InDex Pharmaceuticals Holding AB (publ)

InDex Pharmaceuticals

Year-end report 2019

Cobitolimod's outstanding combination of efficacy and safety confirmed in in-depth analysis

PERIOD OCTOBER-DECEMBER 2019
- Net sales amounted to SEK 0.0 (0.0) million
- Operating loss amounted to SEK –25.6 (–22.3) million
- Result after tax amounted to SEK –25.6 (–22.3) million, corresponding to SEK –0.29 per share (–0.33) before and after dilution
- Cash flow from operating activities amounted to SEK –34.2(–20.6) million

SIGNIFICANT EVENTS DURING OCTOBER-DECEMBER 2019
- InDex held an extraordinary general meeting, which resolved to approve the Board's resolution on a new issue of shares with deviation from the shareholders' preferential rights.
- InDex updated the list of shareholders on the homepage with information as of October 18, 2019.

All comparative amounts in brackets refer to the outcome during the corresponding period 2018.

PERIOD JANUARY-DECEMBER 2019
- Net sales amounted to SEK 0.1 (0.1) million
- Operating result amounted to SEK –87.7 (–82.0) million
- Result after tax amounted to SEK –87.8 (–82.1) million, corresponding to SEK –1.19 per share (–1.29) before and after dilution
- Cash flow from operating activities amounted to SEK –85.1 (–78.6) million
- Cash and cash equivalents at the end of the period amounted to SEK 126.8 (83.0) million
- Number of employees at the end of the period was 7 (7)
- Number of shares at the end of the period was 88,781,275

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD
- InDex in-depth analysis of the CONDUCT study confirmed the successful top line results and supports the strategy going forward.

"The robustness and consistency of the CONDUCT results support our strategy to move cobitolimod forward in development and our phase III preparations are continuing according to plan", says Peter Zerhouni, CEO of InDex Pharmaceuticals.

This year-end report is InDex's first consolidated financial statements under IFRS. The effects of transitioning to IFRS are presented in note 7. InDex accounting principles under IFRS is presented in note 2.

INDEX IN BRIEF

InDex is a pharmaceutical development company focusing on immunological diseases where there is a high unmet medical need for new treatment options. The company's lead asset is the drug candidate cobitolimod, which is in late stage clinical development for the treatment of moderate to severe ulcerative colitis – a debilitating, chronic inflammation of the large intestine. InDex has also developed a platform of patent protected discovery stage substances, so called DNA based Immuno-Modulatory Sequences (DIMS), with the potential to be used in treatment of various immunological diseases. InDex is based in Stockholm, Sweden. The company's shares (ticker INDEX) are traded on Nasdaq First North Growth Market Stockholm. Redeye AB is the company's Certified Adviser (+46 8 121 576 90 or certifiedadviser@redeye.se).

CEO statement

We have now concluded in-depth analysis of the complete data set from the CONDUCT study with the help of several key opinion leaders in the field of inflammatory bowel diseases. The analysis confirms that the highest dose tested, which met the primary endpoint of the study, demonstrates an outstanding combination of efficacy and safety. Also results in secondary endpoints ranging across clinical, biochemical and quality of life measures provide supportive evidence for the efficacy of this dose in patients with moderate to severe ulcerative colitis. The analysis also confirms cobitolimod's excellent safety profile. Our intention is to present the complete study results in a scientific journal as well as at upcoming international medical conferences.

This patient population is hard to treat, and many do not respond to or cannot tolerate available medical therapies, resulting in a high unmet medical need. This, in combination with the robustness and consistency of the CONDUCT results support our strategy to move cobitolimod forward in development and our phase III preparations are continuing according to plan. Our plan is to be ready to enrol patients in the second half of this year.

The next step in the preparations is to complete the ongoing discussions with the European and American regulatory authorities, EMA and FDA, regarding our proposed design of the phase III program. We should have received all formal feedback from them by the end of the first quarter of this year. In parallel, we are conducting market research as well as consulting with our medical advisors and clinical research organisations (CROs), and this input will also be considered in the study design. We expect to have sufficient information to be able to finalise the design of the phase III program during the second quarter of this year. Then we can also determine the costs and associated capital requirements.

In January, I was in San Francisco during the annual JP Morgan conference that kicks off the biotech year. I presented the positive top line results and the development plans to both pharmaceutical companies and specialist investors who have shown interest in cobitolimod and InDex. That work will intensify now that we have the in-depth conclusions from CONDUCT and soon also the feedback from the regulatory authorities, so that we can provide a complete picture of the continued development towards commercialisation of cobitolimod.

To meet a growing international interest, we have decided to adopt IFRS for our external financial reporting as of this report. I look forward to an eventful spring and hope to see you at the annual general meeting, which this year is held already on April 20.

Peter Zerhouni, CEO

Business overview

InDex is a pharmaceutical development company focusing on immunological diseases where there is a high unmet medical need for new treatment options. The company's lead asset is the drug candidate cobitolimod, which is in late stage clinical development for the treatment of moderate to severe ulcerative colitis a debilitating, chronic inflammation of the large intestine.

In addition, InDex has a broad portfolio of other DNA based ImmunoModulatory Sequences (DIMS) in discovery stage, with the potential to be used in the treatment of various immunological diseases.

Ulcerative colitis is a chronic disease caused by inflammation of the large intestine. The symptoms are characterised by blood- and mucus-mixed diarrhea, frequent stools, pain, fever, weight loss and anemia. Despite the currently available drugs on the market, many patients with ulcerative colitis still suffer from severe symptoms. For those patients that do not respond to medical treatment, the last resort is to surgically remove the colon.

InDex's clinical studies have shown that cobitolimod has a competitive efficacy and a more favorable safety profile than what has been reported for the currently approved biological drugs. Sales of biologics for treatment of ulcerative colitis amount to more than USD 5 billion a year.

Cobitolimod has a new type of mechanism of action. It is a so-called Toll-like receptor 9 (TLR9) agonist that can provide an anti-inflammatory effect locally in the large intestine, which may induce mucosal healing and relief of the clinical symptoms in ulcerative colitis.

InDex recently reported positive top line results from the phase IIb study CONDUCT with cobitolimod. CONDUCT was a dose optimisation study with the objective to identify the most efficacious dose to move forward in development. The study met the primary endpoint clinical remission with a superior efficacy of 15% (delta) for patients treated with the highest dose of cobitolimod compared to placebo. Cobitolimod was well tolerated at all dose levels and no differences in the safety profile were observed compared to placebo. CONDUCT was a randomised, double blind, placebo-controlled study including 213 patients with left-sided moderate to severe active ulcerative colitis at 91 sites in 12 countries. The patients were divided into four treatment arms who received different doses of cobitolimod and one arm who received a placebo.

InDex has already in previous clinical trials shown that cobitolimod has a very favorable safety profile and has statistically significant effects on those endpoints that are most relevant in this disease, both from a regulatory and clinical perspective. These endpoints include the key clinical symptoms such as blood in stool, number of stools, and mucosal healing, respectively.

