there is clear interest from many companies in the PharmaLundensis treatment for COPD and chronic bronchitis. Some of these companies wanted to wait until the project has developed further. Other companies are considering the possibility of signing early pre-license agreements to ensure exclusive licences on their markets.

Problems for competitors' new COPD treatments
GSK has recently presented Phase 3 clinical results from their new COPD drug Nucala (Mepolizumab), which is a monoclonal antibody that inhibits IL-5 mediated inflammation. The substance showed no statistical improvement in lung function and no reduction in cough mucus. There was only a 30% reduction in exacerbations. In the US, the FDA believes that the improvement shown is so insignificant that it is considering blocking a registration. AstraZeneca's new COPD substance Fasenra (benralizumab) completely failed to indicate any statistical improvement. The conclusions that can be drawn from these problems is that the major pharmaceutical companies realize that there is a great need for new COPD drugs, but that the mechanisms they work with appear to be inappropriate.

In contrast to these rather poor results, PharmaLundensis' unique project succeeded in demonstrating a statistical improvement in lung function of 8.2% compared to placebo and a reduction of cough and mucus of 18% after 4 weeks of treatment in a Phase 2a study. We believe that there are good opportunities for the PharmaLundensis projects to lead to an effective and commercially successful drug against COPD.

C. Ecofilter project

Progress for the patent portfolio
All three PharmaLundensis patent families for the EcoFilter project achieved progress during the year:

1. SE1551420A1 protects the use of evaporators to remove water from liquids contaminated with drug residues. The Swedish patent was granted and a positive international PCT review report was received. The application was processed nationally in Europe during the year.

2. SE1551412A1 protects our method to greatly reduce sludge production during evaporation processes. The Swedish patent was granted and a positive international PCT review report was received. In 2018, patent applications were filed nationally in Europe, the United States, Canada, Australia, China, India and Japan.

3. EP 3395765A1 was published in 2018. It was processed by the European Patent Office during the year. An international PCT application was submitted. This patent protects the PharmaLundensis system for eliminating discharges of drug residues in hospital sewage. The system consists of a separate sewage system at the clinic which only treats the wastewater that can be expected to contain drug residues (from patient toilets as well as some washes and rinses). These units are connected through a vacuum system to a collection tank in the basement. A treatment center would be built in every metropolitan area in the country. Tanker trucks, which are sent weekly to the subscribers to the cleaning service, transport the wastewater to the sewage treatment center where there are high-capacity evaporators that separate the drug residues from the water. The patent application also describes the use of fragmentation and heating units connected to the patient toilets to enable the use of thin pipes in the new, separate sewage system, which greatly facilitates the installation work.

Development of a safety water lock
All sinks have a water trap whose function is to prevent bad odors and bacteria from the sewage pipes from coming back into the building. However, it is a well-known problem that bacteria can nevertheless form a biofilm (a mucus layer) on the inside of the pipe from the water lock up to the valve. When the tap is then turned on, the bacteria in the biofilm travel up to one meter around the sink and can then cause infection[1]. If the sink is in a surgical area, the risk of disease is large when the skin's protective function is broken in an open surgical wound. To prevent infections in connection with surgeries, antibiotics are usually givenfor prophylactic purposes. However, serious infections sometimes occur. It has recently been reported that a number of patients who have undergone back surgery at Skåne University Hospital had suffered serious infections[2]. One patient died. One possible explanation for the infections is that they came from the sinks. When the surgeon is standing and washing before the operations, the water is flushed fully and it can then splash bacteria from the sinks. These bacteria can get stuck on the surgeon who takes them to the operating table, or the bacteria can swirl up in the air and during the operation, come into the wound. In this way, patients can suffer from serious infections.

PharmaLundensis has developed a bacteria-free, safety water lock based on a completely new principle. The safety water lock allows water to pass downwards, but effectively blocks the path of the bacteria upwards. This safety water lock will undergo further tests and CE

certification. Thereafter, it will be offered to the health service, especially to the surgical wards in hospitals.

