PROMORE PHARMA

leading-edge medical innovation

Annual report 2018

The text in English is a free translation of the Swedish original wording. In case of differences between the English translation and the Swedish original, the Swedish text will take precedence.

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Promore Pharma – pioneer within wound healing and prevention of scars

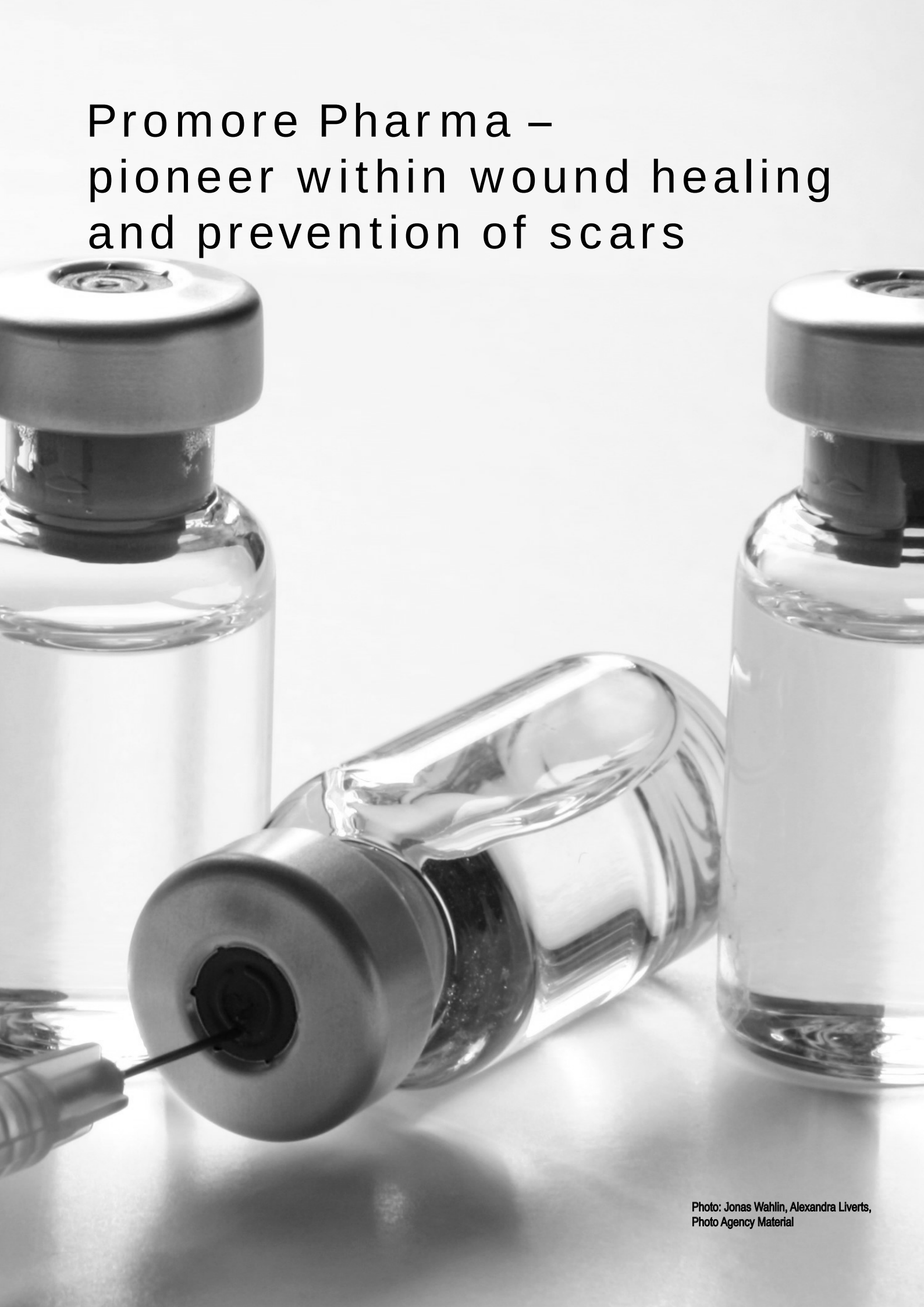


Photo: Jonas Wahlin, Alexandra Liverts, Photo Agency Material

- Adjusted plans for PXL01 in North America when the option with US company Cellastra Inc expired
- The company was granted, through its wholly owned subsidiary Pergamum, a patent for PXL01 in combination with high molecular weight hyaluronic acid in USA
- The company assumed responsibility for the manufacturing of PXL01 and regained the global manufacturing rights for the PXL01 commercial product

- Out-licensing agreement for PXL01 where PharmaResearch Products Ltd (PRP) will finance the development of PXL01 for use to prevent fibrosis after spinal surgery

- Approval for Phase IIb trial with LL-37 from the Medical Products Agency of Sweden
- Approval for Phase IIb trial with LL-37 from Office for Registration of Medicinal Products, Medical Devices and Biocidal Products in Poland
- Expanded indications of PXL01 in the field of dermal scarring
- Investigator meeting for HEAL LL-37 in Poland

- First patient enrolled in HEAL LL-37
- Successful meeting with the FDA regarding PXL01
- Approval from Drug Controller General in India for Phase III trial with PXL01
- PRP exercised call option and acquired 548,184 shares in Promore Pharma

Vision

The vision of Promore Pharma is to solve the global medical problems of scarring, adhesions and chronic wounds.

Strategy

Promore Pharma operates as a lean and cost-effective organization that primarily focuses on high level project management, *i.e.* coordinating the programs of the company between strategic partners, clinical research organizations and other service providers for example within manufacturing. Furthermore, the company is focused on maintenance and support of the patent portfolio that provides protection of the company's main programs.

In the future, when both the primary indications addressed by Promore Pharma's programs are expected to be close-to-market, the company intends to seek alliances with larger, fully integrated, multi-national companies for market launch. The company intends to explore the feasibility of developing pharmaceutical candidate products for adjacent indications. This could be accomplished either through strategic partnerships that can provide financing and operational resources or through small well-controlled studies conducted in-house. Such strategic collaborations can be envisioned with both large and small development companies.

CEO statement

In all types of innovation companies there are challenges regarding plans and real outcome.The past year, 2018, was in many ways a conclusive year for Promore Pharma and I am very happy that our deviations from plan have been very small. We achieved several scientific and operational milestones in our main projects.

The fiscal year was characterized by continued preparatory work within our two clinical development programs - HEAL LL-37, which is a phase IIb study with our drug candidate LL-37 for the treatment of venous leg ulcers and PHSU03, a phase III study with our drug candidate PXL01 for prevention of adhesions after tendon- and nerve-repair surgeries. These two indication areas are currently without pharmaceutical products. The physicians and nurses working with our programs are very much appealed by our commitment to find new treatments for these medical problems.

In our clinical Phase III trial of PXL01, (PHSU03), the preparatory work continued in 2018. The manufacturing of Investigational Medicinal Product for a Phase III trial is a clear challenge for us, since we as a small company does not have our own manufacturing facilities. When the manufacturing is done by exernal suppliers, it is not unusual to have more than a dozen suppliers involved in the process. We have in 2018 experienced challenges with one individual supplier, with whom we worked with for several years, but in 2018 did not succeed in renewing all of the manufacturing permits required and consequently, they have not been able to provide a unique component in the manufacturing chain at the specified time. This is one of several reasons why we wish to improve our long-term production capacity as well as process quality and also reducing the risks of dependency on individual suppliers in the manufacturing process. This in turn meant that we in 2018 started work on changing the manufacturing chain. In the beginning of the year we assumed responsibility for the manufacturing of Investigational Medicinal Product and at the same time we regained the global manufacturing rights for the PXL01 commercial product from our South Korean partner PharmaResearch Products Ltd. We believe this will give us better control of the manufacturing chain for PXL01 long-term.

In order to minimize the likelihood of time losses on the way to market approval, the company plans to increase the number of clinics in the PHSU03 study by also including a number of hospitals in Italy, thereby minimizing the overall delay by accelerating the recruitment of patients. We have received our clinical trial application approval by the Indian Medicines Agency (Drug Controller General of India), and our goal is to solve the challenges we have left with the manufacturing chain and then to submit national clinical trial applications in Europe.

We can see several medical applications of PXL01, in addition to preventing adhesions after tendon injuries, and in 2018 we took some important initiatives to actualize the potential of our drug candidate. In May, we entered into an out-licensing agreement with the South Korean company PharmaResearch Products Ltd. about developing PXL01 also in the field of spinal surgery. A significant proportion of surgical procedures for treating degenerative disc disorder fail because of fibrosis or adhesions. Every year, approximately two million back-surgery procedures are performed in degenerative disc disorder on the traditional drug markets, which will be the sub-segment that our partner focuses on. In addition, we plan to evaluate the applicability of using PXL01 to prevent dermal scarring, through a small controlled clinical trial (PHSU05) which we plan to start in parallel with PHSU03.

Within the PXL01 program, we also reached another significant milestone as we in the autumn had an important meeting with the US Food and Drug Administration (FDA). In this meeting, the FDA confirmed that completed manufacturing documentation and plans and nonclinical safety and local tolerability studies provide a good basis for a proposed next clinical trial. This confirmatory information will be crucial for our ability to establish a corporate partnership for the American PXL01 market.

We are very pleased with the development of our LL-37 project, where we after extensive work received study approval first in Sweden and then in Poland during the summer. In October, we were able to announce that we had recruited our first patient and currently the study is in a phase of active patient recruitment that proceeds according to plan. The goal is to include 120 patients in this multi-center study. We are also pleased that Promore Pharma received a so-called Notice of Allowance in the United States for a patent for the application of specific LL-37 doses medically relevant for the treatment of chronic wounds. This gives us an extended patent protection in this project.

I am convinced that we are well positioned for the future. We are today strengthened in the belief that PXL01 and LL-37 are two pharmaceuticals that have great medical and commercial potential. We have a solid, exciting and value-creating strategy in place, and our therapeutic peptides have the potential to provide significant value not only to our shareholders but most importantly, for the patients.

I want to thank our co-workers for their commitment and efforts during the past year. Our vision is a world where patients with hard-healed wounds or complications of scarring can be offered effective treatment in order to live a normal life. This vision - to solve the global medical problems of scarring, adhesions and chronic wounds - inspires our work at Promore Pharma every day, both internally and in our collaborative network.

Jonas Ekblom
President and CEO

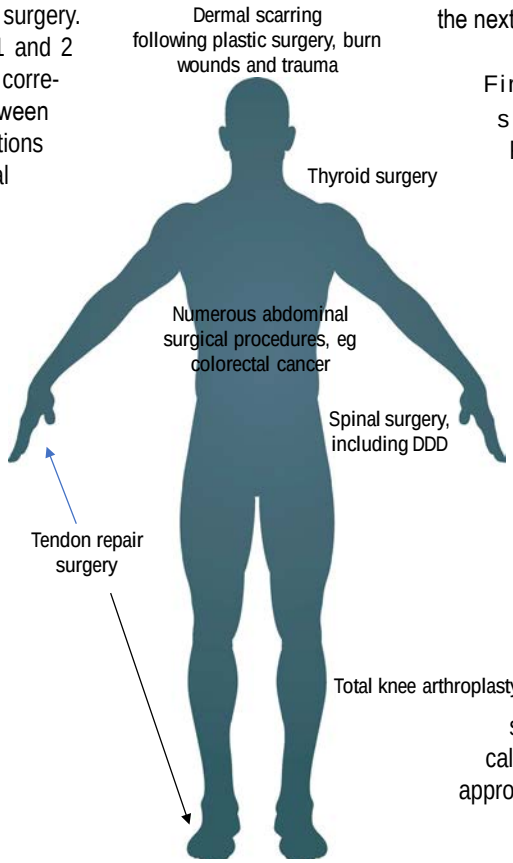
PXL01 - a therapeutic peptide capable of preventing adhesions and scars

The underlying cause of scarring is similar in various clinical situations such as scarring of the skin, after trauma or burn wounds, or unfavorable postoperative adhesions - permanent adhesions between tissue surfaces that should normally be separated. It is a well-known fact that increased inflammation and fibrin formation after surgery are two key mechanisms that strongly contribute to scarring.

