InDex Pharmaceuticals

Annual Report 2019

Interview with Jonas Eriksson – on living with ulcerative colitis

CAN YOU TELL US ABOUT YOUR DISEASE?
The disease was discovered in the summer of 2011 when I was 40 years old, after 6 months of severe illness. Looking back, I think I had my first flare in 1990 when I was in the military. Between 2000 and 2007, I had symptoms on and off, and between 2008 and 2011 I had a symptom free phase before it got very bad in 2011. I first thought it was due to stress. I went to the emergency room and there they saw that the calprotectin value was high, which became the key to specialist care. I then had a colonoscopy and was diagnosed the same day.

The disease sometimes makes me have problems with low energy. I can't work too intensely. It requires a lot of planning and the family life is affected. I often get more symptoms in early spring. I wish one could minimise the side effects from the medications. It is the side effects that have caused me to be hospitalised.

WHAT IS THE MOST TROUBLESOME WITH HAVING ULCERATIVE COLITIS?
The worst thing is not knowing when the symptoms will come. The worst thing is the uncertainty. Even if you take preventative drugs, you cannot predict when a flare will emerge. Fecal incontinence is not fun and the fact that there is no cure, that it is a chronic disease. It is also difficult for others to understand the disease completely.

WHEN DID YOU HAVE YOUR LATEST FLARE AND WHAT SYMPTOMS DID YOU HAVE?
I have moderate ulcerative colitis that involves the entire colon. My illness is constantly ongoing, although with low activity in periods. It is usually most difficult around February to April. A flare usually starts with a huge fatigue. Then it often gets better for a few days, before the stomach breaks down. I have around 5-8 diarrheas per day, but no blood. The flare is dampened with prednisolone/budesonide. However, there are tough side effects with these medications.

DO YOU WORRY A LOT ABOUT YOUR DISEASE?
You get more anxiety when you have an active disease in the colon. Then there is the hopelessness. You go from treatment to treatment without anything working. There is an increased risk of cancer, of course, but as long as you dampen the inflammation it reduces the risk. It helps for me to be active in research, in the patient association *Mag- och tarmförbundet* and to have contact with the pharmaceutical industry.

WHAT DIFFERENT TYPES OF DRUGS HAVE YOU BEEN TREATED WITH FOR YOUR DISEASE? HAVE YOU EXPERIENCED ANY SIDE EFFECTS OF THE MEDICATIONS?
I have tried 5-ASA five times, but every time I got pancreatitis, so now I do not want to take it anymore. I have also been treated with mercaptopurine, but from that I got liver toxicity. Then I have received infliximab, but this gave neuropathy, which is not an uncommon side effect. I lost sensation and couldn't walk straight. However, the efficacy was good, but we had to phase it out. Vedolizumab is probably the best I've tested, but each treatment was like a punch to the face, the heart was affected, and it got difficult

to sleep. Sometimes the treatment worked and sometimes not. Then I got an allergic reaction to vedolizumab with tremors and had to go to the emergency room. After that we phased it out. Now I use MMX budesonide. It is however a steroid, so you cannot take it for too long.

WHAT DO YOU THINK ARE THE MOST IMPORTANT QUALITIES OF AN ATTRACTIVE TREATMENT?
It is very important to have a good dialogue between the doctor and the patient, and to have continuity in the contact with the doctor. It is not enough just with what is written in the medical records this is a disease that affects every part of you. I have had the same doctor for a long time and it is worth a lot. I would also like to see more biomarkers that could measure active disease and be used to monitor the disease over time. Today, doctors have little to go on to decide when a treatment should be initiated.

I also think it is important with simple administration, that the treatment has few side effects and that it is possible with long-term treatment. The treatment should have low risk of toxicity. Having the option of digital follow-up is very advantageous. I also believe in increased collaboration between pharmaceutical companies, to study synergies between drugs. I think combination therapies can be important for the treatment of ulcerative colitis.

Name: Jonas Eriksson
Age: 49 years old
Occupation: Research scientist at Umeå university, board member of the patient association *Mag- och tarmförbundet*
Interests: Skiing, industrial history, cooking
Diagnosis: Ulcerative colitis

2019 in brief

- InDex reported on June 26, 2019 that the patient enrolment was completed in the dose optimisation study CONDUCT, which evaluated cobitolimod for the treatment of moderate to severe ulcerative colitis.
- InDex announced on June 26, 2019 that a new method of use patent for the drug candidate cobitolimod had 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 percent (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 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 authorisation granted by InDex's annual general meeting on 6 May 2019 and 6,243,745 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 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 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.

CONSOLIDATED FINANCIAL SUMMARY

SEK million	2019	2018	2017	2016[1]	2015[1, 2]
Net sales	0.1	0.1	0.1	0.4	0.4
Operating loss	–87.7	–82.0	–73.2	–39.5	–29.5
Result after tax	–87.8	–82.1	–72.7	–41.3	–29.9
Result per share before and after dilution, SEK	–1.19	–1.29	–1.16	–1.08	–0.99
Cash flow from operating activities	–85.1	–78.6	–67.3	–31.9	–37.0
Cash and cash equivalents at year-end	126.8	83.0	125.1	193.2	7.0
Number of employees at year-end	7	7	7	7	8

[1] According to historical accounting principles (K3)
[2] Information covering fiscal year 2015 relates to the group where InDex Pharmaceuticals AB was the parent company.

FINANCIAL CALENDER

Annual general meeting	April 20, 2020
Interim report Q I 2020	May 7, 2020
Interim report Q II 2020	August 26, 2020
Interim report Q III 2020	November 25, 2020

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).

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The following definitions have been used in this annual report – "the company", "the group" or "InDex" for the operations conducted in InDex Pharmaceuticals Holding AB together with the subsidiaries InDex Pharmaceuticals AB and InDex Diagnostics AB.

Business overview

Improve the life of patients with immunological diseases through the development of innovative drugs

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.

In 2019 InDex 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 percent (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.

Vision

InDex's vision is to be an innovation driven company focused on bringing drugs from the DIMS platform for immune mediated conditions to market approval, alone or in collaboration with partners, starting with the lead drug candidate cobitolimod.

Mission

InDex's mission is to significantly improve the lives of patients suffering from immunological disorders by providing effective and safe drugs for diseases with high unmet medical needs.

CEO statement

The results of the phase IIb study CONDUCT were presented in August 2019 and represent a crucial milestone in InDex's history. The study with the company's lead drug candidate cobitolimod in moderate to severe ulcerative colitis met the primary endpoint with an outstanding combination of efficacy and safety. Preparations for phase III, which is the final stage of development before application for market approval, are now underway. Cobitolimod targets a hard to treat patient group and many do not respond to or cannot tolerate available medical therapies, resulting in a high unmet medical need.

The CONDUCT study was an exploratory study to find the best dose of cobitolimod to move forward in development, and the study clearly showed that the highest dose was the most effective. As in previous studies, cobitolimod was well tolerated at all dose levels and no differences in the safety profile were observed compared to placebo. The study met the objectives that we set up before the start of the study.

The efficacy was within the expected range and is comparable to what has been reported for the drugs that are currently on the market for moderate to severe ulcerative colitis and the new substances that are in phase III right now. Something that really differentiates cobitolimod from its competitors is the superior safety profile. Both the approved drugs and those currently being tested in phase III are associated with serious side effects. With an outstanding combination of efficacy and safety, cobitolimod is set to take a leading position within the field.

An additional advantage of cobitolimod that stands out in the competition is the new and unique mechanism of action for the treatment of ulcerative colitis. Many patients with moderate to severe ulcerative colitis do not respond to current therapies, and there is more and more talk about combining several drugs to increase the efficacy. With its unique mechanism of action and safety profile, cobitolimod is better suited than competing products for such an approach.

We had already before the CONDUCT results planned a long list of phase III preparatory activities that we launched as soon as we saw the positive outcome of the study. To finance the preparations, InDex completed a directed share issue in September 2019 of SEK 140 million, which strengthened the list of owners with more long-term and financially strong investors. We received great interest from investors with sector expertise, also internationally, during the roadshow that preceded the transaction, and we did not have to offer any discount, which is otherwise the standard in directed share issues. To meet a growing international interest, we have decided to adopt IFRS for our external financial reporting.

We have performed 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 the efficacy of the highest dose of cobitolimod also in secondary endpoints. 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.

We are manufacturing study drug and are performing the additional preclinical safety studies required for phase III. We have also discussed the phase III design with the European and US regulatory authorities, EMA and FDA, conducted market research with physicians and payers, and are having discussions with our medical advisors and clinical research organisations (CROs). 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.

The turmoil in our world as a result of the new corona virus causes great uncertainty and complicates strategic planning. So far, our phase III preparations are proceeding according to plan and InDex is well capitalised given the current level of activity. Before we can start phase III, however, international healthcare must have returned to normal and we must secure funding for the first part of the phase III program.

We are planning for a phase III program that InDex can manage on its own, thereby creating more value in cobitolimod. A key is to carry out the studies sequentially and not in parallel as traditionally done. You can then read out study by study along the way, which lowers the risk as the studies are completed and allows stepwise financing of the program. From a strategic and negotiation perspective, it is a great strength to be autonomous and be able to control the timing and circumstances for potential future partnerships.

At the same time, we continue our business development work to present the positive CONDUCT results and development plans to potential partners that have shown interest in cobitolimod. That work will intensify during the spring when we have compiled all the material so we can provide a complete picture of the continued development towards commercialisation of cobitolimod.

We thank you for your continued support and look forward to taking cobitolimod and InDex to the next stage in 2020.

Peter Zerhouni, CEO

Ulcerative colitis

A chronic disease with high unmet medical need for new treatment options

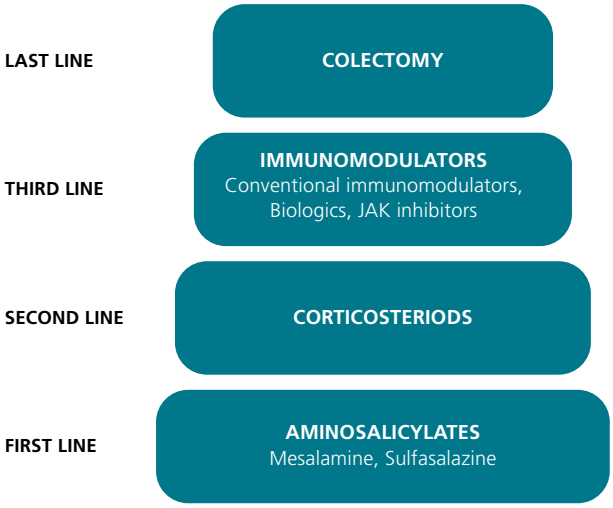
WHAT IS ULCERATIVE COLITIS?
Inflammatory bowel disease (IBD) refers to chronic inflammation of all or parts of the gastrointestinal tract, and primarily includes ulcerative colitis and Crohn's disease. Ulcerative colitis is limited to the colon and rectum. The disease causes long-lasting inflammation that gives ulceration in the innermost lining of the colon and rectum, and for many patients it is very debilitating to live with. Ulcerative colitis is characterised by blood- and mucus-mixed diarrhea, frequent stools, pain, fever, weight loss and anemia. The disease can, despite lifelong medication, complicate the social life and make it impossible to work, as severe patients always need to be close to a toilet. Studies show that patients suffering from ulcerative colitis have a significantly lower quality of life than the general population[1]. In addition, patients suffering from ulcerative colitis have a significantly elevated risk of developing colon cancer.

WHAT CAUSES ULCERATIVE COLITIS?
The underlying cause of ulcerative colitis is not known, nor is it known what triggers the disease to recur between its inactive and active forms. However, research strongly suggests that genetic susceptibility and environmental factors, together with an abnormal immune response, contribute to the development of the disease. Most commonly, the disease presents between 20 and 30 years of age. Typically, the course of ulcerative colitis is intermittent; periods of disease aggravation are followed by periods of remission (absence of symptoms). Almost half of the patients are estimated to have active disease at a given time[2].

HOW DOES THE SEVERITY OF ULCERATIVE COLITIS VARY?
Ulcerative colitis varies in severity based on the intensity of the symptoms, and about 30 percent of the patients have a mild form of the disease, about 50 percent of the patients have moderate ulcerative colitis and about 20 percent suffer from a severe form of the disease[2]. The extent of the inflammation of the colon may also differ and is usually divided into proctitis (only the rectum), left-sided colitis (from the rectum up into the first curve of the colon on the left side of the abdomen) and total colitis so-called pancolitis (the whole colon is inflamed). The severity and extent of the inflammation are assessed by the physician looking inside the rectum and colon using an endoscope (endoscopy).

HOW IS ULCERATIVE COLITIS TREATED TODAY?
You can never be cured from the disease and most patients need lifelong medication. The standard treatment for ulcerative colitis depends on the extent of the disease and how severe the symptoms are. The current first and second line treatment options for patients suffering from ulcerative colitis include aminosalicylates and corticosteroids. Corticosteroids are generally used to treat disease flare-ups and are not recommended for maintenance treatment due to the risks associated with long-term use. For patients suffering from moderate to severe relapse periods of ulcerative colitis, and do not respond to these treatments, the addition of conventional immunomodulators or biologics like TNF-alfa inhibitors or anti-integrins, or addition of the more recently approved drugs JAK inhibitors and IL-12/IL-23 inhibitors, are often used. However, these third-line treatment options have several limitations in that the effect is often delayed and they are associated with known serious side effects. A substantial percentage of patients with moderate to severe ulcerative colitis will not respond to available therapies or will eventually develop tolerance to the treatment. Often, these patients require periods of medium to long-term hospitalisation. Colectomy, i.e. surgical removal of the colon, is the last option for patients with severe ulcerative colitis who do not respond to medical treatment. While colectomy is a potentially curative option in severe cases of ulcerative colitis, the operation entails risks of short and long-term complications such as infections, abdominal pain, and infertility. Treatment options for patients who do not respond to conventional or biological treatment are limited, and there is a high unmet medical need for new treatment options. Cobitolimod is under development as an efficacious and safer alternative to the drugs in third line.

CURRENT TREATMENT PARADIGM FOR ULCERATIVE COLITIS



1 https://www.medscape.org/viewarticle/572039
2 IMS Health 2015 IBD disease insights webinar

Cobitolimod

InDex's lead drug candidate

Cobitolimod is a potential new medication for patients with moderate to severe ulcerative colitis. Current treatment options have problems with side effects. In addition, a substantial percentage of the patients with moderate to severe ulcerative colitis does not respond to available therapies or will eventually develop tolerance to the treatment. For this patient group there is a high unmet medical need. Cobitolimod is administered rectally directly to the inflamed colon with an enema, and can provide a local anti-inflammatory effect which may lead to healing of the mucosa in the large intestine and relief of the clinical symptoms. Cobitolimod has a very limited systemic absorption, which may contribute to the very favourable safety profile. Cobitolimod is planned to be positioned as an efficacious and safer alternative to the therapies used today for moderate to severe ulcerative colitis.

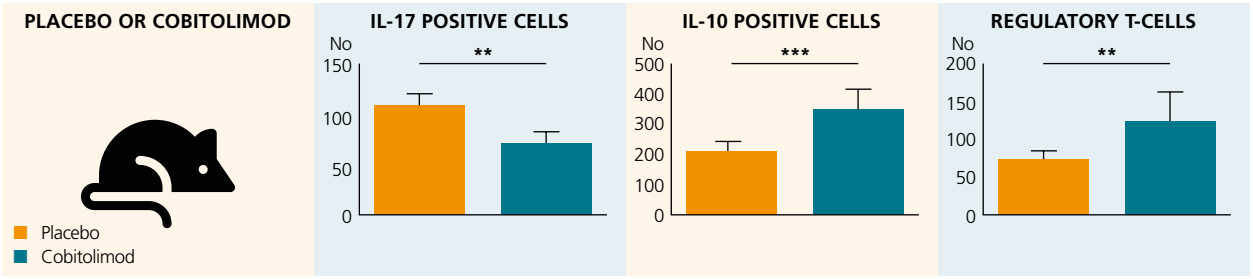
COBITOLIMODS MECHANISM OF ACTION

The intestinal mucosa acts as a barrier to the outside world and constitutes an important part of the body's immune system. It is rich in immune cells that protect the body from disease organisms and harmful substances in the intestinal tract. A healthy intestinal mucosa responds to potential threats with a balanced immune response. However, an imbalance in the immune system of the intestinal mucosa can cause a vicious circle where the immune response is amplified and leads to chronic inflammation. In ulcerative colitis, an increased production of the cytokine interleukin (IL)-23 is seen, which stimulates the production of pro-inflammatory cytokines such as IL-1, TNF-alpha and IL-6, as well as IL-17, where IL-17 stimulates additional production of inflammatory mediators. Research has also demonstrated an increased proportion of inflammatory T helper 17 cells (Th17 cells) and Th2 cells, but a reduced number of regulatory T cells (Treg cells), creating an immunological imbalance in the intestinal mucosa.

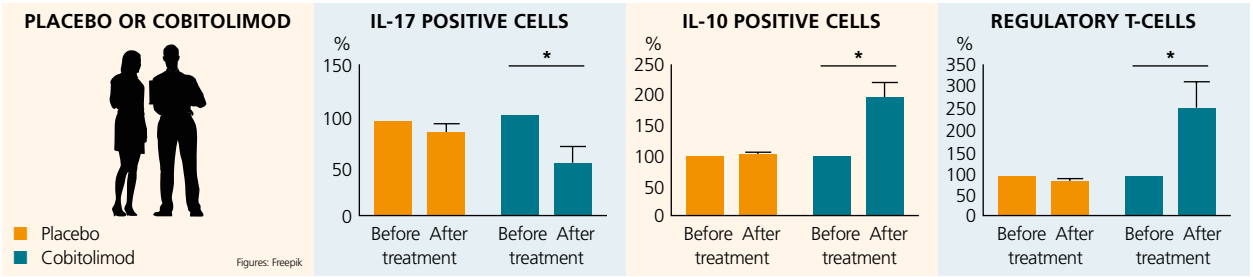
Cobitolimod has a new type of mechanism of action. It is a so-called Toll-like receptor 9 (TLR9) agonist. TLR9 is a receptor that is expressed by certain immune cells and is the immune system's receptor for recognising DNA from bacteria and viruses. Cobitolimod is a synthetically manufactured oligonucleotide which by mimicking microbial DNA binds to TLR9 and can thereby modulate the immune system. Cobitolimod has in both experimental models of ulcerative colitis as well as in patients with ulcerative colitis been able to stimulate immune cells to produce beneficial anti-inflammatory cytokines like IL-10 and increase the number of Treg cells. At the same time cobitolimod decreases the production of inflammatory cytokines such as IL-17 (figure 1)[1]. By increasing the number of Treg cells and reducing the number of Th17 cells cobitolimod helps to restore the balance of the immune system. In this way, cobitolimod can provide a local anti-inflammatory effect, which may lead to healing of the mucosa in the large intestine and relief of the clinical symptoms in ulcerative colitis.

1 Schmitt H. et al. The TLR9 agonist cobitolimod induces IL10 producing wound healing macrophages and regulatory T cells in ulcerative colitis. J Crohns Colitis, 2019 Oct 20.

EXPERIMENTAL COLITIS



PATIENTS WITH ULCERATIVE COLITIS



*Cobitolimod decreases the pro-inflammatory cytokine IL-17 and increases the anti-inflammatory cytokine IL-10 as well as increases the number of regulatory T-cells in the colonic mucosa both in an experimental model of ulcerative colitis as well as in ulcerative colitis patients. *P≤0.05; **P≤0.01; ***P≤0.001*

The CONDUCT study

Outstanding combination of efficacy and safety

STUDY DESIGN AND OBJECTIVE

The CONDUCT study was a randomised, double-blind, placebo-controlled, exploratory phase IIb study where different doses of cobitolimod were evaluated in patients with left-sided moderate to severe active ulcerative colitis not responding to conventional treatment. The study objective was to identify the most efficacious dose and dose regimen for further development. The study included 213 patients divided into four treatment arms that received different doses of cobitolimod and an arm receiving placebo. In addition to cobitolimod or placebo, all patients continued with their standard of care treatment. The primary endpoint of the study was induction of clinical remission at week 6.