1. Shireen Kotay, Weidong Chai, William Guilford, Katie Barry and Amy J. Mathers. Spread from the Sink to the Patient: in situ Study Using Green Fluorescent Protein (GFP) Expressing-Escherichia coli to Model Bacterial Dispersion from Hand Washing Sink Trap Reservoirs. Appl Environ Microbiol. 2017 Mar 31;83(8).
https://www.svt.se/nyheter/lokalt/skane/infektion-pa-operationssalar-patient-dog

3. Significant events after the end of the period

Function tests of the EcoFilter system
Robust testing of the EcoFilter system has been carried out. Among other things, the function of the fragmentation / heating unit has been evaluated. The interaction between the unit and standard vacuum toilets was assessed. Mechanically, the trials have been successful. In the near future, tests will be performed to clarify the degree of purification obtained for the removal of antibiotic residues.
Contacts with the healthcare system to sell the system have started.

Continued license discussions
Continued discussions with international pharmaceutical companies will continue in 2019 with a focus on pre-licensing agreements. These include an option to invoke an exclusive license for the Iodocarb project in specific markets. In the pre-license agreement, some basic points can be specified for any future license agreement such as signing fee, milestones and royalty. Buying companies can then activate the license agreement at the appropriate time. The option is paid in the form of an annual license fee.

4. CEO's statement

We are working hard to develop a new test substance that maintains Iodocarb's beneficial effect but does not release much iodine. The improvement of lung function is probably dependent on the dose, and the more substance that can be taken, the better the result. A new substance without iodine release could therefore provide a dramatic improvement in lung function without side effects. The trials are ongoing and the outcome will be interesting.

When our new drug candidate is ready, work on preparing the next clinical study will take place. Some pre-clinical tests will be required, the substance must be manufactured in GMP labs, the substance must be packaged in dose packages, governmental permits must be obtained, and so on. We believe that in the future our substance will be administered in the form of capsules. This, too, is a step forward compared to Iodocarb, which was simply stirred into a glass of water. It will then be exciting to evaluate the clinical effect of the treatment!

We are now holding discussions with medium-sized international pharmaceutical companies that expressed interest in licensing Iodocarb. The focus is on pre-license agreements that give an option to a company on a future exclusive license on a particular market. I can understand if they are interested in signing this type of agreement at an early stage, as it is the only realistic opportunity to be able to license our potentially valuable substances. The closer we get to the market launch for the projects, the greater the probability that a large pharmaceutical company will enter the scene, or that PharmaLundensis will choose to keep the market itself. The option is paid in the form of an annual license fee. Revenues that PharmaLundensis may receive in this way can be a significant contribution to financing future clinical studies.

Realistic tests of the EcoFilter system have been carried out, and were well executed mechanically. We are evaluating what degree of purification was obtained for the removal of antibiotic residues. Hopefully it will be as good as in previous trials, that is, close to 100% purification. Contacts have been initiated with the healthcare system concerning sales of this system.

In summary, the future looks very good for PharmaLundensis, and I am convinced that our projects are approaching positive breakthroughs!

Best regards,

Dr Staffan Skogvall, CEO

6. Detailed information about the company's activities

A. IodoCarb comp – a new effective treatment for COPD

PharmaLundensis is developing an effective drug against Chronic Obstructive Pulmonary Disease **(**COPD) and chronic bronchitis, which are related lung diseases. These are common diseases that affect hundreds of thousands of Swedes and cause much suffering. In a double-blind, placebo-controlled clinical study of 40 COPD patients that PharmaLundensis conducted, patients receiving the IodoCarb drug candidate received a significant improvement in lung function compared to the placebo group[1]. Interestingly, this study also showed that patients received a 18% reduction in coughing and mucus after 4 weeks of treatment with IodoCarb, compared with -3% in the placebo group. This suggests that IodoCarb can be an effective treatment for **both** COPD and chronic bronchitis.

In this clinical study, there were a number of patients who experienced adverse reactions from the thyroid gland. This is because IodoCarb releases some iodine, which is usually taken care of in the thyroid gland. PharmaLundensis has therefore successively improved the test substance to reduce iodine release. We are currently conducting a final chemical optimization and further development of Iodocarb with the aim of reducing the iodine release down to zero. A test substance with good mercury-binding ability without iodine release is expected to have the same positive effect on lung function and cough / mucus as in the previous clinical study[1], but without side effects from the thyroid gland.