PXL01 is a synthetic peptide based on the human peptide lactoferricin, part of the breast milk protein lactoferrin. PXL01 has several mechanisms of action. For instance, PXL01 is immunomodulatory; the peptide inhibits release of pro-inflammatory cytokines, such as IL-1beta, IL-6 and IL-8, as well as TNF-alpha. PXL01 also increases fibrinolytic activity by inhibiting PAI-1 production. Both of these properties are thought to be the key for the peptide to prevent scars and adhesions.

Many patients with widely different complications

Postoperative adhesions are permanent interactions between tissue surfaces that should normally be separated and are one of the most common and costly complications of surgery. The costs are estimated at between USD 1 and 2 billion annually only in the United States. The corresponding figure in Sweden is estimated at between 400 and 600 MSEK. The types of complications that arise as a consequence of post-surgical adhesions are dependent on where in the body they occur. They can cause, for example, pain, infertility, decreased function and mobility, need for secondary surgical treatments, and difficulties in undergoing future surgical procedures. Extrapolations from a comprehensive Scottish study indicate that an estimated 200 people per 100 000 in a normal population are hospitalized every year as a result of complications associated with post-operative adhesions (all types). Based on that study, there are correspondingly two million patients annually in the US, EU and Japan. Naturally, the number of patients who have medical issues but are not requiring hospitalization is many-fold higher.



Large medical need

Existing products for the treatment of post-operative adhesions are all registered as medical devices and are based on physically barriers that separate the damaged tissue surfaces. PXL01 has the potential to be the first drug to prevent adhesions and is expected to show better efficacy and safety profile compared to competing products. There is a growing need and interest for adhesion-preventing drugs. This is driven by an increasing annual number of surgical procedures in the world, and not least, an increased number of so-called lifestyle-induced disorders, such as obesity, and injuries caused by sport- and hobby-related activities. According to Markets & Markets, this segment of the wound care market will grow between 8 and 9 percent annually over the next five years.

First indication - preventing adhesions after tendon repair surgery

Promore Pharma initially focuses on preventing adhesions after flexor tendon repair surgery in the hand. The rationale for selecting this indication involve:

1. Tendon repair in the hand represents an area of high medical needs due to high incidence of adhesions;
2. The same surgical method is used in flexor tendon repair worldwide and the methods used for clinical evaluation of hand function are standardized and quantifiable;
3. Tendon injuries are common among young healthy patients, which means that the risk of comorbidity is low and the economic need for society is large;
4. Hand surgery is a distinct specialty among surgeons, which facilitates recruitment in clinical studies, but also the marketing and sale of an approved future product.

Flexor tendon injuries are both occupational injuries and injuries that arise from leisure activities, for example through sports activities. A common reason for laceration of a flexor tendon, are cutting injuries with sharp tools, for instance when an avocado is de-pitted in the hand. Tendon injuries affects about one per 1,000 per year, which corresponds to, approximately 300,000 injuries annually only in the United States, where lesions in the hand amount to about one third. The estimated incidence of tendon injuries in the hand is assumed to be relatively similar throughout the Western world, since occupational safety regulation is similar and recreational activities are largely comparable. It is well documented that significantly more men than women suffer from this type of injuries. A large population-based study suggests that the proportion of men is four to five times higher than the proportion of women.

During tendon repair surgery, the surgeon makes one or more small incisions in the skin over the damaged tendon (unless the skin is already damaged and the tendon is visible), sews the ends of the tendon with special stitches that are extra durable (Kessler sutures) and seal the wound. PXL01 is administered in conjunction with the surgical procedure when the tendon is repaired and mixed in a hyaluronic acid gel. The gel is applied around the damaged tendon, between the tendon and the tendon sheat, using a catheter before the surgical wound is sealed.

The procedure is followed by intensive physiotherapy for up to twelve weeks to reduce the risk of adhesions and thereby regain mobility. Even a minor reduction in mobility can have a major impact on the patient's quality of life. If the mobility of one finger decreases by ten degrees, the patient loses significant fine motor skills and may experience difficulties with, for example, button buttons, eating with sticks or using small keyboard. If the patient's mobility is greatly reduced, it can also affect the ability to work. In addition, nerve damage due to trauma can often lead to reduced sensitivity. In some cases, the patient also suffers from pain or stiffness and reduced force in the injured finger. It is estimated that between 20 and 50 per cent of all patiens that undergo tendon repair in the hand are affected by permanent impaired mobility.

Tenolysis - an additional surgical procedure with new risks for adhesions

Tenolysis is recommended for patients who have significant problems with mobility and pain after tendon repair surgery. Tenolysis involve removal of adhesions in a secondary surgical procedure. According to the company's Phase II study on PXL01, approximately 30 percent of patients who did not receive PXL01 were recommended to undergo tenolysis. Tenolys is a much more complicated surgical procedure than the initial tendon repair and is associated with risks for new adhesions. The cost is estimated at least 14,000 USD compared to the initial late surgery, which costs about 10,000 USD. From an economic perspective, the company's Phase II results also show that the number of patients recommended for tenolys after flexor tendon surgery in the hand can be reduced by up to 65 percent when treated with PXL01.

PXL01 Phase III in Europe and India - PHSU03

Promore Pharma is working on the preparation of PHSU03, a Phase III clinical trial in patients undergoing flexor tendon repair surgery in the hand. The intention is to show that PXL01 improves hand mobility after tendon repair surgery by preventing adhesions. If the trial generates the anticipated results, this data can form the basis for an application for market approval in Europe.

Study design

The company intends to enroll approximately 600 patients with a damage in Zone 1 or Zone 2 in the deep flexor tendon of the hand. The intention is that at least 420 patients or more will complete the study protocol. Patients are divided into three arms, two arms where patients receive PXL01 (5 mg / ml resp 2 mg / ml) in hyaluronic acid and a placebo arm. PXL01 is a one-time treatment and is given in conjunction with the surgical procedure. The study is randomized and double blind. Primary endpoint is mobility in the most distal joint (DIPAM, Active Motion in the Distal Interphalangeal Joint) six months after treatment. In addition, a number of other efficacy variables, quality of life estimates and safety variables are investigated. The frequency of subsequent tenolyses is also investigated. The participating patients will make their last follow-up visit twelve months after surgery.

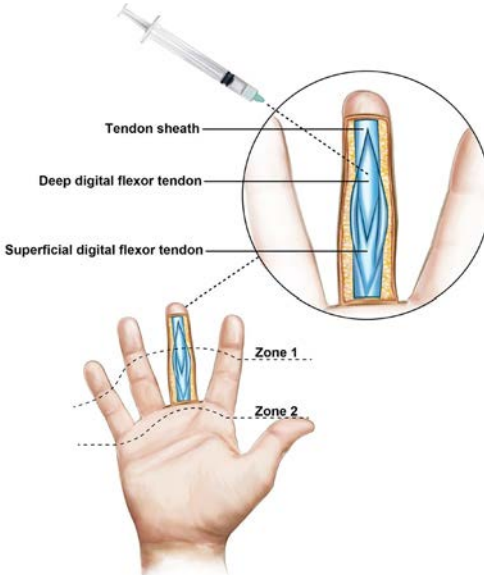
Where is the study conducted?

The study will be conducted at approximately 15 clinics in Sweden, Poland, Germany, Italy and India. Moreover, an additional number of EU countries are under evaluation. The main contract research organization (CRO) is Kentron Biotechnology Pvt Ltd, supported by local CROs in the individual countries.

Previous studies

Promore Pharma conducted a Phase I clinical trial of PXL01 during 2009. The study included 15 healthy volunteers at one single site in Sweden. The aim was to study safety and local tolerance as well as the pharmacokinetic properties of the drug candidate. The treatment was well tolerated without any clinically significant observations related to PXL01 in regards to vital signs or clinical chemistry. The systemic exposure of PXL01 was very low in all dose groups, indicating that a very small proportion (not measurable) reaches the bloodstream. PXL01 has also undergone one randomized double-blind Phase IIb trial involving 138 patients with flexor tendon injuries in the hand. In the study, either placebo or a single dose of PXL01 (20 mg/ml) mixed with highly viscous hyaluronic acid was applied in conjunction with the surgical procedure. The differences between PXL01 and placebo where assessed for up to twelve months with regards to efficacy and safety. The study was conducted at 16 clinics in Sweden, Denmark and Germany.

The mobililty in the most distal finger joint (total mobility DIPAM; Active Motion in the Distal interphalangeal joint) is considered to be the most reliable marker for mobility after a hand injury because the mobility of this joint is entirely controlled by the deep digital flexor tendon, which was damaged in all patients included in PHSU02. At all times, for surgery (four, six, eight, twelve weeks and six and twelve months after surgery), DIPAM improved for patients in the PXL01 group compared with the placebo group. The largest relative difference was observed at six months after surgery (mean and median values versus placebo were 56 degrees compared to 43 degrees and 60 degrees, respectively, compared to 41 degrees with a statistical significance of 0.02). In discussions that the company has organized with medical and clinical key opinion leaders it has been established that a clinically relevant level of increased mobility is ten degrees. Thus, the improvement observed in the completed phase II study with PXL01 was both statistically significant and medically relevant. In addition, a number of other endpoints were investigated, including the percentage of patients recommended for tenolys. The study showed that PXL01 could reduce the need for tenolys by 65 percent, which is a very important result from a social and thus pricing perspective.



Successful meeting with the FDA

Promore Pharma had during the autumn a Pre-Investigational New Drug Meeting with the US Food and Drug Administration (FDA) regarding the future development of PXL01. At the meeting manufacturing, quality, nonclinical and clinical documentation for PXL01, and the design of a potential clinical Phase III study as well as the road to a market approval in North America was discussed. The FDA confirmed that completed manufacturing documentation and plans, as well as nonclinical safety and local tolerability studies, provide a good basis for a proposed next clinical trial. The FDA concluded that the next clinical trial in the United States, where design is still being discussed, in combination with the results of the Clinical Phase III trial in Europe (PHSU03) could be feasible as a basis for a U.S. Market Application. The FDA had no concerns regarding Promore Pharma's product concept, with a pre-filled sterile syringe for local administration in connection to the surgery.

PXL01
Other indications

Preventing dermal scarring

Scarring commonly occurs after most surgical procedures, including procedures such as plastic surgery and caesarean sections, and this seems to happen regardless of how the surgery is sealed. Severe dermal scarring may also occur in conjunction with the healing burn injuries. Promore Pharma has shown that PXL01 has relevant pharmacological properties to prevent such scarring.

