

InDex Pharmaceuticals Holding AB (publ)

Year end report 2018

Continued focus on the patient recruitment for the CONDUCT study



PERIOD OCTOBER-DECEMBER 2018

- Revenues amounted to SEK 0.6 (0.0) million
- Operating result amounted to SEK –22.5 (–22.6) million
- Result after tax amounted to SEK –22.5 (–22.4) million, corresponding to SEK –0.33 per share (–0.36) before and after dilution
- Cash flow from operating activities amounted to SEK –20.9 (–14.1) million

SIGNIFICANT EVENTS DURING OCTOBER-DECEMBER 2018

- InDex published post-hoc analysis of the COLLECT study
- InDex carried out a directed share issue of approximately SEK 37.5 million

All comparative amounts in brackets refer to the outcome during the corresponding period 2017.

PERIOD JANUARY-DECEMBER 2018

- Revenues amounted to SEK 0.7 (0.1) million
- Operating result amounted to SEK –82.4 (–73.3) million
- Result after tax amounted to SEK –82.3 (–72.8) million, corresponding to SEK –1.29 per share (–1.16) before and after dilution
- Cash flow from operating activities amounted to SEK –79.5 (–68.2) million
- Cash and cash equivalents at the end of the period amounted to SEK 83.0 (125.1) million
- Number of employees at the end of the period was 7 (7)
- Number of shares at the end of the period was 68,781,275

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

“Over 85 percent of the total 215 patients have now been enrolled in the CONDUCT study with cobitolimod and we expect to report the top line results during the second quarter of 2019,” says Peter Zerhouni, CEO of InDex Pharmaceuticals.

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 foremost asset is the drug candidate cobitolimod, which is in late stage clinical development for the treatment of moderate to severe active 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 ImmunoModulatory 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 Stockholm. Redeye AB is the company's Certified Adviser (+46 8 121 576 90 or certifiedadviser@redeye.se).

CEO statement



Over 85 percent of the total 215 patients with moderate to severe ulcerative colitis have now been enrolled in the CONDUCT study with cobitolimod and we expect to report the top line results during the second quarter of 2019. Our main focus is still on the patient recruitment, but we are also continuously monitoring that the data base is complete and correctly entered, as well as preparing the process for unblinding and data analysis in order to be able to report the top line results as soon as possible after the last patient has been enrolled.

More than 150 patients have completed the phase IIb study without any signs of safety issues, which is very positive. The safety is monitored by an external Data Safety Monitoring Board consisting of three independent experts in gastroenterology and biostatistics. They meet regularly and review the safety reporting and have each time recommended that the study should proceed according to plan since no safety issues have been noted amongst the patients. In parallel with the CONDUCT study, InDex has also conducted further extensive preclinical safety studies with cobitolimod in preparation for phase III. These studies have also confirmed the good safety profile.

In addition to the clinical development of cobitolimod in ulcerative colitis, InDex is testing some selected DIMS candidates in models of other inflammatory diseases to broaden the

portfolio. In 2016, InDex received a grant of SEK 1.8 million for this development from the innovation agency Vinnova and the work under this grant was completed in 2018. Positive signals were observed, and we are now investigating how we can confirm these early results with alternative and complementary methods in order to be able to select a DIMS substance for further development.

In the beginning of January each year, a large part of the pharmaceutical industry gathers in San Francisco during the JP Morgan conference. This year I was there and met potential future partners and other stakeholders to keep them updated on our progress. The interest for new innovative drugs in inflammatory bowel disease remains high and in several meetings the need to be able to combine treatment with multiple different drugs was discussed. With its unique mechanism of action and good safety profile, cobitolimod is better suited for such an approach than most competing products under development and there are many in addition to InDex that are looking forward to the results of the CONDUCT study with great excitement.

The next quarterly report will be on May 6, which is the same day as the Annual General Meeting where I hope to meet many shareholders.

Peter Zerhouni, CEO

Business overview

InDex is a pharmaceutical development company focusing on immunological diseases where there is a high unmet medical need for new treatment options. The company's foremost 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 indicate that cobitolimod has a higher efficacy and a more favorable safety profile than what has been reported for the currently approved biological drugs in corresponding patient populations. 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. Cobitolimod has achieved clinical proof-of-concept in moderate to severe active ulcerative colitis, with a very favorable safety profile. Data from four placebo-controlled clinical trials show that cobitolimod 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.