When the new substance is completed, work on preparing the next clinical study will continue. Some pre-clinical tests will be required, the substance must be manufactured in GMP labs and packaged in dose packages, governmental permits must be obtained, and so on. We believe that our drug candidate in the future will be able to be given in the form of capsules, as opposed to Iodocarb, which was simply stirred into a glass of water.

For strategic reasons, we will initially focus on developing a treatment for chronic bronchitis. This gives several advantages:
• It is faster and cheaper to conduct clinical studies on chronic bronchitis than on COPD. The reason is that the only parameters to be evaluated for chronic bronchitis are how much cough and mucus the patients have had, which is done by the patients filling in a form specifying the amount of trouble on a scale of 1 - 5. There is therefore no need for advanced lung function tests or for working samples used to evaluate COPD symptoms.
• In purely commercial terms, it is also an advantage to initially develop a treatment for chronic bronchitis because today there is no established bronchitis treatment. We therefore do not need to take market shares from other, larger pharmaceutical companies.

The above strategy is expected to provide the financial resources required for the COPD project, and thus lead to the fact that we can more **quickly** launch an effective drug against poor lung function.

The treatment for chronic bronchitis can either be in the form of a drug or a CE-certified medical device.

1. Skogvall S, Erjefält JS, Olin AI, Ankerst J, Bjermer L. Oral iodinated activated charcoal improves lung function in patients with COPD. Respir Med. 2014 Jun;108(6):905-9

B. EcoFilter®

Summary
Large amounts of antibiotics are used to treat infections throughout the healthcare system. These antibiotics are mainly excreted in urine, and then end up in a hospital's wastewater. Here it can cause the emergence of dangerous, multi-resistant bacteria. PharmaLundensis has developed EcoFilter, which is a unique system that eliminates the release of drug residues from hospitals. We can now offer clinics the opportunity to subscribe to this purification service. When enough clinics have joined, the treatment center will be set up, hospital equipment will be installed and the cleaning process will begin. For the clinics that join, all drug discharges can be stopped.

Purification method
In the EcoFilter system, purification of drug residues is performed by evaporators, which is a kind of distillation apparatus. The wastewater is sent into the evaporator and boiled, which evaporates all water. The drug residues remain in the sludge which is then sent to incineration in a high temperature oven. This destroys the drug residues. Tests show that 100% of all antibiotics in the water are removed in principle. This efficiency is achieved because the evaporator heats up the wastewater to a temperature that evaporates the water but not the drug residues. Water is already vaporized at 100 degrees, while drugs need close to 1,000 degrees to evaporate. The final product thus becomes distilled water and sludge, which after combustion becomes carbon dioxide and water. The system removes drugs that are both excreted in urine and faeces.

Components
At the clinic, a separate sewage system is installed, which only takes care of wastewater that can be expected to contain drug residues (from patient toilets and some sinks and rinses). These units are connected through a vacuum system to a collection tank in the basement. A treatment center is being built in every metropolitan area in the country. Tankers transport the wastewater to the treatment center where there are high capacity evaporators that separate the drug residues from the water.

Technology
The EcoFilter system uses evaporators to remove water from liquids contaminated with drug residues, as described in Patent 1. The reason for this separation is that water boils at 100 degrees while drug residues need to be heated to more than 800-1,000 degrees to evaporate. The evaporator thus heats up the wastewater to a temperature that evaporates the water but not the drug. When all the water from the wastewater has been steamed off, all the residues of the drug remain in the canister, which is then sent to incineration. This process can be compared with a teaspoon of salt poured into a pan of boiling water. Initially, the salt dissolves in the water and disappears, but if all the water is boiled away, the salt is found as a white coating on the pan's walls. It is then easy to collect the salt for further handling. This is a robust and proven technology that we are using in a new way. One problem is that the above systems generate large amounts of sludge material. In Patent 2, we describe how the waste quantity can be greatly reduced so that the process becomes much more economical. There are many other practical issues that need to be solved to get an effective system that can eliminate the emissions of drug residues in hospital wastewater, as described in Patent 3.