SUCCESSFUL RESULTS IN THE CONDUCT STUDY

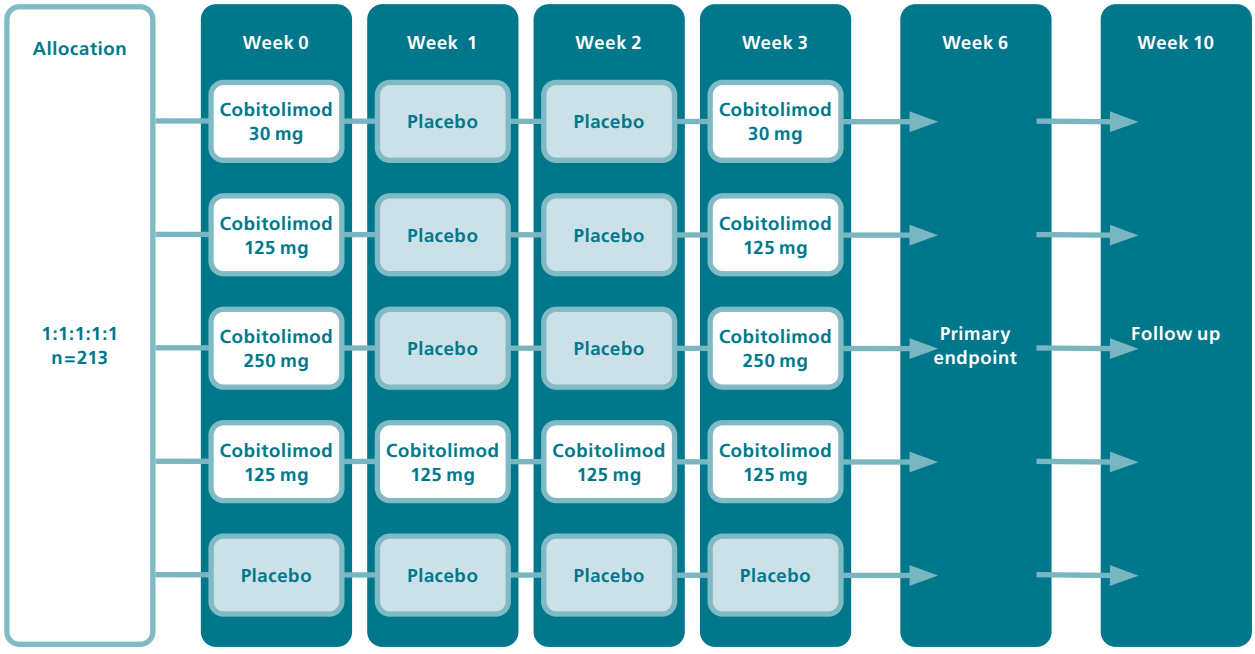
The study met the primary endpoint, induction of clinical remission at week 6, with an outstanding combination of efficacy and safety, and clearly demonstrated that it was the highest dose of cobitolimod, 250 mg x 2, that was the most effective. Clinical remission at week 6 was achieved in 21.4 percent of patients treated with two doses of 250 mg cobitolimod, which was statistically significantly better (p-value = 0.0247[1]) than patients treated with placebo where only 6.8 percent of the patients achieved clinical remission. No statistically significant difference was noted between the other doses of cobitolimod and placebo. The results in secondary endpoints also confirm the efficacy of the highest dose. Thus, the CONDUCT study fulfilled its objectives in both the primary and a number of clinically relevant secondary endpoints. Cobitolimod was well tolerated in all dose groups and no differences in safety profile were noted compared to placebo.

1 Predefined one-sided test where the significance limit was set to <0.10. Two-sided test gives p=0.0495.

THE PRIMARY ENDPOINT OF THE CONDUCT STUDY

	Cobitolimod				
Clinical Remission at week 6[1]	30 mg x 2 (n=40)	125 mg x 2 (n=43)	125 mg x 4 (n=42)	250 mg x 2 (n=42)	Placebo (n=44)
% of patients	12.5%	4.7%	9.5%	21.4%	6.8%
Delta to placebo	5.7%	–2.1%	2.7%	14.6%	
P-value one-sided test (pre-specified significance level <0.10)	n.s.	n.s.	n.s.	0.0247	
P-value two-sided test	n.s.	n.s.	n.s.	0.0495	

1 Primary Endpoint = Clinical Remission at week 6 defined as Modified Mayo sub scores: i) no rectal bleeding, ii) normal or slightly elevated stool frequency and iii) normal or mildly inflamed bowel on endoscopy examination
n.s.= not significant
One-sided test with significance level <0.1 was the pre-defined statistical analysis for the primary endpoint.



Study design

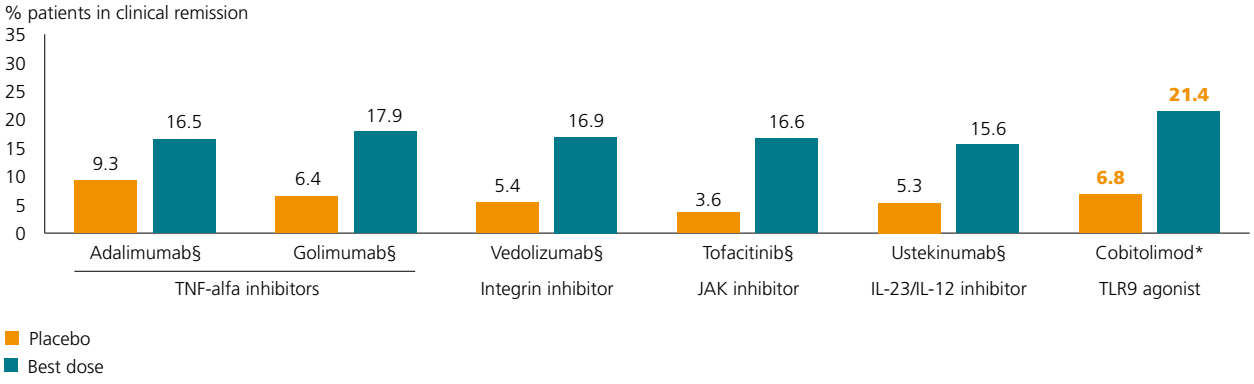
COMPETITIVE EFFICACY AND EXCELLENT SAFETY PROFILE COMPARED TO THE COMPETITORS

Comparisons to other substances tested in other studies (so-called indirect comparisons) should always be made with caution, as both the patient population, time point, endpoints etc. may differ between the studies. If, however, the results in the CONDUCT study are put into perspective with the results in the phase III studies for the drugs that are currently on the market for moderate to severe ulcerative colitis, cobitolimod has a competitive effect. The approved drugs got around 17 percent of the patients in clinical remission in their respective phase III studies. The proportion of patients in the placebo group who went into remission differs between the studies and leads to that the delta differs between these substances. Cobitolimod also has a competitive effect if compared with the phase II results for the substances that are currently being developed in phase III for moderate to severe ulcerative colitis. The exact effect size of cobitolimod remains to be determined in a larger population in phase III.

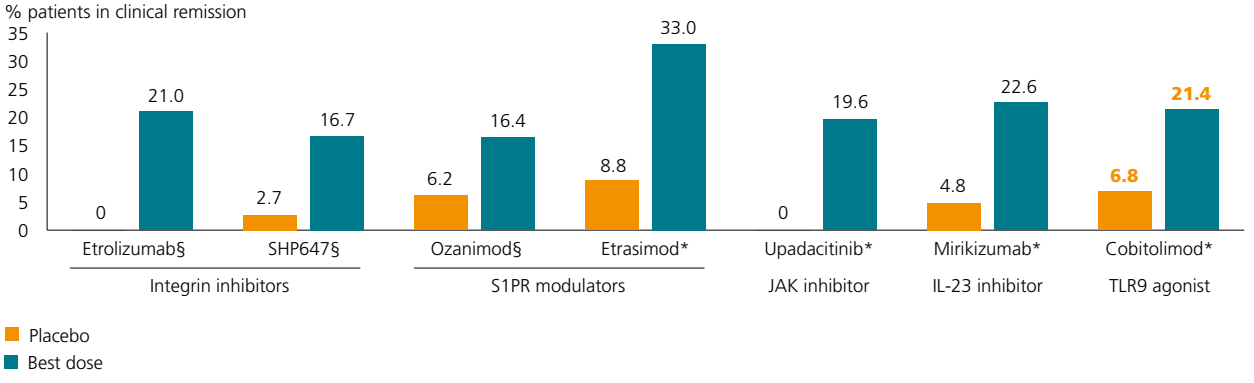
Something that really differentiates cobitolimod from its competitors is the safety profile. The biological drugs are associated with serious side effects such as infections and cancer. One of the substances that recently came to the market for ulcerative colitis, the JAK inhibitor tofacitinib, has an increased risk of infections and cancer as well as an increased risk of perforation (hole) in the stomach and intestines and an increased risk of blood clots in the lung. Several of the new classes of substances now being tested in phase III are also associated with serious side effects. In contrast, cobitolimod has in five clinical studies shown no safety concerns.

PREPARATIONS FOR PHASE III

InDex is now preparing cobitolimod for phase III, which is the final stage of development before application for market approval. A wide range of phase III preparatory activities are performed such as: manufacture of study drug and additional preclinical safety studies, dialogue with the European and US regulatory authorities, market research, and discussions with medical advisors and clinical research organisations (CROs). Generally, a phase III program for moderate to severe ulcerative colitis consists of two separate induction studies to get patients in remission and a one-year follow-up study, but there are examples of alternative designs. The aim is to confirm the overall effect and safety in a large patient population. The recently approved drugs have had about 1,000 patients in total in their respective phase III programs as a basis for market approval in both the US and Europe.



*Phase III data on the proportion of patients in clinical remission for the products on the market for moderate to severe ulcerative colitis compared to CONDUCT results. §Full Mayo Score ≤2, *3-component Mayo Score ≤2. Note: Infliximab has been excluded from the comparison as not comparable patient population in phase III.*



*Phase II data on the proportion of patients in clinical remission for the substances in phase III for moderate to severe ulcerative colitis compared to CONDUCT results. §Full Mayo Score ≤2, *3-component Mayo Score ≤2. NOTE: Filgotinib not included in the comparison as no data reported in ulcerative colitis*

Interview with Professor Raja Atreya, Principle investigator in the CONDUCT study

WHAT IS YOUR VIEW OF THE STUDY OUTCOME?
I am very pleased that the CONDUCT study met the primary endpoint and could demonstrate a significant and clinically important effect in inducing clinical remission in this difficult to treat patient population of moderate to severe left-sided ulcerative colitis. In addition, cobitolimod could again confirm its excellent safety profile in this study, which is very reassuring. The main objective of the CONDUCT study was to identify the most effective dose, and from the obtained study results it is very clear, both from the primary endpoint and supportive secondary endpoints, that the highest dose of 250 mg demonstrated the best efficacy. This was an important achievement for the further development and design of the phase III program.

HOW IMPORTANT IS A GOOD SAFETY PROFILE?
The safety profile of a drug is decisive for daily clinical practice. Drug safety plays a major role in patients' health and is one of the main aspects to take into consideration when deciding which drug the physician should prescribe to the patients. A therapy is only beneficial when it induces the desired efficacy with an acceptable level of side-effects. Drug safety is a crucial factor also from the patients' perspective as they are often concerned about potential side-effects, which is one of the most common reasons why patients do not take their medications.

WHAT IS THE LARGEST UNMET MEDICAL NEED TODAY IN ULCERATIVE COLITIS?
Ulcerative colitis is a very debilitating disease that negatively affects patients' quality of life. Despite existing treatment options, there is a substantial proportion of patients with moderate to severe disease who do not respond to or cannot tolerate available therapies. There is an urgent need for novel, efficacious and safe therapeutic options for these patients.

WHICH FEATURES MAKE COBITOLIMOD AN ATTRACTIVE TREATMENT OPTION?
One of cobitolimod's major strengths is the combination of competitive efficacy and excellent safety. Many of the available treatment options today have concerns regarding sometimes severe systemic side-effects or intolerance, and the fact that cobitolimod has not shown any difference to placebo in regard to any adverse events in all clinical trials performed so far is a major advantage. Cobitolimod moreover has a novel and unique mechanism of action, which sets it apart from current therapies. I also highly appreciate its local mode of application, as this ensures high mucosal exposure to the drug, coupled with low systemic exposure. Taken together, the convincing results observed in the CONDUCT study, and the novel and unique mechanism of action strongly implicate that cobitolimod has great potential as a future treatment alternative in patients with left-sided ulcerative colitis.

Cobitolimod's way towards phase III

CONTRACTING A CRO
Before phase III can start, a CRO that practically conducts the phase III program must be selected and contracted.

INTERACTION WITH REGULATORY AUTHORITIES
Pharmaceutical companies have the opportunity to apply for scientific advice at the regulatory authorities such as EMA and FDA. Since it is the regulatory authorities that ultimately approve the application for market approval for a drug, it is important that the development meets the regulatory authorities' requirements.

MANUFACTURING OF STUDY DRUG
It is important to initiate the manufacturing of study drug well in advance of the start of the phase III study. This is something that can take time and entail significant costs and needs careful planning.

SECURE FINANCING
Before a clinical study can be started financing should be secured for ethical reasons although it is not a regulatory requirement.

CONDUCT RESULTS

PRECLINICAL SAFETY STUDIES
It is important to ensure that all preclinical safety studies that are needed are completed before phase III starts.

DESIGN OF PHASE III
Feedback from the regulatory authorities, market research, discussions with medical advisors and CRO are weighed together to finalise the design of the phase III program.

MARKET RESEARCH
It can be very useful to do market research for a drug candidate before phase III to get feedback from treating physicians in the field and payers such as pricing authorities.

START OF PHASE III

Earlier studies with cobitolimod

Cobitolimod has achieved clinical proof-of-concept in moderate to severe active ulcerative colitis, with a very favourable safety profile. Data from five placebo-controlled clinical trials show that cobitolimod has statistically significant effects on those endpoints that are deemed most relevant for the 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. In addition, cobitolimod has in both preclinical toxicity studies and in clinical trials demonstrated a very favourable safety profile. In addition to the placebo-controlled studies, a number of patients in Germany have been treated in a so-called compassionate use program.

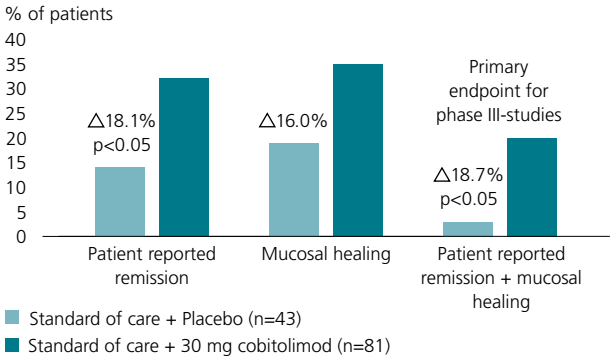
THE COLLECT STUDY

The COLLECT study was InDex's most recently completed clinical trial before the CONDUCT study and was designed to further evaluate and confirm the efficacy and safety of cobitolimod for the treatment of moderate to severe active ulcerative colitis in patients who were not responding to conventional therapies. The patients were treated with cobitolimod or placebo in addition to their standard medication. All patients were treated with corticosteroids during the study. The patients were treated rectally, with two single 30 mg doses of cobitolimod, four weeks apart. They were then followed for 12 months without further treatment. In total, 131 patients were randomised at 38 centres in seven European countries. Unexpectedly, a high proportion of the patients in the placebo group reached remission as defined by the primary endpoint (Rachmilewitz/CAI score <4) at week 12, and the study showed no difference between the two groups regarding this measure. However, this endpoint is no longer considered a relevant definition of remission by the regulatory authorities. Statistically significant improvement was however demonstrated in the cobitolimod-treated group compared to the placebo group for the secondary endpoints; patient reported remission (blood in stool = 0, number of stools/week <35) at week 4 and 8, registered remission (Rachmilewitz/CAI score of <4, and an endoscopic Mayo score of 0 or 1) at week 4 and rate of colectomy by week 22. These secondary endpoints were pre-specified in the protocol that describes all the details of the COLLECT study. The authorities are currently considering the symptoms of blood in stool, stool frequency, and mucosal healing (endoscopic remission), to be the most important endpoints to show clinical efficacy to achieve market approval. Remission based on these three variables combined into one endpoint, as endorsed by the US and European authorities, showed a statistically significant difference of 19 percent between the treatment groups at week four in terms of the proportion of patients reaching remission. The study results were published 2016 in the scientific journal *Journal of Crohn's and Colitis*[1].

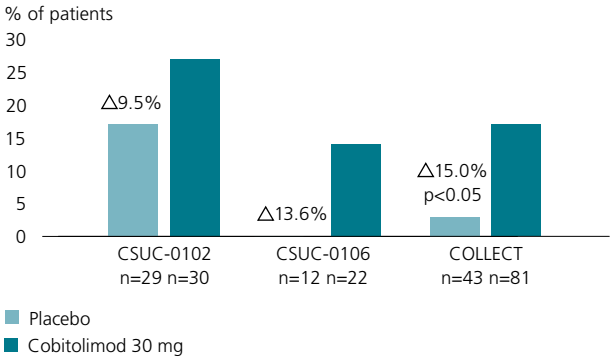
ADDITIONAL CLINICAL STUDIES WITH COBITOLIMOD

Three clinical studies have been conducted with cobitolimod prior to the COLLECT study, see table below. In the first clinical study the "pilot study" with 11 patients, a positive effect of treatment with cobitolimod was observed, where both doses (3 mg and 30 mg) showed clinical benefits. A subsequent study (CSUC-01/02) in 151 patients with mild to moderate ulcerative colitis evaluated single doses of 0.3 mg, 3 mg, 30 mg and 100 mg. In this study oral 5-ASA, were the only medications allowed for treatment of ulcerative colitis during the study period. Concomitant use of corticosteroids was an exclusion criterion in the study. The study showed that cobitolimod was well tolerated, with no serious side effects. Although statistical significance was not achieved, the study indicated that doses of 30 mg and 100 mg were more effective than 0.3 and 3 mg. The subsequent study (CSUC-01/06) included 34 patients with moderate to severe active ulcerative colitis, who did not respond to corticosteroid therapy. Rectal administration of a single dose of cobitolimod 30 mg was found to be safe and well tolerated. A higher proportion of the patients achieved clinical remission in the cobitolimod group compared to the placebo group. This supports the hypothesis that cobitolimod can

[1] Atreya et al. (2016) *Journal of Crohn's and Colitis*, 10(11): 1294–1302.



- *Patient reported remission at week 4 defined as no blood in stool & stool frequency < 35 per week*
- *Mucosal healing at week 4 defined as endoscopic Mayo score of 0 or 1*



Clinical remission at week 4 after one dose of 30 mg cobitolimod defined as Mayo score (or converted CAI for COLLECT) ≤2 with no subscores >1.

induce clinical response in patients with ulcerative colitis, although the study was too small to show statistical significance for the primary endpoint.

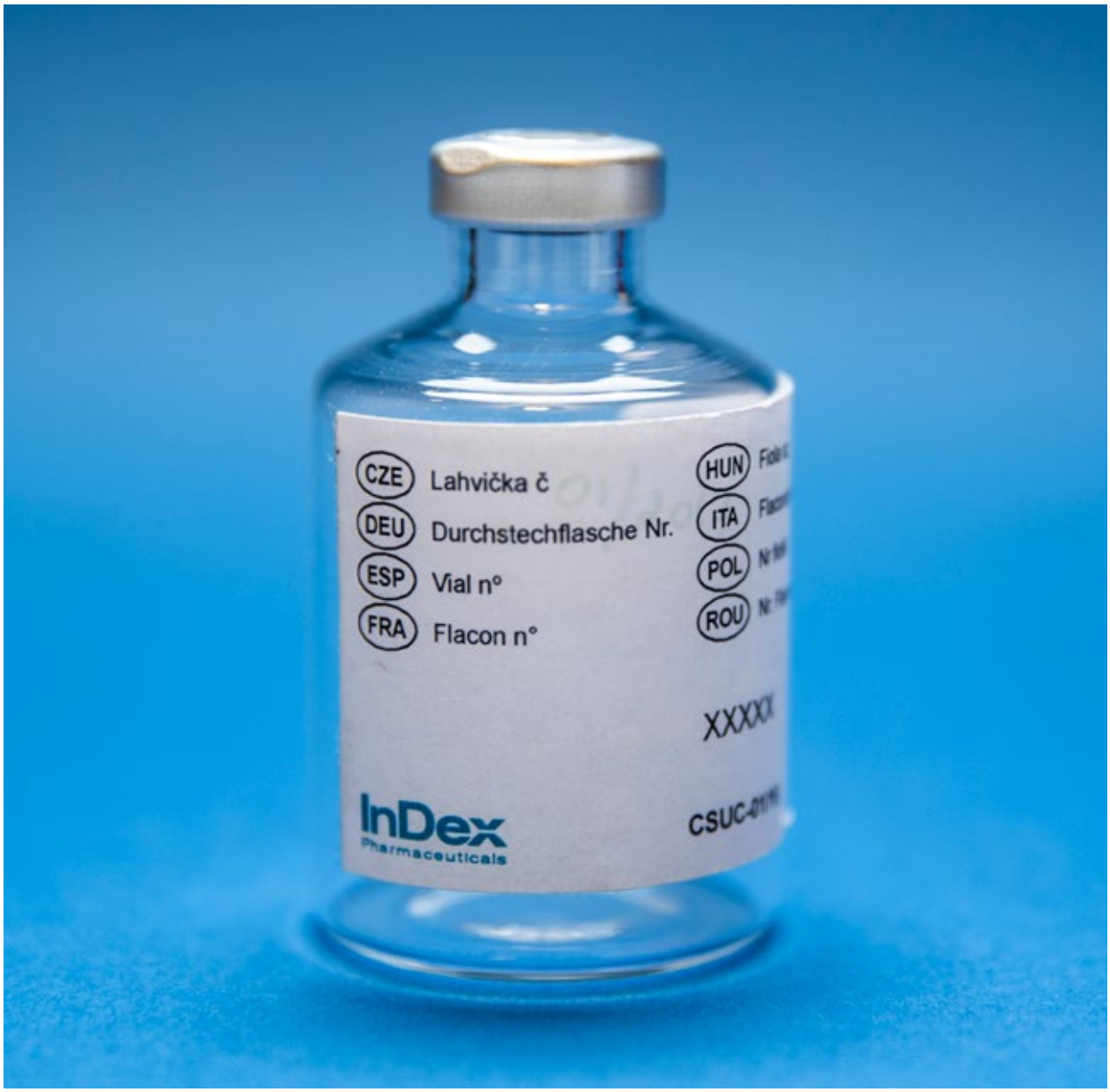
COBITOLIMOD HAS SHOWN A VERY FAVOURABLE SAFETY PROFILE

The experiences from the five completed clinical studies have shown that rectal administration of up to 250 mg of cobitolimod given twice three weeks apart is well tolerated. In the clinical studies, a total of 416 patients with inflammatory bowel disease have been treated with cobitolimod without any relevant differences observed in the safety profile between the patients who received active substance and those who received placebo.