Based on the encouraging results from earlier studies InDex is now performing the phase IIb study CONDUCT to evaluate higher doses and dose frequencies than investigated in previous studies with cobitolimod. The goal of the study is

to optimise the treatment and achieve substantially higher efficacy, while maintaining the compound's excellent safety profile. The CONDUCT study will include 215 patients with left-sided moderate to severe active ulcerative colitis at approximately 90 sites in 12 countries. It is a randomised, double blind, placebo-controlled study for evaluating cobitolimod's efficacy and safety in inducing clinical remission compared to placebo. The dose optimisation study investigates three different dose strengths of cobitolimod and two different dose frequencies. Top line results from the study are expected in the first half of 2019.

Cobitolimod is also known as Kappaproct® and DIMS0150.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

- New mechanism of action data for cobitolimod was presented orally at the congress of the European Crohn's and Colitis Organisation (ECCO), which was held in Vienna, Austria, on February 14-17, 2018. The abstract had been selected amongst the top 10 out of 1,366 submitted abstracts, and it was featured in the Highlights of ECCO'18 video. The video contains the most important scientific insights and take-home messages from the congress.
- InDex announced on March 28, 2018, that a new method of use patent for the drug candidate cobitolimod will be issued by the Japan Patent Office. The patent provides additional protection for treating chronic active ulcerative colitis in patients that are not responding or are intolerant to anti-inflammatory therapy, wherein cobitolimod is administered in combination with corticosteroid or glucocorticosteroids.
- InDex hosted a Capital Markets Day on April 25, 2018 for investors, analysts and media. The purpose of the Capital Markets Day was to provide an overview of ulcerative colitis and the drug candidate cobitolimod from a scientific and market perspective.
- InDex announced on May 4, 2018 that the company has developed a novel formulation of its drug candidate cobitolimod for oral administration, with targeted delivery to the lower part of the gastrointestinal tract. The oral formulation of cobitolimod is a potential follow-on product to the topical formulation, which is investigated in the CONDUCT study.

FINANCIAL SUMMARY

SEK millions	Oct-Dec 2018	Oct-Dec 2017	Full year 2018	Full year 2017
Revenues	0.6	0.0	0.7	0.1
Operating result	-22.5	-22.6	-82.4	-73.3
Result after tax	-22.5	-22.4	-82.3	-72.8
Result per share before and after dilution, SEK	-0.33	-0.36	-1.29	-1.16
Cash flow from operating activities	-20.9	-14.1	-79.5	-68.2
Cash and cash equivalents at the end of the period	83.0	125.1	83.0	125.1

Note: Result per share – Net result divided by average number of shares.

- The Annual General Meeting in InDex Pharmaceuticals Holding AB was held on May 24, 2018. Board members Wenche Rolfsen (also chairman), Uli Hacksell, Lennart Hansson, Stig Lökke Pedersen and Andreas Pennervall were re-elected.
- InDex participated with two poster presentations at the Digestive Disease Week (DDW), which was held in Washington DC, US on June 2-5, 2018. DDW is the largest congress in the world within gastroenterology.
- InDex announced on August 9, 2018 an updated timeline for patient recruitment in the ongoing phase IIb study CONDUCT with the drug candidate cobitolimod. Top line results from the study are now expected in the first half of 2019 instead of in the fourth quarter of 2018 as previously communicated.
- InDex announced on October 19, 2018 that a post-hoc analysis of COLLECT study data has been published in the October issue of the peer-reviewed journal Digestive and Liver Disease (DLD). The paper presents the clinical effect of cobitolimod on patient-reported outcomes defined endpoints and in different patient subgroups defined by disease activity or anti-TNF α therapy exposure.
- On October 23, 2018 InDex carried out a directed share issue to a small group of investors. InDex received proceeds of approximately SEK 37.5 million.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

FINANCIAL SUMMARY FOR THE REPORTING PERIOD

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

Group

The revenues for 2018 amounted to SEK 0.7 million, which is an increase of SEK 0.6 million compared to the previous year. The increase is related to research grants received for projects completed during the year.

Operating expenses for the period January-December 2018 amounted to SEK 83.1 million, which is an increase of SEK 9.7 million compared to the previous year. The increase is mainly attributable to higher costs for the ongoing phase IIb study. The costs during the period refer to costs for the ongoing phase IIb study and general operating expenses.

Costs for the personnel amounted to SEK 9.6 million during 2018, which is in line with the previous year.

Cash and cash equivalents as of December 31, 2018 amounted to SEK 83.0 million, which is SEK 42.1 million lower than December 31, 2017. InDex announced on October 23, 2018 that the board of directors, with support from the authorization granted by the annual general meeting on May 24, 2018, had resolved on a directed share issue of 6,252,842 shares to a small group of investors. The subscription price was SEK 6.02 per share, corresponding to a discount in line with market conditions of 7.7 percent to the 5-day volume weighted average price and 1.3 percent to the closing price. InDex received proceeds of approximately SEK 37.5 million after transaction related costs for legal services and costs for registration and practical management.