Tests
Studies have been carried out to test the capacity of EcoFilter® to remove antibiotics in urine from intensive care patients who are treated with very high doses of broad spectrum antibiotics. The tests showed:
* that untreated urine from these patients contained extremely high levels of antibiotics with a very pronounced antibacterial effect. Thus, the antibiotic has not been broken down to any significant extent as it has passed through the body.
* that urine treated with EcoFilter® completely lacked antibacterial effect - all antibiotics had been eliminated.
* that EcoFilter® fully meets all desired purification requirements.

In these tests, the antibacterial effect was evaluated using a biological bioassay method in which the bactericidal effect of the urine on bacteria growing on culture plates was determined. The following broad-spectrum antibiotics were included in the tests: Benzylpenicillin, Cefotaxime, Cefuroxime, Cloxacillin, Erythromycin, Metronidazole, Rifampicin, Trimethoprim-Sulfa and Piperacillin-Tazobactam.

The tests are described in the following overviews: Report 1 and Report 2.

Subscription
Subscriptions to the purification service are now being offered to healthcare organizations. We plan to set up a treatment center in every metropolitan area in the country. When enough clinics in a region subscribe to the service, we will install equipment at these clinics and build a treatment center. Tankers will then be sent weekly to subscribers and transport the wastewater to the local treatment center. Here, the wastewater will be run through high capacity evaporators which separate the water from the drug residues. The resulting waste material will be sent to the incinerator, while purified water will be sent to the municipal sewage system. The result will be carbon dioxide and completely pure water. All drug discharges will therefore be eliminated.

Safety traps
All sinks have a water trap whose function is to prevent bad odors and bacteria from the sewage pipes from coming up into the room. However, it is a well-known problem that bacteria can nevertheless get up by forming a biofilm (a mucus layer) on the inside of the tube from the water lock up to the valve. When the tap is then flushed, the bacteria in the biofilm sprinkle up to one meter around the sink and can then cause infection[1]. If the sink is in a surgical area, the risk of disease is large, because the skin's protective function is broken in an open surgical wound. To prevent infections in connection with surgeries, antibiotics are usually given for prophylactic purposes. However, serious infections sometimes occur. It has recently been reported that a number of patients who have undergone back surgery at Skåne University Hospital had suffered serious infections[2]. One patient died. One possible explanation for the infections is that they came from the sinks. When the surgeon is standing and washing before the operations, the water is flushed fully and it can then splash bacteria from the sinks. These bacteria can get stuck on the surgeon who takes them to the operating table, or the bacteria can swirl up in the air and during the operation, come into the wound. In this way, patients can suffer from serious infections.
PharmaLundensis has developed a bacteria-safe, safety water lock based on a completely new principle. The safety water lock allows water to pass downwards, but effectively blocks the path of the bacteria upwards. This water trap will undergo further tests and CE certification. Thereafter, it will be offered to the health service, especially the surgical wards in hospitals.

1. Shireen Kotay, Weidong Chai, William Guilford, Katie Barry and Amy J. Mathers. Spread from the Sink to the Patient: in situ Study Using Green Fluorescent Protein (GFP) Expressing- Escherichia coli to Model Bacterial Dispersion from Hand Washing Sink Trap Reservoirs. Appl Environ Microbiol. 2017 Mar 31;83(8).
2. https://www.svt.se/nyheter/lokalt/skane/infektion-pa-operationssalar-patient-dog

6. The PharmaLundensis share

Shares in PharmaLundensis AB (publ) were first listed on 6 July 2010 on Spotlight Stock Market, which is a securities company under the supervision of Sweden's Finansinspektionen, operating a trading platform called MTF (Multilateral Trading Facility). On 28 December 2018, the number of shares in the company amounted to 21 274 621. Following the registration of the new share issue on 9 January 2019, there are 22 400 569 outstanding shares in the company. There is only one type of share. Each share entails equal rights to share in the company's assets and earnings and entitles the holder to one vote at the Annual General Meeting.