WHO estimates that the number of surgical procedures performed in the world exceeds 300 million annually, of which approximately 100 million in the western world, where a proportion of patients may benefit from treatment with a product based on PXL01. Dermal scarring can have both physical and psychological consequences, from reduced mobility and function to emotional trauma. There is a significant demand for effective treatment that prevents scarring and numerous products have been launched on the market, such as oils, creams, gels, dressings and sprays. The market for these products is expected to grow by 10 - 11 percent on average per year over the next few years, reaching over 31 billion in USD 2022. Market growth is driven by increased focus on personal care and an increasing incidence of skin complaints. Consumer surveys show that a very large proportion of patients undergoing plastic surgery would pay to reduce or prevent scarring. The number of plastic surgery procedures is over ten million a year in the world. It is also likely that a large proportion of the women who undergo caesarean section would request a drug that prevents scars. The number of Caesarean sections in the US and the EU amounts to approximately two and a half million per year.

Despite extensive medical needs and a clear demand, there are currently no drug products available on the market to prevent dermal scarring. There are estimates that an effective treatment to prevent scarring would have a market potential of over USD 4 billion in the US alone.

Promore Pharma announced in September 2018 that the company will explore the feasibility of using PXL01 for prevention of dermal scarring. This will be done through a clinical phase I/II study (PHSU05) which will be performed in Sweden and co-ordinated by Fredrik Huss, Associate Professor in Plastic Surgery at Uppsala University Hospital. The study will run in parallel with PHSU03.

Preventing fibrosis after spinal surgery

Degenerative disc disorder (DDD) is one of the most common causes of low back and neck pain and affects approximately 30 million people worldwide every year. DDD is a bulge (hernia) in an intervertebral disc. It occurs in a disc that has undergone some degree of age change, meaning that there is a crack in the disc's soft core. In this crack, parts of the inner core of the disk may come out as a hernia. Usually a herniated disc occurs without any triggering event, but they can also occur as a result of lifting, back bending, back twisting or other accident. Treatments such as physical therapy or anti-inflammatory medications may provide adequate relief of troubling symptoms. However, surgery is often recommended if the conservative treatment options do not provide relief within two to three months. The surgical procedures used are spinal fusion, lumbar laminectomy or microdisectomy. The number of relevant surgical procedures is between one and two million on the large pharmaceutical markets. The health care cost for a surgical procedure varies depending on how extensive the procedure is, but normally amount to between 5,000 USD and 65,000 USD. The surgical intervention can cause epidural fibrosis (scar) and these are assumed to be a common reason for failure of surgical interventions in DDD. The products available to prevent scarring are mainly medical devices, many based on hyaluronic acid. Thera are no prescription products availble preventing scarring in connection with spinal surgery.

Promore Pharma announced in May 2018 that the strategic collaboration with PRP was extended with an outlicensing agreement for PXL01 used for spinal surgery. PRP will fully fund the development of PXL01 to prevent fibrosis after surgical treatment of DDD. The agreement gives Promore Pharma a share of any future milestone payments to PRP and a double-digit royatly on global sales of the product. As part of the original agreement between the two companies from March 2016, PRP received the rights to develop and commercialize a medical device for spinal surgery and only in certain Asian markets. The new agreement means an expansion of the strategic collaboration to include a license to develop a pharmaceutical product world-wide.

Chronic wounds cause immense healthcare costs

It is estimated that about 15 million people in the traditional pharmaceutical markets suffer from chronic hard-to-heal wounds. Many patients have wounds for years. Although a fraction of patients do not actively seek care for their ulcers, which makes it difficult to estimate the number of patients, the costs of treating the wounds are enormous for the healthcare systems.The need for pharmaceutical products that can make a difference for the treatment of chronic wounds is very large.

Chronic wounds are usually defined as wounds that do not show signs of healing within six weeks despite regular cleaning and wound care. Chronic wounds are divided into three main categories; venous leg ulcers (VLUs), diabetic foot ulcers (DFUs) and pressure ulcers. They can often be painful, bleed or liquidate, emit bad odor, and limit the mobility of the patients. In severe cases, the patient may be required to stay bed-ridden or need to amputate a foot or lower leg. Patients typically need professional care two to three times per week: hence, the treatment of chronic wounds requires extensive resources from the health care system. In the United States alone, the aggregated healthcare costs for patients with hard-to-heal ulcers are estimated to exceed USD 25 billion annually. In Scandinavia, chronic wounds are estimated to account for two to four percent of the total spending in society on health care.

Venous leg ulcer accounts for about 40 percent of all chronic wounds

Venous leg ulcers is the largest group and accounts for approximately 40 percent of all chronic wounds. The most common cause of venous leg ulcers is venous insufficiency, which means that blood circulation in the legs does not work well. It is a result of dysfunctional valves. The legs get swollen and are more easily wounded, because the skin becomes brittle and when blood circulation is deteriorated, the wounds also become harder to heal. The risk of getting venous leg ulcers increases with increasing age and obesity. Despite limited efficacy, the market today is dominated by medical devices. The research efforts to find new pharmaceuticals is despite the high need not very extensive within the wound care area.

There are some eighty VLU studies registered compared to 2,000 lung cancer studies

According to Clinicaltrials.gov there are some eighty studies registered focusing on venous leg ulcers, of which twelve are pharmaceuticals. For diabeteic foot ulcers the number is about 300. This can be compared with about 3,000 Type II diabetes studies and 2,000 lung cancer studies. Standard treatment is primarily compression treatment as well as dressings that aim to keep the wound moist, in order to stimulate healing. The wound is cleansed when the dressing is changed and may need to be cleaned from dead tissue and skin debris. If the ulcer smells bad, it may be due to colonization of bacteria and other microorganisms, which requires some antimicrobial treatment. It is also common with compression bandaging, which means that elastic bandages or specialized hosiery are applied around the wound.

Mechanism of action

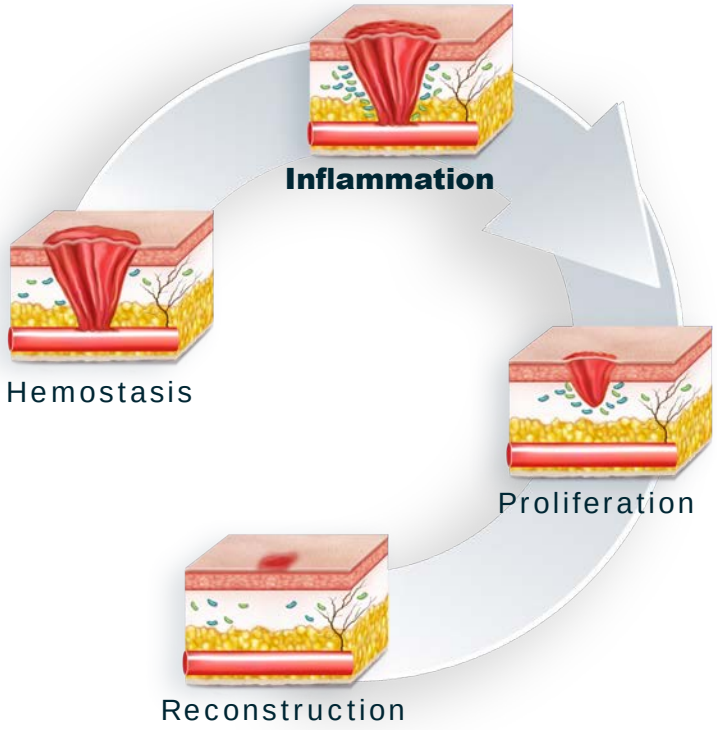
LL-37 is part of a human anitimicrobial protein (cathelicidin) and this protein has been shown to be important in the wound healing process. The LL-37 peptide is present in the lesion of an acute wound and is up regulated (local levels increase) within a few hours after an injury of the skin. During the normal wound healing process, wounds begin to heal from the edge and then toward the wound center; hence it is important that LL-37 is present in the wound bed. Venous leg ulcers lack LL-37 in the wound, unlike all acute wounds. By adding LL-37 to a venous leg ulcer, the wound may re-start the body's wound healing process, as the chronic wound becomes more like an acute wound that usually heals rapidly. The potential role of LL-37 in wound healing has also been demonstrated in an ex vivo experiment, where the regeneration of cells (re-epitalization and proliferation) in skin biopsies was stopped with an antibody to LL-37. Animal studies have also shown that LL-37 stimulates the recovery of blood vessels, which is an important part of wound healing. It has not yet been determined precisely how LL-37 impacts wound healing, but the peptide affects several mechanisms. LL-37 attracts inflammatory cells, including monocytes and granulocytes, by stimulating a specific receptor ("FPR2"). The inflammatory phase of wound healing may also be regulated by LL-37 through the release of a group of proteins and peptides that can control inflammatory processes (cytokine release). Keratinocytes in the skin epithelium are activated by LL-37 by stimulation of unknown receptors, which in turn leads to activation of growth factors in the top skin layer (EGF receptors) and subsequent cell migration. This is thought to lead to re-epithelialization of the wound. Production of vascular growth factors (VEGF) and activation of endothelial cells on the inside of the blood vessels are probably also important components of the increased vessel formation that can be observed after treatment with LL-37.