CLINICAL STUDIES WIH COBITOLIMOD

	Number of patients	Dose
CONDUCT (CSUC-01/16)	213	2 x 30-250 mg, 4 x 125 mg
COLLECT (CSUC-01/10)	131	2 x 30 mg
CSUC-01/06	34	1 x 30 mg
Dose study CSUC-01/02	151	1 x 0.3 mg-100 mg
Pilot HICS9801	11	1 x 30 mg
Compassionate Use	*14*	*1-6 x 30 mg*

Summary table over clinical studies and compassionate use programme with cobitolimod.



Market overview

Large and growing market for the treatment of ulcerative colitis

Today, about 0.2 percent of the population in developed countries has ulcerative colitis, which corresponds to more than 800,000 ulcerative colitis patients in Europe and more than 1,100,000 in the US[1]. Market research studies predict that the prevalence of ulcerative colitis will increase at an annual rate of 0.8 percent[2]. The total pharmaceutical market for ulcerative colitis was estimated in 2016 to approximately USD 6.3 billion and is expected to grow to about USD 8 billion in 2023[2]. Biological drugs represent the largest market segment in terms of value with annual sales in 2016 estimated to more than USD 5 billion[2]. Today, more than 200,000 ulcerative colitis patients are treated with biological drugs[2]. The US is the single largest pharmaceutical market for inflammatory bowel disease and represents more than 50 percent of the global market[3].

COBITOLIMOD'S MARKET POTENTIAL

With cobitolimod's unique mechanism of action, competitive efficacy and favourable safety profile, InDex sees a great market potential for the substance. The annual sales at a successful commercialisation are estimated to reach more than USD 1 billion.

InDex conducted in 2016 a first market research study for cobitolimod among doctors and patients in the US and the five largest European markets. A total of 65 physicians specialised in inflammatory bowel disease and 148 patients with ulcerative colitis participated in the study. The overall perception regarding cobitolimod's product profile was positive from both physicians and patients, and characteristics such as quick onset of action, efficacy and safety were highly valued. The result of this primary market research supports a future market acceptance and commercial potential for cobitolimod in both the US and Europe, provided that future clinical studies confirm the expected product profile. With the results of the CONDUCT study, InDex is now conducting additional market research studies.

COMPETING THERAPIES ON THE MARKET

Since cobitolimod is under development for ulcerative colitis patients who are not responding to conventional therapy, the main competitors on the market today are the biological therapies and JAK inhibitors. The TNF-alpha inhibitors; infliximab (marketed under the name Remicade and as biosimilars), adalimumab (marketed under the name Humira and as biosimilars) and golimumab (marketed under the name Simponi) together with the integrin inhibitor antibody vedolizumab (marketed under the name Entyvio) and the IL-12/IL-23 inhibitor ustekinumab (marketed under the name Stelara) are the biological agents approved for treatment of ulcerative colitis today.

A significant proportion of patients do not respond to these treatments and they have problems with tolerance and can cause serious side effects such as infections, malignancies and skin disorders. For example, TNF-alpha inhibitors have long-term effects in only about 30 percent of the patients[4]. The biological substances are administered intravenously or subcutaneously, and need to reach a certain concentration in the blood before the substance can have its effect in the colon. This leads to a delayed onset of action, while locally administered therapies, such as cobitolimod, which directly reaches the site of inflammation potentially can induce a quicker relief of symptoms for the patients. One JAK inhibitor is approved in Europe and the US for the treatment of moderate to severe ulcerative colitis, the tablet tofacitinib marketed under the name Xeljanz. However, tofacitinib did not show a better effect in its phase III program than the marketed biological drugs[5]. The product has also shown an increased risk of serious side effects such as severe infections, cancer, immune system disorders, gastrointestinal perforation and lung embolism.

COMPETING THERAPIES IN LATE STAGE CLINICAL DEVELOPMENT

Several other companies conduct drug development in inflammatory bowel disease. Many of the drugs in pipeline for moderate to severe ulcerative colitis are new versions of anti-integrins (i.e. the same mechanism of action as vedolizumab), JAK inhibitors (i.e. the same mechanism of action as tofacitinib) or IL-23 inhibitors (i.e. the same mechanism of action as ustekinumab). Cobitolimod has a new and unique mechanism of action. Other substances with new mechanism of action for moderate to severe ulcerative colitis that are in phase III are ozanimod and etrasimod (S1P receptor modulators). The patient population which these drugs seek to target is similar to cobitolimod's, but their reported mechanisms of action are significantly different with none of them working through TLR9. The level of efficacy seen with cobitolimod in its clinical studies are in line with what has been reported for the other substances in late clinical phase. Several of the compounds in pipeline for moderate to severe ulcerative colitis can cause serious side effects, while cobitolimod has demonstrated a superior safety profile.

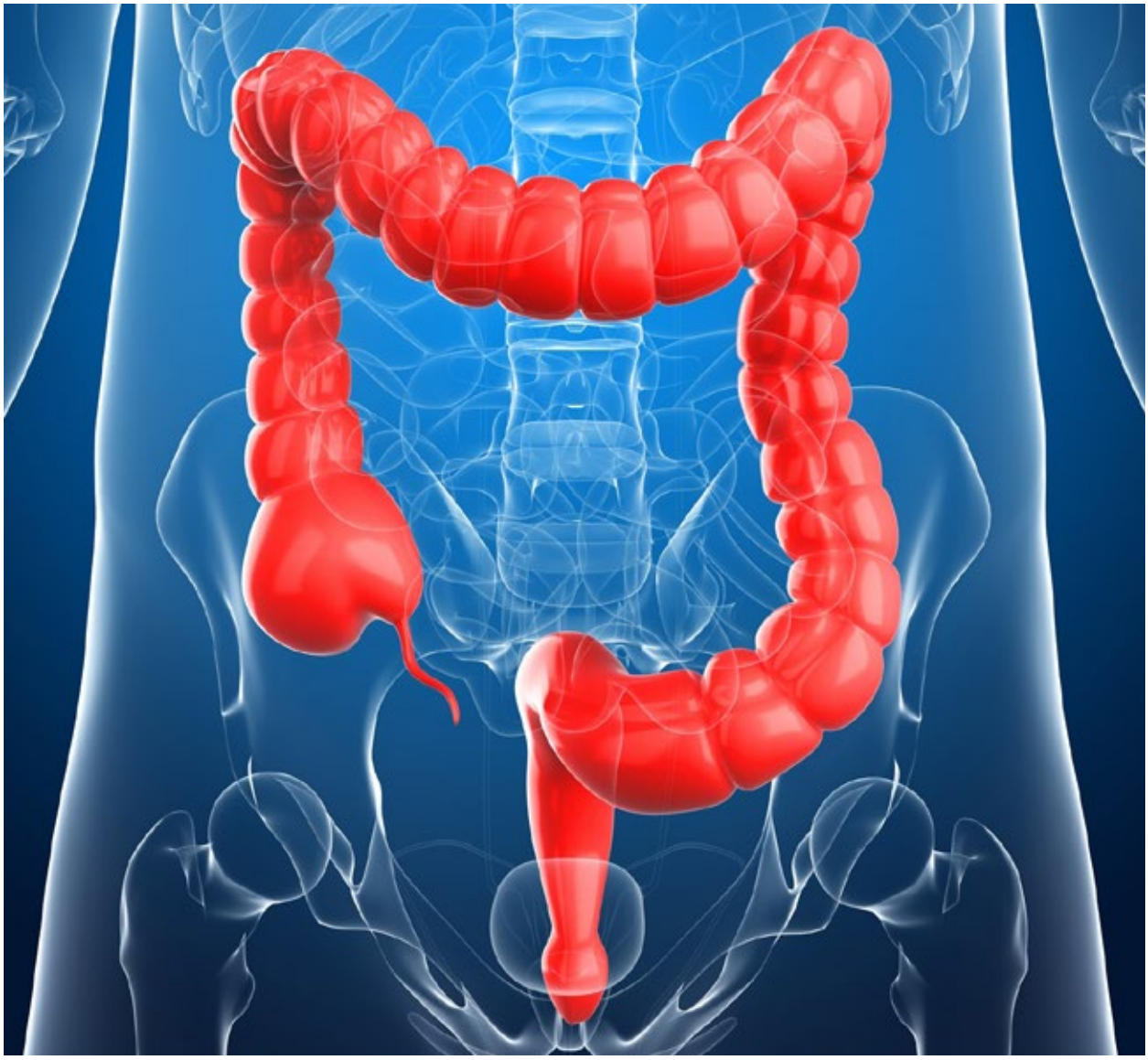
1 Global data Ulcerative colitis prevalence
2 Ulcerative Colitis Disease Coverage. Datamonitor Healthcare 2016.
3 IMS Health 2015 IBD disease insights webinar
4 Altwegg R et al. TNF Blocking Therapies and Immunomonitoring in Patients with Inflammatory Bowel Disease. Hindawi Publishing Corporation, Mediators of Inflammation, Volume 2014, Article ID 172821.
5 Sandborn WJ et al Tofacitinib as Induction and Maintenance Therapy for Ulcerative Colitis. N Engl J Med. 2017 Aug 3;377(5):496-7.

LICENSING AGREEMENTS AND ACQUISITIONS IN IBD

There have been several significant transactions in the field of IBD the last years, demonstrating the medical need and commercial opportunity for new therapies within the field. The table below summarises major licensing deals and acquisitions within the IBD space.

LICENSING AGREEMENTS AND ACQUISITIONS IN IBD

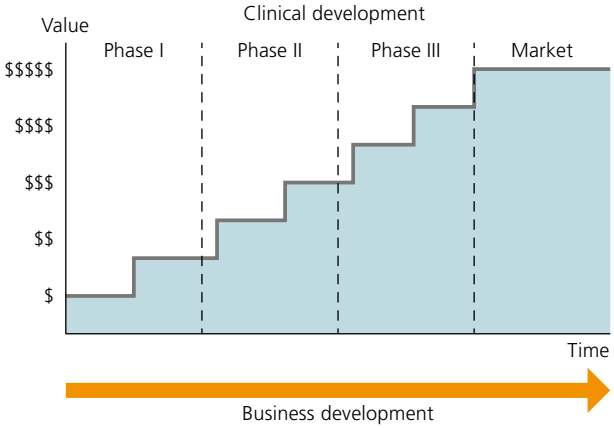
Date	Company	Partner	Substance	Completed clinical phase	Terms
April 2014	Nogra Pharma	Celgene	Mongersen	Phase II	USD 710m upfront + USD 1.9b in milestones + royalties
July 2015	Receptos	Celgene	Ozanimod	Phase II	USD 7.2b (acquisition)
December 2015	Galapagos	Gilead	Filgotinib	Phase II	USD 300m upfront + USD 425m equity investment + USD 1.35b milestones + tiered royalty starting at 20%
June 2016	Pfizer	Shire	SHP647	Phase II	USD 90m upfront + USD 460m in milestones + royalties
October 2016	MedImmune/ Astra Zeneca	Allergan	MEDI2070	Phase IIa	USD 250m upfront + USD 1.27b in milestones + royalties
February 2018	Theravance	Johnson & Johnson	TD-1473	Phase I	USD 100m upfront + USD 900m in milestones + royalties



Business development and patents

BUSINESS DEVELOPMENT

While InDex is preparing for phase III on its own, the company continues its business development work to present the positive CONDUCT results and development plans to potential partners that have shown interest in cobitolimod. That work will intensify during the spring of 2020 when InDex has compiled the in-depth conclusions from CONDUCT, the outcome of market research, discussions with key opinion leaders and the feedback from the regulatory authorities. Then a complete picture of the continued development towards commercialisation of cobitolimod can be conveyed. From a strategic and negotiation perspective, it is a great strength to be autonomous and be able to control the timing and circumstances for potential future partnerships. Out-licensing at a later stage of development also increases the value of cobitolimod.



The value of a drug development project increases as it gets closer to the market

PATENTS

InDex's policy is to protect its own proprietary position by seeking patent protection related to the company's proprietary technology, inventions and improvements that are important for its development and business operations. The company's patent portfolio covers use of cobitolimod in the treatment of various inflammatory diseases, composition of matter patents for other DIMS compounds and their methods of use, as well as the protection of the diagnostic kit DiBiCol.

The use of cobitolimod in treatment of patients afflicted with an inflammatory condition, such as ulcerative colitis, and that have a history of steroid use is covered by two granted patent families. This portfolio provides a broad method of use patent protection in the US, Europe, Japan, Canada and Australia until at least 2026, with the possibility of up to five years term extension after marketing approval. Furthermore, the use of cobitolimod for treatment of active ulcerative colitis in a patient that is refractory or responds insufficiently or is intolerant to anti-inflammatory therapy, with or without history of steroid use, is covered by a third patent family. This patent family has been granted in the US, Europe and Japan and is being prosecuted in Canada and as divisional patent in Europe. It will protect cobitolimod until 2032 with the possibility of up to five years term extension after marketing approval.

In addition, further patent applications have been filed or are contemplated in the light of advances in the formulation and clinical development of cobitolimod, to provide exclusivity beyond the term of InDex's already granted patents. Cobitolimod will also be subject to data protection as a new chemical entity for ten years from marketing approval in Europe, eight years in Japan and five years in the US.

KEY COBITOLIMOD PATENTS

Patent family	Geographic area	Granted	Expire*
Modulating responsiveness to steroids WO2007004979	US/EP/JP	EP1904077	2026-06-30
		EP2179737	2026-06-30
		US8148341	2027-05-31
		US8569257	2026-06-30
		JP5208734	2026-06-30
		JP5886699	2026-06-30
Immunostimulatory method WO2007004977	US/EP/JP/AUS/CA	EP1901759	2026-06-29
		EP2269622	2026-06-29
		EP2380584	2026-06-29
		US8258107	2027-05-31
		US8592390	2026-06-29
		JP5074392	2026-06-29
		JP5945176	2026-06-29
		AU2006266503	2026-06-29
		AUS2012200661	2026-06-29
		CA 2612162	2026-06-29
Method for prevention of colectomy WO2013076262	US/EP/JP/CA	EP2782602	2032-11-23
		US9492516	2032-11-23
		US9795627	2032-11-23
		JP6193248	2032-11-23
Composition and method for the prevention, treatment and/or alleviation of an inflammatory disease WO2007050034	US	US8895522	2028-12-20
Compounds and methods for reducing the recruitment and/or migration of polymorphonuclear cells WO2010053430	US/EP/JP/AUS/CA	EP2342341	2029-10-28
		EP2806028	2029-10-28
		US8877724	2029-10-28
		US10046006	2030-07-17
		JP5749651	2029-10-28
		AU2009311748	2029-10-28
		CA2778938	2029-10-28

**Supplementary Protection Certificate (SPC) or Patent Term Extension (PTE) is not included and may give up to five years extension in Europe and the US. In addition, cobitolimod will be subject to data protection as a new chemical entity for ten years from marketing approval in Europe and five years in the US.*

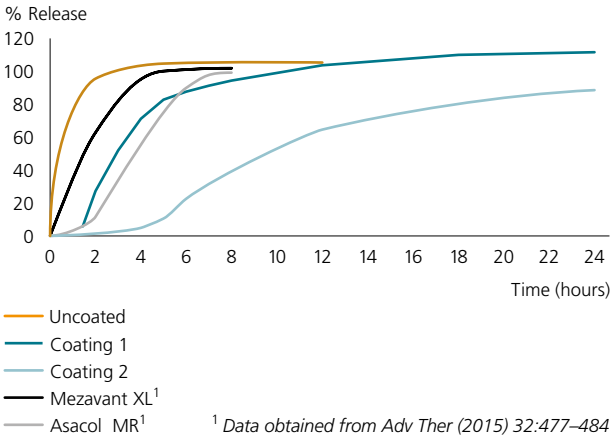
Oral formulation of cobitolimod

InDex has developed a novel formulation of its lead drug candidate cobitolimod for oral administration, with targeted delivery to the lower part of the gastrointestinal tract. The capsule is a potential follow-on product to the current topical formulation. An oral therapy makes it possible to deliver cobitolimod to parts of the gastrointestinal tract which are inaccessible to an enema and would be more convenient for the patients.

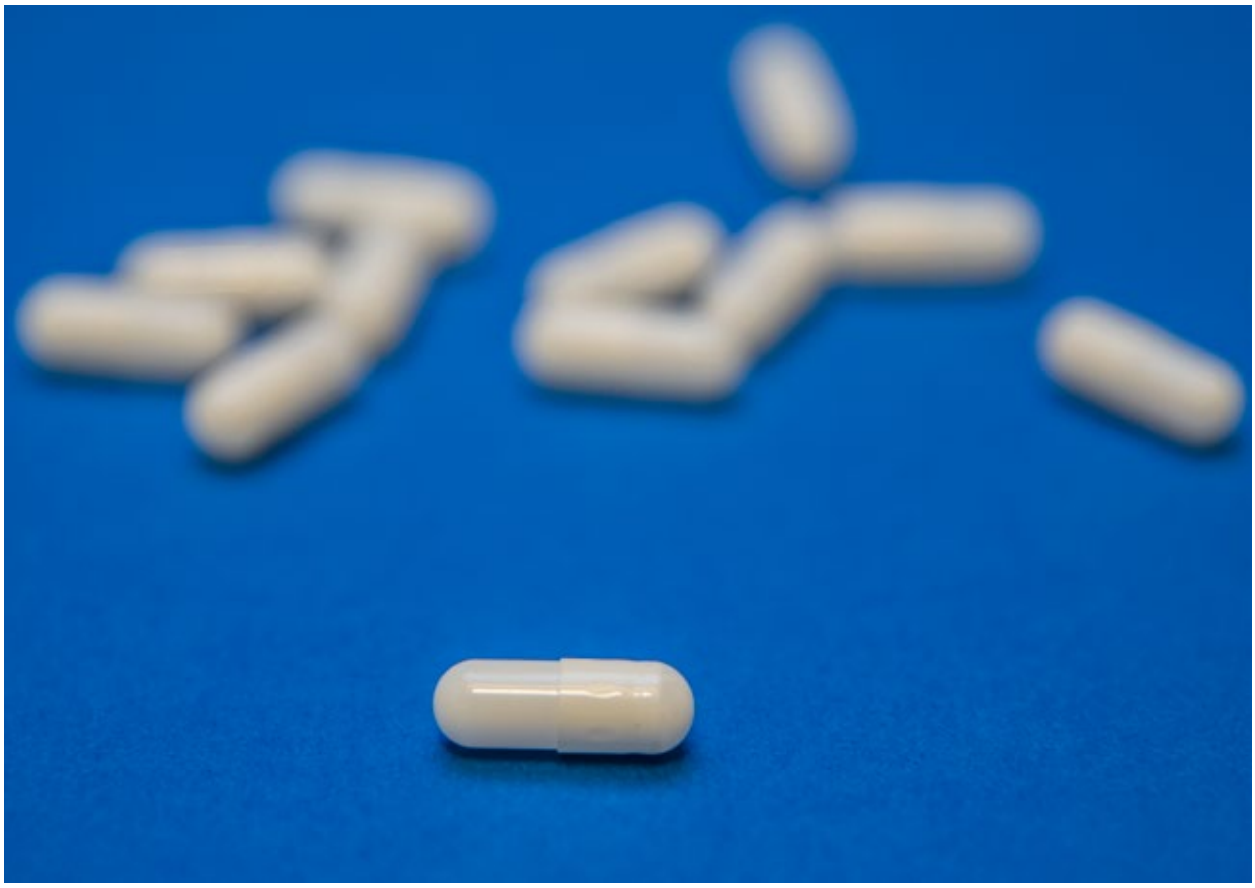
The oral formulation of cobitolimod consists of a core matrix in a capsule with a pH sensitive coating. Different parts of the gastrointestinal tract have different pH, and by using a coating that dissolves at a specific pH, one can direct the release of a substance to a specific part of the intestine. The capsule with cobitolimod is designed to initiate release of cobitolimod in the terminal ileum for controlled delivery to the colon.

The in vitro release profile for the capsule is similar to those reported for marketed oral mesalazine products for ulcerative colitis, with controlled release technologies such as Mezavant and Asacol. Additionally, the release profile can be adjusted to target other parts of the gastrointestinal tract, both by modifying the composition of the core matrix and the coating of the capsule.

This opens up the possibility to broaden the therapeutic use of cobitolimod to also include other inflammatory bowel diseases such as Crohn's disease, where the inflammation can be located higher up in the gastrointestinal tract. The oral formulation development also provides the opportunity to secure additional patent protection for cobitolimod.