Given the outstanding combination of efficacy and safety, InDex is now advancing cobitolimod towards phase III.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- InDex provided on April 11, 2019 a status update on the patient recruitment in the CONDUCT study. The company estimated that the patient recruitment would be completed during the month of June at the latest, which represented a delay compared to the previously communicated timeline.
- InDex reported on June 26, 2019 that the patient enrolment was completed in the dose optimisation study CONDUCT. Top line results were expected to be available in 8-10 weeks thereafter.
- InDex announced on June 26, 2019 that a new method of use patent for cobitolimod has been granted by the European Patent Office. The patent provides additional protection for the use of certain dosage regimens of cobitolimod for treating chronic active ulcerative colitis in patients that are not responding or are intolerant to anti-inflammatory therapy.
- InDex announced on August 27, 2019 positive top line results from the dose optimisation study CONDUCT, which evaluated cobitolimod for the treatment of moderate to severe ulcerative colitis. The study met the primary endpoint of clinical remission, demonstrating a superior efficacy of 15% (delta) in patients receiving the highest dose of cobitolimod compared to placebo. Cobitolimod was well tolerated at all dose levels and no differences in the safety profile were observed compared to placebo.
- InDex announced on September 5, 2019 that the list of shareholders on the homepage had been updated with information as of August 30, 2019.
- InDex announced on September 19, 2019 that the Board had resolved to issue a maximum of 20,000,000 shares, where a maximum of 13,756,255 shares were issued based on the authorization granted by InDex's annual general meeting on 6 May 2019 and a maximum of 6,243,745 shares

FINANCIAL SUMMARY

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Revenues	0.0	0.0	0.1	0.1
Operating result	–25.6	–22.3	–87.7	–82.0
Result after tax	–25.6	–22.3	–87.8	–82.1
Earnings per share before and after dilution, SEK	–0.29	–0.33	–1.19	–1.29
Cash flow from operating activities	–34.2	–20.6	–85.1	–78.6
Cash and cash equivalents at the end of the period	126.8	83.0	126.8	83.0

Note: Earnings per share – Net result divided by weighted number of shares.

were issued subject to the subsequent approval of the extraordinary general meeting. The subscription price in the directed share issue was SEK 6.98 per share and corresponded to the closing price on Nasdaq First North Growth Market on September 19, 2019. Through the directed share issue, InDex received proceeds amounting to approximately SEK 140 million before transaction related costs. Investors in the directed share issue were a wide range of Swedish and international investors including reputable new investors such as the Fourth Swedish National Pension Fund as well as current shareholders such as Stiftelsen Industrifonden and Bengt Julander (through Linc AB).
- InDex announced on September 19, 2019 a notice of an extraordinary general meeting on October 9, 2019 with the resolution to approve the Board's resolution on a new issue of shares with deviation from the shareholders' preferential rights.
- InDex held an extraordinary general meeting on October 9, 2019. The extraordinary general meeting resolved to approve the Board's resolution on a new issue of no more than 6,243,745 shares with deviation from the shareholders' preferential rights.
- InDex announced on October 28, 2019 that the list of shareholders on the homepage had been updated with information as of October 18, 2019.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

- InDex announced on February 19, 2020 the conclusions from in-depth analysis of the complete data set from the phase IIb dose optimisation study CONDUCT. The analysis confirmed that the highest dose tested, which met the primary endpoint of the study, demonstrates an outstanding combination of efficacy and safety. The company also announced that the phase III preparations are continuing according to plan.

FINANCIAL SUMMARY FOR THE REPORTING PERIOD

Because of the nature of the business operations, there may be large fluctuations between different periods.

Group

Net sales for the period January to December 2019 amounted to SEK 0.1 million. The net sales are related to the sale of DiBiCol test kits.

Operating expenses for the period amounted to SEK 87.8 million, which is an increase of SEK 5.1 million compared to the same period the previous year. The increase is attributable to a higher activity level in the phase IIb study CONDUCT, especially during the third quarter 2019 and higher personnel costs.

The operating expenses during the period refer to costs for the phase IIb study and general operating expenses.

Costs for the personnel during the reporting period amounted to SEK 12.8 million, which is SEK 3.2 million more than for the same period the previous year. The increase stems mainly from variable compensation related to the finished phase IIb study and completed capital raising.

Cash and cash equivalents as of December 31, 2019 amounted to SEK 126.8 million, which is SEK 43.8 million higher than as of December 31, 2018. InDex announced on September 19, 2019 that the Board had resolved to issue a maximum of 20,000,000 shares, where 13,756,255 shares were issued based on the authorization granted by the annual general meeting on May 6, 2019 and 6,243,745 shares were issued subject to the subsequent approval of an extraordinary general meeting. The subscription price was SEK 6.98 per share corresponding to the closing price on September 19, 2019. InDex received in total SEK 129.8 million after transaction related costs for financial and legal services and costs for registration and practical management.

Parent company

The net sales amounted to SEK 11.0 million during the period January to December 2019 and consisted of invoicing of group wide expenses to the other companies within the group.

The operating expenses amounted to SEK 17.0 million and consisted of personnel expenses and other operating expenses relating to the administration of InDex.

To reset the equity in the subsidiary InDex Pharmaceuticals AB, InDex Pharmaceuticals Holding AB provided during 2019 a shareholder contribution of in total SEK 90 (40) million. A writedown of shares in subsidiaries were made simultaneously.

FINANCIAL SUMMARY AFTER THE REPORTING PERIOD

- No significant events have occurred after the end of the reporting period.

EXPECTED FUTURE DEVELOPMENT

InDex reported on August 27, 2019 that cobitolimod met the primary endpoint in the now completed phase IIb study CONDUCT. InDex is now advancing cobitolimod towards phase III and in parallel evaluating the optimal route to commercialization.

The Board is reviewing the forecasted cash flow on an ongoing basis to determine InDex's capital requirements and resources required to conduct the business activities in accordance with the strategic direction decided by the Board.

It is the assessment of the Board that InDex has enough capital to finance all financial commitments InDex has for the coming 12-month period.

InDex provides no financial forecast or similar forward looking statement.

EMPLOYEES

The number of employees at the end of the period was 7 (7).

THE SHARE

The share is listed on Nasdaq First North Growth Market Stockholm since October 11, 2016.

LARGEST SHAREHOLDERS PER DECEMBER 31, 2019

	Number of shares	Percentage of capital and votes, %
SEB Venture Capital	12,994,367	14.6
Stiftelsen Industrifonden	12,865,296	14.5
Linc AB	8,875,650	10.0
Fjärde AP-fonden	6,400,000	7.2
Avanza Pension	3,292,977	3.7
Staffan Rasjö	3,124,718	3.5
Originat AB	2,700,000	3.0
Nordnet Pensionsförsäkring AB	2,381,562	2.7
SEB Life International	2,321,225	2.6
Skandinaviska Enskilda Banken SA	2,300,000	2.6
SEB Stiftelsen	1,785,714	2.0
Ponderus Invest AB	1,000,000	1.1
Ålandsbanken	980,263	1.1
Rune Pettersson	980,081	1.1
Tomas Timander	741,457	0.8
Other	26,037,965	29.5
Total	**88,781,275**	**100.0**

INCENTIVE PROGRAMMES

At the extraordinary general meeting held on September 12, 2016 it was resolved to issue 3,250,000 warrants to transfer to employees and other key persons within InDex. The warrants had an exercise price of SEK 19 per share and could be exercised in September 2019. The incentive program ended without any new shares being issued.