Parent company

The revenues amounted to SEK 9.1 million during 2018 and consisted of invoicing of group wide expenses to the other companies within the group.

The expenses amounted to SEK 14.4 million and consisted of personnel expenses and other operating expenses relating to the administration of InDex.

During 2018 the parent company provided a shareholder's contribution of SEK 40 million to the subsidiary InDex Pharmaceuticals AB. In accordance with InDex's valuation principles the shares in subsidiaries have simultaneously been written down with the same amount.

FINANCIAL SUMMARY AFTER THE REPORTING PERIOD

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

EXPECTED FUTURE DEVELOPMENT

The Board's estimate is that the main results from the CONDUCT study will be available during the first half of 2019.

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 the CONDUCT study until the main results are available and all other financial commitments that InDex has for the coming 12-month period.

InDex provides no financial forecast or similar forward looking statement.

EMPLOYEES

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

THE SHARE

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

LARGEST SHAREHOLDERS PER DECEMBER 28, 2018

	Number of shares	Percentage of capital and votes, %
SEB Venture Capital	14,657,241	21.3
Stiftelsen Industrifonden	12,900,272	18.8
NeoMed/N5	6,907,913	10.0
Staffan Rasjö	3,124,718	4.5
Linc AB	2,908,298	4.2
SEB Stiftelsen	1,785,714	2.6
SEB Life International	1,454,150	2.1
Skandinaviska Enskilda Banken S.A.	1,454,150	2.1
Avanza Pension	1,446,434	2.1
Ponderus Securities AB	1,348,996	2.0
Övriga	20,793,389	30.3
Totalt	68,781,275	100.0

INCENTIVE PROGRAMMES

At the Extraordinary General Meeting held on September 12, 2016 it was resolved to issue 3,250,000 warrants to transfer to employees and other key persons within InDex. The warrants have an exercise price of SEK 19 per share and can be exercised in September 2019. Within this program, 3,237,500 (3,237,500) warrants have been acquired at fair value by employees and other key persons in InDex.

DIVIDEND PROPOSAL FROM THE BOARD AND DIVIDEND POLICY

The Board will not propose a dividend for 2018. The Board has no intention to propose a dividend until InDex can forecast long term profit and sustainable positive cash flow.

REVIEW BY THE AUDITOR

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

FINANCIAL CALENDER

Interim report Q 1	May 6, 2019
Annual General Meeting	May 6, 2019
Interim report Q 2	August 22, 2019
Interim report Q 3	November 27, 2019

ANNUAL REPORT

The annual report for 2018 is expected to be available at InDex's premises from April 8, 2019. The annual report will also be available at InDex's homepage (www.indexpharma.com) from this date.

Stockholm, February 20, 2019

Peter Zerhouni, CEO

FOR MORE INFORMATION, PLEASE CONTACT:

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The information in this year end report is information that InDex Pharmaceuticals Holding AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication by the contact person stated above at 8:00 CET on February 20, 2019.

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

Consolidated income statement

SEK 000's	Oct 1- Dec 31 2018	Oct 1- Dec 31 2017	Full year 2018	Full year 2017
Revenues				
Net sales	29	27	128	113
Other income	612	–	612	–
Total revenues	641	27	740	113
Operating expenses				
Raw material and consumables	–148	–170	–560	–8,998
Other external expenses	–19,775	–19,498	–72,981	–54,825
Personnel costs	–3,178	–2,929	–9,553	–9,594
Depreciations	–3	–3	–11	–11
Total expenses	–23,104	–22,600	–83,105	–73,428
Operating loss	–22,463	–22,573	–82,365	–73,315
Profit/loss from financial items				
Financial income	106	558	156	1,340
Financial expenses	–94	–373	–106	–784
Total	12	185	50	556
Earnings before tax	–22,451	–22,388	–82,315	–72,759
Taxes for the period	–	–	–	–
Net profit/loss for the period	–22,451	–22,388	–82,315	–72,759
Loss per share, SEK (before and after dilution)	–0.33	–0.36	–1.29	–1.16
Average number of shares	67,183,326	62,528,433	63,692,156	62,527,366
Number of shares at the end of the period	68,781,275	62,528,433	68,781,275	62,528,433