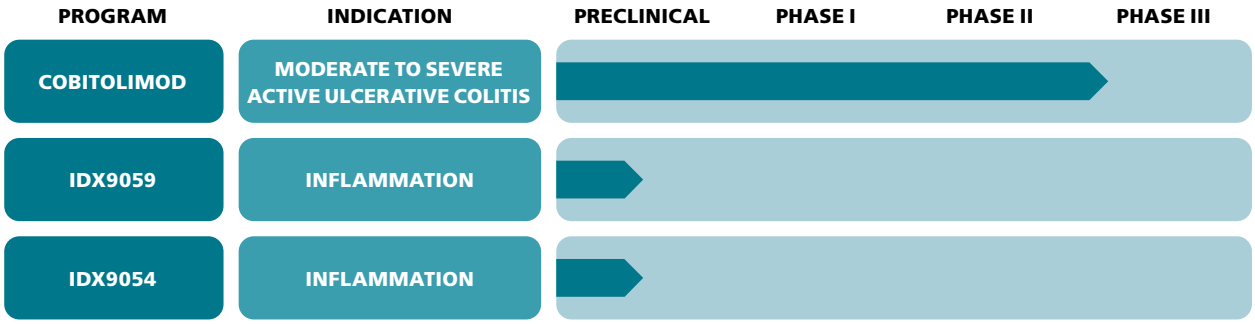


Dissolution profile for cobitolimod compared to commercial mesalazine products



DIMS compounds under development

InDex has besides cobitolimod a preclinical portfolio of more than 150 DNA-based ImmunoModulatory Sequences (DIMS). The DIMS candidates are oligonucleotides that differ in sequence composition and length, but are all TLR9 agonists. DIMS mimic bacterial DNA, without being harmful, and stimulate immune cells to produce beneficial anti-inflammatory cytokines that will help to dampen the inflammation. This opens up opportunities for the treatment of different inflammatory conditions, in which the immune responses are imbalanced. To capitalise on the substantial historical investments in the DIMS portfolio and to take advantage of the expertise and experience built up during the development of cobitolimod in ulcerative colitis, InDex is testing a selected number of DIMS candidates, e.g. IDX9054 and IDX9059, in models of other inflammatory diseases. Positive signals have been observed, and InDex is now investigating how one can confirm these early results with alternative and complementary methods in order to be able to select a DIMS substance for further development.



Organisation and the InDex team

InDex has a small number of employees with core competences and cooperates with experienced consultants within different areas of the development process. The plans are developed in close cooperation with key opinion leaders such as clinicians and scientists together with other experts such as Clinical Research Organisations (CROs) and Contract Manufacturing Organisations (CMOs), as well as through scientific advice from regulatory authorities and pricing authorities. InDex is using a so-called outsourcing model for its preclinical, clinical and pharmaceutical development work. Such a model provides a high degree of flexibility and utilises employees and other resources in a cost efficient way. InDex is selecting the most suitable CROs and CMOs to conduct trials and manufacturing of study drugs under the supervision of InDex.

As of December 31, 2019 InDex had seven full time employees. Three of the employees have Ph.D. degrees in immunology and inflammation. InDex has established cooperation with ten qualified consultants each specialised in different areas, such as clinical trials, regulatory affairs, statistics, medicine, preclinical, manufacturing, business development and finance in order to ensure that the necessary competences and experiences are covered. The management has a strategy to involve all members of the team, regardless of employment status, to create a well-functioning team to meet the company's objectives. InDex's management and the Board have together large and documented highly qualified international experience in the pharmaceutical industry. This covers the vast majority of the functions involved in the process to develop and commercialise new and innovative drugs.

To assist InDex in research and development the company is supported by highly experienced scientific advisors. Furthermore, InDex has engaged a panel of key opinion leaders within the gastrointestinal field to advise in medical questions related to the company's development portfolio, the design of InDex's clinical studies as well as the preparations of the interactions with relevant regulatory authorities.

The InDex team

The share

InDex Pharmaceuticals Holding AB's share is listed on Nasdaq First North Growth Market Stockholm since October 11, 2016 under the ticker symbol INDEX and with the ISIN code SE0008966295. The share is included in the Health Care segment.

SHARE PRICE DEVELOPMENT AND TURNOVER OF SHARES

The share price as of December 30, 2019 was SEK 5.82, which corresponded to a market cap of SEK 517 million. The highest share price paid on Nasdaq First North Growth Market Stockholm during 2019 was SEK 12.70 and the lowest share price paid was SEK 5.52. During 2019, 69,263,260 shares were traded on Nasdaq First North Growth Market Stockholm corresponding to a value of SEK 575 million.

DIRECTED SHARE ISSUE

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 authorisation granted by InDex's annual general meeting on May 6, 2019 and 6,243,745 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 September 19, 2019. Through the directed share issue, InDex received proceeds amounting to approximately SEK 129.8 million after transaction related costs.

SHAREHOLDERS

InDex had as of December 30, 2019 3,884 shareholders according to Euroclear. The 15 largest shareholders in InDex held approximately 70.5 percent of the capital and the votes.

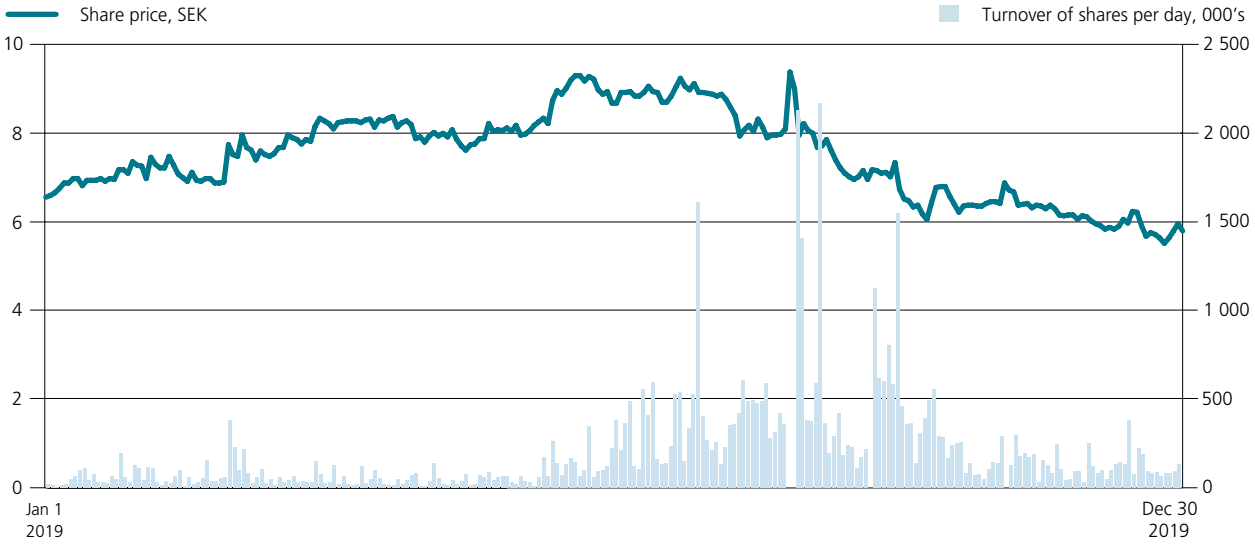
CERTIFIED ADVISER

According to the rules of Nasdaq First North Growth Market Stockholm a listed company needs to appoint a Certified Adviser to conduct certain surveillance tasks. Redeye AB is the company's Certified Adviser.

LARGEST SHAREHOLDERS AS OF DECEMBER 30, 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**

SHARE PRICE AND TURNOVER OF SHARES



The traded volume was extremely high during three days. These are therefore provided separately and thus not included in the graph.
Aug 27, 2019 – 13,565,597 shares, Aug 28, 2019 – 4,455,506 shares, Sep 20, 2019 – 2,795,727 shares.

OWNERSHIP STRUCTURE BY SIZE OF HOLDINGS AS OF DECEMBER 30, 2019

Holding	Number of shareholders	Number of shares	Percentage of capital and votes
1-500	909	169,860	0.2
501-1,000	893	705,192	0.8
1,001-5,000	1,317	3,286,519	3.7
5,001-10,000	353	2,750,907	3.1
10,001-15,000	123	1,566,771	1.8
15,001-20,000	58	1,059,203	1.2
20,001-	231	79,248,823	89.2
Total	**3,884**	**88,781,275**	**100.00**

DEVELOPMENT OF SHARE CAPITAL

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

Board of directors, senior management and auditors

PROF. WENCHE ROLFSEN
Chairman since 2011.
Born: 1952.
Current assignments: Chairman of BioArctic and Cinclus Pharma. Board member of Swedish Match. In addition, partner in Serendipity Partners.
Experience: Managerial positions at Pharmacia and Quintiles, as well as board member of several listed companies. Former associate Professor in Pharmacology at Uppsala University.
Holdings: Direct holdings of 18,900 shares and indirect holdings of 81,224 shares.

PROF. ULI HACKSELL
Board member since 2016.
Born: 1950.
Current assignments: Chairman of Adhera Therapeutics. CEO and board member of Medivir, as well as board member of Cerecor, Active Biotech, Beactica and Uppsala University.
Experience: CEO and chairman of Cerecor, CEO of ACADIA Pharmaceuticals and managerial positions at Astra. Professor in organic chemistry at Uppsala University.
Holdings: Direct holdings of 68,000 shares.

DR. LENNART HANSSON
Board member since 2011.
Born: 1956.
Current assignments: Chairman of Ignitus and Sixera Pharma, as well as board member of Medivir, Calliditas Therapeutics and Cinclus Pharma.
Experience: Former head of Life Science investments at Industrifonden, CEO of Arexis and managerial positions at AstraZeneca and Karolinska Development.
Holdings: Indirect holdings of 72,000 shares.

STIG LÖKKE PEDERSEN
Board member since 2012.
Born: 1961.
Current assignments: Chairman of Modus Therapeutics, moksha8, Transmedica and SSI-Diagnostics, as well as board member of Union Therapeutics, MSI, Skybrands and BroenLab.
Experience: Managerial positions at Lundbeck and Ciba-Geigy.
Holdings: Indirect holdings of 63,962 shares.

INDEPENDENCE

	In relation to		
	InDex	InDex's management	InDex's major shareholders
Prof. Wenche Rolfsen	•	•	•
Prof. Uli Hacksell	•	•	•
Dr. Lennart Hansson	•	•	•
Stig Lökke Pedersen	•	•	•

PETER ZERHOUNI
Chief Executive Officer (CEO) since 2015. Board member of InDex Pharmaceuticals and InDex Diagnostics since 2017.
Born: 1972.
Current assignments: –.
Experience: CEO of Diamyd Medical and different positions at ING Bank in Amsterdam and Brussels.
Holdings: Direct holdings of 70,000 shares.

JOHAN GILÉUS
Chief Financial Officer (CFO) since 2017. Board member of InDex Pharmaceuticals and InDex Diagnostics since 2017.
Born: 1965.
Current assignments: Board member of Gileus Consulting and Gileus Invest, as well as board member and chairman of the audit committee of Bygghemma.
Experience: Former Partner at Deloitte focusing on M&A, financial reporting and stock market issues.
Holdings: Direct holdings of 40,000 shares.

DR. THOMAS KNITTEL
Chief Medical Officer (CMO) since 2012.
Born: 1962.
Current assignments: –.
Experience: More than 15 years of experience from clinical work within gastroenterology and managerial positions at Novo Nordisk, Harlan Laboratories and Develogen.
Holdings: Direct holdings of 15,000 shares.

PERNILLA SANDWALL
Chief Operating Officer (COO) since 2012.
Born: 1963.
Current assignments: Board member of Alzinova and Innovativa Mindre Life Science företag (part of Läkemedelsindustriföreningen).
Experience: Managerial positions within clinical operations at Merck (MSD).
Holdings: Direct holdings of 27,500 shares.

AUDITORS
PricewaterhouseCoopers AB with the authorised auditor Magnus Lagerberg as public accountant in charge since 2017.

Note: The years refer to InDex Pharmaceuticals AB as applicable.

Holdings per December 31, 2019.

Directors' report

InDex Pharmaceuticals Holding AB (publ) Corp. Reg. No. 559067-6820

The Board and the CEO of InDex Pharmaceuticals Holding AB hereby issue the annual report and the consolidated financial statements for 2019.

INTRODUCTION

This annual report includes the group ("the group", "the company" or "InDex"), i.e. InDex Pharmaceuticals Holding AB, Corp. Reg. No 559067-6820, the subsidiaries InDex Pharmaceuticals AB, Corp. Reg. No. 556704-5140 and InDex Diagnostics AB, Corp. Reg. No. 556602-2751. The employees are employed, and the consultants are engaged, in the parent company or the subsidiary InDex Pharmaceuticals AB depending on the type of work performed. Invoicing of services between the group companies is based on utilisation. Revenues and direct costs for the diagnostic services (the diagnostic test DiBiCol) are accounted for in InDex Diagnostics AB. The company's share is traded on Nasdaq First North Growth Market Stockholm since October 11, 2016. Redeye AB is the company's Certified Adviser.

The operations are conducted at the so-called Gamma building, Karolinska Institute, with postal address Tomtebodavägen 23a, 171 77 Stockholm.

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.

In 2019 InDex 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 percent (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 percent (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 authorisation granted by InDex's Annual General Meeting on 6 May 2019 and a maximum of 6,243,745 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 Stockholm 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 were continuing according to plan.
- The consequences of Covid-19 can currently not be foreseen. The Board therefore points out the Expected future development and Risk and uncertainties in the Directors' report as well as Financial risk management in note 3 and the section Risk factors. The Board further assess that there is no impact on the company's financial position as of December 31, 2019 due to events after the reporting period.

CORPORATE STRUCTURE

InDex Pharmaceuticals Holding AB was incepted on December 14, 2015 and was registered with the Swedish Companies Registration Office on June 27, 2016. At an Extraordinary General Meeting held on August 25, 2016 it was resolved, and on September 7, 2016 an issue for non-cash consideration was registered at the Swedish Companies Registration Office, whereby the shareholders of InDex Pharmaceuticals AB transferred 99.76 percent (on December 31, 2019 99.99 percent have been transferred) of the shares in the company in exchange for new shares in the new parent company, InDex Pharmaceuticals Holding AB. The intention is that also the remaining shares in InDex Pharmaceuticals AB will be exchanged for shares in the parent company. With the support of valuations provided by two independent external parties, the Board attributed the shares in InDex Pharmaceuticals AB a total value of SEK 247.0 million, out of which the shares held by the parent company were reported in the balance sheet at the same value, as the remaining shares will be transferred alternatively compulsory acquired. A debt of SEK 0.0 million to the minority shareholders has therefore been reported as of December 31, 2019 (the few shareholders that have not signed the share exchange agreement, representing 0.01 percent of total shares).

The Board has concluded that the restructuring described above has not in itself changed the business or the shareholder structure, why the consolidated financial statements have been prepared in accordance with the guidelines for acquisition under common control. In short this means that the consolidated financial statements are prepared as if InDex Pharmaceuticals AB is the acquiring company in the consolidated financial statements and, therefore, the assets and liabilities are reported at historical values. This further means that the comparative periods for InDex can be presented in the financial report for InDex where InDex Pharmaceuticals AB was the legal parent.

FINANCIAL DEVELOPMENT

CONSOLIDATED FINANCIAL SUMMARY

SEK million	2019	2018	2017	2016[1]	2015[1, 2]
Net sales	0.1	0.1	0.1	0.4	0.4
Operating loss	–87.7	–82.0	–73.2	–39.5	–29.5
Result after tax	–87.8	–82.1	–72.7	–41.3	–29.9
Earnings per share before and after dilution, SEK	–1.19	–1.29	–1.16	–1.08	–0.99
Cash flow from operating activities	–85.1	–78.6	–67.3	–31.9	–37.0
Cash and cash equivalents at the year-end	126.8	83.0	125.1	193.2	7.0
Weighted average number of shares	73,875,320	63,692,156	62,527,366	38,110,575	30,067,234
Number of shares at the year-end	88,781,275	68,781,275	62,528,433	62,498,893	30,067,234

[1] According to historical accounting principles (K3)
[2] Information covering fiscal year 2015 relates to the group where InDex Pharmaceuticals AB was the parent company.

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

Operating expenses 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 authorisation 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

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 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 shareholder contributions of in total SEK 90 (40) million. A writedown of shares in subsidiaries was made simultaneously.

THE BOARD AND CEO

The Board in InDex Pharmaceuticals Holding AB was elected at the Annual General Meeting on May 6, 2019 and consists of the chairman Wenche Rolfsen, Uli Hacksell, Lennart Hansson and Stig Lökke Pedersen.

Peter Zerhouni is CEO since April 1, 2015.

RISKS AND UNCERTAINTIES

The business of the company can be affected by a number of risk factors. The ambition of the group is to establish a group wide risk management program that focuses on minimising potential negative effects on InDex's profit. The Board is ultimately responsible for identifying, managing and monitoring InDex's risks. The policy for identifying, management and monitoring of financial risks is decided by the Board and is subject to annual revisions. The Board has delegated the daily work regarding risk management to the CEO, who has delegated to the CFO. The Board may decide on temporary exemptions from the policy. 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 obtains necessary approvals to conduct the clinical trials that InDex would like to implement, 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 drugs 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.

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 commercialisation.

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.

NON-FINANCIAL INFORMATION

Employees

The number of employees at the end of the year was 7 (7) and the number of people closely associated with InDex through consultancy arrangements amount to 10 (10).

Environment

InDex is a small company and is therefore procuring services such as production of substance, drug production and preclinical and clinical trials services. InDex is cooperating with well-known partners and have rigorous oversight of permits, quality assurance and environmental obligations.

Annual General Meeting in the parent company

The Annual General Meeting of InDex Pharmaceuticals Holding AB will be held on April 20, 2020 at 5:00 p.m. (CET) at Setterwalls Advokatbyrå, Sturegatan 10 in Stockholm. Shareholders who wish to attend the Annual General Meeting must be recorded in the share register maintained by Euroclear Sweden AB on April 14, 2020. Shareholders who wish to attend the Annual General Meeting shall also give notice of attendance no later than April 14, 2020 at 5:00 p.m. (CET) by email to annika.lindmark@indexpharma.com or under postal address: InDex Pharmaceuticals Holding AB, Tomtebodavägen 23a, 171 77 Stockholm. The notice shall contain name, address and number of shares represented. If applicable, the number of assistants (maximum 2) shall be provided. Shareholders that are represented by proxy shall provide the proxy to the agent. The proxy shall be provided to the company prior to the Annual General Meeting using the above-mentioned postal address. If the proxy is provided by a legal person a certified company certificate shall be attached.

PROPOSED DISTRIBUTION OF EARNINGS

THE FOLLOWING RETAINED EARNINGS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING

SEK	
Retained earnings	413,026,598
Net result	–95,984,274
	317,042,324
The Board's suggestion to be carried forward	317,042,324

THE BOARD'S OPINION REGARDING THE SUGGESTED DISTRIBUTION AND DIVIDEND POLICY

The Board does 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.

Regarding the parent company's and the group's result and financial position the reader is referred to the pages overleaf presenting the statement of total comprehensive income, balance sheet, statement of changes in equity, cash flow and associated notes. All amounts are presented in thousands of SEK unless stated otherwise.

Consolidated statement of total comprehensive income

SEKk	Note	2019	2018	2017
Revenues				
Net sales	5	88	128	113
Other income	8	–	612	–
Total revenues		**88**	**740**	**113**
Operating expenses				
Raw material and consumables		–3,903	–560	–8,998
Other external expenses	6, 7	–70,189	–71,685	–53,807
Personnel costs	7	–12,769	–9,553	–9,594
Depreciations/amortisations of fixed assets and right-of-use assets	14, 15	–939	–940	–940
Total expenses		**–87,800**	**–82,738**	**–73,339**
Operating loss		**–87,712**	**–81,998**	**–73,226**
Result from financial investments				
Financial income	9	–	–	1,340
Financial expenses	9	–61	–86	–760
Other		–	–64	–27
Financial items – net		**–61**	**–150**	**553**
Earnings before tax		**–87,773**	**–82,148**	**–72,673**
Taxes for the period	10	–	–	–
LOSS FOR THE PERIOD		**–87,773**	**–82,148**	**–72,673**
Earnings per share, attributable to the shareholders of the parent company:				
Earnings per share, before and after dilution, SEK		–1.19	–1.29	–1.16

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 shareholders of the parent company.

The notes on pages 34 to 55 are an integrated part of these consolidated financial statements.

Consolidated balance sheet

SEKk	Note	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
ASSETS					
Fixed assets					
Tangible fixed assets					
Equipment, tools and installations	14	11	21	31	42
Total tangible fixed assets		**11**	**21**	**31**	**42**
Right-of-use assets	15	**464**	**1,393**	**2,322**	**3,250**
Financial assets					
Other financial assets	16	1	1	1	1
Total financial assets		**1**	**1**	**1**	**1**
Total fixed assets		**476**	**1,415**	**2,354**	**3,293**
Current assets					
Current receivables					
Accounts receivable	17	4	10	16	285
Other current receivables	18	1,343	1,480	848	358
Prepaid expenses and accrued income	19	474	482	921	568
Cash and cash equivalents	20	126,790	83,034	125,055	193,232
Total current receivables		**128,611**	**85,006**	**126,840**	**194,443**
Total current assets		**128,611**	**85,006**	**126,840**	**194,443**
TOTAL ASSETS		**129,087**	**86,421**	**129,194**	**197,736**
EQUITY AND LIABILITIES					
Equity	21				
Share capital		1,776	1,376	1,251	1,251
Additional paid in capital		384,304	254,930	217,581	217,546
Retained earnings (including profit/loss for the year)		–279,577	–191,814	–109,666	–36,993
Total equity attributable to the shareholders of the parent company		**106,503**	**64,492**	**109,166**	**181,804**
Liabilities					
Non-current liabilities					
Non-current lease liabilities	15	–	484	1,431	2,362
Total non-current liabilities		**–**	**484**	**1,431**	**2,362**
Current liabilities					
Current lease liabilities	15	484	947	932	888
Account payables		3,153	3,550	6,568	4,822
Other current liabilities	23	1,138	1,311	1,290	1,275
Accrued expenses and prepaid income	24	17,809	15,637	9,807	6,585
Total current liabilities		**22,584**	**21,445**	**18,597**	**13,570**
Total liabilities		**22,584**	**21,929**	**20,028**	**15,932**
TOTAL EQUITY AND LIABILITIES		**129,087**	**86,421**	**129,194**	**197,736**

The notes on pages 34 to 55 are an integrated part of these consolidated financial statements.