DIVENDEND PROPOSAL FROM THE BOARD AND DIVIDEND POLICY

The Board will not propose a dividend for 2019. The Board has no intention to propose a dividend until InDex can forecast long term profit and sustainable positive cash flow.

REVIEW BY THE AUDITOR

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

FINANCIAL CALENDER

Annual general meeting	April 20, 2020
Interim report Q1	May 7, 2020
Interim report Q2	August 26, 2020
Interim report Q3	November 25, 2020

ANNUAL REPORT

The annual report for 2019 is expected to be available at InDex's premises from March 30, 2020. The annual report will also be available at InDex's homepage (www.indexpharma.com) from this date.

Stockholm, February 20, 2020
Peter Zerhouni, CEO

FOR MORE INFORMATION, PLEASE CONTACT:

Peter Zerhouni, CEO
Phone: +46 (0) 8 508 847 30
Email: peter.zerhouni@indexpharma.com

InDex Pharmaceuticals Holding AB (publ)
Tomtebodavägen 23a, 171 77 Stockholm, Sweden
www.indexpharma.com

The information in this interim report is information that InDex Pharmaceuticals Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by the contact person stated above at 8:00 CET on February 20, 2020.

This is an English translation of the Swedish interim report. In case of discrepancies between the English translation and the Swedish report, the Swedish report shall prevail.

Condensed consolidated statement of total comprehensive income

SEKk	Oct 1-Dec 31, 2019	Oct 1-Dec 31, 2018	Full year 2019	Full year 2018
Revenues				
Net sales	9	29	88	128
Other income	–	612	–	612
Total revenues	**9**	**641**	**88**	**740**
Operating expenses				
Raw material and consumables	–492	–148	–3,903	–560
Other external expenses	–18,774	–19,337	–70,189	–71,685
Personnel costs	–6,128	–3,178	–12,769	–9,553
Depreciations/amortisations of tangible fixed assets and right-of-use assets	–235	–235	–939	–940
Total expenses	**–25,629**	**–22,898**	**–87,800**	**–82,738**
Operating result	**–25,620**	**–22,257**	**–87,712**	**–81,998**
Result from financial investments				
Financial income	–	–	–	–
Financial expenses	–15	–17	–61	–86
Other	–	–	–	–64
Financial items – net	**–15**	**–17**	**–61**	**–150**
Earnings before tax	**–25,635**	**–22,274**	**–87,773**	**–82,148**
Taxes for the period	–	–	–	–
Loss for the period	**–25,635**	**–22,274**	**–87,773**	**–82,148**

Earnings per share, based on the net result attributable to the equity holders of the parent company:

SEKk	Note	Oct 1-Dec 31, 2019	Oct 1-Dec 31, 2018	Full year 2019	Full year 2018
Earnings per share before and after dilution	6	–0.29	–0.33	–1.19	–1.29

In the group there are no items reported in other comprehensive income. So total comprehensive income is consistent with profit/loss for the period. The profit/loss for the period and total comprehensive income are entirely attributable to the equity holders of the parent company

Condensed consolidated balance sheet

SEKk	Dec 31, 2019	Dec 31, 2018
ASSETS		
Fixed assets		
Tangible fixed assets		
Equipment, tools and installations	11	21
Total tangible fixed assets	**11**	**21**
Right-of-use assets	**464**	**1,393**
Financial assets		
Other long-term receivables	1	1
Total financial assets	**1**	**1**
Total fixed assets	**476**	**1,415**
Current assets		
Current receivables		
Accounts receivable	4	10
Other current receivables	1,343	1,480
Prepaid expenses and accrued income	474	482
Cash and cash equivalents	126,790	83,034
Total current receivables	**128,611**	**85,006**
Total current assets	**128,611**	**85,006**
TOTAL ASSETS	**129,087**	**86,421**
EQUITY AND LIABILITIES		
Equity		
Share capital	1,776	1,376
Additional paid-in capital	384,304	254,930
Retained earnings (including profit/loss for the period)	–279,577	–191,814
Total equity attributable to the equity holders of the parent company	**106,503**	**64,492**
Liabilities		
Non-current liabilities		
Non-current lease liabilities	–	484
Total non-current liabilities	**–**	**484**
Current liabilities		
Current lease liabilities	484	947
Account payables	3,153	3,550
Other liabilities	1,138	1,311
Accrued expenses and deferred income	17,809	15,637
Total current liabilities	**22,584**	**21,445**
Total liabilities	**22,584**	**21,929**
TOTAL EQUITY AND LIABILITIES	**129,087**	**86,421**

Condensed consolidated statement of changes in equity

	Equity attributable to the equity holders of the parent company			
SEKk	Share capital	Additional paid in capital	Retained earnings, including loss for the period	Total equity
Opening balance, January 1, 2018	**1,251**	**217,581**	**–109,666**	**109,166**
Profit/loss for the period equal to total comprehensive income	–	–	–82,148	–82,148
Total comprehensive income for the year	**–**	**–**	**–82,148**	**–82,148**
Transactions with equity holders of the parent company:				
Issue of shares	125	37,517	–	37,642
Transaction costs	–	–168	–	–168
Total transactions with equity holders of the parent company	**125**	**37,349**	**–**	**37,474**
Closing balance, December 31, 2018	**1,376**	**254,930**	**–191,814**	**64,492**
Opening balance, January 1, 2019	**1,376**	**254,930**	**–191,814**	**64,492**
Profit/loss for the period equal to total comprehensive income	–	–	–87,773	–87,773
Total comprehensive income for the year	**–**	**–**	**–87,773**	**–87,773**
Transactions with equity holders of the parent company:				
Issue of shares	400	139,260	–	139,660
Transaction costs	–	–9,876	–	–9,876
Total transactions with equity holders of the parent company	**400**	**129,384**	**–**	**129,784**
Closing balance, December 31, 2019	**1,776**	**384,314**	**–279,587**	**106,503**

Condensed consolidated cash flow

SEKk	Oct 1-Dec 31, 2019	Oct 1-Dec 31, 2018	Full year 2019	Full year 2018
Operating activities				
Operating result	–25,620	–22,257	–87,712	–81,998
Adjustments for non-cash items:				
Depreciations/amortisations	235	235	939	940
Interest paid and received	–15	–17	–61	–155
Income tax paid	–	–	–	–
Cash flow from operating activities before changes in working capital	**–25,400**	**–22,039**	**–86,834**	**–81,213**
Changes in working capital				
Decrease(+)/Increase(–) of current receivables	–484	–1,199	151	–187
Decrease(–)/Increase(+) of current liabilities	–8,315	2,608	1,602	2,833
Cash flow from changes in working capital	**–8,799**	**1,409**	**1,753**	**2,646**
Cash flow from operating activities	**–34,199**	**–20,630**	**–85,081**	**–78,567**
Investing activities				
Investments of tangible assets	–	–	–	–
Cash flow from investing activities	**–**	**–**	**–**	**–**
Financing activities				
Amortisation of lease liabilities	–237	–237	–947	–932
Issues of shares, net after transaction costs	43,641	37,478	129,784	37,478
Cash flow from financing activities	**43,404**	**37,241**	**128,837**	**36,546**
Cash flow for the period	**9,205**	**16,611**	**43,756**	**–42,021**
Decrease/increase of cash and cash equivalents				
Cash and cash equivalents at the beginning of the year	117,585	66,423	83,034	125,055
Currency translation difference in cash and cash equivalents	–	–	–	–
Cash and cash equivalents at the end of the year	**126,790**	**83,034**	**126,790**	**83,034**