7. Proposed allocation of earnings

The Board and CEO propose that no dividend be paid for the 2018 fiscal year.

8. Largest owners of PharmaLundensis as of 28 December 2018

(According to the official share register and ownership list maintained by Euroclear)

Owner	Shares as of 28/12/2018	Ownership (%) of total 21 274 621 shares
SkåneÖrnen AB*	8 159 189	38.3
Staffan Skogvall	2 450 306	11.5
Försäkringsaktiebolaget Avanza	366 460	1.7
Nordnet Pensionsförsäkring AB	281 860	1.3
Vict Th Engwalls stiftelse	240 939	1.1
Arne Skogvall	220 000	1.0
Staffan Engelbert Bodén	163 100	0.8
Handelsbanken Liv Försäkringsaktiebolag	131 911	0.6
Håkan Landin	86 646	0.4
Gunvald Berger	86 058	0.4
Christer Cederberg	85 767	0.4
Ålandsbanken	79 921	0.4
Christos Tziolas	79 000	0.4
Total **>3000 shareholders**		

On 28 December 2018, the number of shares in the company amounted to 21 274 621, which did not include shares subscribed for in the most recent new share issue. Following the registration of the new share issue on 9 January 2019, there are 22 400 569 outstanding shares in the company.

* Owned by Skogvall family, Staffan Skogvall is the signatory of the company and Board member but not an owner.

9. Risk factors

There is a series of factors that could negatively affect the future earnings potential of the company. Some of these factors are described below.

EcoFilter®

There is no certainty that the company can provide the financing that the EcoFilter system initially requires. There is no guarantee that healthcare providers will chooses to use EcoFilter® to reduce the release of antibiotics from patients in hospitals. Decisions on the use of the system may be delayed, for political, administrative or other reasons. It cannot be ruled out that the system works worse than expected or that there are practical problems. It is not certain that patent applications for EcoFilter® will be granted or that granted patents have sufficient commercial strength. It is uncertain whether the Board of Directors will agree to break off the EcoFilter® project as a separate company. It is uncertain that the company will find larger partners for the EcoFilter® project and neither is it certain that the Board of Directors will choose to collaborate with any partner.

Treatment for COPD and chronic bronchitis

Future financing needs

PharmaLundensis' research and development work and the forthcoming clinical studies entail costs for the company. There are no guarantees that the company can acquire enough capital for this.

Effects and side effects of substances

There are no guarantees that the company's continued clinical studies will demonstrate positive treatment effects, whether for COPD, chronic bronchitis or other diseases. Nor can it be ruled out that the studies will show side effects of the test substances in one form or another, and that this negatively affects the possibility of developing drugs.

Permits from authorities and registration of medicines and medical devices

In order to be able to develop and sell pharmaceuticals and medical devices, permits from various authorities are required. There are no guarantees that PharmaLundensis will receive the necessary permits to carry out clinical studies or other necessary activities. It is not certain that the company can register the treatment as a medical device product or that such registration takes longer than expected.

Competitors

There are no guarantees that new, effective drugs will not be under development or will be developed by other companies, which can adversely affect the ability of the company to generate earnings.

Patent protection

There are no guarantees that the company's patent applications will be approved. Nor are there any guarantees that an approved patent will constitute an adequate commercial protection in the future. Furthermore, there is always a risk of disputes regarding infringement of patents and other intellectual property rights.

Cyclical development, currency risk and political risk for all projects

External factors such as inflation, exchange rate and interest rate changes, supply and demand, as well as fluctuating business cycles, can have an impact on operating expenses, sales prices and stock valuation. Political risks include changes in laws, taxes, duties, exchange rates and other conditions for companies.

Key people and employees

The loss of one or more key persons in the company can have negative consequences for the company's operations and results.

10. Financing

The existing funding is estimated to be sufficient for much of 2019. It is possible that the company will receive revenue in 2019 from pre-licensing agreements for the treatment of chronic bronchitis and COPD. Furthermore, the company can receive revenue from the EcoFilter project. However, it is also possible that future capital procurement may be required, for example through a new issue of shares or corporate bonds.