Consolidated statement of changes in equity

	Equity attributable to the shareholders of the parent company			
SEKk	Share capital	Additional paid in capital	Retained earnings, including loss for the year	Total equity
Opening balance January 1, 2017	**1,251**	**217,546**	**–36,993**	**181,804**
Profit/loss for the period equal to total comprehensive income	–	–	–72,673	–72,673
Total comprehensive income for the year	**–**	**–**	**–72,673**	**–72,673**
Transactions with shareholders of the parent company:				
Issue of warrants	–	35	–	35
Total transactions with shareholders of the parent company	**–**	**35**	**–**	**35**
Closing balance December 31, 2017	**1,251**	**217,581**	**–109,666**	**109,166**
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 shareholders of the parent company:				
Issue of shares	125	37,517	–	37,642
Transaction costs	–	–168	–	–168
Total transactions with shareholders 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 shareholders of the parent company:				
Issue of shares	400	139,260	–	139,660
Transaction costs	–	–9,876	–	–9,876
Total transactions with shareholders of the parent company	**400**	**129,384**	**–**	**129,784**
Closing balance December 31, 2019	**1,776**	**384,314**	**–279,587**	**106,503**

Consolidated cash flow

SEKk	Note	2019	2018	2017
Operating activities				
Operating result		–87,712	–81,998	–73,226
Adjustment for non-cash items:				
Depreciations/amortisations		939	940	940
Divestment of financial assets		–	–	27
Interest paid and received		–61	–155	555
Income tax paid		–	–	–
Cash flow from operating activities before changes in working capital		**–86,834**	**–81,213**	**–71,709**
Cash flow in working capital				
Decrease/increase of current receivables		151	–187	–574
Decrease/increase of current liabilities		1,602	2,833	4,985
Cash flow from changes in working capital		**1,753**	**2,646**	**4,411**
Cash flow from operating activities		**–85,081**	**–78,567**	**–67,298**
Investing activities				
Investments in tangible assets		–	–	–
Cash flow from investment activities		**–**	**–**	**–**
Financing activities				
Amortisation of lease liabilities	15	–947	–932	–887
Issue of shares, net after transaction costs	21	129,784	37,478	–
Issue of warrants	7	–	–	8
Cash flow from financing activities		**128,837**	**36,546**	**–879**
Cash flow for the period		**43,756**	**–42,021**	**–68,177**
Decrease/increase of cash and cash equivalents				
Cash and cash equivalents at the beginning of the year		83,034	125,055	193,232
Currency translation difference in cash and cash equivalents		–	–	–
Cash and cash equivalents at the end of the year		**126,790**	**83,034**	**125,055**

The notes on pages 34 to 55 are an integrated part of these consolidated financial statements.

Notes to the consolidated statements

NOTE 1 GENERAL INFORMATION

InDex Pharmaceuticals Holding AB (publ) Corp. Reg. No. 559067-6820 is a registered limited liability corporation in Sweden with its registered office in Stockholm. The address to the head office is Tomtebodavägen 23a, Stockholm. InDex Pharmaceuticals Holding AB, and its subsidiaries InDex Pharmaceuticals AB and InDex Diagnostics AB ("InDex", "the company" or "the group"), operations constitute research, clinical trials, development of technology and commercialisation of scientific discoveries within in the field of biomedicine.

The Board approved the annual report on March 30, 2020.

All amounts are presented in thousands of SEK (SEKk) unless stated otherwise.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These accounting policies have been applied consistently for all periods presented. The consolidated financial statements present InDex Pharmaceuticals Holding AB (publ) and its subsidiaries.

i) Basis of preparation for the reports

The consolidated financial statements for 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.

The consolidated financial statements have been prepared using the cost method. This annual report is InDex's first annual report prepared in accordance with IFRS. 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 principles to IFRS and the presented effects of the statement of amounts previously recognised in consolidated statement of equity are presented in note 30.

The preparation of financial statements compliant in accordance 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.

ii) 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.

2.1 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.

Intercompany 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.

2.2 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 development of pharmaceuticals for immunological diseases. Against this background, the assessment is that InDex conducts joint development activities within the group and therefore has one business segment, which is the group as a whole.

2.3 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 through profit or 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.

2.4 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).

2.5 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. Grants to cover costs are accrued and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

2.6 INTEREST INCOME
Interest income is recognised using the effective interest method.

2.7 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 such 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 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.

2.8 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 amortisation of the liability and finance cost. The finance cost is allocated over 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 amortised 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.

2.9 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 costs 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 follows.

- 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.

2.10 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. 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.

2.11 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.

2.12 FINANCIAL INSTRUMENTS

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 or minus, 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 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

The group classifies and measures its financial assets in the categories amortised cost and fair value through profit or loss. The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contractual terms for the cash flows of the assets.

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 group 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.

2.13 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.

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

2.15 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.

2.16 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.

2.17 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 pension 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.

2.18 DIVIDENDS
Dividends to the parent company's shareholders are reported as a liability in the group's financial reports when the dividend is approved by the parent company's shareholders.

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 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: different market risks, credit risk, liquidity risk and refinancing risk. The group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The objective of the group's financial operations is to:

- ensure that the group is able to fulfill its payment obligations,
- manage financial risks,
- ensure access to the required financing, and
- optimize the group's net financial income/expense.

It is the Board who is ultimately responsible for exposure, management and monitoring of InDex risks. The framework applicable to exposure, management and follow-up of financial risks is established by the Board and audited annually. The Board has delegated the responsibility for the daily risk management to the CEO, who in turn has delegated to the CFO. The Board can decide on temporary departures from the established framework.

(i) Market risk
Foreign exchange risk
The group operates in Sweden as well as internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily in relation to the euro (EUR). Foreign exchange risks arise from future transactions, primarily payment outflows, and recognised assets and liabilities in a currency that is not the company's functional currency, known as transaction exposure. The group's exposure to foreign exchange risk is medium-high as a number of transactions in foreign currency occur. Therefore, the group does not currently use derivative instruments, such as currency swaps, to manage currency risk.

In InDex, foreign exchange risk mainly arises from cross-border transactions, where pricing and invoicing is done in EUR. Sensitivity in earnings regarding changes in exchange rates arises mainly in EUR. Significant balance sheet items in foreign currency are found in accounts payable. Accounts payable in foreign currency amounts to SEK 2,149k (December 31, 2018: SEK 3,074k, December 31, 2017: SEK 5,659k, January 1, 2017: SEK 2,944k). According to its financial policy, the group can reduce its transaction exposure by using derivative instruments in the form of forward contracts, swaps and currency options. As of December 31, 2019, and for all comparative periods, there were no outstanding derivative instruments.

Sensitivity analysis – transaction exposure
The group is primarily exposed to changes in the exchange rate for EUR. Sensitivity in earnings relating to changes in exchange rates arises mainly through accounts payable in EUR within the group. If the Swedish krona had weakened/strengthened by 1 percent in relation to the EUR, with all other variables constant, the recalculated profit after tax for the financial year 2019 would have been SEK 600k (2018: SEK 600k, 2017: SEK 600k) lower/higher mostly as a result of gains/losses on translation of accounts payable.

(ii) Credit risk
Credit risk is managed at group level. Credit risk arises from bank balances and credit exposures to customers. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. The group's accounts receivable are low during all periods, as drug development has not yet been commercialised, which is why credit risk linked to accounts receivable is considered low. In order to limit credit risk, an analysis is made of each central counterparty. The counterparty's financial situation is also continuously monitored to identify warning signals at an early stage.

(iii) Liquidity risk
Through careful liquidity management, the group ensures that sufficient liquid funds are available to meet the needs of the ongoing operations. At the same time, the group ensures that there is sufficient cash and cash equivalents so that debt payments can be made when they fall due. Management monitors rolling forecasts of the group's liquidity requirements based on expected cash flows.

(iv) Refinancing risk

Refinancing risk is defined as the risk that difficulties arise in refinancing the company, that financing cannot be obtained, or that it can only be obtained at increased costs. Both the size and the timing of the group's potential future capital requirements depend on a number of factors, including the possibility of entering into cooperation or licensing agreements and the progress made in research and development projects. There is a risk that the required financing of the business is not available at the right time and at a reasonable cost.

New share issues have been carried out to secure the financing of research and development projects. The risk is limited by the group continuously evaluating various financing solutions. The table below analyses the group's financial liabilities broken down by the time remaining on the balance sheet date until the contractual maturity date. The amounts stated in the table are the contractual, undiscounted cash flows. Future cash flows in foreign currency have been calculated on the basis of the exchange rate prevailing at the balance sheet date.

THE GROUP'S FINANCIAL LIABILITIES ON JANUARY 1, 2017

On January 1, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	255	764	1,018	1,474	–	3,511	3,250
Accounts payable	4,822	–	–	–	–	4,822	4,822
Other liabilities	1,275	–	–	–	–	1,275	1,275
Accrued expenses	6,585	–	–	–	–	6,585	6,585
Total	**12,937**	**764**	**1,018**	**1,474**	**–**	**16,193**	**15,932**

THE GROUP'S FINANCIAL LIABILITIES ON DECEMBER 31, 2017

On December 31, 2017	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	255	763	988	486	–	2,492	2,363
Accounts payable	6,568	–	–	–	–	6,568	6,568
Other liabilities	1,290	–	–	–	–	1,290	1,290
Accrued expenses	9,807	–	–	–	–	9,807	9,807
Total	**17,920**	**763**	**988**	**486**	**–**	**20,157**	**20,028**

THE GROUP'S FINANCIAL LIABILITIES ON DECEMBER 31, 2018

On December 31, 2018	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	255	733	486	–	–	1,474	1,431
Accounts payable	3,550	–	–	–	–	3,550	3,550
Other liabilities	1,311	–	–	–	–	1,311	1,311
Accrued expenses	15,637	–	–	–	–	15,637	15,637
Total	**20,573**	**733**	**486**	**–**	**–**	**21,972**	**21,929**

THE GROUP'S FINANCIAL LIABILITIES ON DECEMBER 31, 2019

On December 31, 2019	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount
Financial liabilities							
Lease liabilities	243	243	–	–	–	486	484
Accounts payable	3,153	–	–	–	–	3,153	3,153
Other liabilities	1,138	–	–	–	–	1,138	1,138
Accrued expenses	17,809	–	–	–	–	17,809	17,809
Total	**22,343**	**243**	**–**	**–**	**–**	**22,586**	**22,584**

3.2 FAIR VALUE ESTIMATION AND DISCLOSURE
The carrying amounts of the group's financial assets and liabilities are deemed to be a reasonable estimate of the fair value as they relate to current receivables and liabilities, thus the discounting effect is immaterial.

3.3 CAPITAL MANAGEMENT
The group's goal regarding capital structure is to ensure the group's ability to continue its operations, so that it can continue to generate a reasonable return to the shareholders and benefit other stakeholders and to maintain an optimal capital structure to keep the cost of capital down. For InDex, the ability to forecast future cash outflows is of utmost importance paired with the ability to ensure that new capital is procured well in advance of additional capital requirements. At this stage, the group is currently not following a specific measure to assess the return to shareholders. InDex's return capacity is dependent on the quality and value of research results generated. The value and quality of the research and development business is evaluated on an ongoing basis by management and the Board.

NOTE 4 IMPORTANT ESTIMATIONS AND ASSUMPTIONS

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 capitalising pharmaceutical development costs. Based on the accounting policies set out under note 2, 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 NET SALES

REVENUE
Revenue from external parties that is reported to the CEO is valued in the same way as in the group's statement of comprehensive income. The main revenue stream for the group is sales of research and analysis services on an ongoing basis and is reported as revenue during the period the work was performed.

REVENUE FROM EXTERNAL CLIENTS

	2019	2018	2017
Research and analysis services	88	128	113
Total	**88**	**128**	**113**

REVENUE FROM EXTERNAL CLIENTS ALLOCATED PER COUNTRY BASED ON WHERE THEY ARE LOCATED

	2019	2018	2017
Sweden	88	128	113
Total	**88**	**128**	**113**

All non-current assets, other than financial instruments and deferred tax assets (there are no assets in connection with post-employment benefits or rights under insurance contracts) are located in Sweden.

NOTE 6 FEES AND REMUNERATION TO AUDITORS

	2019	2018	2017
PwC			
– Audit engagement	194	210	194
– Other services	254	75	–
Total	**448**	**285**	**194**

NOTE 7 PERSONNEL COSTS

EMPLOYEE BENEFITS

	2019	2018	2017
Salaries and other benefits	8,307	5,869	5,801
Social security charges	2,596	2,016	2,042
Pension expenses – defined contribution plans	1,510	1,445	1,413
Fees	6,934	5,704	6,176
Total remuneration	**19,347**	**15,034**	**15,432**

REMUNERATION, OTHER BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS

	2019		2018		2017	
	Salary and other benefits	Social security contributions (whereof pension expenses)	Salary and other benefits	Social security contributions (whereof pension expenses)	Salary and other benefits	Social security contributions (whereof pension expenses)
Board of directors, CEO and other senior executives	6,093	2,721 (992)	4,175	2,162 (1,068)	3,821	1,866 (884)
Other employees	3,214	1,529 (518)	2,727	1,299 (377)	2,780	1,589 (529)
Total group	**9,307**	**4,250 (1,510)**	**6,902**	**3,461 (1,445)**	**6,601**	**3,455 (1,413)**

AVERAGE NUMBER OF EMPLOYEES SPLIT BY COUNTRY

	2019		2018		2017	
	At year-end	Whereof men	At year-end	Whereof men	At year-end	Whereof men
Sweden	7	1	7	1	7	1
Total group	**7**	**1**	**7**	**1**	**7**	**1**

SPLIT BY GENDER IN THE GROUP FOR BOARD OF DIRECTORS AND SENIOR EXECUTIVES

	2019		2018		2017	
	At year-end	Whereof men	At year-end	Whereof men	At year-end	Whereof men
Board of directors	4	3	5	4	5	4
CEO and other senior executives	4	3	4	3	4	3
Total group	**8**	**6**	**9**	**7**	**9**	**7**

REMUNERATION AND OTHER BENEFITS 2019

	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Fees	**Total**
Chairman of the Board – Wenche Rolfsen	400	–	–	–	–	**400**
Member of the Board – Uli Hacksell	200	–	–	–	–	**200**
Member of the Board – Lennart Hansson	200	–	–	–	–	**200**
Member of the Board – Stig Lökke Pedersen	200	–	–	–	–	**200**
CEO – Peter Zerhouni	1,759	1,872	–	593	–	**4,224**
Other senior executives (3 people)	1,120	341	–	399	1,674	**3,534**
Total group	**3,879**	**2,213**	**–**	**992**	**1,674**	**8,758**

The group of senior executives includes COO, CFO and CMO, of which CFO and CMO are engaged as consultants.

REMUNERATION AND OTHER BENEFITS 2018

	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Fees	**Total**
Chairman of the Board – Wenche Rolfsen	400	–	–	–	–	**400**
Member of the Board – Uli Hacksell	200	–	–	–	–	**200**
Member of the Board – Lennart Hansson	200	–	–	–	–	**200**
Member of the Board – Stig Lökke Pedersen	200	–	–	–	–	**200**
Member of the Board – Andreas Pennervall	–	–	–	–	–	**–**
CEO – Peter Zerhouni	1,706	302	–	575	–	**2,583**
Other senior executives (3 people)	1,054	113	–	493	2,144	**3,804**
Total group	**3,760**	**415**	**–**	**1,068**	**2,144**	**7,387**

REMUNERATION AND OTHER BENEFITS 2017

	Basic salary/ Board remuneration	Variable remuneration	Other benefits	Pension expenses	Fees	**Total**
Chairman of the Board – Wenche Rolfsen	400	–	–	–	–	**400**
Member of the Board – Uli Hacksell	200	–	–	–	–	**200**
Member of the Board – Lennart Hansson	–	–	–	–	–	**–**
Member of the Board – Stig Lökke Pedersen	200	–	–	–	–	**200**
Member of the Board – Andreas Pennervall	–	–	–	–	–	**–**
CEO – Peter Zerhouni	1,616	252	–	553	–	**2,421**
Other senior executives (3 people)	1,039	94	–	331	2,460	**3,944**
Total group	**3,476**	**346**	**–**	**884**	**2,460**	**7,165**

No fees for other engagements have been paid to any of the members of the Board during the period.

GUIDELINES

Fees are paid to the Chairman and members of the Board in accordance with the decision of the Annual General Meeting. Remuneration to the CEO and other senior executives consists of basic salary, variable remuneration, other benefits, pensions, etc. Where applicable, consulting fees are paid in accordance with agreements. Other senior executives refer to the three persons who together with the CEO constitute the management.

The distribution between basic salary and variable remuneration must be in proportion to the manager's responsibility and authority. For the CEO, the variable remuneration is maximized to 30% of the basic salary. For other senior executives, variable remuneration is maximised to two monthly salaries. The variable remuneration is based on the outcome in relation to individually set goals. Pension benefits and other benefits to the CEO and other senior executives are paid as part of the total remuneration.

DEFINED CONTRIBUTION PENSION PLANS

The group only has defined contribution pension plans. Pension cost refers to the cost that has been expensed during the year. The retirement age for the CEO is 65 years. The pension premium shall amount to 32% of the pensionable salary. Pensionable salary means basic salary and an average of the variable remuneration for the past three years. For other senior executives, the retirement age is 65 years. The pension agreement states that the pension premium shall be in accordance with ITP. No pension commitments have been made for board members.

SEVERANCE AGREEMENTS

A mutual notice period of 6 months applies between the company and the CEO. There are no severance pay agreements.

There are a mutual notice periods of 3 months between InDex and other senior executives. There are no severance pay agreements.

EMPLOYEE SHARE-OPTION PLANS

The following is a summary of employee share-option plans found in the group during any of the periods covered by the annual report 2019.

TO 2014/2017

At the Extraordinary General Meeting held on March 31, 2014 it was resolved to issue 2,716,477 warrants, TO 2014/2017. The price was SEK 0.06 per warrant according to a valuation based on Black&Scholes. All warrants were acquired by employees and other key persons in InDex at market value. The warrants could be subscribed by key persons in the group. Each warrant TO 2014/2017 had an exercise price of SEK 14 and could be exercised in 2017. No warrants were exercised.

TO 2015/2017
On October 15, 2015 the Board resolved to issue 500,000 warrants, TO 2015/2017. The warrants were granted to the CEO and two other employees. The mandate to issue warrants was resolved at the Annual General Meeting in June 2015. The price was SEK 0.06 per warrant according to a valuation based on Black&Scholes. All warrants were acquired at market value. Each warrant TO 2015/2017 had an exercise price of SEK 14 and could be exercised in 2017. No warrants were exercised.

TO 2016/2019
At the Extraordinary General Meeting held on September 12, 2016 it was resolved to issue 3,250,000 warrants, TO 2016/2019. The price was SEK 0.20 per warrant according to a valuation based on Black&Scholes. All warrants were acquired by employees and other key persons in InDex at market value. Each warrant TO 2016/2019 had an exercise price of SEK 19 and could be exercised in September 2019. No warrants were exercised.

As of December 31, 2019 no incentive program existed and consequently no senior executives held any warrants.

For the comparative periods senior executives held the following number of warrants:

- December 31, 2018 1,500,000
- December 31, 2017 1,500,000
- January 1, 2017 2,546,102

	2019		2018		2017	
	Average exercised price per warrant	Warrants	Average exercised price per warrant	Warrants	Average exercised price per warrant	Warrants
Per January 1	19.00	3,237,500	19.00	3,237,500	16.44	6,278,977
Granted	–	–	–	–	19.00	175,000
Forfeited	–	–	–	–	–	–
Exercised	–	–	–	–	–	–
Expired	19.00	–3,237,500	–	–	14.00	–3,216,477
Per December 31	**–**	**–**	**19.00**	**3,237,500**	**19.00**	**3,237,500**

NOTE 8 OTHER INCOME

	2019	2018	2017
Government grants	–	612	–
Total	**–**	**612**	**–**

NOTE 9 FINANCIAL ITEMS

	2019	2018	2017
Exchange differences gained	–	–	1,340
Other financial income	0	0	0
Total financial income	**0**	**0**	**1,340**
Interest expense	–61	–86	–40
Exchange differences lost	–	–	–720
Other financial expenses	–	–64	–27
Total financial expenses	**–61**	**–150**	**–787**
Financial items – net	**–61**	**–150**	**553**

NOTE 10 TAXES

	2019	2018	2017
Current tax expense:			
Current tax expense	–	–	–
Adjustments of prior year income tax	–	–	–
Total current tax expense	**–**	**–**	**–**
Deferred tax (note 22)			
Deferred tax on temporary differences	–	–	–
Total deferred tax	**–**	**–**	**–**
Total taxes	**–**	**–**	**–**

The income tax on the group's profit before tax differs from the theoretical amount that would have been obtained when using the Swedish tax rate for the results of the consolidated companies as follows:

	2019	2018	2017
Earnings before tax	**–87,773**	**–82,315**	**–72,759**
Tax as per applicable tax rate for parent company in Sweden (2019: 21.4%, 2018 and 2017: 22%)	18,783	18,109	16,007
Tax effects due to:			
Non-taxable income	–	–	–
Non-deductible expenses	–79	–30	–28
Tax effect related to unrecognised tax losses carried forward	–18,704	–18,079	–15,979
Taxes	**–**	**–**	**–**

The weighted average tax rate for the group was 0% (2018: 0%, 2017: 0%).