Income statement parent company

SEKk	Oct 1-Dec 31, 2019	Oct 1-Dec 31, 2018	Full year 2019	Full year 2018
Revenues				
Net sales	4,522	3,107	10,997	9,112
Total revenues	**4,522**	**3,107**	**10,997**	**9,112**
Operating expenses				
Other external expenses	–2,843	–3,162	–9,108	–9,194
Personnel costs	–4,149	–2,050	–7,852	–5,252
Total expenses	**–6,992**	**–5,212**	**–16,960**	**–14,446**
Operating loss	**–2,470**	**–2,105**	**–5,963**	**–5,334**
Net financial items				
Write-down of financial assets	–60,000	–40,000	–90,000	–40,000
Financial costs	–8	–26	–21	–36
Total	**–60,008**	**–40,026**	**–90,021**	**–40,036**
Earnings before tax	**–62,478**	**–42,131**	**–95,984**	**–45,370**
Taxes for the period	–	–	–	–
Loss for the period	**–62,478**	**–42,131**	**–95,984**	**–45,370**

In the parent company there are no items reported in other comprehensive income. So total comprehensive income is consistent with profit/loss for the period.

Balance sheet parent company

SEKk	Dec 31, 2019	Dec 31, 2018
ASSETS		
Fixed assets		
Financial assets		
Shares in subsidiary	247,030	247,030
Total financial assets	**247,030**	**247,030**
Total fixed assets	**247,030**	**247,030**
Current assets		
Current receivables		
Intercompany receivables	563	351
Other receivables	58	15
Prepaid expenses and accrued income	366	353
Total current receivables	**987**	**719**
Cash and cash equivalents	124,965	82,388
Total current assets	**125,952**	**83,107**
TOTAL ASSETS	**372,982**	**330,137**
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	1,776	1,376
Total restricted equity	**1,776**	**1,376**
Non-restricted equity		
Share premium reserve	630,031	500,647
Retained earnings	–217,005	–171,635
Loss for the period	–95,984	–45,370
Total non-restricted equity	**317,042**	**283,642**
Total equity	**318,818**	**285,018**
Liabilities		
Current liabilities		
Accounts payable	243	168
Intercompany liabilities	47,262	42,266
Other liabilities	1,222	1,066
Accrued expenses and deferred income	5,437	1,619
Total current liabilities	**54,164**	**45,119**
TOTAL EQUITY AND LIABILITIES	**372,982**	**330,137**

Statement of change in equity parent company

	Restricted equity	Non-restricted equity			
SEKk	Share capital	Share premium	Retained earnings	Net result	Total equity
Opening balance, January 1, 2018	**1,251**	**463,294**	**–46,972**	**–124,663**	**292,910**
Disposition of last year's result	–	–	–124,663	124,663	–
Net results and total comprehensive income for the year	–	–	–	–45,370	–45,370
Total comprehensive income for the year	**–**	**–**	**–**	**–45,370**	**–45,370**
Transactions with equity holders of the parent company:					
Issue of shares	125	37,517	–	–	37,642
Transaction costs	–	–164	–	–	–164
Total transactions with equity holders of the parent company	**125**	**37,353**	**–**	**–**	**37,478**
Closing balance, December 31, 2018	**1,376**	**500,647**	**–171,635**	**–45,370**	**285,018**
Opening balance, January 1, 2019	**1,376**	**500,647**	**–171,635**	**–45,370**	**285,018**
Disposition of last year's result	–	–	–45,370	45,370	–
Net results and total comprehensive income for the year	–	–	–	–95,984	–95,984
Total comprehensive income for the year	**–**	**–**	**–**	**–95,984**	**–95,984**
Transactions with equity holders of the parent company:					
Issue of shares	400	139,260	–	–	139,660
Transaction costs	–	–9,876	–	–	–9,876
Total transactions with equity holders of the parent company	**400**	**129,384**	**–**	**–**	**129,784**
Closing balance, December 31, 2019	**1,776**	**630,031**	**–217,005**	**–95,984**	**318,818**

Cash flow parent company

SEKk	Oct 1-Dec 31, 2019	Oct 1-Dec 31, 2018	Full year 2019	Full year 2018
Operating activities				
Earnings before tax	–62,478	–42,131	–95,984	–45,370
Adjustments for non-cash items:				
Write downs	60,000	40,000	90,000	40,000
Income tax paid	–	–	–	–
Cash flow from operating activities before changes in working capital	**–2,478**	**–2,131**	**–5,984**	**–5,370**
Changes in working capital				
Changes in current receivables	77	67	–268	–88
Changes in current liabilities	27,764	22,212	9,045	–21,314
Cash flow from changes in working capital	**27,841**	**22,279**	**8,777**	**–21,402**
Cash flow from operating activities	**25,363**	**20,148**	**2,793**	**–26,772**
Investing activities				
Shareholder's contribution	–60,000	–40,000	–90,000	–40,000
Cash flow from investing activities	**–60,000**	**–40,000**	**–90,000**	**–40,000**
Financing activities				
Issues of shares, net after transaction costs	43,641	37,478	129,784	37,478
Cash flow from financing activities	**43,641**	**37,478**	**129,784**	**37,478**
Cash flow for the period	**9,004**	**17,626**	**42,577**	**–29,294**
Decrease/increase in cash and cash equivalents				
Cash and cash equivalents at the beginning of the period	115,961	64,762	82,388	111,682
Cash and cash equivalents at the end of the period	**124,965**	**82,388**	**124,965**	**82,388**

Development of parent company's share capital

SEK Date	Transaction	Change in share capital	Total share capital	Number of new shares	Total number of shares	Paid in amount
Jun 27, 2016	Inception of the company	500,000	500,000	500,000	500,000	500,000
Sep 7, 2016	Split of shares	–	500,000	45,500,000	50,000,000	–
Sep 7, 2016	Share issue in-kind	601,345	1,101,345	60,134,466	110,134,466	–
Sep 7, 2016	Reduction of number of shares	–500,000	601,345	–50,000,000	60,134,466	–
Sep 7, 2016	Share issue	–	601,345	2	60,134,468	–
Sep 8, 2016	Reversed split of shares	–	601,345	–30,067,234	30,067,234	–
Oct 6, 2016	Share issue for pref. shares	52,685	654,030	2,634,279	32,701,513	52,685
Oct 6, 2016	Share issue	560,479	1,214,509	28,023,969	60,725,482	235,401,340
Oct 12, 2016	Share issue	14,305	1,228,814	715,250	61,440,732	6,008,100
Oct 25, 2016	Share issue	17,969	1,246,783	898,421	62,339,153	7,546,736
Nov 14, 2016	Share issue	1,895	1,248,678	94,725	62,433,878	795,690
Dec 29, 2016	Share issue in-kind	1,300	1,249,978	65,015	62,498,893	–
Jan 13, 2017	Share issue	591	1,250,569	29,540	62,528,433	248,136
Oct 23, 2018	Share issue	125,057	1,375,626	6,252,842	68,781,275	37,642,109
Sep 23, 2019	Share issue	275,125	1,650,751	13,756,255	82,537,530	96,018,660
Oct 10, 2019	Share issue	124,874	1,775,625	6,243,745	88,781,275	43,581,340

Notes

NOTE 1 GENERAL INFORMATION

This interim report includes the parent company InDex Pharmaceuticals Holding AB (publ), Corp. Reg. No. 559067-6820, the subsidiary InDex Pharmaceuticals AB and the sub-subsidiary InDex Diagnostics AB ('InDex', 'the company' or 'the group'). InDex Pharmaceuticals Holding AB (publ) is a parent company registered in Sweden with its registered office in Stockholm with the address Tomtebodavägen 23a, SE-171 77 Stockholm, Sweden.