Consolidated balance sheet

SEK 000's	Dec 31, 2018	Dec 31, 2017
ASSETS		
Fixed assets		
<i>Intangible fixed assets</i>		
Patents, license and trademarks	–	–
<i>Tangible fixed assets</i>		
Equipment, tools and installations	21	32
Total fixed assets	21	32
Current assets		
<i>Current receivables</i>		
Accounts receivable	10	16
Other current receivables	1,482	848
Prepaid expenses and accrued income	481	921
Total current receivables	1,973	1,785
Cash and cash equivalents	83,034	125,055
Total current assets	85,007	126,840
TOTAL ASSETS	85,028	126,872
EQUITY AND LIABILITIES		
Restricted equity		
Share capital	1,376	1,251
Total restricted equity	1,376	1,251
Non-restricted equity		
Retained earnings	140,845	176,255
Loss for the period	–82,315	–72,759
Total non-restricted equity	58,530	103,496
Total equity	59,906	104,747
Current liabilities		
Accounts payables	3,552	6,568
Other liabilities	5,935	5,750
Accrued expenses and deferred income	15,635	9,807
Total current liabilities	25,122	22,125
TOTAL EQUITY AND LIABILITIES	85,028	126,872

Consolidated statement of changes in equity

SEK 000's	Share capital	Retained earnings	Net result
Opening balance, January 1, 2017	1,251	217,495	-41,275
Disposition of last year's result	-	-41,275	41,275
Issue of warrants	-	35	-
Net result	-	-	-72,759
Closing balance, December 31, 2017	1,251	176,255	-72,759
Opening balance, January 1, 2018	1,251	176,255	-72,759
Disposition of last year's result	-	-72,759	72,759
Issue of shares	125	37,517	-
Issue costs	-	-168	-
Net result	-	-	-82,315
Closing balance, December 31, 2018	1,376	140,845	-82,315

Consolidated cash flow

SEK 000's	Oct 1- Dec 31 2018	Oct 1- Dec 31 2017	Full year 2018	Full year 2017
Operating activities				
Earnings before tax	-22,451	-22,389	-82,315	-72,759
<i>Adjustments for non-cash items</i>				
Depreciations	3	3	11	11
Divestment of financial assets	-	-	-	27
Income tax paid	-	-	-	-
Cash flow from operating activities before changes in working capital	-22,448	-22,386	-82,304	-72,721
Changes in working capital				
Changes in current receivables	-1,200	135	-188	-574
Changes in current liabilities	2,781	8,176	2,993	5,110
Cash flow from changes in working capital	1,581	8,311	2,805	4,536
Cash flow from operating activities	-20,867	-14,075	-79,499	-68,185
Investing activities				
Acquisition of tangible assets	-	-	-	-
Cash flow from investing activities	-	-	-	-
Financing activities				
Issues of shares	37,478	-	37,478	-
Issues of warrants	-	-	-	8
Cash flow from financing activities	37,478	-	37,478	8
Cash flow for the period	16,611	-14,075	-42,021	-68,177
Cash and cash equivalents at the beginning of the period	66,423	139,130	125,055	193,232
Cash and cash equivalents at the end of the period	83,034	125,055	83,034	125,055

Income statement parent company

SEK 000's	Oct 1- Dec 31 2018	Oct 1- Dec 31 2017	Full year 2018	Full year 2017
Revenues				
Net sales	3,107	2,486	9,112	8,000
Total revenues	3,107	2,486	9,112	8,000
Operating expenses				
Other external expenses	-3,162	-2,036	-9,194	-7,555
Personnel costs	-2,050	-1,789	-5,252	-5,107
Total expenses	-5,212	-3,825	-14,446	-12,662
Operating loss	-2,105	-1,339	-5,334	-4,662
Net financial items				
Write-down of financial assets	-40,000	-60,000	-40,000	-120,000
Financial costs	-26	0	-36	-1
Total	-40,026	-60,000	-40,036	-120,001
Earnings before tax	-42,131	-61,339	-45,370	-124,663
Taxes for the period	-	-	-	-
Net profit/loss for the period	-42,131	-61,339	-45,370	-124,663