11. Annual report

The PharmaLundensis annual report for the 2018 financial year is scheduled to be published on the company's website (www.pharmalundensis.se) and Spotlight's website (www.spotlightstockmarket.com) in May 2019. The Annual General Meeting of PharmaLundensis is scheduled to be held in June 2019 in Lund. The exact date for the Annual General Meeting will be presented no later than in connection with the notice of the Annual General Meeting.

12. Auditors' audit

The year-end report has not been subject to review by the company's auditors.

13. Principles for the preparation of the year-end report

The year-end report has been prepared in accordance with the same accounting principles as in the company's annual report for the financial year ended 31 December 2017, that is, in accordance with the Annual Accounts Act and the Accounting Standards Board's general advice, BFNAR 2012: 1.

14. Future financial reports

Q1: May 16, 2019
Q2: August 15, 2019
Q3: November 21, 2019
Year-end report: 20 February 2020

15. Submission of interim report

Lund, Sweden
21 February 2019
PharmaLundensis AB (publ)
Board of Directors

Income statement in summary

(SEK)	1 Oct 2018 - 31 Dec 2018 *3 months*	1 Oct 2017 - 31 Dec 2017 *3 months*	1 Jan 2018- 31 Dec 2018 *12 months*	1 Jan 2017 - 31 Dec 2017 *12 months*
Net sales	0	0	0	0
Operating expenses				
Other external expenses	-1 139 980	-2 889 871	-4 339 173	-6 455 715
Personnel costs	-247 948	-460 764	-1 111 126	-1 204 807
Depreciation of tangible assets	-102 956	-102 956	-408 454	-408 454
Capitalized development expenditures	159 834	145 833	373 243	481 925
Other operating expenses	-	-4 061 210	-	-4 061 210
Operating loss	**-1 331 050**	**-7 368 968**	**-5 485 510**	**-11 648 261**
Financial items				
Interest income and similar items	-	-	-	-
Interest expenses and similar items	-	-	-1 619	-342
Loss after financial items	**-1 331 050**	**-7 368 968**	**-5 487 129**	**-11 648 603**
Loss before tax	**-1 331 050**	**-7 368 968**	**-5 487 129**	**-11 648 603**
Net loss for the period	**-1 331 050**	**-7 368 968**	**-5 487 129**	**-11 648 603**

Balance sheet in summary

(SEK)	31-12-2018	31-12-2017
ASSETS		
Fixed assets		
Intangible assets		
Capitalized expenditure for development and similar	6 102 677	5 729 434
Tangible assets		
Equipment, tools, fixtures and fittings	655 027	1 063 481
Financial assets		
Other securities held as fixed assets	1 000	1 000
Total fixed assets	**6 758 704**	**6 793 915**
Current assets		
Current receivables		
Other current receivables	128 123	206 395
Prepaid expenses and accrued income	156 481	193 792
Total current receivables	**284 604**	**400 187**
Cash and bank balances	2 219 072	2 107 825
Total current assets	**2 503 676**	**2 508 012**
TOTAL ASSETS	**9 262 380**	**9 301 927**

Balance sheet in summary, continued

(SEK)	31-12-2018	31-12-2017
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1 063 731	1 014 017
New share issue (under registration)	56 297	0
Fund for development expenditures	1 551 723	1 178 480
	2 671 751	**2 192 497**
Non-restricted equity		
Share premium reserve	56 369 260	50 909 580
Profit or loss brought forward	-45 818 408	-33 799 012
Loss for the period	-5 487 129	-11 648 603
	5 063 723	**5 461 965**
Total equity	**7 735 474**	**7 654 462**
Liabilities		
Current liabilities		
Account payable - trade	165 614	598 329
Other liabilities	16 712	39 396
Accrued expenses and deferred income	1 344 580	1 009 740
	1 526 906	**1 647 465**
TOTAL EQUITY AND LIABILITIES	**9 262 380**	**9 301 927**