Unless otherwise stated, all amounts are in thousands of Swedish kronor (SEKk). Figures in parentheses refer to the comparative period.

NOTE 2 ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. Unless otherwise stated, these policies have been applied consistently for all periods presented.

2.1 BASIS OF PREPARATION FOR THE REPORTS

The consolidated financial statements for the InDex Pharmaceuticals Holding AB were prepared in accordance with the Swedish Annual Accounts Act, RFR 1 *Supplementary Accounting Rules for Groups*, International Financial Reporting Standards (IFRS) and interpretations from IFRS Interpretations Committee (IFRS IC) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Swedish Annual Accounts Act.

This year-end report is InDex's first report prepared in accordance with IFRS. The consolidated financial statements have been prepared using the cost method. Historical financial information has been restated from January 1, 2017, which is the date of transition to IFRS. Explanations for the transition from previously applied accounting policies to IFRS and the effects of the restatement on amounts previously recognised in comprehensive income and equity are presented in note 7.

The preparation of financial statements compliant with IFRS requires the use of certain critical accounting estimates. In addition, the management must make certain assessments when applying the group's accounting policies. Those areas that involve a high degree of assessment, that are complex or such areas where assumptions and estimates are of material importance for the consolidated financial statements are presented in note 4.

Parent company

The parent company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 entails that in the year-end report for the legal entity, the parent company is required to apply all of the IFRS and statements adopted by the EU as far as this is possible within the framework of the Annual Accounts Act and the Swedish Pension Obligations Vesting Act taking into account for the relationship between accounting and taxation.

As the group transition to IFRS the parent company transition to RFR 2. The transition from historical accounting principles to RFR 2 has not led to any changes in the reported toal comprehensive income statement or in the reported total equity for the parent company.

The preparation of financial statements in compliance with RFR 2 requires the use of certain critical accounting estimates. In addition, the management must make certain assessments when applying the parent company's accounting policies. Those areas that involve a high degree of assessment, that are complex or such areas where assumptions and estimates are of material importance for the financial statements are presented in note 4 in the consolidated financial statements.

The parent company applies other accounting policies than the group in the following cases:

Presentation formats

The format prescribed in the Swedish Annual Accounts Act is used for the income statements and balance sheets. The presentation format for the statement of changes in equity is consistent with the group's format, but must also include the columns stated in the Swedish Annual Accounts Act. Moreover, this entails a difference in terms compared with the consolidated financial statements, mainly with regard to financial income and expense, and equity.

Shareholder and group contributions

Group contributions to subsidiaries from the parent company and group contributions to the parent company from subsidiaries are recognised as appropriations. Shareholder contributions provided are recognised in the parent company as an increase in the carrying amount of participations, and in the receiving company as an increase in equity.

Financial instruments

IFRS 9 is not applied in the parent company. The parent company applies the points set out in RFR 2 (IFRS 9 *Financial instruments*, pp. 3-10) instead.

Financial instruments are measured at cost. Financial assets acquired with the intention of holding them on a short-term basis will be recognised in subsequent periods in accordance with the lower of cost or market method. Derivative instruments with negative fair value are recognised at this value.

When calculating the net realisable value of receivables recognised as current assets, IFRS 9's impairment and expected credit loss models are applied. For receivables measured at amortised cost at group level, the expected credit loss recognised in the group in accordance with IFRS 9 must also be recognised by the parent company.

Leased assets

The parent company has elected not to apply IFRS 16 *Leases*, but to apply RFR 2 instead. As a result, no right-of-use assets or lease liabilities are recognised in the balance sheet. The lease payments are instead recognised as an expense over the lease term on a straight-line basis.

2.1.1 NEW AND REVISED STANDARDS NOT YET ADOPTED BY THE GROUP

A number of new standards and interpretations that came into effect for financial periods beginning on or after January 1, 2020 have not been applied in the preparation of this financial report. No standards that are in issue but not yet effective are assessed to have a significant impact when adopted.

2.2 CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

Subsidiaries are all companies in which the group has a controlling interest. The group controls a company when it is exposed to, or entitled to, variable returns from its holding in the company and has the ability to affect those returns through its control over the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling interest is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling interest ceases.

Intra-group transactions, balance-sheet items and unrealised gains and losses on transactions between group companies are eliminated. The accounting policies of subsidiaries have been changed where necessary to ensure consistent application of the group's policies.

2.3 SEGMENT REPORTING

InDex's chief operating decision-maker is the CEO, since the CEO is primarily responsible for allocating resources and evaluating results. The assessment of the group's operating segments is based on the financial information reported to the CEO. The financial information reported to the CEO, to support the allocation of resources and assessment of the group's results, pertains to the group as a whole. The group conducts pharmaceutical development and the operations currently consist entirely of research and the development of pharmaceuticals for immunological diseases. Against this background, the assessment is that InDex conducts only one type of development activities within the group. Accordingly there are one operating segment, which is the group as a whole.

2.4 TRANSLATION OF FOREIGN CURRENCY

(i) Functional and presentation currency

The functional currency of the various entities in the group is the local currency, as this has been defined as the currency that is used in the primary economic environment in which each entity mainly operates. The Swedish krona (SEK) is used in the consolidated financial statements, and is the functional currency of the parent company and the presentation currency of the group.

(ii) Transactions and balance sheet items

Transactions in foreign currency are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Exchange rate gains and losses arising from the payment of such transactions and from the translation of monetary assets and liabilities in foreign currency at the closing-day rate are recognised in operating profit/loss in the statement of comprehensive income.

Exchange rate gains and losses attributable to cash and cash equivalents are recognised as financial income or expenses in the statement of comprehensive income.

2.5 REVENUE RECOGNITION

The group sells services in the form of research or analysis assignments on an ongoing basis. The contracts are normally classified as a distinct performance obligation. Revenue from the services provided is recognised in the accounting period in which they are rendered.

A receivable is recognised when the services are completed as this is the point in time when the consideration is unconditional (meaning only the passage of time is required before payment of that consideration is due).

2.6 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Grants received before the conditions for recognition as income have been met are recognised as a liability.

The group's grants consist in their entirety of grants to cover costs. The grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

2.7 INTEREST INCOME

Interest income is recognised using the effective interest method.

2.8 CURRENT AND DEFERRED TAX

Tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except when the tax pertains to items that are recognised in other comprehensive income or directly in equity. In this cases, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted on the balance sheet date in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not recognised to the extent it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither affects neither accounting profit nor taxable profit. Deferred tax is calculated using tax rates (and laws) enacted or substantially enacted on the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to offset those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority and pertain to either the same or different tax entities, where there is an intention to realise the asset and settle the liability on a net basis.