In 2019, it was decided that the corporate tax rate in Sweden would be reduced in two steps. The corporate tax rate is lowered from 22.0% to 21.4% for fiscal years beginning January 1, 2019 or later. In the next step, the corporate tax rate will be reduced to 20.6% from the fiscal year beginning January 1, 2021.

NOTE 11 EXCHANGE RATE DIFFERENCES - NET

Exchange rate differences have been reported in the statement of comprehensive income as follows:

	2019	2018	2017
Other income (note 8)	–	–	–
Other external expenses	–	–	–
Financial items - net (note 9)	–61	–150	553
Total	**–61**	**–150**	**553**

NOTE 12 EARNINGS PER SHARE

Earnings per share is calculated by dividing the result after tax with the average number of ordinary share for the period.

InDex has pending ordinary shares through warrants. The warrants have no dilution effect during 2017, 2018 and 2019 as a conversion to ordinary shares would lead to a lower negative earnings per share.

	2019	2018	2017
Result after tax attributable to the shareholders of the parent company	–87,773	–82,148	–72,673
Total	**–87,773**	**–82,148**	**–72,673**
Weighted average number of shares (thousands)	**73,875**	**63,692**	**62,527**
Earnings per share, SEK	**–1.19**	**–1.29**	**–1.16**

NOTE 13 PARTICIPATIONS IN GROUP COMPANIES

The group had the following subsidiaries as of December 31, 2019:

Company	Registered office	Operations	Participations owned by the parent company (%)	Participations owned by the group (%)
InDex Pharmaceuticals AB	Sweden	Drug development	100	100
InDex Diagnostics AB	Sweden	Drug development	–	100

NOTE 14 TANGIBLE FIXED ASSETS

EQUIPMENT, TOOLS AND INSTALLATIONS

	Equipment, tools and installations
Per January 1, 2017	
Acquisition cost	1,129
Accumulated depreciations	–1,087
Net book amount	**42**
Fiscal year 2017	
Opening net book amount	42
Investments	–
Divestments/scrapping	–
Depreciations	–11
Closing net book amount	**31**
Per December 31, 2017	
Acquisition cost	1,129
Accumulated depreciations	–1,098
Net book amount	**31**
Fiscal year 2018	
Opening net book amount	31
Investments	–
Divestments/scrapping	–
Depreciations	–11
Closing net book amount	**20**
Per December 31, 2018	
Acquisition cost	1,129
Accumulated depreciations	–1,109
Net book amount	**20**
Fiscal year 2019	
Opening net book amount	20
Investments	–
Divestments/scrapping	–
Depreciations	–9
Closing net book amount	**11**
Per December 31, 2019	
Acquisition cost	1,129
Accumulated depreciations	–1,118
Net book amount	**11**

NOTE 15 LEASING AGREEMENTS

The balance sheets include the following amounts related to lease agreements:

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Right-of-use assets				
Office space	464	1,393	2,322	3,250
Total	**464**	**1,393**	**2,322**	**3,250**
Leasing liabilities				
Non-current	–	484	1,431	2,362
Current	484	947	932	888
Total	**484**	**1,431**	**2,362**	**3,250**

No right-of-use assets have been added during 2019 or any of the comparative periods. The following amounts related to leasing agreements are reported in the income statement.

	2019	2018	2017
Amortisation of right-of-use assets			
Office space	–929	–929	–929
Total	**–929**	**–929**	**–929**
Interest expense (included in financial expenses)	–41	–87	–131
Expenses attributable to variable lease payments that are not included in lease liabilities	–	–	–
Expenses attributable to short-term leasing agreements	–	–	–
Expenses attributable to leases for which the underlying asset is of low value that is not short-term leasing	–12	–12	–12

No significant variable lease payments that are not included in the lease liability have been identified.

The total cash flow in respect of leases was SEK 1,000k (2018: SEK 1,030k), 2017: SEK 1,030k). For information on the maturity of the lease liability, see Note 3.

NOTE 16 FINANCIAL INSTRUMENTS PER CATEGORY

January 1, 2017	Financial assets measured at fair value through profit and loss	Financial assets measured at amortised cost	Total
Assets on the balance sheet			
Other non-current receivables	1	–	1
Accounts receivable	–	285	285
Other current receivables	–	358	358
Prepaid expenses and accrued income	–	568	568
Cash and cash equivalents	–	193,232	193,232
Total	**1**	**194,443**	**194,444**

January 1, 2017		Financial liabilities measured at amortised cost	Total
Liabilities on the balance sheet			
Accounts payable	–	4,822	4,822
Other current liabilities	–	1,275	1,275
Accrued expenses and deferred income	–	6,585	6,585
Total	**–**	**12,682**	**12,682**

December 31, 2017	Financial assets measured at fair value through profit and loss	Financial assets measured at amortised cost	Total
Assets on the balance sheet			
Other non-current receivables	1	–	1
Accounts receivable	–	16	16
Other current receivables	–	848	848
Prepaid expenses and accrued income	–	921	921
Cash and cash equivalents	–	125,055	125,055
Total	**1**	**126,840**	**126,841**

December 31, 2017		Financial liabilities measured at amortised cost	Total
Liabilities on the balance sheet			
Accounts payable	–	6,568	6,568
Other current liabilities	–	1,290	1,290
Accrued expenses and deferred income	–	9,807	9,807
Total	**–**	**17,665**	**17,665**

December 31, 2018	Financial assets measured at fair value through profit and loss	Financial assets measured at amortised cost	Total
Assets on the balance sheet			
Other non-current receivables	1	–	1
Accounts receivable	–	10	10
Other current receivables	–	1,480	1,480
Prepaid expenses and accrued income	–	482	482
Cash and cash equivalents	–	83,034	83,034
Total	**1**	**85,006**	**85,007**

December 31, 2018		Financial liabilities measured at amortised cost	Total
Liabilities on the balance sheet			
Accounts payable	–	3,550	3,550
Other current liabilities	–	1,311	1,311
Accrued expenses and deferred income	–	15,637	15,637
Total	**–**	**20,498**	**20,498**

December 31, 2019	Financial assets measured at fair value through profit and loss	Financial assets measured at amortised cost	Total
Assets on the balance sheet			
Other non-current receivables	1	–	1
Accounts receivable	–	4	4
Other current receivables	–	1,343	1,343
Prepaid expenses and accrued income	–	474	474
Cash and cash equivalents	–	126,790	126,790
Total	**1**	**128,611**	**128,612**

December 31, 2019		Financial liabilities measured at amortised cost	Total
Liabilities on the balance sheet			
Accounts payable	–	3,153	3,153
Other current liabilities	–	1,138	1,138
Accrued expenses and deferred income	–	17,809	17,809
Total	**–**	**22,100**	**22,100**

NOTE 17 ACCOUNTS RECEIVABLE

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Accounts receivable	4	10	16	285
Less: Provision for loss allowance	–	–	–	–
Accounts receivable - net	**4**	**10**	**16**	**285**

The group has no provision for expected credit losses for any of the periods since accounts receivable at this stage is limited.

The fair value of accounts receivable corresponds to its carrying amount, since the discount effect is not material.

No receivables have been pledged as collateral for any debt.

NOTE 18 OTHER RECEIVABLES

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Tax receivable	–	–	–	86
Other	1,343	1,480	848	272
Total	**1,343**	**1,480**	**848**	**358**

NOTE 19 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Prepaid insurance premiums	89	145	367	176
Other	385	337	554	392
Total	**474**	**482**	**921**	**568**

NOTE 20 CASH AND CASH EQUIVALENTS

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Bank accounts	126,790	83,034	125,055	193,232
Total	**126,790**	**83,034**	**125,055**	**193,232**

NOTE 21 SHARE CAPITAL AND ADDITIONAL PAID IN CAPITAL

	No of shares (thousands)	Share capital	Additional paid in capital
Per January 1, 2017	**62,528**	**1,251**	**217,546**
Warrants	–	–	35
Per December 31, 2017	**62,528**	**1,251**	**217,581**
Issue of shares	6,253	125	37,349
Per December 31, 2018	**68,781**	**1,376**	**254,930**
Issue of shares	20,000	400	129,384
Per December 31, 2019	**88,781**	**1,776**	**384,314**

The share capital as of December 31, 2019 consisted of 88,781,275 ordinary shares with a quotient value of SEK 0.02.

All ordinary shares have been paid in full.

NOTE 22 DEFERRED TAXES

Deferred taxes were divided into the following:

DEFERRED TAX ASSETS

	Tax losses carried forward	Total
Per January 1, 2017		
Net results and total comprehensive income for the year	–	–
Per December 31, 2017		
Net results and total comprehensive income for the year	–	–
Per December 31, 2018		
Net results and total comprehensive income for the year	–	–
Per December 31, 2019	**–**	**–**

Unutilised loss carryforwards for which no deferred tax assets have been reported amount to SEK 586,788k as of December 31, 2019 (December 31, 2018: SEK 503,737k, December 31, 2017: SEK 421,625k, January 1, 2017: SEK 349,025k). The loss carryforwards can be carried forward indefinitely.

Deferred tax assets are recognised for tax loss carryforwards or other deductions to the extent that they are likely to be credited through future taxable profits. No deferred tax assets are reported as the group has not assessed that the criteria for reporting deferred tax in accordance with IAS 12 are met. Deferred tax assets are only valued at an amount corresponding to deferred tax liabilities and no deferred tax assets or tax liabilities are recognised in the balance sheet when deferred tax liabilities are offset against deferred tax assets.

NOTE 23 OTHER LIABILITIES

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Tax liabilities	90	209	3	–
Other	1,038	1,102	1,287	1,275
Total	**1,138**	**1,311**	**1,290**	**1,275**

NOTE 24 ACCURED COSTS AND DEFERRED INCOME

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Accrued vacation salaries	1,318	1,258	1,440	746
Accrued social security charges	414	456	711	374
Accured costs, clinical trials	8,987	12,628	6,764	5,195
Other items	7,090	1,295	892	270
Total	**17,809**	**15,637**	**9,807**	**6,585**

NOTE 25 PLEDGED ASSETS

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Bank guarantee, Euroclear	50	50	50	50
Total	**50**	**50**	**50**	**50**

NOTE 26 RELATED PARTY TRANSACTIONS

The group is controlled by InDex Pharmaceuticals Holding AB. Related parties are all subsidiaries within the group as well as senior executives in the group and their affiliates. No transactions with related parties have occurred during the periods covered by the annual report, except remuneration and consulting fees to senior executives and the acquisition of warrants at market value in 2017. Remuneration to senior executives is disclosed in Note 7.

NOTE 27 CHANGES IN LIABILITIES FROM FINANCING ACTIVITIES

	January 1, 2017	Cash inflow	Cash outflow	Non-cash items Exchange differences	December 31, 2017
Lease liability	3,250	–	928	–	2,322
Total	**3,250**	**–**	**928**	**–**	**2,322**

	January 1, 2018	Cash inflow	Cash outflow	Non-cash items Exchange differences	December 31, 2018
Lease liability	2,322	–	929	–	1,393
Total	**2,322**	**–**	**929**	**–**	**1,393**

	January 1, 2019	Cash inflow	Cash outflow	Non-cash items Exchange differences	December 31, 2019
Lease liability	1,393	–	929	–	464
Total	**1,393**	**–**	**929**	**–**	**464**

NOTE 28 EFFECTS OF TRANSITIONING TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The annual report for 2019 is InDex's first annual report 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 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).

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 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 policies to IFRS are as follows:

Leases

The group 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. The group has also elected to apply the following, based on IFRS 1, paragraph D9D, at the date of transition:

- A right-of-use asset or lease liability is not recognised for leases where the underlying asset has a low value.
- Used estimates made retrospectively when determining the lease term since the lease contains options to extend or terminate the lease.

RECONCILIATIONS OF PREVIOUSLY APPLIED ACCOUNTING POLICIES AND IFRS

In accordance with IFRS 1, the group must present reconciliations of equity and total comprehensive income reported under previously applied accounting policies, and equity and total comprehensive income under IFRS. The group's 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 operating activities. 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 JANUARY-DECEMBER 2017 AND JANUARY-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
Net sales		113	–	113	128	–	128
Other income		–	–	–	612	–	612
Total revenues		**113**	**–**	**113**	**740**	**–**	**740**
Raw material and consumables		–8,998	–	–8,998	–560	–	–560
Other external expenses	a), b)	–54,825	1,018	–53,807	–72,981	1,296	–71,685
Personnel costs		–9,594	–	–9,594	–9,553	–	–9,553
Depreciations/amortisation	a)	–11	–929	–940	–11	–929	–940
Operating result		**–73,315**	**89**	**–73,226**	**–82,365**	**367**	**–81,998**
Financial income	b)	1,340	–	1,340	156	–156	–
Financial expenses	a), b)	–784	–3	–787	–106	–44	–150
Financial items - net		**556**	**–3**	**553**	**50**	**–200**	**–150**
Earnings before tax		**–72,759**	**86**	**–72,673**	**–82,315**	**167**	**–82,148**
Taxes for the period		–	–	–	–	–	–
Net result		**–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 FINANCIAL YEARS 2017 AND 2018

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. Amortisation on right-of-use assets was reversed in operating activities under Adjustments for non-cash items.

REFERENCES

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 policies, 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. 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 86k (SEK 130k 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.'

Statement of comprehensive income for the parent company

SEKk	Note	2019	2018	2017
Revenues				
Net sales	16	10,997	9,112	8,000
Total revenues		**10,997**	**9,112**	**8,000**
Operating expenses				
Other external expenses		–9,108	–9,194	–7,555
Personnel costs	4	–7,852	–5,252	–5,107
Total operating expenses		**–16,960**	**–14,446**	**–12,662**
Operating loss		**–5,963**	**–5,334**	**–4,662**
Net financial items				
Write-down of financial assets	5	–90,000	–40,000	–120,000
Financial costs	5	–21	–36	–1
Total net financial items		**–90,021**	**–40,036**	**–120,001**
Profit or loss before tax		**–95,984**	**–45,370**	**–124,663**
Taxes for the period	6	–	–	–
PROFT OR LOSS FOR THE YEAR		**–95,984**	**–45,370**	**–124,663**

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

The notes on pages 60 to 64 are an integrated part of these financial statements.

Balance sheet for the parent company

SEKk	Note	December 31, 2019	December 31, 2018	December 31, 2017	January 1, 2017
ASSETS					
Fixed assets					
Financial assets					
Shares in subsidiaries	7	247,030	247,030	247,030	247,030
Total financial assets		**247,030**	**247,030**	**247,030**	**247,030**
Total fixed assets		**247,030**	**247,030**	**247,030**	**247,030**
Current assets					
Current receivables					
Intercompany receivables		563	351	176	–
Other receivables	8	58	15	–	248
Prepaid expenses and accrued income	9	366	353	455	325
Total current receivables		**987**	**719**	**631**	**573**
Cash and cash equivalents	10	**124,965**	**82,388**	**111,682**	**188,386**
Total current assets		**125,952**	**83,107**	**112,313**	**188,959**
TOTAL ASSETS		**372,982**	**330,137**	**359,343**	**435,989**
EQUITY AND LIABILITIES					
Equity					
Restricted equity					
Share capital	11	1,776	1,376	1,251	1,251
Total restricted equity		**1,776**	**1,376**	**1,251**	**1,251**
Non-restricted equity					
Share premium reserve		630,031	500,647	463,294	463,294
Retained earnings		–217,005	–171,635	–46,972	650
Profit or loss for the year		–95,984	–45,370	–124,663	–47,622
Total non-restricted equity		**317,042**	**283,642**	**291,659**	**416,322**
Total equity		**318,818**	**285,018**	**292,910**	**417,573**
Current liabilities					
Account payables		243	168	497	923
Intercompany liabilities		47,262	42,266	63,238	16,973
Other current liabilities	12	1,222	1,066	498	258
Accrued expenses and deferred income	13	5,437	1,619	2,200	262
Total current liabilities		**54,164**	**45,119**	**66,433**	**18,416**
TOTAL EQUITY AND LIABILITES		**372,982**	**330,137**	**359,343**	**435,989**

The notes on pages 60 to 64 are an integrated part of these financial statements.

Statement of change in equity for the parent company

	Restricted equity	Non-restricted equity			
SEKk	Share capital	Share premium	Retained earnings	Result after tax	Total equity
Opening balance January 1, 2017	**1,251**	**463,294**	**650**	**–47,622**	**417,573**
Disposition of last year's result	–	–	–47,622	47,622	–
Net results and total comprehensive income for the year	–	–	–	–124,663	–124,663
Total comprehensive income	**–**	**–**	**–**	**–124,663**	**–124,663**
Closing balance December 31, 2017	**1,251**	**463,294**	**–46,972**	**–124,663**	**292,910**
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	**–**	**–**	**–**	**–45,370**	**–45,370**
Transactions with shareholders in their capacity as owners					
Issue of shares	125	37,517	–	–	37,642
Transaction costs	–	–164	–	–	–164
Transactions with shareholders 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	**–**	**–**	**–**	**–95,984**	**–95,984**
Transactions with shareholders in their capacity as owners					
Issue of shares	400	139,620	–	–	139,660
Transaction costs	–	–9,876	–	–	–9,876
Transactions with shareholders of the parent company	**400**	**129,384**	**–**	**–**	**129,784**
Closing balance December 31, 2019	**1,776**	**630,031**	**–217,005**	**–95,984**	**318,818**

The notes on pages 60 to 64 are an integrated part of these financial statements.

Statement of cash flows for the parent company

SEKk	2019	2018	2017
Operating activities			
Earnings before tax	–95,984	–45,370	–124,663
Adjustment for non-cash items:			
Write-down	90,000	40,000	120,000
Income tax paid	–	–	–
Cash flow from operating activities before changes in working capital	**–5,984**	**–5,370**	**–4,663**
Cash flow in working capital			
Changes in current receivables	–268	–88	–58
Changes in current liabilities	9,045	–21,314	48,017
Cash flow from changes in working capital	**8,777**	**–21,402**	**47,959**
Cash flow from operating activities	**2,793**	**–26,772**	**43,296**
Cash flow from investment activities			
Shareholders contribution	–90,000	–40,000	–120,000
Cash flow from investment activities	**–90,000**	**–40,000**	**–120,000**
Financing activities			
Issue of shares, net after transaction costs	129,784	37,478	–
Cash flow from financing activities	**129,784**	**37,478**	**–**
Cash flow for the year	**42,577**	**–29,294**	**–76,704**
Decrease/increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	82,388	111,682	188,386
Cash and cash equivalents at the end of the year	**124,965**	**82,388**	**111,682**

The notes on pages 60 to 64 are an integrated part of these financial statements.

Notes to the parent company

NOTE 1 PARENT COMPANY ACCOUNTING PRINCIPLES

The most important accounting principles applied when this annual report has been prepared are set out below. Unless otherwise stated, these principles have been applied consistently for all presented years. The annual report for the parent company has been prepared in accordance with RFR 2 *Accounting for Legal Entities* and the *Swedish Annual Accounts Act*. Where the parent company applies accounting principles other than the group's accounting principles, which are described in Note 2 to the consolidated financial statements, these are set out below. In connection with the transition to accounting in accordance with IFRS in the consolidated financial statements, the parent company has transitioned to applying RFR 2 *Accounting for Legal Entities*. The transition has not caused any change in previously reported income statements and balance sheets. The annual report has been prepared on a historical cost basis.

The preparation of reports in accordance with RFR 2 requires the use of some important estimates for accounting purposes. Furthermore, the management is required to make certain judgments in the application of the parent company's accounting principles. The areas that comprise a high degree of assessment, which are complex or such areas where assumptions and estimates are of significant importance for the annual report, are stated in Note 4 of the consolidated accounts.

Through its operations, the parent company is exposed to a variety of financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The parent company's overall risk management policy focuses on the unpredictability of the financial markets and strives to minimise potential adverse effects on the group's financial results. For more information on financial risks, see Note 3 to the consolidated financial statements. The parent company applies accounting principles other than the group in the cases stated below:

PRESENTATION

The income statement and balance sheet follow the format set out in the *Annual Accounts Act*. The report on changes in equity follows the group's presentation format but must contain the columns specified in the *Annual Accounts Act*. Furthermore, this means a difference in terms, compared to the consolidated accounts, mainly regarding financial income and expenses and equity.