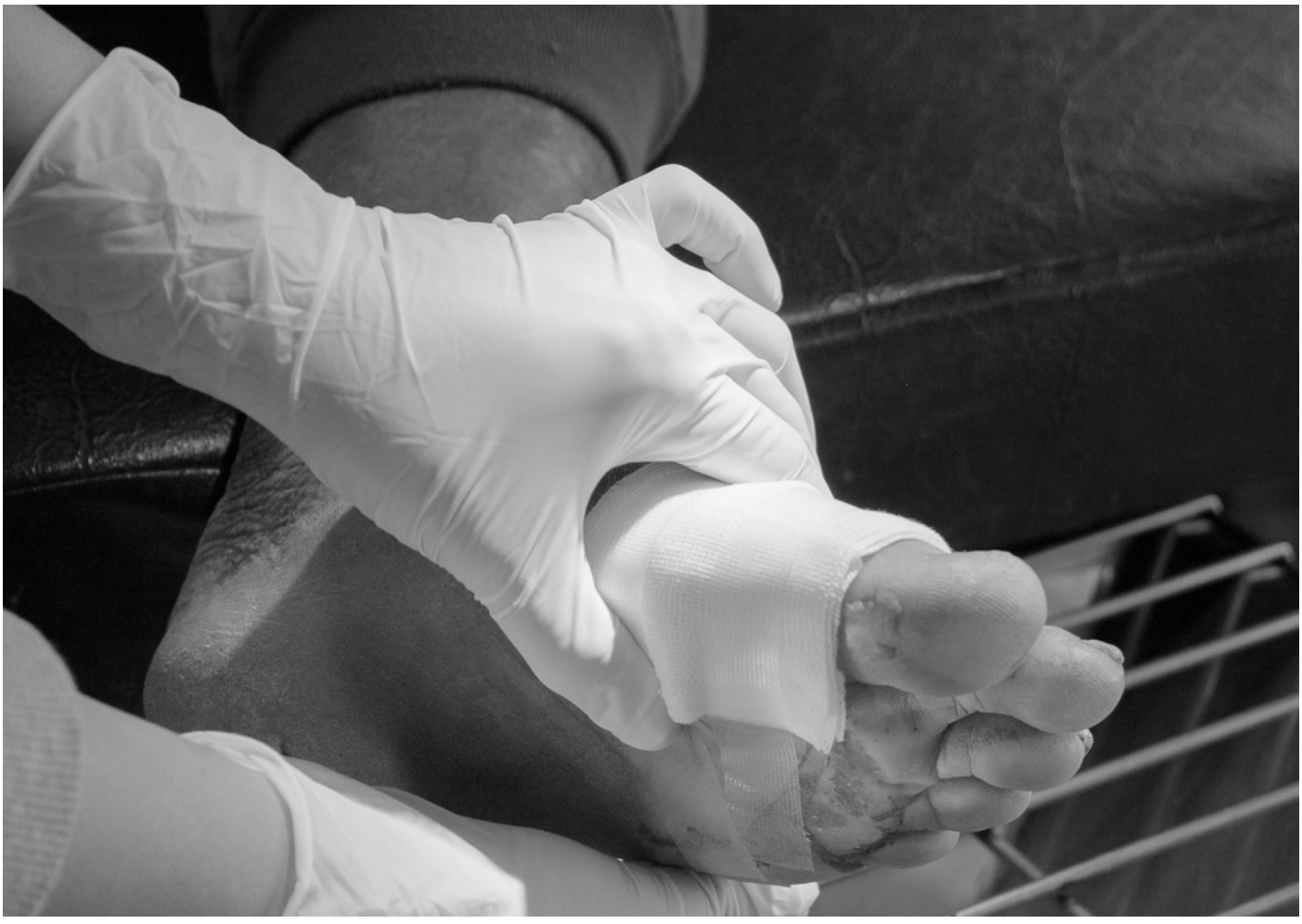
Wound healing process

Wound healing occurs in four phases;

- hemostasis (arrest of local blood flow),
- inflammation,
- proliferation (cell division with replication of similar cells) and
- reconstruction.

Immediately after an injury, hemostasis occurs, preventing further blood loss. This occurs through fibrin formation. Growth factors from platelets (platelets) initiate the subsequent inflammatory process. In the inflammatory phase, immune cells (lymphocytes, macrophages and neutrophils) are recruited to the wound area to remove bacteria and non-viable tissues as well as initiate vascular regeneration. As the inflammatory phase subcede, the proliferation phase begins. During this phase, the number of fibroblasts, a type of connective tissue cells that produce collagen, are attracted and propagated. This causes the wound to seal. Finally, the tissue is reconstructed in the final wound healing phase, the Reconstruction phase, and then takes on a more permanent structure, which often, but not always, look as healthy tissue.





HEAL LL-37 - Phase IIb

A Study in Patients with Hard-to-Heal Venous Leg Ulcers to Measure **Efficacy** and Safety of Locally Administered LL-37

Promore Pharma received approval in summer 2018 to start HEAL LL-37, a clinical phase IIb trial on patients with venous leg ulcers. In October we could announce that the first patient was recruited to the study. The intention is to show that the LL-37 helps the healing of severe venous leg ulcers, which can distress patients for months and years.

Study design

The company intends to include approximately 120 patients with venous leg ulcers with a size up to 40 square centimeters. The study begins with a three week long placebo treatment of all patients, in order to identify patients that are under treated, and thus does not have a chronic wound. Patients that are under-treated and does not really have a chronic wound often show significant healing only by getting standard or placebo treatement. Thereafter, patients are divided into three arms, two arms where patients receive LL-37 (0.5 and 1.6 mg/mL) and a placebo arm. The treatment is ongoing for 13 weeks, two to three times a week in connection with regular change of wound dressing.

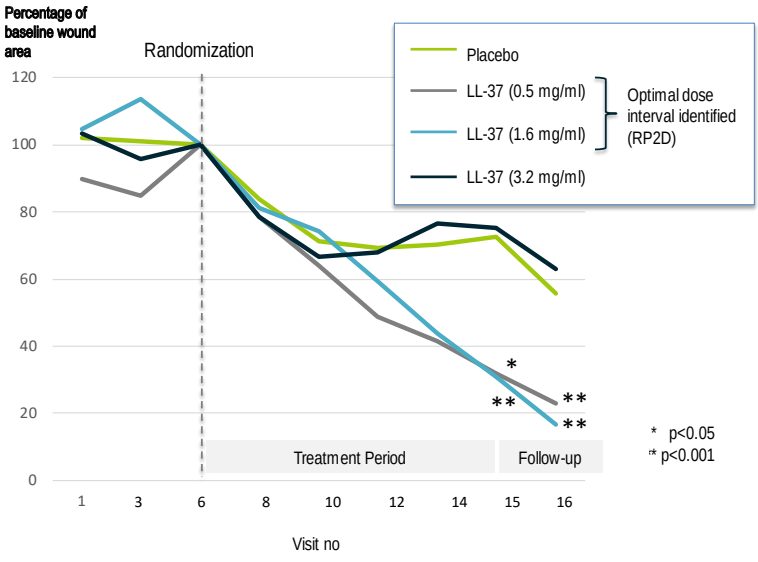
The study is randomized and double blind. The primary endpoint is the proportion of complete healed wounds, which is what regulatory authorities require for market approval. In addition, the effect of LL-37 on venous leg ulcer healing is studied based on several secondary endpoints, as well as local tolerability and safety for LL-37. The post-treatment follow-up is done four months after completed treatment.

Where is the study conducted?

The study is conducted at an some 15 clinics in Sweden and Poland. The main contract research organization (CRO) is Link Medical Research, supported by EastHORN in the Polish clinics.

Previous studies

LL-37 has previously undergone a randomized, double blind, phase IIa study with 34 patients with venous leg ulcers where safety was the primary endpoint. The study began with three weeks of placebo treatment to exclude wounds that were not chronic. Thereafter, patients were treated for one month with either placebo or LL-37 in three different doses, meaning that 25 patients were treated with LL-37 and a group of nine patients received placebo. The study also studied endpoints such as the size and healing rate of the wound area. The two lower doses showed strong safety profile and significantly better healing, close to six times faster than placebo for the most optimal dose. At the most effective dose, the wound area was reduced by 75 percent, an effect which, as far as the company is aware, has not been previously reported in such short time, for any other treatment of chronic wounds. The highest dose resulted in increased side effects and did not improve the healing in patients.



Phase IIa: LL-37 effect in different doses, compared to placebo

Investigator meeting HEAL LL-37 in Warsaw

Promore Pharma hosted an investigator meeting for the HEAL study on 4-5 September 2018 i Warsaw, Poland. The meeting gathered physicians, nurses and study coordinators from all clinics in Poland that are participating in the HEAL study togethter with representatives for Promore Pharma, Clinical Research Organisation Link Medical Research and subcontractor EastHORN Clinical Services.

Promore Pharma's CSO Margit Mahlapuu

Demonstration of the trial product by Jakob Björk from Promore Pharma/Link Medical Research

Some 30 people attended the meeting which took place in Warsaw, Poland. The purpose was to meet study personnel from the participating clinics and to go through the HEAL study to ensure that the study is done in accordance with the Study protocol, guidelines and current rules.

CSO Margit Mahlapuu and Professor Jawien, national co-ordinator in Poland for HEAL LL-37

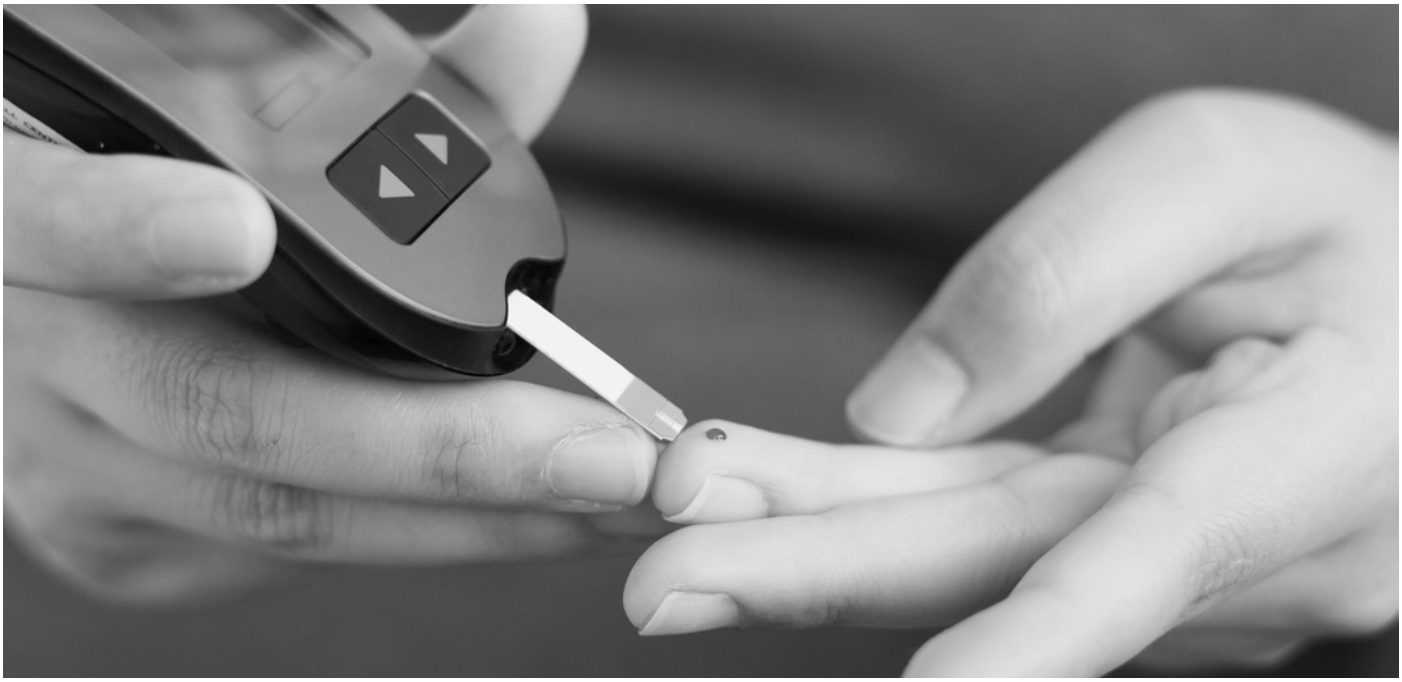
LL-37 can also be used to treat Diabetic Foot Ulcers

There are clear research findings that indicate that LL-37 also may stimulate the healing of diabetic foot ulcers. For example, diabetic foot ulcers, like venous leg ulcers, are deficient of LL-37 in the wound.

Promore Pharma therefore considers that diabetic foot ulcer represent a good opportunity for an additional indication for LL-37.

There are about 425 million patients in the world with diabetes, which is expected to increase to 642 million people by 2040. In the United States, approximately 900,000 people afflicted by a diabetic foot ulcer, out of a diagnosed diabetes population of approximately 21 million. However, CDC estimates that the number of people with diabetes in the United States is approximately 29 million. Diabetes years account for about 10 to 15 billion USD in healthcare costs annually.
Today, the market is dominated today by medical devices, although there are also pharmaceutical products approved for the treatment of diabetes foot ulcers, such as Regranex. Regranex is sold for approximately 560 - 1 000 USD per package (15 g) which corresponds to product volume for treating a median-sized wound (approximately 2 cm2) for four weeks, or between 1,680 and 3,000 USD for a normal 12-week treatment cycle. Promore Pharma estimates that LL-37 has the potential to show better efficacy and significantly less side effects than, for example, Regranex, which since 2008 carries a so-called black box warning on the US market. This means that the product may only be used in exceptional cases due to increased risk of skin cancer associated with treatment. The product is no longer sold in Europe.