2.9 LEASES

The group's leases essentially pertain to an office space.

The leases are recognised as right-of-use assets and a corresponding lease liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is allocated over amortisation of the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is subsequently depreciated over the shorter of the useful life of the asset and the lease term on a straight-line basis. The lease has a fixed term of one year with an option to extend or terminate the contract.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities include the present value of the following lease payments:

- fixed payments and
- variable lease payments dependent on an index.

The lease payments are discounted using the incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

- the initial measurement of the lease liability, and
- payments made on or before the point in time when the leased asset is made available to the lessee.

Lease payments attributable to short-term leases and low-value leases are recognised over the lease term on a straight-line basis. Short-term leases are leases with a lease term of 12 months or less. Low-value leases essentially pertain to office equipment.

Options to extend or terminate leases

Options to extend or terminate leases are included in the group's lease contracts for offices. These terms are used to maximise operational flexibility in terms of managing contracts. Options to extend or terminate leases are included in the asset and the liability where it is reasonably certain they will be exercised.

2.10 TANGIBLE FIXED ASSETS

Tangible fixed assets include equipment, tools, fixtures and fittings. Tangible fixed assets are recognised at cost less depreciation. Cost includes expenses directly attributable to the acquisition of the asset.

Subsequent costs are added to the carrying amount of the asset or recognised as a separate asset, whichever is the most appropriate, only when it is probable that the future economic benefits embodied in the asset will flow to the group and the cost of the asset can be measured reliably. The carrying amount of the part that is replaced is derecognised. All other repairs and maintenance are recognised as expense in the statement of comprehensive income in the period in which they occur.

In order to allocate their cost down to the residual value over the estimated useful life, assets are depreciated on a straight-line basis as followed.

- Equipment, tools, fixtures and fittings 5 years

The residual values and useful lives of the assets are reviewed at the end of every reporting period and adjusted if appropriate.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount, and recognised net in other operating income/other operating expenses in the statement of comprehensive income.

2.11 INTANGIBLE ASSETS

Research and development

InDex is a pharmaceutical development company focused on immunological diseases. All expenses directly attributable to the development and testing of identifiable and unique products controlled by InDex are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the product or process so that it will be available for use,
- InDex's intention is to complete the product and to use or sell it,
- there is an ability to use or sell the product,
- it can be demonstrated how the product will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the product are available, and
- the expenditure attributable to the product during its development can be reliably measured.

The overall risk in ongoing development projects is high. Risk includes safety and efficacy-related risks that can arise in clinical trials, regulatory risks related to applications for the approval of clinical trials and marketing authorisation, and IP risks related to the approval of patent applications and maintaining patents. All development is therefore considered research, since development processes do not meet the criteria listed above until the product has received marketing authorisation. At December 31, 2019 and in the comparative periods, no development costs had been recognised as intangible assets in the balance sheet since none of the above criteria for capitalisation were considered met for any of the pharmaceutical development projects conducted by the group. Research costs are expensed as incurred. Development costs expensed in prior periods are not recognised as assets in subsequent periods.

2.12 IMPAIRMENT OF NON-FINANCIAL ASSETS
Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs of disposal and value in use.

2.13 FINANCIAL INSTRUMENTS
IFRS 9 *Financial instruments* came into effect for annual periods beginning on or after January 1, 2019. The group does not consider IFRS 9 to have any material impact on the group's financial statements. IFRS 9 has been applied with full retrospective application since the transition to IFRS on January 1, 2017.

The group's financial assets and liabilities consist of other long-term receivables, accounts receivable, other receivables, accrued income, cash and cash equivalents, accounts payable, other liabilities and accrued costs.

(i) Initial recognition
Financial assets and liabilities are recognised when the group becomes a party to the financial instrument's contractual conditions. The purchase or sale of financial assets and liabilities is recognised on the trade date, i.e. the date on which the group commits to buy or sell the asset.

At initial recognition, a financial asset or a liability is measured at its fair value plus, in the case of a financial asset or a liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or the financial liability, such as fees and commissions. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the statement of comprehensive income.

(ii) Financial assets – Classification and measurement
Financial assets measured at amortised cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses recognised (see Impairment of financial assets below). The group's financial assets that are measured at amortised cost consist of accounts receivable, other receivables, accrued income and cash and cash equivalents.

Financial assets measured at fair value through profit or loss
Financial assets measured at fair value through profit or loss are financial assets held for sale. These are also measured at fair value in subsequent periods and the change in fair value is recognised in the statement of comprehensive income. Financial assets measured at fair value are treated as other non-current receivables.

(iii) Financial liabilities – Classification and measurement
Financial liabilities measured at amortised cost
After initial recognition, the group's financial liabilities are measured at amortised cost using the effective interest method. Financial liabilities consist of account payables, other current liabilities and accrued expenses.

(iv) Derecognition of financial assets and financial liabilities
Financial assets are derecognised when the rights to the cash flows from the instrument have expired or been transferred and the group has transferred substantially all of the risks and rewards of ownership. Financial liabilities are derecognised when the contractual obligations have been fulfilled or otherwise extinguished. Since the terms of a financial liability are renegotiated and not derecognised, a gain or loss is recognised in the statement of comprehensive income and the gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

(v) Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount recognised in the balance sheet only when there is a legally enforceable right to offset the carrying amounts and an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in the normal course of business, in the event of default, and the event of insolvency or bankruptcy of the company and all of its counterparties.

(vi) Impairment of financial assets
Assets measured at amortised cost
The group determines the future expected credit losses attributable to assets measured at amortised cost. The group recognises a loss allowance for such expected credit losses at the end of each reporting period. For accounts receivable, the group applies the simplified approach to loss allowances, meaning that the allowance will correspond to the expected loss over the life of a receivable. To measure the expected credit losses, accounts receivable are grouped on the basis of shared credit risk characteristics and days past due. The group uses forward-looking variables to determine expected credit losses. Expected credit losses are treated as other operating expenses in the consolidated statement of comprehensive income.

2.14 ACCOUNTS RECEIVABLE
Accounts receivable are amounts due from customers for services sold and performed in the ordinary course of business. Accounts receivable are classified as current assets. Accounts receivable are initially recognised at the transaction price. The group holds the accounts receivable with the objective to collect the contractual cash flows. Accounts receivable are therefore measured at amortised cost in subsequent accounting periods using the effective interest method.

2.15 CASH AND CASH EQUIVALENTS
Cash and cash equivalents include bank balances in both the balance sheet and the cash flow statement.

2.16 SHARE CAPITAL
Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are recognised in equity, net of tax, as a deduction from the issue proceeds.

2.17 ACCOUNT PAYABLES
Account payables are financial instruments and pertain to obligations to pay for goods and services acquired from suppliers in the ordinary course of business. Account payables are classified as current liabilities if payment is due within 12 months. If not, they are recognised as long-term liabilities.

Account payables are initially measured at fair value and thereafter at amortised cost using the effective interest method.

2.18 EMPLOYEE BENEFITS
(i) Short-term employee benefits
Liabilities for salaries and benefits, including non-monetary benefits and paid absence, that are expected to be settled within 12 months after the end of the financial year, are recognised as current liabilities at the undiscounted amount expected to be paid when the liabilities are settled. The cost is recognised in the statement of comprehensive income as the services are provided by the employees. The liability is recognised as an obligation to provide employee benefits in the consolidated balance sheet.