CONTRIBUTIONS

Group contributions made from parent companies to subsidiaries and group contributions received to parent companies from subsidiaries are reported as appropriations. Paid shareholders' contribution is reported in the parent company as an increase in the carrying amount of the shares in the subsidiary and in the receiving company as an increase in equity.

FINANCIAL INSTRUMENTS

IFRS 9 Financial instruments is not applied in the parent company. Instead, the parent company applies the items specified in RFR 2 (IFRS 9 *Financial Instruments*, p. 3-10).

Financial instruments are valued at cost. In subsequent periods, financial assets that are acquired with the intention of being held in the short term will be reported at lower of cost and market. Derivative instruments with a negative fair value are recognised at this value. When calculating the net realisable value of receivables that are recognised as current assets, the principles for impairment testing and loss provisioning in IFRS 9 shall be applied. For a receivable that is recognised at amortised cost at group level, this means that the loss reserve recognised in the group in accordance with IFRS 9 must also be entered in the parent company.

LEASED ASSETS

The parent company has chosen not to apply IFRS 16 *Leases* but has instead chosen to apply RFR 2 IFRS 16 *Leases* p. 2-12. This policy choice means that no right-of-use assets or lease liabilities are recognised in the balance sheet. Instead, leasing fees are expensed on a straight-line basis over the lease period.

NOTE 2 NET SALES

The parent company has reported the following amounts in the income statement attributable to revenue:

NET SALES

	2019	2018	2017
Net sales, see note 16	10,997	9,112	8,000
Total	**10,997**	**9,112**	**8,000**

NET SALES PER COUNTRY

	2019	2018	2017
Sweden	10,997	9,112	8,000
Total	**10,997**	**9,112**	**8,000**

NOTE 3 FEES AND REMUNERATION TO AUDITORS

	2019	2018	2017
PwC			
– Audit engagement	194	210	194
– Other services	254	75	–
Total	**448**	**285**	**194**

NOTE 4 PERSONNEL COSTS

EMPLOYEE BENEFITS

	2019	2018	2017
Salaries and other benefits	5,093	3,142	3,024
Social security charges	1,586	1,143	1,148
Pension expenses – defined contribution plan	992	945	884
Fees	3,750	3,219	3,146
Total	**11,421**	**8,449**	**8,202**

REMUNERATION, OTHER BENEFITS AND SOCIAL SECURITY CONTRIBUTIONS

	2019		2018		2017	
	Salary and other benefits	Social security contributions (whereof pension expenses)	Salary and other benefits	Social security contributions (whereof pension expenses)	Salary and other benefits)	Social security contributions (whereof pension expenses)
Board of directors, CEO and other senior executives	6,093	2,721 (992)	4,175	2,162 (1,068)	3,821	1,866 (884)
Other employees	–	–	–	–	–	–
Total parent company	**6,093**	**2,721 (992)**	**4,175**	**2,162 (1,068)**	**3,821**	**1,866 (884)**

AVERAGE NUMBER OF EMPLOYEES SPLIT BY COUNTRY

	2019		2018		2017	
	At year-end	Whereof men	At year-end	Whereof men	At year-end	Whereof men
Sweden	2	1	2	1	2	1
Total parent company	**2**	**1**	**2**	**1**	**2**	**1**

SPLIT BY GENDER IN THE PARENT COMPANY FOR THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

	2019		2018		2017	
	At year-end	Whereof men	At year-end	Whereof men	At year-end	Whereof men
Board of directors	4	3	5	4	5	4
CEO and other senior executives	4	3	4	3	4	3
Total parent company	**8**	**6**	**9**	**7**	**9**	**7**

For information on remuneration to senior executives, see Note 9 in the consolidated financial statements.

NOTE 5 INTEREST EXPENSE AND SIMILAR ITEMS

	2019	2018	2017
Write-down of financial assets	–90,000	–40,000	–120,000
Interest costs	–21	–36	–1
Total interest expense and similar items	**–90,021**	**–40,036**	**–120,001**
Financial items, net	**–90,021**	**–40,036**	**–120,001**

NOTE 6 TAXES

REPORTED TAX IN STATEMENT OF COMPREHENSIVE INCOME

	2019	2018	2017
Current tax:			
Current tax expense	–	–	–
Adjustment of prior year tax income	–	–	–
Total current tax	**–**	**–**	**–**
Total taxes			

The income tax on profit before tax differs from the theoretical amount that would have been obtained from the use of the tax rate for the parent company as follows:

	2019	2018	2017
Pre-tax loss	**–95,984**	**–45,370**	**–124,663**
Income tax calculated according to the tax rate in Sweden (2019: 21.4%, 2018 and 2017: 22.0%)	20,541	9,981	27,426
Tax effects from:			
Non-taxable income	–	–	–
Non-deductible expenses	–19,262	–8,802	–26,424
Unused tax credits for which no deferred tax is recognised	–1,279	–1,179	–1,002
Total reported tax	**–**	**–**	**–**

NOTE 7 SHARES IN SUBSIDIARIES

The parent company holds shares in the following subsidiaries:

Company	Corp. Reg. No	Registrered office	No of shares	Carrying value Dec 31, 2019	Carrying value Dec 31, 2018	Carrying value Dec 31, 2017	Carrying value Jan 1, 2017
InDex Pharmaceuticals AB	556704-5140	Stockholm, Sweden	60,281,586	247,030	247,030	247,030	247,030

InDex Pharmaceuticals AB	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Opening acquisition value	454,030	414,030	294,030	247,030
Shareholders contribution	90,000	40,000	120,000	47,000
Closing acquisition value	**544,030**	**454,030**	**414,030**	**294,030**
Opening accumulated depreciations/write-downs	–207,000	–167,000	–47,000	–47,000
Depreciations/write-downs	–90,000	–40,000	–120,000	–
Closing accumulated depreciations/write-downs	**–297,000**	**–207,000**	**–167,000**	**–47,000**
Carrying value	**247,030**	**247,030**	**247,030**	**247,030**

NOTE 8 OTHER RECEIVABLES

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Receivable: subscribed capital unpaid	–	–	–	248
Tax account	58	1	–	–
Tax receivable preliminary tax	–	14	–	–
Total	**58**	**15**	**–**	**248**

NOTE 9 PREPAID EXPENSES AND ACCRUED INCOME

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Prepaid rent	243	255	326	325
Prepaid insurance premiums	6	33	28	–
Other	117	65	100	–
Total	**366**	**353**	**454**	**325**

NOTE 10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the cash flow statement include the following:

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Bank accounts	124 965	82 388	111 682	188 386
Total	**124 965**	**82 388**	**111 682**	**188 386**

NOTE 11 SHARE CAPITAL

See Note 21 to the consolidated financial statements for information on the parent company's share capital.

NOTE 12 OTHER LIABILITIES

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Calculated employee contribution on pensions	293	429	–	–
Liability to the Tax Authority (VAT, employee withholding tax and social contributions)	929	485	430	190
Current liabilities to employees	–	89	–	–
Other	–	63	68	68
Total	**1,222**	**1,066**	**498**	**258**

NOTE 13 ACCRUED COSTS AND DEFERRED INCOME

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Accrued vacation salaries	851	773	995	–
Accrued social security charges	267	304	512	67
Other	4,319	542	693	195
Total	**5,437**	**1,619**	**2,200**	**262**

NOTE 14 PLEDGED ASSETS

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Bank guarantee, Euroclear	50	50	50	50
Total	**50**	**50**	**50**	**50**

NOTE 15 OPERATIONAL LEASING

The parent company rents premises according to non-terminable operating lease agreements. The lease period is one year, and the agreement can be extended at the end of the lease period for a fee that corresponds to a market fee. Lease expenses amounting to SEK 988k (2018: SEK 1,284k, 2017: SEK 1,305k) for office leases are included in the statement of comprehensive income.

Future total minimum lease fees for non-cancellable operating leases are as follows:

	2019	2018	2017
Within 1 year	988	1,284	1,305
Between 1 and 5 years	–	–	–
Beyond 5 years	–	–	–
Total	**988**	**1,284**	**1,305**

NOTE 16 RELATED PARTY TRANSACTIONS

InDex Pharmaceuticals Holding AB controls the group. Related parties are all subsidiaries within the group as well as senior executives in the group and their affiliates. Transactions take place on market terms.

RELATED PARTY TRANSACTIONS

	2019	2018	2017
Revenue from services			
Sales to group companies	10,997	9,112	8,000
Total	**10,997**	**9,112**	**8,000**
Procurement of services			
Purchases	0.0	0.0	0.0
Total	**0.0**	**0.0**	**0.0**

All costs for overall group functions, such as the Board, management and premises, etc. are reported in the parent company, InDex Pharmaceuticals Holding AB. Detailed calculations of the cost distribution between the group companies have been made, calculations that are regularly reviewed and form the basis for the cost distribution between the units. Based on these, internal charges are made and are then reported as internal sales as shown in the tables above.

RECEIVABLES AND LIABILITIES AT THE END OF THE YEAR AS A RESULT OF SALES AND PURCHASES OF GOODS AND SERVICES

	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Jan 1, 2017
Receivables from related parties:				
Receivables from group companies	563	351	176	22
Liabilities to related parties				
Liabilities to group companies	47,261	42,266	63,238	18,418
Total	**47,824**	**42,617**	**63,414**	**18,440**

The parent company has no provisions for bad debts attributable to related parties. The parent company has also not reported any costs relating to bad debts on related parties during the period. No collateral is provided for the debts. The debts to related parties are largely derived from purchase transactions and fall due 1 month after the date of purchase.

Remunerations to senior executives is shown in Note 7.

NOTE 17 PROPOSED DISTRIBUTION OF EARNINGS

THE FOLLOWING RETAINED EARNINGS ARE AT THE DISPOSAL OF THE ANNUAL GENERAL MEETING

SEK	
Retained earnings	413,026,598
Net result	–95,984,274
	317,042,324
The Board's suggestion to be brought forward	317,042,324

Signatures

The consolidated income statement and balance sheets will be submitted to the Annual General Meeting on April 20, 2020 for adoption.

The Board and the CEO ensure that the consolidated accounts have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the group's position and earnings.

The annual report has been prepared in accordance with generally accepted accounting principles and gives a true and fair view of the parent company's position and earnings.

The Directors' Report for the group and the parent company provides a true and fair view of the development of the group's and the parent company's operations, position and results and describes the significant risks and uncertainties that the parent company and the companies that are part of the group face.

Stockholm March 30, 2020

Wenche Rolfsen
Chairman of the Board

Uli Hacksell

Lennart Hansson

Stig Lökke Pedersen

Peter Zerhouni
CEO

Our audit report was submitted on March 30, 2020

PricewaterhouseCoopers AB

Magnus Lagerberg
Authorised Public Accountant

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

Auditor's report

To the general meeting of the shareholders of InDex Pharmaceuticals Holding AB, corporate identity number 559067-6820

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of InDex Pharmaceuticals Holding AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 26-65 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the statement of comprehensive income and balance sheet for the group and the income statement and balance sheet for the parent company.

Basis for Opinions

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

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of InDex

Pharmaceuticals Holding AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

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

Auditor's responsibility

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

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

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm March 30, 2020
PricewaterhouseCoopers AB

Magnus Lagerberg
Authorized Public Accountant

Corporate governance report

LEGISLATION AND ARTICLES OF ASSOCIATION

InDex is a Swedish public limited liability company and is governed by Swedish legislation, mainly the Swedish Companies Act (*Sw. Aktiebolagslagen (2005:551)*) and the Swedish Annual Accounts Act (*Sw. Årsredovisningslagen (1995:1554)*). The company is listed on Nasdaq First North Growth Market Stockholm ("First North") and apply the First North Rulebook. In addition to legislation and the First North Rulebook, the company's articles of association and its internal guidelines for corporate governance form the basis for the company's corporate governance. The articles of association, to be found on the company's website, contain e.g. the seat of the board of directors, the focus of the business activities, the limits for the share capital and number of shares and the conditions for participation at general meetings. The most recently adopted and registered articles of association were adopted at the extraordinary general meeting held on August 25, 2016.

THE SWEDISH CODE OF CORPORATE GOVERNANCE

The Swedish Code of Corporate Governance (the "Code") defines a norm for good corporate governance at a higher level of ambition than the Swedish Companies Act's minimum requirements and applies to companies whose shares being traded on a regulated market in Sweden. Currently, the Code is not binding to companies whose shares are listed on First North; thus, the Code is not binding to the company. However, the Code is an important part of the company's internal guidelines for corporate governance.

GENERAL MEETINGS

The shareholders' influence in the company is exercised at general meetings, which, in accordance with the Swedish Companies Act, is the company's highest decision-making body. As the company's highest decision-making body, the general meeting may resolve upon every issue for the company, not specifically reserved for another corporate body's exclusive competence. Thus, the general meeting has a sovereign role over the board of directors and the CEO. Notices, minutes and bulletines from general meetings are made available on the company's website.

At annual general meetings, which according to the Swedish Companies Act shall be held within six months from the end of each financial year, resolutions must be passed on adoption of the profit and loss account and balance sheet for the parent company and the group, allocation of the parent company's profit or loss, discharge from liability for the board of directors and the CEO, elections of members of the board of directors and auditor and on remuneration for the board of directors and the auditor. At general meetings, the shareholders also resolve on other key matters in the company, such as amending of the articles of association, any issue of new shares etc. If the board of directors considers there is reason to hold a general meeting before the next annual general meeting, or if an auditor of the company or owners of at least one-tenth of all shares in the company so demand in writing, the board of directors must issue a notice to convene an extraordinary general meeting.

Notice to attend a general meeting shall, in accordance with the company's articles of association, be made by announcement in the Swedish Official Gazette (Sw. *Post och Inrikes Tidningar*) and by making the notice available on the company's website. At the same time as notice is made, it shall be announced in *Dagens Industri* that a notice has been made. Notice of a general meeting must be issued no earlier than six weeks and no later than two weeks before the meeting.

All shareholders who are registered directly in the company's share register, kept by Euroclear, five (5) weekdays prior to the general meeting (i.e. on the record date) and who notify the company of their intention to attend the general meeting no later than the date specified in the notice of the meeting shall be entitled to attend and vote at the general meeting, either in person or through a proxy. A shareholder may be accompanied by assistants at general meetings upon notification. Each shareholder of the company submitting a matter with sufficient foresight has the right to have the matter addressed at the general meeting.

To be able to determine who is entitled to participate and vote at general meetings, Euroclear shall, upon the request of the company, supply the company with a list of all holders of shares on the record date in connection with each general meeting. Shareholders who have their shares nominee-registered need to instruct the nominee to register the shares temporarily in the name of the shareholder in order to be entitled to attend and vote for their shares at general meetings (voting rights registration). Such registration must be completed no later than on the applicable record date and ceases to be in force once the record date has passed. Shareholders who have their shares directly registered on an account in the Euroclear system will automatically be included in the list of shareholders.

At the extraordinary general meeting held on September 12, 2016, it was resolved to establish a nomination committee and to adopt rules of procedure for the nomination committee. The main duties and responsibilities of the nomination committee are to propose candidates for the post of chairman and other members of the board of directors. The nomination committee also proposes fees and other remuneration to the members of the board of directors as well as makes proposals on the election and remuneration of the auditor.

According to the rules of procedure for the nomination committee, the nomination committee shall, as a main rule, consist of the chairman of the board of directors and four members appointed by each of the four, in terms of voting rights, largest shareholders. Should any of these shareholders waive their right to appoint a member, the right to appoint a member goes to the, in terms of voting rights, fifth largest shareholder etc. The nomination committee appoints a chairman. The chairman of the board of directors shall not be the chairman of the nomination committee. The members of the nomination committee and the shareholders who have appointed the members shall be announced no later than six months before the next annual general meeting. Should a member resign from the nomination committee before its work is completed, and the nomination committee considers it necessary to replace him or her, a substitute shall be appointed by the same shareholder who appointed the member who resigned or, if this shareholder is no longer one

of the four largest shareholders in terms of voting rights, by the largest shareholder in turn. If a shareholder that has appointed a member has substantially reduced its shareholding in the company, and the nomination committee does not consider it inappropriate taking into account any need for continuity for an upcoming general meeting, the member shall resign from the nomination committee and the nomination committee shall offer the largest shareholder not having appointed a member of the nomination committee to appoint a new member. The nomination committees mandate period extends until the next annual general meeting or if necessary until a new nomination committee is appointed. The members of the nomination committee shall perform their duties and responsibilities in accordance with the Code.

The nomination committee before the annual general meeting 2020 has consisted of Jonas Jendi, chairman and appointed by Industrifonden, Filip Petersson appointed by SEB Venture Capital/SEB Stiftelsen, Bengt Julander appointed by Linc, Carl Rosvall appointed by Martin Bjäringer and Wenche Rolfsen, chairman of the board of directors.

BOARD OF DIRECTORS

Subsequent to the general meeting, the board of directors is the company's highest decision-making body. The board of directors is also the company's highest executive body and the company's representative. Further, the board of directors is, according to the Swedish Companies Act, responsible for the organisation of the company and management of the company's affairs and must regularly assess the company's and the group's financial position and ensure that the company's organisation is arranged so that the company's accounts, asset management, and finances in general are satisfactorily monitored. The chairman of the board of directors has a particular responsibility to preside over the work of the board of directors and to ensure that the board of directors fulfils its statutory duties.

According to the company's articles of association, the board of directors shall consist of a minimum of three (3) and a maximum of ten (10) ordinary members, without deputy members. Members of the board are elected annually at an annual general meeting for the period until the next annual general meeting. There is no limit in time for how long a member may be on the board of directors.

The company's board of directors is currently composed of Wenche Rolfsen (chairman), Uli Hacksell, Lennart Hansson and Stig Lökke Pedersen. Further information about the members of the board, can be found under the "Board of directors, senior management and auditors" section above.

The responsibilities of the board of directors include e.g. to set the company's overall goals and strategies, oversee major investments, ensure that there is a satisfactory process for monitoring the company's compliance with laws and other regulations relevant to the company's operations, as well as the compliance with internal guidelines. The responsibilities of the board of directors also include ensuring that the company's disclosure to the market and investors is transparent, correct, relevant and reliable and to appoint, evaluate and, if necessary, dismiss the company's CEO.

The board of directors has, in accordance with the Swedish Companies Act, adopted written rules of procedure for its work, which will be evaluated, updated and re-adopted annually. The board of directors meets regularly in accordance with a program set out in the rules of procedure containing certain permanent items and certain items when necessary.

Provisions on the establishment of audit committees are found in the Swedish Companies Act. Provisions on the establishment of remuneration committees are found in the Code. In this respect, the provisions of the Swedish Companies Act only apply to companies whose shares are being traded on a regulated market, which does not include First North, and, as noted above in this section, the Code is not binding to the company. In light of the scope of the operations and the group's current size, it is the opinion of the company's board of directors that it is presently not justified to establish specific audit or remuneration committees. Instead, the board of directors believes that the responsibilities of the committees are best addressed within the board of directors. It is the company's board of directors' responsibility to ensure transparency and control of the company's operations through reports and contacts with the company's auditor.

CEO AND OTHER SENIOR EXECUTIVES

The company's CEO is, in accordance with the provisions of the Swedish Companies Act, responsible for the day-to-day management of the company in line with guidelines and instructions from the board of directors. Measures of an unusual nature or of great significance in view of the scope and nature of the company's operations are not considered as "day-to-day management" and should therefore, as a main rule, be prepared and presented to the board of directors for its decision. The CEO must also take any measures necessary to ensure that the company's accounts are maintained in accordance with applicable law and that its asset management is conducted satisfactorily. The CEO is subordinated to the board of directors, and the board of directors itself may also decide on matters that are a part of the day-to-day management. The work and role of the CEO as well as the allocation of duties between, on the one hand, the board of directors and, on the other, the CEO is established by written instructions (a so called "Instruction for the CEO") by the board of directors and the board of directors continuously evaluates the work of the CEO.

INTERNAL CONTROL AND AUDIT

The company's board of directors is, according to the Swedish Companies Act, responsible for the organisation of the company and management of the company's affairs, must regularly assess the company's and the group's financial position and ensure that the company's organisation is arranged so that the company's accounts, asset management, and finances in general are satisfactorily monitored. The rules of procedure adopted by the board of directors for its work contains instructions for internal financial reporting, and all interim reports and press releases are published on the company's website upon publication.

Being a public company, the company must have at least one auditor for the review of the company's and the group's annual report and accounts as well as the management by its board of directors and CEO. The review must be as detailed and extensive as required by generally accepted auditing standards. The company's auditor is, according to the Swedish Companies Act, appointed by the general meeting. Thus, auditors of Swedish limited liability companies are given their assignment by, and are obliged to report to, the general meeting, and must not allow their work to be governed or influenced by the board of directors or the senior management.

Risk factors

An investment in the shares of InDex is associated with risks. The business of the company can be affected by a number of factors which are not possible for InDex to control, either in part, or at all. These factors could have an adverse impact on the company's business, financial position and profits. Some of the risks are associated with the company, while other risks do not have any particular connection to the company. The risks are not described in any order of priority and this presentation is not intended to be exhaustive or complete. The company's future result may be significantly different from those anticipated in these forward-looking statements due to many different factors, including, but not limited to, the risks described below and elsewhere in this annual report.

DRUG DEVELOPMENT

Generally, drug development is a complicated and capital intense process involving a substantial degree of risk. The research and development required for a drug is subject to risks such as delays in product development and/or costs becoming higher than expected or that the products do not have the anticipated effect or that they turn out to have unexpected and/or unwanted side effects.