There are also a number of projects currently undergoing Phase II studies in this disease area. It is difficult to determine to what extent other projects undergoing development can be compared to LL-37. Peptides based on recombinant growth factors, such as, for example, PDGF, FGF or EGF, have traditionally been associated with a risk of carcinogenicity, which, in contrast, is not seen as a significant risk to LL-37. In summary, this means that the LL-37 project holds a strong position as compared with the competition, i.e. other pharmaceutical products undergoing development for the treatment of severe bone ulcers.



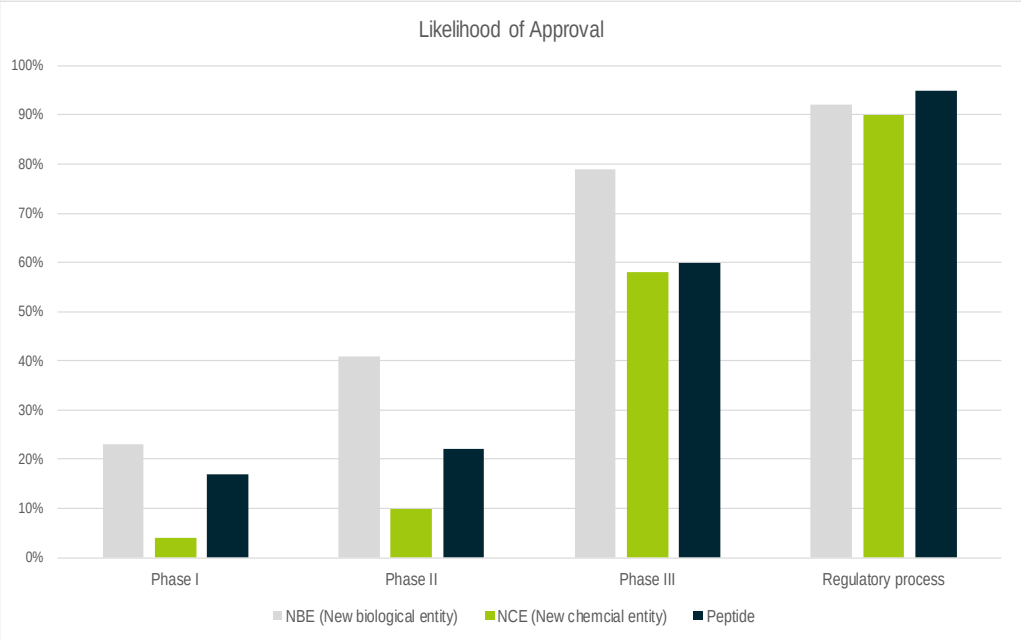
Therapeutic peptides

Peptides are naturally occurring biological molecules - more than 7,000 peptides have been identified and they are involved in virtually all known physiological processes in mammals. Peptides and proteins consist of different combinations of 20 different amino acids. In the pharmaceutical industry, peptides are usually defined as molecules that are shorter than 100 amino acids, while longer amino acid chains are defined as proteins or biopharmaceuticals, for example monoclonal antibodies. Insulin was the first peptide used as a drug and is still the most prescribed peptide.

Antimicrobial peptides (AMP) constitute important elements of the innate immune system in most living organisms and these molecules have been perfected through evolution to combat microbial threats and enhance the recovery from disease. Some antimicrobial peptides are multifunctional and contribute at multiple levels for instance in the wound healing process.

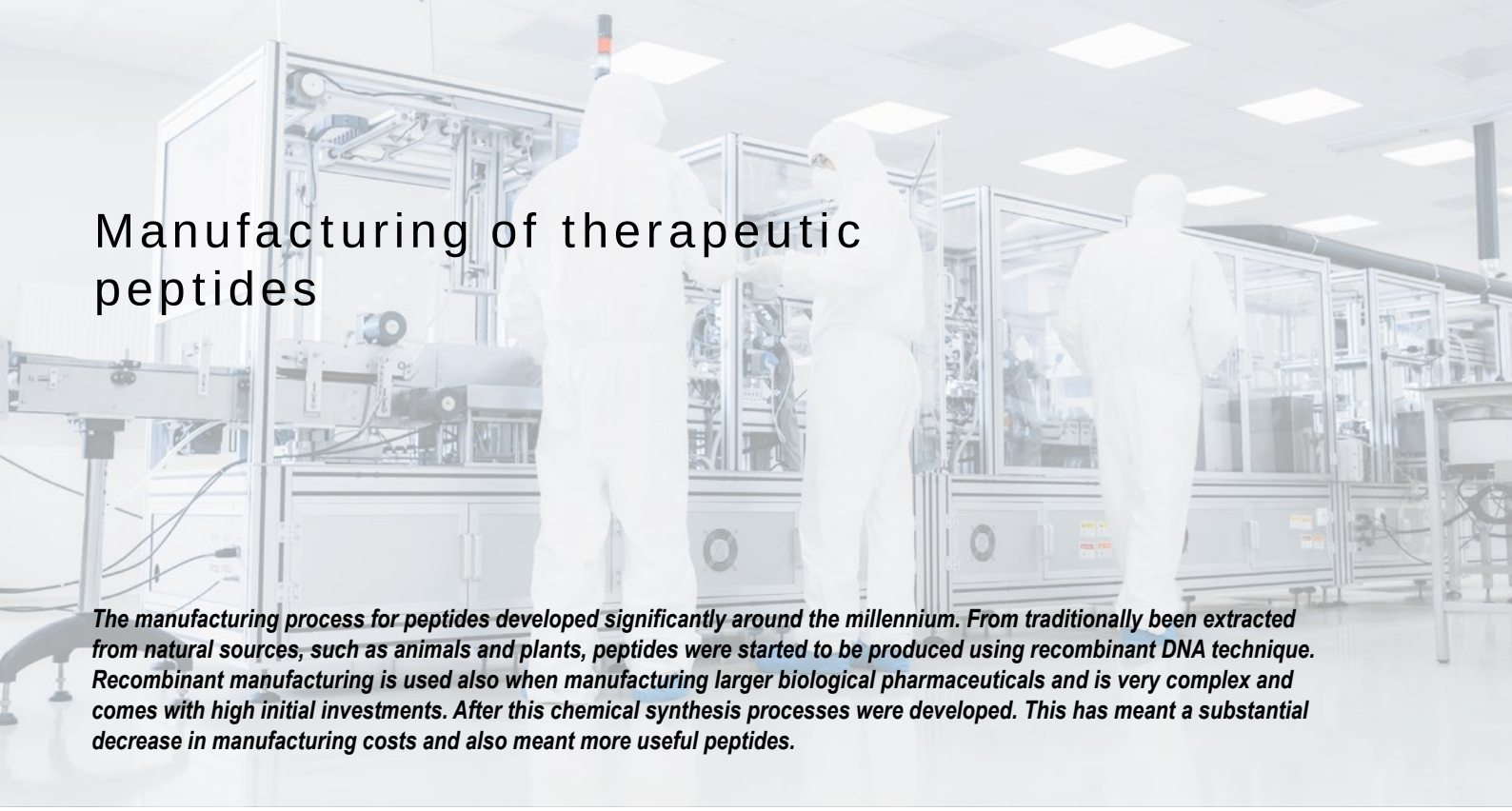
Biomimetic molecules derived from nature generally have very sophisticated biological purposes that have evolved throughout the evolution, that is, hundreds of millions of years. This means that many peptide-based drugs in comparison with traditional small molecules are characterized by high potency and effects that mimic the natural physiology. Peptides are rapidly degraded in the blood and other body fluids to individual amino acids and their effect in biological system is usually local (paracrine). As a consequence, peptide-based drugs are generally not accumulated in tissues, reducing the risk of unwanted side effects. The side effects observed are nomrally limited to the local injection site. The low systemic concentrations of peptides, is contributing to a very high safety profile of this class of pharmaceutical agents. Peptides therefore shows a higher chance to regulatory approval compared to small molecules. But what is considered an advantage from safety perspective means a challenge when it comes to using peptides as pharmaceuticals. The short half life span in blood and other body fluid mean that they are generally not orally bioavailable, and hence, need to be administered locally or by injection. Most peptides are degraded in the digestive tract; decomposed to single amino acids without therapeutic effect.

Oral administration was long considered to be of such importance that development of peptide thearpeutics was limited to mortal diseases, such as using insulin to treat Type I diabetes. When larger protein drugs could be developed for diseases that previously lacked treatment, the pharmaceutical market changed, with a large increase in the number of injected drugs accepted by patients and with good compliance.



CMR 2016; FRI Peptide Database (PTX DB)

It is based on this and also due to technological breakthroughs in manufacturing processes, that the number of therapeutic peptides in clinical development is increasing. Some 40 years ago about one peptide entered clinical development per year. Ten years later the number was five per year and currently there are about 20. There are about 60 approved peptide therapeutic on the world market and even if they still constitute a small share of total market value the expected annual growth until 2025 exceeds 10%.



Manufacturing of therapeutic peptides

The manufacturing process for peptides developed significantly around the millennium. From traditionally been extracted from natural sources, such as animals and plants, peptides were started to be produced using recombinant DNA technique. Recombinant manufacturing is used also when manufacturing larger biological pharmaceuticals and is very complex and comes with high initial investments. After this chemical synthesis processes were developed. This has meant a substantial decrease in manufacturing costs and also meant more useful peptides.

Another reason for more cost efficient manufacturing processes is significantly lower cost of synthetic building blocks (amino acid precursors) and solvents, as well as new manufacturing units in low-cost countries. The development was driven mainly by an HIV drug (Fuzeon), a 36 amino acid long peptide that was required in very high doses to be effecitve. This lead to technological breakthroughs in both equipment and process design and the high demand for raw material led to effciency improvements also at sub suppliers. The costs for manufacturing therapeutic peptides are now almost comparable to the costs of manufacutring small molecules.

Peptides are still less exposed to generic competition compared to common oral drugs, that is fewer competing generic drugs launched when the product is off patent. This is likely due to the fact that it is still difficult to exactly copy the manufacturing, since regulatory authortieies normally requires an exact copy of the impurity profile, which is difficult to achieve.

Today, there are only a few GMP certified (Good Manufacturing Practise, GMP) manufacturers that can produce peptide based pharmaceutical ingredients using chemical synthesis (solid phase), The background to this is that it is expensive to build manufacturing facilities and commercial manfacturing for individual product lines is assoicated with high costs. Promore Pharma, has togehter with PRP, identified AmbioPharm Inc. as a cost effective supplier of the peptides PXL01 and LL-37 according to GMP standards. AmbioPharm Inc. produces bulk material, the most labour intenstive part in low cost regions and is then doing the reprocessing and release from its facility in South Carolina, USA.