(ii) Pension obligations
The group has only defined-contribution pension plans. A defined contribution plan is a pension plan for which the company pays fixed contribution to a separate legal entity. The group has no legal or constructive obligations to pay further contributions if the legal entity does not have sufficient assets to pay all employee benefits relating to employee service in the current or previous periods. The contributions are recognised as personnel costs in the statement of comprehensive income when they fall due for payment.

2.19 EARNINGS PER SHARE
(i) Earnings per share before dilution
Earnings per share before dilution is calculated by dividing:
- the result attributable to shareholders of the parent company, excluding dividends attributable to preference shares
- by a weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

(ii) Earnings per share after dilution
To calculate the earnings per share after dilution, the amounts used to calculate the earnings per share before dilution are adjusted by taking into account:
- The after-tax effect of dividends and interest expenses associated with potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all potential ordinary shares.

NOTE 3 RISKS AND UNCERTAINTIES

OPERATIONAL RISK
There is no guarantee that InDex's research and development will result in commercial success. There is no guarantee that InDex will develop products that can be patented, that granted patents can be retained, that future inventions will lead to patents, or that granted patents will provide sufficient protection for InDex's products.

There is no guarantee that InDex will obtain the necessary approvals to conduct the clinical trials that InDex would like to conduct, or that the clinical trials conducted by InDex, independently or in collaboration with partners, will demonstrate sufficient safety and efficacy to obtain necessary regulatory approvals or that the trials will lead to pharmaceuticals that can be sold on the market. It cannot be excluded that the regulatory approval process will require increased documentation and thereby increased costs and delays in projects or lead to projects being shut down. Increased development costs and longer development time may mean that the risks of a project increase and that the compound's potential to successfully reach the commercial stage decreases or that the time for patent protected sales is reduced.

FINANCIAL RISK MANAGEMENT
InDex may also need to raise additional capital in the future. Both the size and timing of InDex's possible need for capital in the future depend on several factors, including the possibility of entering into collaboration or licensing arrangements and the progress made in research and development projects. There is a risk that the necessary financing of the operations is unavailable at the right time and at a reasonable cost.

For a detailed description of significant risks, refer to InDex's Annual Report for 2018. The Annual Report is available on the company's website.

NOTE 4 IMPORTANT ESTIMATES AND JUDGEMENTS

The group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely correspond to the actual results. The assumptions and other sources of estimation uncertainty where there is a significant risk of material adjustment to the carrying amounts of assets or liabilities within the next financial year are outlined below.

(i) Accrued costs for clinical trials
At each balance sheet date, management estimates the proportion of the coming milestone payments that have been accrued. The accrual for accrued costs is based on external parameters coupled with management's estimate of percentage of completion.

(ii) Tax loss carry-forwards
Deferred tax assets related to loss carry-forwards or other future tax deductions are recognised to the extent it is probable that the deduction can be offset against future taxable profits. Since the group does not report positive results no deferred tax asset related to loss carry-forwards has yet been recognised.

(iii) Estimates and assessments linked to development costs.
An important assessment in financial reporting refers to the point in time for capitalizing pharmaceutical development costs. Based on the accounting policies set out under note 2.11, no pharmaceutical development costs meet the criteria for capitalisation and have therefore been expensed. Pharmaceutical development costs will be, at the earliest, capitalised after positive results have been achieved in phase III clinical trials or until registration studies have commenced. The reasons being that before that time, it is too uncertain whether the costs will generate future economic benefits and that financing of the asset's completion has not been secured.

NOTE 5 RELATED PARTY TRANSACTIONS

No related party transactions have existed from a group perspective.

InDex Pharmaceuticals Holding AB invoices each subsidiary for overall group functions.

NOTE 6 EARNINGS PER SHARE

Earnings per share is calculated by dividing the result for the period by the weighted average number of outstanding ordinary shares during the period.

InDex had potential ordinary shares in the form of warrants. However, these did not give rise to any dilution effect in 2018 or 2019 as a conversion to ordinary shares decreases loss per share.

SEK million	Oct-Dec 2019	Oct-Dec 2018	Full year 2019	Full year 2018
Net result attributable to the equity holders of the parent company	–25.6	–22.3	–87.8	–82.1
Total:	**–25.6**	**–22.3**	**–87.8**	**–82.1**
Weighted average number of shares (thousands)	**88,088**	**67,183**	**73,875**	**63,692**
Earnings per share, SEK	**–0.29**	**–0.33**	**–1.19**	**–1.29**

NOTE 7 EFFECTS OF TRANSITIONING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The year-end report for 2019 is InDex Pharmaceuticals Holding AB's (InDex) first financial report to be prepared in accordance with IFRS. The accounting policies set out in note 2 have been applied for the preparation of the consolidated financial statements for the InDex at December 31, 2019, for the presentation of the comparative information at December 31, 2018 and December 31, 2017, and for the preparation of the group's opening IFRS statement of financial position at January 1, 2017 (the date of transition to IFRS).

The group has in this year-end report chosen to present in the statement of financial position the financial years ending December 31, 2019 and December 31, 2018 and statement of comprehensive income for the financial years 2018 and 2019 and the fourth quarter respective year. Statement of financial position for the opening balance and the financial year ending December 31, 2017 and the statement of comprehensive income for the financial year 2017 are instead presented in this note 7.

When preparing the opening IFRS statement of financial position at January 1, 2017 and the balance sheets at December 31, 2017 and December 31, 2018 in accordance with IFRS, the amounts in previous financial statements and interim reports were adjusted as they were historically prepared in accordance with BFNAR 2012:1 *Annual Report and Consolidated Accounts (K3)*. An explanation for how the transition from previously applied accounting policies to IFRS has affected the group's results and financial position is shown in the tables below and the accompanying references.

EXEMPTIONS ELECTED WHEN TRANSITIONING TO IFRS

The transition to IFRS is reported in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The main rule is that all applicable IFRS and IAS standards that were in force and endorsed by the EU at December 31, 2019 should be applied retrospectively. However, IFRS 1 contains transitional provisions that allow companies to elect one or more exemptions.

Some of the temporary exemptions from full retrospective application of IFRS that InDex has elected when transitioning from previously applied accounting standards to IFRS are as follows:

Leases

InDex has elected to apply IFRS 16 from the date of transition (January 1, 2017) and prospectively (IFRS 1, paragraph D9B). This exemption means that the lease liability is measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate. The right-of-use asset is measured at an amount corresponding to the lease liability. InDex has also elected to apply the following, based on IFRS 1, paragraph D9D, at the date of transition the following exemptions:

- A right-of-use asset or lease liability is not recognised for leases where the underlying asset has a low value.
- Used hindsight, such as in determine the lease term if the contract contains options to extend or terminate the lease.