Balance sheet parent company

SEK 000's	Dec 31, 2018	Dec 31, 2017
ASSETS		
Fixed assets		
<i>Financial assets</i>		
Shares in subsidiary	247,030	247,030
Total fixed assets	247,030	247,030
Current assets		
<i>Current receivables</i>		
Other receivables	15	–
Intercompany receivables	351	176
Prepaid expenses and accrued income	353	455
Total current receivables	719	631
Cash and cash equivalents	82,388	111,682
Total current assets	83,107	112,313
TOTAL ASSETS	330,137	359,343
EQUITY AND LIABILITIES		
Restricted equity		
Share capital	1,376	1,251
Total restricted equity	1,376	1,251
Non-restricted equity		
Retained earnings	329,012	416,322
Net result	–45,370	–124,663
Total non-restricted equity	283,642	291,659
Total equity	285,018	292,910
Current liabilities		
Accounts payable	168	497
Intercompany liabilities	42,266	63,238
Other liabilities	1,066	498
Accrued expenses and deferred income	1,619	2,200
Total current liabilities	45,119	66,433
TOTAL EQUITY AND LIABILITIES	330,137	359,343

Statement of change in equity parent company

SEK 000's	Share capital	Retained earnings	Net result
Opening balance, January 1, 2017	1,251	463,944	-47,622
Disposition of last year's result	-	-47,622	47,622
Net result	-	-	-124,663
Closing balance, December 31, 2017	1,251	416,322	-124,663
Opening balance, January 1, 2018	1,251	416,322	-124,663
Disposition of last year's result	-	-124,663	124,663
Issue of shares	125	37,517	-
Issue costs	-	-164	-
Net result	-	-	-45,370
Closing balance, December 31, 2018	1,376	329,012	-45,370

Cash flow parent company

SEK 000's	Full year 2018	Full year 2017
Operating activities		
Earnings before tax	-45,370	-124,663
<i>Adjustments for non-cash items</i>		
Depreciations	40,000	120,000
Income tax paid	-	-
Cash flow from operating activities before changes in working capital	-5,370	-4,663
Changes in working capital		
Changes in current receivables	-88	-58
Changes in current liabilities	-21,314	48,017
Cash flow from changes in working capital	-21,402	47,959
Cash flow from operating activities	-26,772	43,296
Investing activities		
Shareholder's contribution	-40,000	-120,000
Cash flow from investing activities	-40,000	-120,000
Financing activities		
Issues of shares	37,478	-
Cash flow from financing activities	37,478	-
Cash flow for the period	-29,294	-76,704
Cash and cash equivalents at the beginning of the period	111,682	188,386
Cash and cash equivalents at the end of the period	82,388	111,682

Development of parent company's share capital

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

Notes

NOTE 1 GENERAL INFORMATION

This interim report includes the parent company InDex Pharmaceuticals Holding AB (publ), Corp. Reg. No. 559067-6820 and the subsidiaries InDex Pharmaceuticals AB and InDex Diagnostics AB ("InDex", "the company" or "the group").

NOTE 2 ACCOUNTING PRINCIPLES

This interim report has been prepared in accordance with the Swedish Annual Accounts Act and BFAR 2012:1 (K3). See also below under "Corporate Structure" for additional information about the completed legal restructuring.

The accounting policies adopted in this interim report are consistent with those of the 2017 annual report and should be read in conjunction with that annual report.

NOTE 3 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 Extra General Meeting held on August 25, 2016 it was resolved, and on September 7, 2016 an issue for noncash consideration was registered at the Swedish Companies Registration Office, whereby the shareholders of InDex Pharmaceuticals AB transferred 99.76 percent (in December 2018 99.97 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 0.1 million to the minority shareholders (the few shareholders that have not signed the share exchange agreement, representing 0.03 percent of total shares) have therefore been reported as of December 31, 2018.

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.

NOTE 4 RISKS AND UNCERTAINTIES

OPERATIONAL RISKS

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 will be sold on the market. It cannot be excluded that the regulatory approval process will require increased documentation and thereby increased costs and delays in projects or lead to projects being shut down. Increased development costs and longer development time may mean that the risks of a project increase and that the compound's potential to successfully reach the commercial stage decreases or that the time for patent protected sales is reduced.

FINANCIAL RISK MANAGEMENT

InDex may also in the future need to raise additional capital. Both the size and timing of InDex's potential future capital requirements will depend on a number of factors, including opportunities to enter into collaboration or licensing agreements and the progress made in research and development projects. There is a risk that the required financing for the operations will not be available at the right time and at reasonable cost.

For a more detailed description of the risk factors, please refer to the annual report for 2017, which is available on the company's web page.

NOTE 5 IMPORTANT ESTIMATIONS AND JUDGEMENTS

The following areas have been identified as areas dependent of estimations and judgements, which can have significant impact on the financial statements: incurred costs for clinical trials, test for impairment of participation in group companies and deferred tax receivables.

For a more detailed description of important estimations and judgements, please refer to the annual report for 2017.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

InDex Pharmaceuticals Holding AB invoices its subsidiaries for group wide services.