Change in equity, summary

2017

(SEK)	Share capital	Fund for develop-ment expend-itures	Share premium reserve	Profit/loss brought forward	Profit/loss for the period	Total
At start of the year	939 821	3 007 759	42 580 220	-31 689 555	-3 938 736	10 899 509
As allocated						
By AGM				-3 938 736	3 938 736	
New share issues during the year	74 196		8 329 360			8 403 556
Changes in development expenditures		-1 829 279		1 829 279		
Loss for the period					-11 648 603	-11 648 603
At year-end	**1 014 017**	**1 178 480**	**50 909 580**	**-33 799 012**	**-11 648 603**	**7 654 462**

2018 (12 months)

(SEK)	Share capital	Fund for develop-ment expend-itures	Share premium reserve	Profit/loss brought forward	Profit/loss for the period	Total
	1 014 017	1 178 480	50 909 580	-33 799 012	-11 648 603	7 654 462
At start of the year						
As allocated				-11 648 603	11 648 603	0
By AGM						
New share issue under registration	56 297		2 489 860			2 546 157
New share issues during the year	49 714		2 969 820			3 019 534
Changes in development						

expenditures		373 243		-373 243		0
Issue of warrants				2 450		2 450
Loss for the period					-5 487 128	-5 487 128
At year-end	**1 120 028**	**1 551 723**	**56 369 260**	**-45 818 408**	**-5 487 128**	**7 735 475**

In 2017, 494,642 warrants were issued. Each warrant entitles the holder to subscribe for 1 new share during the period 1 March 2020 - 31 March 2020 for SEK 6. This can lead to a maximum of 2.21% dilution.

The rights issue during the spring of 2018 was registered on 27 July 2018.

In 2018, 281,487 warrants were issued. Each warrant entitles the holder to subscribe for one new share during the period 1 September 2021 – 30 September 2021 for SEK 2.50. This can result in a maximum of 1.26% dilution.

The new share issue during registration was registered on 9 January 2019.

In 2018, 700,000 warrants were issued, which resulted in an increase in unrestricted equity of SEK 2,450. The warrants may be exercised during the period from 1 September 2021 to 30 September 2021. Upon full exercise of all warrants in the warrants program, a maximum of 700,000 new shares will be issued, which may cause a total dilution effect of a maximum of about 3.12%.

Cash flow statement in summary

(SEK)	1 Oct 2018 - 31 Dec 2018 *3 months*	1 Oct 2017 - 31 Dec 2017 *3 months*	1 Jan 2018- 31 Dec 2018 *12 months*	1 Jan 2017 - 31 Dec 2017 *12 months*
Operating activities				
Operating loss	-1 331 050	-7 368 968	-5 485 510	-11 648 261
Depreciation	102 956	102 956	408 454	408 454
Interest paid	-	-	-1 619	-342
Adjustment for items not included in cash flow	-	5 935 270	-	4 061 210
Cash flow from operating activities before changes in working capital	**-1 228 094**	**-1 330 742**	**-5 078 675**	**-7 178 939**
Change in working capital				
Increase/decrease in receivables	14 916	5 703	115 583	-96 344
Increase/decrease in current liabilities	350 464	172 045	-120 559	10 268
Change in working capital	**365 380**	**177 748**	**-4 976**	**-86 076**
Cash flow from operating activities	**-862 714**	**-1 152 994**	**-5 083 651**	**-7 265 015**
Investing activities				
Purchase of intangible assets	-159 834	-145 833	-373 243	-481 925
Cash flow from investing activities	**-159 834**	**-145 833**	**-373 243**	**-481 925**
Financing activities				
New share issue/share capital	2 546 157	-	5 565 691	8 403 556
Subscribed paid capital	-	-	2 450	-
Cash flow from financing activities	**2 546 157**	**0**	**5 568 141**	**8 403 556**
Change in cash and cash equivalents	1 523 609	-1 298 827	111 247	656 616

Cash and cash equivalents at start of period	695 463	3 406 652	2 107 825	1 451 209
Cash and cash equivalents at end of period	**2 219 072**	**2 107 825**	**2 219 072**	**2 107 825**

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