RECONCILIATIONS OF PREVIOUSLY APPLIED ACCOUNTING POLICIES AND IFRS

In accordance with IFRS 1, InDex must present reconciliations of equity and total comprehensive income reported under previously applied accounting policies, and equity and total comprehensive income under IFRS. InDex transition to IFRS has not had any effect on the total cash flow from operating activities, investing activities or financing activities. However, cash flow between financing activities was reclassified to cash flow from operating activities, since repayment of the lease liability is now recognised in financing activities following the transition to IFRS. Under previously applied accounting policies, total cash flow from leases was recognised in the business. The following tables show reconciliations of equity and total comprehensive income for each period under previously applied accounting policies and IFRS.

RECONCILIATIONS OF TOTAL COMPREHENSIVE INCOME FOR OCTOBER-DECEMBER 2018, JANUARY-DECEMBER 2017 AND JANUARY-DECEMBER 2018

		October-December 2018			January-December 2017			January-December 2018		
SEKk	Ref	Income statement (under previous accounting principles)	Total effect of transition to IFRS	Under IFRS	Income statement (under previous accounting principles)	Total effect of transition to IFRS	Under IFRS	Income statement (under previous accounting principles)	Total effect of transition to IFRS	Under IFRS
Net sales		29	–	29	113	–	113	128	–	128
Other income		612	–	612	–	–	–	612	–	612
Total revenues		**641**	**–**	**641**	**113**	**–**	**113**	**740**	**–**	**740**
Raw material and consumables		–148	–	–148	–8,998	–	–8,998	–560	–	–560
Other external expenses	a), b)	–19,775	438	–19,337	–54,825	1,018	–53,807	–72,981	1,296	–71,685
Personnel costs		–3,178	–	–3,178	–9,594	–	–9,594	–9,553	–	–9,553
Depreciations/amortisation	a)	–3	–232	–235	–11	–929	–940	–11	–929	–940
Operating result		**–22,463**	**206**	**–22,257**	**–73,315**	**89**	**–73,226**	**–82,365**	**367**	**–81,998**
Financial income	b)	106	–106	–	1,340	–	1,340	156	–156	–
Financial expenses	a), b)	–94	77	–17	–784	–3	–787	–106	–44	–150
Financial items - net		**12**	**–29**	**–17**	**556**	**–3**	**553**	**50**	**–200**	**–150**
Earnings before tax		**–22,451**	**177**	**–22,274**	**–72,759**	**86**	**–72,673**	**–82,315**	**167**	**–82,148**
Taxes for the period		–	–	–	–	–	–	–	–	–
Net result		**–22,451**	**177**	**–22,274**	**–72,759**	**86**	**–72,673**	**–82,315**	**167**	**–82,148**

RECONCILIATIONS OF EQUITY AT JANUARY 1, 2017, DECEMBER 31, 2017 AND DECEMBER 31, 2018

		January 1, 2017			December 31, 2017			December 31, 2018		
SEKk	Ref	Under previous accounting principles	Total effect of transition to IFRS	Under IFRS	Under previous accounting principles	Total effect of transition to IFRS	Under IFRS	Under previous accounting principles	Total effect of transition to IFRS	Under IFRS
ASSETS										
Tangible fixed assets		**42**	**–**	**42**	**31**	**–**	**31**	**21**	**–**	**21**
Right-of-use assets	a)	**–**	**3,250**	**3,250**	**–**	**2,322**	**2,322**	**–**	**1,393**	**1,393**
Financial assets		**1**	**–**	**1**	**1**	**–**	**1**	**1**	**–**	**1**
Current receivables										
Accounts receivable		285	–	285	16	–	16	10	–	10
Other current and interim receivables		926	–	926	1,769	–	1,769	1,962	–	1,962
Cash and cash equivalents		193,232	–	193,232	125,055	–	125,055	83,034	–	83,034
Total assets		**194,486**	**3,250**	**197,736**	**126,872**	**2,322**	**129,194**	**85,028**	**1,393**	**86,421**
EQUITY AND LIABILITIES										
Equity	a), b)	**177,471**	**4,333**	**181,804**	**104,747**	**4,419**	**109,166**	**59,906**	**4,586**	**64,492**
Long-term liabilities										
Lease liability	a)	–	2,362	2,362	–	1,431	1,431	–	484	484
Current liabilities										
Lease liability	a)	–	888	888	–	932	932	–	947	947
Account payables		4,822	–	4,822	6,568	–	6,568	3,550	–	3,550
Other current and interim liabilities	b)	12,193	–4,333	7,860	15,557	–4,460	11,097	21,572	–4,624	16,948
Total equity and liabilities		**194,486**	**3,250**	**197,736**	**126,872**	**2,322**	**129,194**	**85,028**	**1,393**	**86,421**

IMPACT ON CASH FLOW STATEMENT FOR THE 2018 FINANCIAL YEAR

Consolidated cash flow was unaffected by the transition to IFRS. However, the IFRS adjustments had the following effects on the presentation format:

- When transitioning to IFRS 16, cash flows for lease payments (previously recognised under operating activities – other external expenses) were reclassified to principal payments and interest. Lease payments are recognised in financing activities and interest paid in operating activities. Depreciation on right-of-use assets was reversed in operating activities under Adjustments for non-cash items.

REFERENCE

a) Leases

The group as lessee

In determining the remaining lease period, the group has used hindsight, which means that the estimated lease period for the premises corresponds to the period the group now knows that the premises will be rented. At the date of transition to IFRS, InDex recognises a right-of-use asset and a lease liability in the balance sheet for leases classified as an operating lease under previously applied accounting principles, and that are of low value.

At the date of transition to IFRS, a lease liability measured at the present value of the remaining lease payments of SEK 3,250k was recognised in the amount of SEK 2,363k at December 31, 2017 and SEK 1,431k at December 31, 2018. At the date of transition, right-of-use assets are measured at an amount corresponding to the value of the lease liability. At the date of transition, right-of-use assets amounting to SEK 3,250k were recognised in the amount of SEK 2,322k at December 31, 2017 and SEK 1,393k at December 31, 2018.

In the statement of comprehensive income, right-of-use assets are amortised over the term of the lease on a straight-line basis and interest on the lease liability is calculated using a fixed interest rate for the liability recognised in each period.

In the statement of comprehensive income, amortisation of right-of-use assets and an interest expense are treated as financial expenses instead of lease payments, which were previously treated as other external expenses. Amortisation of right-of-use assets amounted to SEK 929k for the 2018 financial year (SEK 929k in 2017) and interest expenses to SEK 130k (SEK 86k in 2017).

The weighted average incremental borrowing rate used on initial application (January 1, 2017) was 5 percent.

b) Liability

At the date of transition to IFRS, a liability relating to an earlier terminated licensing agreement amounting to EUR 450k was recognised. As this liability does not meet the criteria to be recognised as a liability as of the transition to IFRS, it has been derecognised at the time of transition to IFRS and in all subsequent periods. The liability amounted to SEK 4,333k on January 1, 2017 (December 31, 2017 SEK 4,460k and December 31, 2018 SEK 4,624k). Movements of the liability are entirely attributable to currency translation.

c) Reclassifications under IAS 1 *Presentation of financial Statements*

Balance sheet

The following item has been reclassified in the balance sheet: 'Cash and bank balances' is now 'Cash and cash equivalents.'

Statement of comprehensive income

The following items have been reclassified in the statement of comprehensive income: 'Other interest income and similar profit items' is now 'financial income,' and 'interest expenses and similar loss items' is now 'financial expenses.' 'Tax on profit for the year' is now 'income tax.'