There is a risk that the company will not be able to obtain necessary regulatory approvals and can delay or stop further product development and limit or prevent the commercial use of the products, which could have a material adverse effect on the company's business, financial position and profits in the future.

PRECLINICAL AND CLINICAL STUDIES

Prior to launching a drug on the market, its safety and efficacy for treatment of patients with a certain disease must be ascertained by performing an extensive number of pre-clinical studies (evaluation of the drug candidate in laboratory and animal studies) and clinical studies (patient studies).

The company currently has one drug development project in the clinical development phase, cobitolimod. The company is now preparing cobitolimod for phase III since the phase IIb study CONDUCT met the primary endpoint with statistical significance. The company's previous clinical studies of cobitolimod have not reached statistical significance in the primary endpoint of each study, but studies have indicated a clinical effect of the treatment which the company believes supports continued development. Results in previous clinical studies do not necessarily guarantee the corresponding results in future studies.

The company cannot predict when planned clinical studies can start or be completed since the different factors that are crucial, such as approvals from authorities including ethics committees, the entering into agreements with e.g. clinics and access to patients are outside the company's control. Patient access refers to the participating clinics' ability to identify and include patients in the company's studies. Patient access is vital to how long a study will take. Accordingly, delays in completing the company's clinical studies could incur increased product development costs as well as delays in introducing the product on the market.

PRODUCT LIABILITY AND INSURANCE

In the event the company's drugs or methods turn out (during current clinical studies or subsequent to obtaining approval and launching the product on the market) to cause illness, injury, disability or death, this could lead to compensation claims against the company from patients participating in clinical studies and patients using the products. If product liability claims are made against the company, the company may also be required to stop further sales of and prevent the use of its drugs and methods.

There is a risk that the applicable insurance policies will not provide sufficient coverage in the event of a product liability claim or any other claim against the company. There is also a risk that the company could fail to obtain or maintain adequate insurance coverage at acceptable terms in the future. Any and all uninsured losses could have a material adverse effect on the company's future business, financial position and profits.

REGULATORY APPROVALS, LICENSES AND REGISTRATIONS WITH AUTHORITIES

In order to develop, manufacture, market and sell drugs, regulatory approvals or licenses must be obtained from, and registrations must be made with, relevant authorities in each geographic market where the company operates, which can be both time consuming and expensive. The authorities might make different assessments as regards e.g. the need for additional studies, interpretation of data from performed studies. The requirements for approvals may differ between authorities in different countries and the actual registration procedures may require extensive work. Further, current rules and interpretations for drug approval may change in the future, which could adversely affect the company's ability to obtain the necessary regulatory approvals, which, in turn, could have a material adverse effect on the company's business, financial position and profits in the future.

Subsequent to the approval of a drug, the company will still be obliged to meet certain regulatory requirements, such as requirements for safety reporting and supervision of marketing of drugs. In the event the company fails to meet post-approval regulatory requirements, previously obtained regulatory approvals may be withdrawn. The company could also be subject to other sanctions, such as fines, operational restrictions or criminal sanctions.

ENVIRONMENTAL SAFETY AND ETHICAL STANDARDS

InDex's operations are subject to reporting requirements on safety, environmental regulations and will upon potential future market approval be subject to additional requirements. Should the company fail to comply with applicable laws and regulations in this regard, InDex could be subject to criminal sanctions and extensive damages or become obliged to cease or alter its activities. In addition, some of the company's employees could prove guilty of unethical or criminal conduct or conduct that would otherwise be in conflict with applicable laws and regulations, as well as internal guidelines. Such conduct would also damage the

reputation of InDex. The corresponding conduct of partners could also have a material adverse effect.

COMPETITION

The pharmaceutical industry is a highly competitive industry characterised by global competition, rapid technological development and extensive investments. The company is facing competition from e.g. large pharmaceutical companies, including multinational companies, other companies active in the healthcare sector and universities. Some of the competitors have great financial resources and there is a risk that the company's competitors develop similar drugs or alternative medicinal products which prove more successful.

As of today, the company faces competition for cobitolimod from competing therapies approved for the treatment of ulcerative colitis, including generic products and biosimilars which are priced lower than the original medicinal products. Further, other companies are currently developing drugs that compete with or may compete with cobitolimod.

LICENSE AND COLLABORATION AGREEMENTS

InDex is dependent on license and collaboration agreements relating to the development and commercialisation of products on the markets covered by such agreements. Revenues from such license and collaboration agreements include, but are not limited to, upfront payments, licenses, royalties and milestone payments. Further, InDex may be entitled to compensation for its costs during different stages of the collaboration. All revenues are dependent on that the product candidate in question is successfully developed and documented in order to reach the agreed milestones, as well as the product candidate is launched and sold on the market. The size of future revenues is uncertain and may vary significantly for a number of reasons, such as results from clinical studies, market approval, pricing of the product and marketing efforts. There is a risk that no collaboration agreements can be achieved or that collaboration partners fail to fulfil their undertakings. Failure of the establishment of license and collaboration agreements, or partners being unsuccessful in bringing a drug to market, may lead to reduced or absent revenue for InDex.

COMMERCIALISATION, MARKET ACCEPTANCE AND DEPENDENCE ON REIMBURSEMENT SYSTEMS

If a drug is approved, the risk that national or international sales do not meet expectations and that the product is not commercially successful remains. The level of market acceptance and sales of a drug depend on a number of factors, including product properties, clinical documentation and results, competing products, distribution channels, availability, price, subsidisation/reimbursement and sales and marketing efforts.

Cobitolimod is administered to the inflamed large intestine (colon) via the rectal route (rectum). There is a risk that the rectal route of administration may be perceived negatively in some markets, which could affect the commercialisation of the product and thereby have a material adverse effect.

Sales of prescription drugs is affected by the price set and obtained from the responsible authorities (such as the Dental and Pharmaceutical Benefits Agency in Sweden), from reimbursement payers and by healthcare payers, including insurance companies, hospitals and nationally responsible authorities. There is a risk that the price is lower than expected. The reimbursement rate that from time to time applies for a drug often depends on the value that the product is deemed to add for the patient and the healthcare system. There is a risk that the products do not qualify for subsidies from privately and publicly financed healthcare programs or that reimbursement is lower than expected, which e.g. may affect the market acceptance of the product or the operating margin. Reimbursement systems may also change from time to time, making it more difficult to predict the benefit and reimbursement that a prescription product may obtain. Various initiatives are in place in many countries to curb rising pharmaceutical costs, which could affect future sales margins and product sales for InDex and its potential partners. Such measures are expected to continue and could result in fewer reimbursement possibilities and lower reimbursement levels in some markets.

Several of the risks related to the commercialisation and sales of products as well as the reimbursement systems are outside the company's control.

INTELLECTUAL PROPERTY RIGHTS, TRADE SECRETS AND KNOW-HOW

The future success of the company is dependent on the company being able to protect its current and future intellectual property rights. The company's intellectual property rights are mainly protected through granted patents and patent applications. InDex only has method of use patents, but no composition of matter patent for cobitolimod. Generally, a method of use patent is deemed to give a more narrow protection compared to the protection given by a composition of matter patent. There is always a risk that the company's patents are challenged by third parties, which could result in the patents being declared null and void by a patent court, adversely affecting the company. Further, there is always a risk that the company's patents, trademarks and other intellectual property rights are intentionally or unintentionally infringed by third parties. In addition to being time consuming and thus disrupting the company's operations, patent infringements or challenges of intellectual property rights could entail considerable legal costs for defending the company's intellectual property rights. There is also a risk of the company unintentionally infringing intellectual property rights held by third parties, or wrongfully being alleged to do so, which also could entail considerable legal costs.

Patents are only granted for a limited period of time. After a patent has expired, there is a risk that the company's products are copied by third parties, adversely affecting the sale of the company's own products.

The company is also dependent on the protection of know-how and trade secrets, including information related to inventions for which patent applications have not yet been filed. Unlike patents and other intellectual property rights, know-how and trade secrets are not protected by exclusive rights by registration or similar. There is a risk that unauthorised disclosure or use of the company's know-how and trade secrets would render it impossible to obtain a patent or depriving the company of competitive advantages.

DISPUTES, CLAIMS AND LEGAL PROCEEDINGS

Disputes, claims, investigations and legal proceedings might lead to InDex having to pay damages, royalties, license fees or other fees, or cease certain operations. InDex may become involved in disputes as part of its normal business operations and risks being subject to legal claims concerning patents and licenses or other agreements, including in relation to future, present or terminated such agreements. In addition, directors or employees may become subject to criminal investigations and criminal proceedings. Such disputes, claims, investigations and legal proceedings can be time consuming, disrupt normal operations, involve large claim amounts and result in considerable costs. Moreover, it can often be difficult to predict the outcome of complex disputes, claims, investigations and legal proceedings, which mean that this could have a material adverse effect on the company's business, financial position and profits in the future.

DEPENDENCE ON KEY EMPLOYEES

The company is dependent on its employees and consultants, especially on its senior management and other key individuals, and on its ability to recruit and retain highly qualified personnel. In the event a key employee would leave the company, this could have an adverse effect on the company's ongoing projects that leads to e.g. delays in product development. The company's ability to recruit and retain qualified personnel is crucial for its future success and growth.

MANUFACTURERS AND SUPPLIERS

The company engages external manufacturers (Contract Manufacturing Organisations, CMOs) and suppliers (e.g. Contract Research Organisations, CROs) for all of its required raw materials, active pharmaceutical ingredients and finished products for preclinical and clinical studies, the conducting of preclinical and clinical studies and other processes in development, but the company has no long-term agreements with any of these manufacturers and suppliers. There is a risk that current and future manufacturers or suppliers fail to deliver according to agreement, which could lead to delays and increased costs affecting the entire development project. None of the company's current manufacturers or suppliers are considered material in the sense that they cannot be replaced, but the company is dependent on such manufacturers and suppliers as changing manufacturers and suppliers might be both costly and time consuming. There is also no guarantee that the company will be able to find suitable manufacturers and suppliers offering the same quality and quantities on similar terms and conditions. Further, the company does not have any current contractual relationships for the manufacture of commercial supplies of any active pharmaceutical ingredients or product candidates if they are approved. There is a risk that the company will not find suitable manufacturers offering the required quality and quantities on terms and conditions satisfactory to the company.


CZE Lahvička č
DEU Durchstechflasche Nr.
ESP Vial nº
FRA Flacon n°
InDex
Pharmaceuticals

Glossary

BIOLOGICAL DRUG
A biological drug is a drug whose active substance has been produced in or purified from materials of biological origin.

CLINICAL STUDY/TRIAL
Is a study on healthy or ill people to investigate the effect and safety of a drug or treatment method.

COLECTOMY
A surgical procedure performed to remove the large intestine.

COLONOSCOPY
Examination of the large intestine using an endoscope.

COMPASSIONATE USE
A program under which an unapproved drug may be made available for humanitarian reasons.

CRO (CONTRACT RESEARCH ORGANISATION)
Contract research organisation.

CROHN'S DISEASE
Inflammatory disease that may occur throughout the whole gastrointestinal tract.

CYTOKINES
Cytokines are a group of proteins and peptides whose function is to carry chemical signals. They attach to specific receptors on the target cells and are produced only when needed. They have many different kinds of target cells. Some cytokines contribute to the immune system.

DiBiCol
Diagnostic test that can differentiate between ulcerative colitis, Crohn's disease and non-IBD.

DIMS
DNA-based ImmunoModulatory Sequence. Synthetically manufactured oligonucleotide that is immunomodulatory through binding to Toll-like receptor 9.

ENDOSCOPY
Endoscopy is a term for examinations in which a so-called endoscope is used. The doctor can see the inside of the body using the instrument.

ENDPOINT
How to measure the effect of a particular treatment.

ENEMA
Enema is a medical device with which a fluid is inserted into the large intestine through a tip by way of the rectum.

FLARE
A significant deterioration of a chronic but cyclical disease condition.

GASTROENTEROLOGY
Gastroenterology is the study of the digestive system and its disorders.

INFLAMMATORY BOWEL DISEASE (IBD)
Inflammatory bowel disease includes a number of conditions with inflammation of the digestive system, especially the intestine.

INVESTIGATOR
Physician participating in a clinical study.

MECHANISM OF ACTION
The way in which a treatment achieves the desired effect.

ORAL FORMULATION
A formulation of a drug taken by mouth.

PLACEBO
Inactive substance.

PRECLINICAL DEVELOPMENT
Laboratory tests and documentation of a drug candidate's characteristics in model systems.

PROOF-OF-CONCEPT
Concept validation in order to verify whether a particular method or idea works in practice.

RECTAL ADMINISTRATION
Administration through rectum.

REMISSION
Remission is a medical diagnostic term for when the symptoms have partially subsided or temporarily disappeared completely in chronic diseases.

SAFETY PROFILE
The side effects that a drug may cause.

STOMA
Stoma is a medical term for a surgical procedure in which an opening is placed on the front of the abdomen for the purpose of emptying the body's waste, such as stools.

SUBCUTANEOUS INJECTION
Injection under the skin.

TOLL-LIKE RECEPTOR (TLR9)
TLR9 is a member of the Toll-like receptor family and recognises DNA from bacteria and viruses.

ULCERATIVE COLITIS (UC)
Ulcerative colitis is an inflammation of the mucosa in the colon or rectum, which causes the bowel function to deteriorate.

Pharmaceutical development in brief

PRECLINICAL DEVELOPMENT
The preclinical studies evaluate the chemistry, toxicity and effects through appropriate laboratory trials and animal models. Once the preclinical requirements of the substance are fulfilled the substance may proceed to clinical development.

CLINICAL DEVELOPMENT
The clinical development is typically conducted in four sequential phases where the prior phase needs to show promising results including safety in order to move into the next phase:

Phase I: Phase I trials are most often conducted in healthy volunteers, but may also be performed in patients with the targeted disease. The goal is to determine the safety of the medicinal product and how it is absorbed, distributed, metabolised in and excreted from the body.

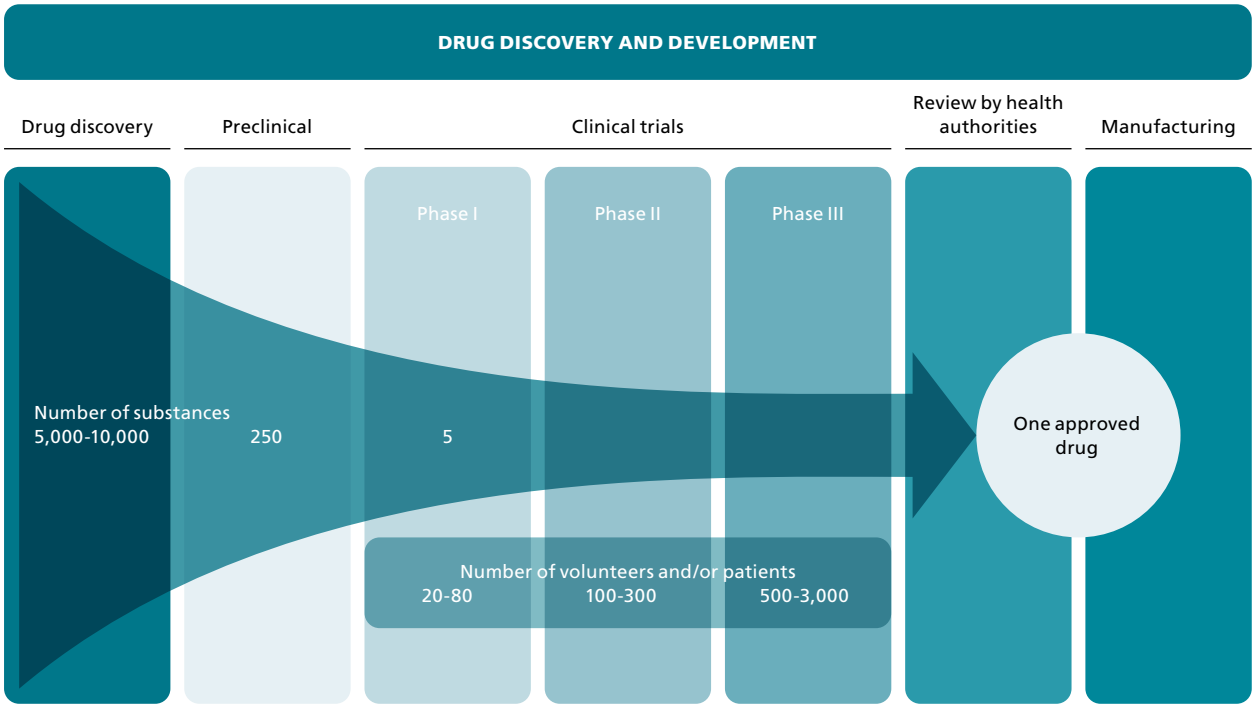
Phase II: Phase II trials are conducted in patients with the disease concerned, with the aim to establish an appropriate dosage for the phase III programme. The phase II studies also aim to obtain preliminary data on the efficacy of the substance. Safety is also carefully monitored. Phase II is usually divided into early phase (phase IIa) and late phase (phase IIb).

Phase III: Phase III trials, the basis for the marketing approval application, are conducted in patients to document statistically significant treatment efficacy, safety and tolerance. Sometimes different populations and different dosages are studied.

Phase IV: After the approval of a new medicinal product the development usually continues through so-called phase IV studies. More information from large groups of patients being treated for a long time is collected, whereby rare side effects may be discovered and further treatment effects can be evaluated. Sometimes efficacy and tolerance are compared between different medicinal products for a particular disease.

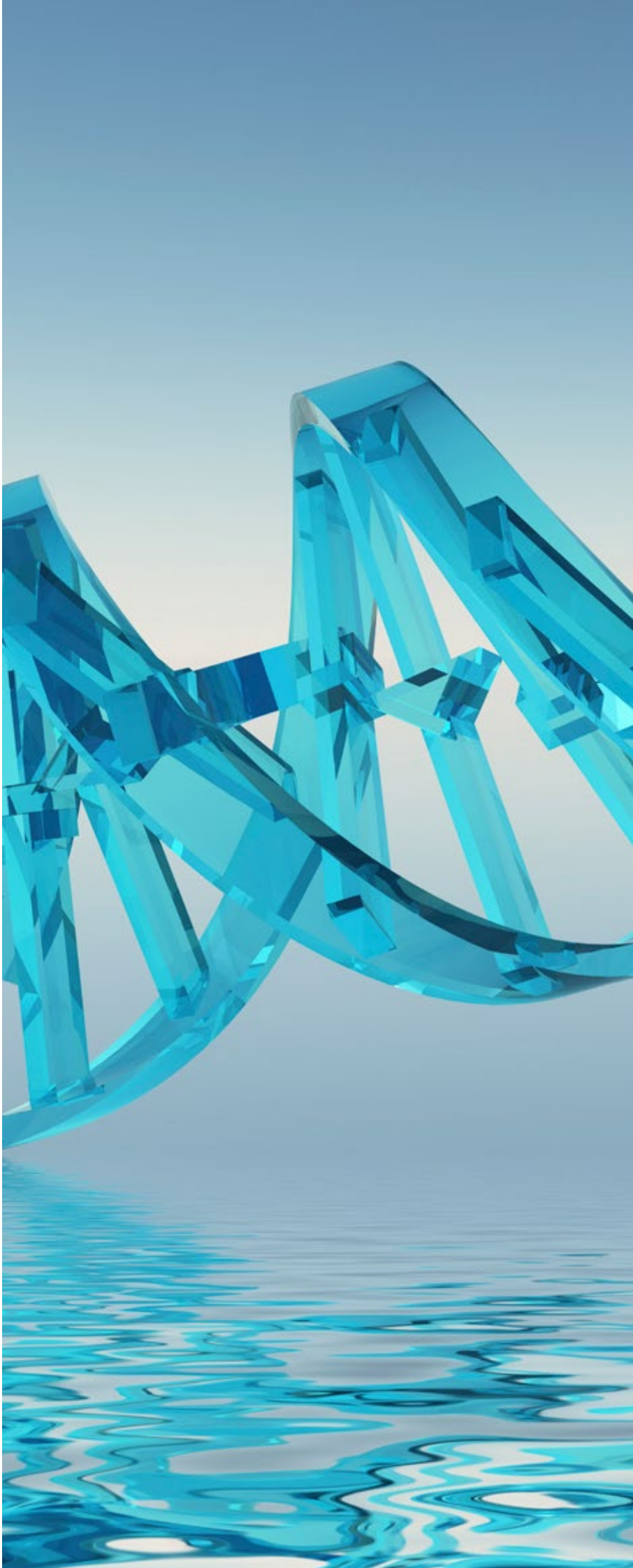
Development of medicinal products is thus a strictly regulated process, with many control steps along the way. During and after each phase the results are evaluated to decide if the development project will continue into the next stage. Approximately 10-20 percent of the substances that reach clinical development and begin a phase I study become an approved medicinal product[1]. The likelihood that the substance reaches the market generally increases the further into the development process the substance has come.

[1] Hay M, et al. vol 32,Nr 1, 2014, *Nature biotechnology. Clinical development success rates for investigational drugs* and David Taylor, *The Pharmaceutical Industry and the Future of Drug Development, in Pharmaceuticals in the Environment*, 2015, pp. 1-33.



The figure shows the drug development from the early substance to a final medicinal product.

InDex
Pharmaceuticals



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