From Active Pharmaceutical Ingredient to drug

Developing the manufacturing process for a therapeutic peptide usually requires a production that is done in several steps, which normally takes several years to develop. The active pharmaceutical ingredient in Promore Pharma's case the peptide, is the most complex component in our drugs. From the peptide to Investigational Medicinal Product, and in the next step, commercial product, there are several steps, which also means high complexity and demands. In the first step a peptide solution should be prepared and be mixed with other components. These components, usually called pharmaceutical excipients can have different sources, properties and sustainability. In the PXL01 case it is a high viscous hyaluronic acid that is used as a pharmaceutical excipient. Since our products are applied in open wounds (surgical or chronic wounds) the pharmaceutical solutions have to be sterile. Aseptic manufacturing means the sterility is maintained in all components that is used in manufacturing. All raw materials and primary packaging material is therefore sterilised before the solution and filling takes place. In most cases, the final product is sterile filtered to remove micro organisms before filling. The sterile filling of syringes or vials and the following sterile packaging is a science in itself. Prior to the application for market approval, it is required that the company can demonstrate that the drug candidate can be manufactured at commercial scale in a robust and reproducible fashion. This means you have to prove that the product's characteristics is maintained in large-scale manufacturing (usually hundreds of kilos per manufacturing batch) and that the variation of essential characteristics between different batches is low. All steps in the manufacturing chain, and all analytical methods used, must be rigorously validated. Validation means that the usability of an instrument, process or method is confirmed and means a structured assessment and the establishment of documented proofs. In addition, stability tests of the Active Pharmaceutical Ingredient as well as the combined product is done. This entails long term storage of products at different temperatures and humidity levels where controls are made that the products are stable at set time points.

Pharmaceutical development and costs

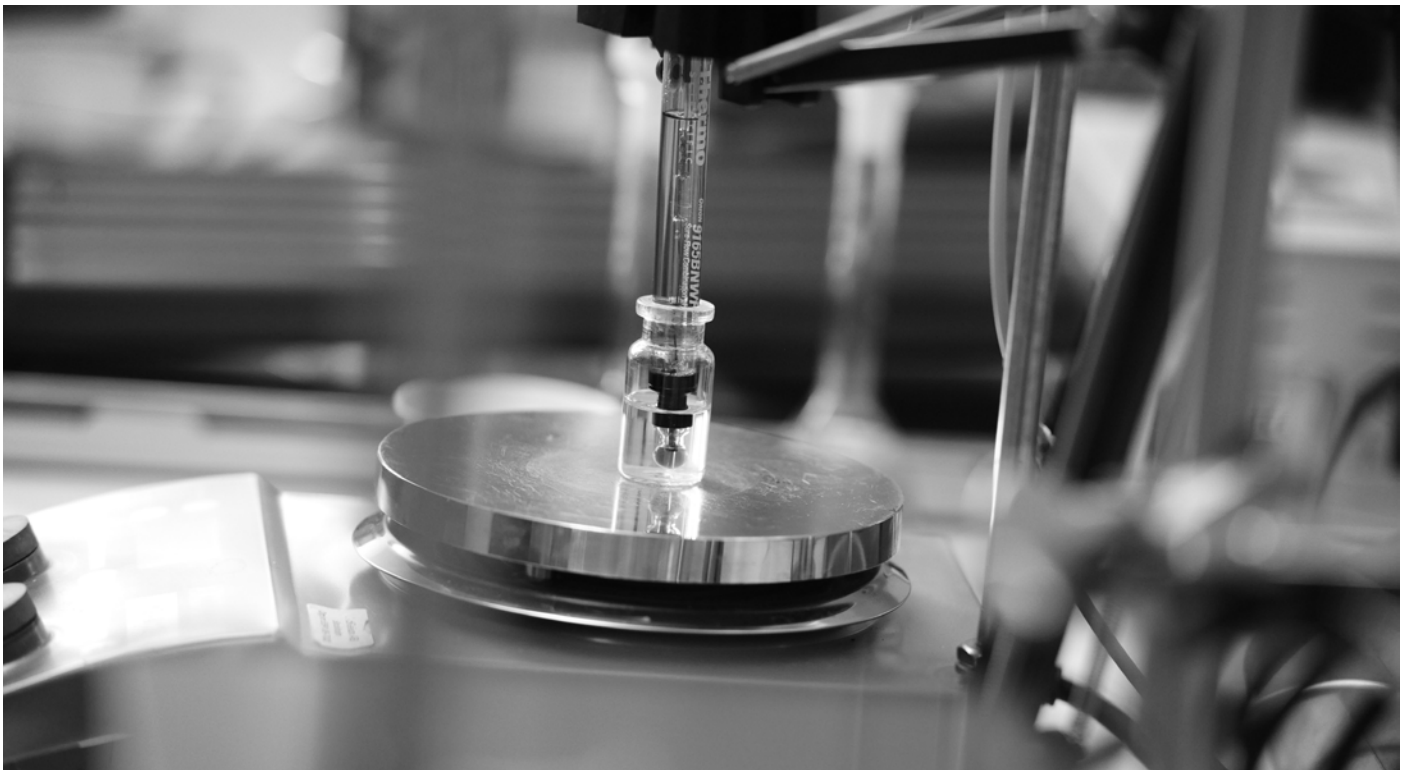
Development of pharmaceuticals is a long and costly process and extensive scientific studies must be carried out. From discovery until the drug can receive market approval, it usually takes at least 10 to 15 years. In the studies carried out before market approval can be obtained, the safety and efficacy of the drug are checked to provide basic information about how the drug will work in humans. This control is carried out in several different phases that are time and cost-intensive and whose results are difficult to predict. The different phases can be divided into the initial research phase, the nonclinical phase and the clinical phases I, II and III. After market approval, phase IV can also be implemented. Each phase focuses on studying different aspects of the product. To be able to carry out clinical studies, the company also needs to develop a manufacturing process that meets the quality requirements of relevant authorities.

Research phase and preclinical phase

During the initial research phase, work is being done to develop and test new substances. During the preclinical phase, tests are performed in both test tubes, live tissues and animals. Specific animal tests are required. During the preclinical phase, the purpose is to determine whether the drug is well tolerated in animal models and that the drug product demonstrates sufficient safety margin in relation to the doses that may be relevant in human studies. Should a substance display inappropriate properties, seen as adverse reactions, toxicity and other undesirable effects, the studies will end. It is estimated that for every 25 000 substances tested at the laboratory level only 25 substances tested in humans.

Clinical phase

Permissions from relevant regulatory authorities are required to conduct clinical trials. For the US market, an authorized IND (Investigational New Drug) application is required from the US Food and Drug Administration (FDA). Within the European Union, the equivalent is an approved clinical trial application (CTA) from the European Medicines Agency (EMA) or relevant supervisory authority in the country or countries within the European Union in which the study is intended to be conducted. The application should include a description of the results of the preclinical phase studies and a clear plan for the implementation of clinical trials. In addition to these conditions, approval of study protocols by competent ethics committees in which studies are conducted is also required.



Phase I
In a Phase I study, the drug is first tested in humans. This is usually done on a small group of healthy people (5-9 people), normal-weighted volunteers who are always men. This because women's reproductive capacity is more sensitive if it appears that the substance is toxic. A Phase I study mainly examines the safety of the drug but also how the drug is absorbed, distributed, decomposed and excreted in the body as well as its effects. In a Phase I trial, only a small fraction of the amount that is given to experimental animals is administered in man, because the effect on people is completely unknown at this stage.

Phase II
In the Phase II study, the drug is given to a larger group of patients suffering from the current disease (20 - 300 people) to study whether the drug has the desired effect (PoC), but safety remains an important parameter. During Phase II, dose studies are usually also conducted to determine a therapeutic dose range, that is, those doses that provide good therapeutic effect, without unacceptable side effects. The optimal dose is then typically used in subsequent Phase III.

Phase III
Phase III studies are typically performed on a very large patient group (300 - 30,000 people) to finally define how useful the drug is to treat the current disease. This patient group should, as far as possible, mimic the population for which the finished drug should be used as weight, age, gender, etc. The drug compares the study with the current standard treatment or with placebo if there is no standard treatment for the current disease.

Phase IV
After the drug have received market auhroization, approved and become commercially available, the development continues; often by gathering additional information from large patient groups to detect unusual side effects or additional treatment effects.

The approval process
Once the clinical trials have been completed and it can be found that the drug provides satisfactory results, the company submits a dossier, that forms the basis for a review by the relevant drug authorities around the world. The relevant authorities evaluate the information from the preclinical and clinical studies, including a risk / benefit assessment, where the benefit of the drug is balanced against the risk of possible side effects. Companies often apply for the subsidy to be subsidized. In Sweden, this is done at the Dental and Pharmaceutical Benefits Agency.

Drugs in the EU can be approved through a variety of procedures. Through a central procedure, a drug can be approved for sale in all EU countries at the same time. The application is made to the EMA and final decision on the matter is taken by the European Commission. There is also a decentralized procedure, where the review and decision is made though a have a main investigator from one EU member state. Thereafter, the competent authority of each country issues approval for its country. These procedures have a timeframe that must not exceed 210 days. Additionally, there is also an opportunity for the drug to be approved in an EU country through a national procedure.

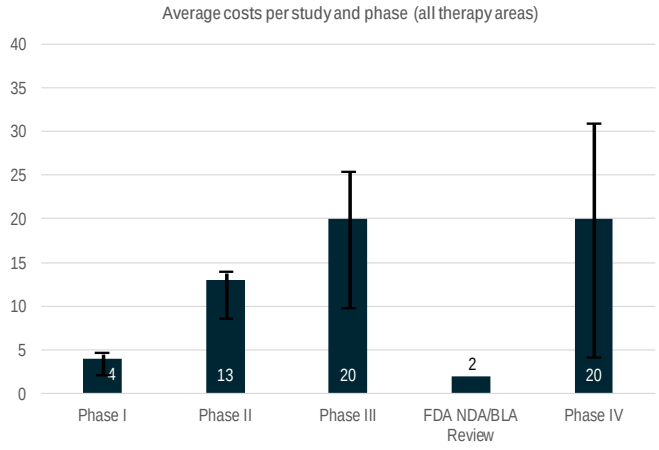
The rules for market approval in the United States are similar to the European rules at all levels. In the United States, drugs are approved by the FDA through a New Drug Application (NDA). The FDA review has two different levels, Standard or Priority. Most drugs are undergoing standard review and the goal is to complete this within ten months. An approval for a new drug in the United States requires evidence from two different Phase III studies.

The cost of pharmaceutical development

There have been very few studies done on what clinical trials costs. What has mainly been examined historically is the aggregated cost for developing a drug, taking into consderation failed studies. In 2016, the latest larger study was done, showing that the direct cost was approximately 1.4 billion USD and the total cost, including capitalised development costs was 2.6 billion USD. The same researchers made the corresponding analysis in 2007 and the costs were then 400 million USD and 800 million USD respectively. Even if the exact numbers differs, all researchers draw the same conclusions, that costs have increase dramatically. Almost all studies done on the subject focuses on the US market.

"Ten years ago, 1,400 patients from 67 clinics were recruited on average at a cost of 86.3 million USD with a 70% chance to market. Today the number of patients is double, recruited from over 100 clinics and the cost is about three times as high, with a 50-60% change for market approval."

In a large report performed by Eastern Research Group Inc (ERG) commissioned by the FDA, with the purpose of identifying costs and barriers within clinical development it was concluded that therapy area and clinical phase defined the costs and that high costs is the largest



Martin et al; Nature Reviews Drug Discovery 2017 Vol 16

In an industry report from 2016, based on 726 studies done betwen 2010 and 2015 it was estimated that the average cost for a phase I study was 3.4 million USD, a phase II study 8.6 million USD and phase III 21.5 million USD, in line with other studies. The report also analysed which factors that increased costs for the trials the most and the most important factors was unsurprisingly number of patients, clinics and visits.

No of patients	No of trials	Mean cost, USDm
1-100	8	5,9
101-250	32	16,2
251-500	33	18,6
501-1 000	44	33,6
>1 000	21	77,2

Moore et al; JAMA Internal Medicine 2018 Vol 178 (11)

In 2018 a larger study with focus on the costs for pivotal studies was presented. The study analysed costs from 138 pivotal studies, that led to 59 approved pharmaceuticals on the American market.

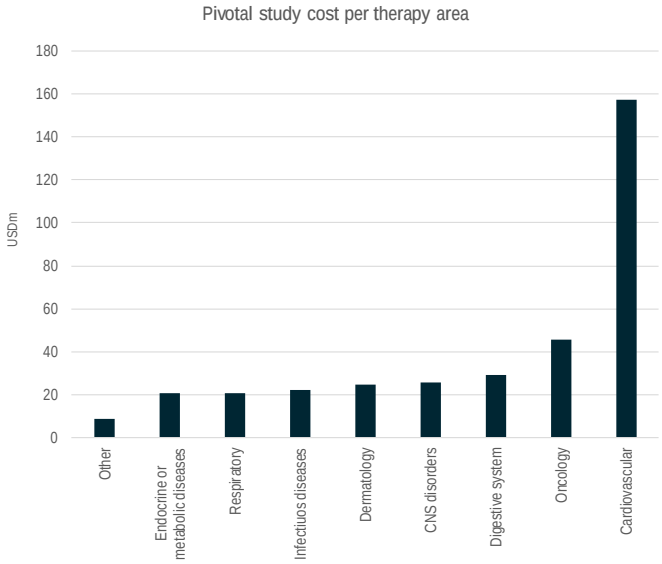
The median cost for a pivotal study was 19 million USD, but with a large variation. The lowest cost, 2.1 million USD, was for a small orphan drug study evaluating four patients with no control group. The highest cost was 346.8 millioin USD for a cardiovascular study where primary endpoint needed to show no inferiority compared to an existing drug. The study concluded that therapy area is decisive for trial cost, but obvisously the number of patients, if a control group is used, how long the study is and type of endpoint are of importance*.

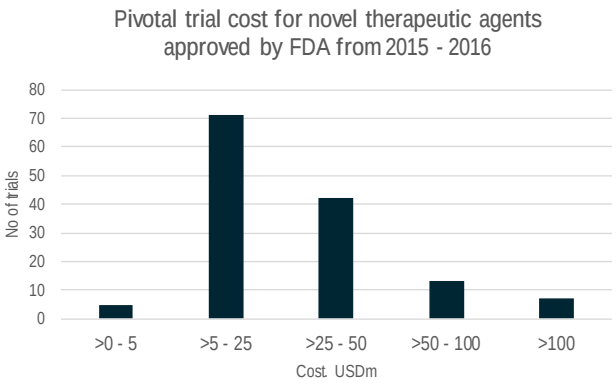
The cost estimates do not include cost for Investigational Medicinal Product or monitoring of CROs.

Promore Pharma's phase III trial

Promore Pharma will in its PXL01 phase III study include approximately 600 patients at a dozen clinics in five countries. Patients will be treated once and will then come for seven visits in six months. The company needs to show statistical significant effect on its primary endpoint compared to placebo (saline rinse) which is now standard treatment. The product is likely more costly than the average product in Phase III, but is only given once.

Hence, the study cost is lower than the average phase III trial. Promre Pharma does not have to use expensive evaluation methods, such as biopsies or advance radiology. Promore Pharma's patients do not suffer from fatal disease, meaning the company does not have to pay addiontal treamtent costs or other costs usually covered by a sponsor of a trial.





Moore et al; JAMA Internal Medicine 2018 Vol 178 (11)

Moore et al; JAMA Internal Medicine 2018 Vol 178 (11)

The share

Promore Pharma's share is listed on Nasdaq First North in Stockholm since 6 July 2017 with the ticker PROMO and ISIN code SE0009947740.

Number of shares

The average number of shares in 2018 was 20,235,090 (16,612,447).

Warrants

Promore Pharma issued in connection with the listing on Nasdaq First North also 6,523,560 warrants. The warrants were listed on Nasdaq First North at the same time as the shares.

Holders of warrants could subscribe for one share in Promore Pharma for every three warrants. The subscription price was determined according to the terms and conditions for the warrants to 23.30 SEK per share on 31 January 2019. The subscription period ended on 22 February 2019. The company has also several warrant programs linked to the development of PXL01. Holders of these warrants are Technomark Group USA LLC, Kentron Biotechnology Pvt Ltd and PharmaReserch Products Ltd.The exercise price for the warrants are 13.30 SEK per share, but will be adjusted to the quota value (0.04 SEK) if certain milestones are met in the development program. The warrants' maturity is 31 December 2022.

Share price development and trading

Promore Pharma's share price on 28 December 2017 was 13.45 SEK, meaning a market capitalization of approximately 272 MSEK. The highest paid share price during 2018 was 17.70 SEK and the lowest 9.14 SEK. In 2018 1,183,730 shares were traded on Nasdaq First North corresponding to a value of approximately 16 MSEK.

Shareholders

By the end of 2018 Promore Pharma had approximately 600 shareholders. The three main shareholders, the Midroc group, Rosetta Capital IV Sarl and PharmaResearch Products Ltd. owned 17,877,526 shares at the end of 2018, corresponding to approximately 88 percent of the shares in the company. In December 2018, PharmaResearch Products Ltd chose to exercise a call option issued by Midroc New Technolgy och Rosetta Capital in May 2017. The transaction was executed in Q1 2019. After the transaction, the Midroc group owns 6,813,219 shares, Rosetta 6,291,592 shares and PRP 4,772,715 shares in Promore Pharma.

Shareholders 28 December 2018	No of shares	Share
Midroc Group	6,995,947	34.6
Rosetta Capital IV Sarl	6,657,048	32.9
PharmaResearch Products Ltd	4,224,531	20.9
Avanza Pension	241,728	1.2
Mikael Lönn	228,195	1.1
Philip Diklev	158,049	0.8
Chalmers tekniska högskola	128,355	0.6
Hans-Peter Ostler	116,478	0.6
Övriga	1,484,759	7.3
Totalt	20,235,090	100.0

Certified Adviser

For companies listed on Nasdaq First North an agreement with a Certified Adviser is required. Promore Pharma's Certified Adviser is Redeye AB.

Administration report

The Board of Directors and the CEO of Promore Pharma AB (publ), Corporate Registration Number 556639-6809, hereby submit the annual report and consolidated financial statements for the 2018 fiscal year.

Information on operations

Promore Pharma is a biopharmaceutical company specialized in the development of therapeutic peptides for the bio-active wound care market. The company's aim is to develop two first-in-category products for indications where very few or no efficacious prescription pharmaceuticals are available, thus, addressing high unmet medical needs. Promore Pharma's two projects, PXL01 and LL-37, are in late stage clinical phase.

PXL01 is being developed to prevent postsurgical adhesions and scarring and is being prepared for clinical Phase III studies on patients undergoing tendon repair surgery in the hand. Postsurgical adhesions constitute a substantial clinical problem after most surgical procedures, and particularly in conjunction with hand surgery. Flexor tendon injuries and repair result in adhesion formation around the tendon, which restricts the gliding function of the tendon, leading to decreased digit mobility and impaired recovery of normal hand function. Small decreases in mobility greatly impact the quality of life due to difficulties in performing easy tasks, such as closing buttons or using a key board. Tendon injuries affects more than 300,000 persons per year in the US, of which around 30% in the hand. It is estimated that up to 50% of these patients never recover full mobility in the hand.

The company's other candidate drug, LL-37, which is being developed to stimulate healing of chronic wounds, is being prepared for a clinical Phase IIb study on patients with hard-to-heal venous leg ulcers (VLUs). VLU constitutes the largest category of all chronic, or hard-to-heal, ulcers on the traditional pharmaceutical markets and represent significant challenges to patients and healthcare systems since they are costly to manage, recurring, and may persist for months or years. There are an estimated 13-18 million patients in the traditional pharmaceutical markets. Standard treatment consists of compression bandaging and there are no approved pharmaceutical products for VLUs. Only in the US the costs for VLUs are estimated at a minimum of USD 14 billion annually.

Promore Pharma's main focus in 2018 was preparations for the company's clinical studies. In HEAL LL-37, which was initiated in the autumn 2018, the company anticipates to recruit 120 patients in Sweden and Poland in three treatment groups (two doses versus placebo). The study will have a run-in period of three weeks to rule out wounds that are not chronic, ie wounds which have failed to proceed through an orderly and timely reparative process to produce anatomic and functional integrity over a period of three months. For PXL01 the company is preparing a clinical Phase III study in EU and India, to form the basis for an application for market authorization in EU. The trial is planned as a randomized, double-blinded study including approximately 600 patients with flexor tendon injuries in the hand where a single administration event of PXL01 at two different doses will be compared with placebo.

The company also sees good opportunities to develop the candidate drugs for other adjacent indications, such as prevention of dermal scars or treatment of diabetic foot ulcers.

The company does not have any revenues from product sales and until the company's products start generating revenues or can be out-licensed the company is dependent on external financing to secure continued operations.

The company's registered office is in Solna, Sweden.

Significant events during 2018

Adjusted plans for PXL01 in North America

According to the co-development agreement signed with Cellastra Inc. in San Francisco, that was entered in March 2017, Cellastra received an option to participate in the financing of the Phase III clinical trial for patients undergoing tendon repair surgery. If Cellastra solely had funded the clinical trial, Cellastra would have obtained a license to commercialize PXL01 on the North American market. The option expired by 31 December 2017, since Cellastra did not reach its fundraising objectives before the shift of the year. Promore Pharma intended to use parts of the proceeds from the share issue conducted in conjunction with the listing on Nasdaq First North to finance the Phase III clinical trial in North America if Cellastra did not do so. The share issue brought less capital than anticipated, however, and the company will primarily focus its resources on the EU, which represents the main market opportunity for PXL01. The company continues seeking other options for financing a US-based initiative.

Promore Pharma regained PXL01 manufacturing rights

In February 2018 the company agreed with PharmaResearch Products Ltd ("PRP") that Promore Pharma will assume responsibility for the manufacturing of investigational medicinal product for the PXL01 phase III trial in EU and Asia. At the same time, Promore Pharma regained the global manufacturing rights for the commercial product.

In March 2016, Promore Pharma entered into an agreement with PRP regarding development collaboration on PXL01, complemented by a manufacturing agreement in January 2017. In accordance with the agreements, PRP has contributed to the financing of the

Phase III clinical trial on PXL01 through milestone payments as well as manufacturing of investigational medicinal product for the trial. In cooperation with Promore Pharma, PRP has been working intensively to prepare the manufacturing. Since the clinical trial will be conducted primarily in Europe, the parties agreed that Promore Pharma will assume responsibility for the manufacturing of investigational medicinal product to facilitate control of manufacturing and product supply for the trial. At the same time, Promore Pharma regained the global manufacturing rights for the commercial product.

Out-licensing agreement for PXL01 where PRP will finance the development of PXL01 for use to prevent fibrosis after spinal surgery

In May 2018 the company announced that PRP will fully finance the development of PXL01 to prevent fibrosis after spinal surgery used in the treatment of degenerative disc disorder ("DDD"). Promore Pharma will participate in the upside through participation in any future milestone payments to PRP and a double-digit royalty from worldwide sales of the product. As part of the original agreement between the two companies from March 2016, PRP received the rights to develop and commercialize a medical device for spinal surgery and only in certain Asian markets. The new agreement means an expansion of this strategic collaboration to include a license to develop also a pharmaceutical product world-wide.

Approval for Phase IIb trial with LL-37 from the Medical Products Agency of Sweden

In July 2017, Promore Pharma received an approval from the Swedish Medical Products Agency to start a Phase IIb study with LL-37 (HEAL) for treatment of venous leg ulcers. HEAL (A Study in Patients with Hard-to-Heal Venous Leg Ulcers to Measure Efficacy and Safety of Locally Administered LL-37) is anticipated to recruit 120 patients in Sweden and Poland with venous leg ulcers (VLU) with a size up to 40 square centimeters. The study will have three arms, two where patients will receive LL-37 and one placebo arm. The treatment will be ongoing for 13 weeks, two times a week in connection with regular change of wound dressing. The primary end point is the proportion of patients who have completely healed wounds, which is what regulatory authorities require for market approval. The post-treatment follow-up period is four months.

Approval for Phase IIb trial with LL-37 in Poland

In August 2018, Promore Pharma received an approval from the Office for Registration of Medicinal Products, Medical Devices and Biocidal Products in Poland start a Phase IIb study with LL-37 (HEAL) for treatment of venous leg ulcers also in Poland. HEAL (A Study in Patients with Hard-to-Heal Venous Leg Ulcers to Measure Efficacy and Safety of Locally Administered LL-37) is anticipated to recruit 120 patients in Sweden and Poland with venous leg ulcers.

First patient enrolled in HEAL LL-37

Promore Pharma announced in October 2018 that the first patient has been enrolled in the company's Phase IIb study (HEAL) with the company's product candidate LL-37 for treatment of venous leg ulcers. The patient is treated at Klinika Flebologii in Warsaw.

Successful meeting with the FDA regarding PXL01

Promore Pharma announced in October 2018 that a Pre-Investigational New Drug Meeting with the US Food and Drug Administration (FDA) had been held to discuss manufacturing, quality, nonclinical and clinical documentation for PXL01 and the design of a potential clinical Phase III study. The FDA confirmed that completed manufacturing documentation and plans, as well as nonclinical safety and local tolerability studies, provide a good basis for a proposed next clinical trial. The FDA concluded that the next clinical trial in the United States, where design is still being discussed, in combination with the results of the Clinical Phase III trial in Europe (PHSU03) could be feasible as a basis for a US Market Application. The FDA had no concerns regarding Promore Pharma's product concept, with a pre-filled sterile syringe for local administration in connection to the surgery.

Approval from Drug Controller General in India for Phase III trial with PXL01

In November 2018 the Drug Controller General in India (DCGI) approved Promore Pharma's application to start a clinical Phase III study with PXL01 to prevent post-surgical adhesions after tendon repair surgery. The approval is for a double-blind clinical study on patients undergoing tendon repair surgery in the hand. The filing is part of a multi-national clinical trial (PHSU03) that aims at enrolling approximately 600 patients where a single administration event of PXL01 at two different doses will be compared with placebo. The company is aiming to submit filings in several countries in the EU under the same protocol.

Significant events after the reporting period

Phase III trial with PXL01 modified and the number of clinics in the study expanded

The company announced in February 2019 that the company is making adjustments to the manufacturing chain of the investigational medicinal product for the company's clinical phase III study, PSHU03, with PXL01 for prevention of adhesions following tendon repair surgery. The product consists of a kit with several components and is supplied through contract manufacturing where service providers in both the USA and Europe are engaged. One of these service providers has not succeeded in renewing all of the manufacturing permits required according to agreed timelines, which affects the coordination of the manufacturing chain, and it consequently cannot be implemented according to the original plan. In order to reduce the likelihood of time losses on the way to market approval, the company plans to increase the number of clinics in the PHSU03 study by also including a number of hospitals in Italy, thereby minimizing the overall delay by accelerating the recruitment of patients.

Shares and ownership

Promore Pharma's share is listed on Nasdaq First North in Stockholm since 6 July 2017 with the ticker PROMO and ISIN code SE0009947740. The number of shares as of 31 December 2018 was 20,235,090 (20,235,090). The average number of shares in 2018 was 20,235,090 (16,612,447). The main owners the Midroc Group, Rosetta Capital IV SarL, and PharmaResearch Products Ltd. own over 88 percent of shares in the company.

Promore Pharma issued in connection with the listing on Nasdaq First North 6,523,560 warrants. The subscription price was determined according to the terms and conditions for the warrants to 23.30 SEK per share on 31 January 2019. The subscription period ended on 22 February 2019. There are additional outstanding warrants, which entitle to subscription of 1,910,310 shares. These warrants are held by PharmaResearch Products Ltd., Technomark Group USA LLC and Kentron Biotechnology Pvt. Ltd., all partners to the company for the development of PXL01 and these outstanding warrants correspond to a potential dilution 8.6%.

Group structure

Promore Pharma owns 100% of the shares in the subsidiary Pergamum AB.

The company holds shares in the Finnish biotech company Herantis Pharma Oyj. This is a consequence of a passive historic holding in the Finnish company Biocis Oy since the formation of Pergamum AB in 2010. Biocis Oy has since then undergone a number of corporate mergers and ownership restructurings which has resulted in a holding of shares in Herantis Pharma Oyj, a company that executed an IPO in 2015. Promore Pharma's holding of shares in Herantis Pharma Oyj amounted to 50,282 per 31 December 2018. The board of directors of the company has decided that this holding shall be divested in a step-wise fashion.

Board and organization

The company's Board consists of five regular members, including the Chairman of the Board, who are elected for the period up to the end of the 2018 Annual General Meeting. The Board members are Göran Pettersson (Chairman of the Board), Marianne Dicander Alexandersson, Torsten Goesch, Satyendra Kumar and Göran Linder.

Promore Pharma has a small and cost-effective organization that primarily is focused on business development, project coordination as well as management of intellectual property and core development documentation. All personnel except the CEO operate on a consultancy basis. As of 31 December 2018, the company had one employee.

Risks

Promore Pharmas main operations are drug development, which is to a large extent both highly risky and capital-intensive. The development of drugs is subject to extensive and strict regulations under the supervision of regulatory authorities in each relevant market. Promore Pharma is dependent on the company's drug candidates gaining success during the clinical trials. The drug candidates are in late development, but they are still subject to extensive regulation and control before market authorization can be obtained. Research and development required may also be subject to delays and additional costs. For the development, manufacturing, marketing and sales of drug candidates, authorization and different types of permits are required from relevant regulatory authorities. These processes can be time-consuming and even after authorization, the company is obliged to comply with certain regulatory requirements with a risk of revocation. If market authorization is obtained, there is still a risk that the company will not achieve the desired level of price and market acceptance from healthcare providers, patients and payers. The pharmaceutical industry is also a competitive market characterized by global competition, rapid technological development and comprehensive investment requirements. The market has growth opportunities and many smaller and growing players enter the market. There is a risk that other companies will develop products that prove to be superior to the company's drug candidates, or not as good, but still achieving better market acceptance. The company may also be subject to product liability requirements both during the development process and if the drug candidate is launched on the market. Patents and intellectual property rights are a key asset in the company's business and thus any future success depends largely on the ability to maintain existing patent protection and to develop the patent portfolio for future commercialization. As with medical and commercially successful drugs, there is a risk that competitors try to circumvent the company's patents or that an attempt is made to invalidate the company's patent.

Promore Pharmas organization consists of a few employees, most of whom perform their work within the framework of consultancy assignments. The significant experience of these employees is crucial to Promore Pharma's success and losses in this regard could lead to delays or disruptions in the company's operations. The company also operates through a number of partners and advisors that are necessary for the development of drug candidates. Like the company's employees, Promore Pharma's success depends on maintaining these relationships.

Outlook

Promore Pharma initiated a Phase II clinical trial for LL-37 (HEAL) in 2018 and is preparing a Phase III clinical trial for PXL01 where the intention is to start recruitment in the first half of 2020. The company's projects are in late stage clinical phase, and Promore Pharma estimates that the projects have solid market opportunities if the results from clinical studies are good. The company has no revenue from drug candidates yet and is thus dependent on external funding to ensure continued operation.

Proposed distribution of unappropriated income

The Board of Directors proposes that the profit available for distribution (SEK):

retained profit	70,079,539
loss for the year	-31,427,592
total	38,651,946
be distributed as follows	
to be carried forward	38,651,946

For further information, please refer to the following income statements and balance sheets.

Multi year summary (SEK 000s)

Group	2018	2017	2015/16 (18 mån)	
Net sales	2,447	632	87	
Profit after financial items	-32,483	-8,432	-11,370	
Total assets	37,600	71,348	13,132	
Operating margin (%)	neg	neg	neg	
Return on equity (%)	neg	neg	neg	
Equity/assets ratio (%)	88.4	92.1	26.0	

Parent company	2018	2017	2015/16 (18 mån)	2014/15
Net sales	2,417	612	0	0
Profit after financial items	-31,428	-22,010	-6,878	631
Total assets	43,351	75,974	16,764	2,037
Operating margin (%)	neg	Neg	neg	0.0
Return on equity (%)	neg	Neg	0.0	0.0
Equity/assets ratio (%)	91.9	93.8	47.9	21.1

For definitions of key ratios, see Accounting and valuation policies

Group Income Statement

	Not	2018-01-01 - 2018-12-31	2017-01-01 - 2017-12-31
Net sales		2,446,784	632,126
Other operating income		683,892	14,957,599
Total income		3,130,676	15,589,725
Operating expenses			
Commodities and supplies		-24,452,266	-10,937,930
Other external expenses		-5,779,863	-9,526,716
Employee benefits expense	2	-4,251,268	-3,422,010
Depreciation/amortisation and impairments, non-current assets		-1,217,142	-1,217,142
Other operating expenses		-106,367	-69,052
Total operating expenses		-35,806,906	-25,172,850
Operating profit		-32,676,230	-9,583,125
Result from financial investments			
Result from other securities and receivables held as non-current assets		246,102	1,576,110
Other interest income and similar income items		-36,162	-97,718
Interest expenses and similar expense items		-16,793	-327,251
Financial net		193,147	1,151,141
Profit after financial items		-32,483,083	-8,431,984
Pre-tax profit		-32,483,083	-8,431,984
Tax on profit for the year		0	0
Profit for the year		-32,483,083	-8,431,984
Of which, attributable to Shareholders in Parent Company		-32,483,083	-8,431,984

Group Balance Sheet

	Not	2018-12 -31	2017-12-31
ASSETS			
Non-current assets			
Intangible non-current assets			
Goodwill		1,825,714	3,042,856
Financial non-current assets			
Other securities held as non-current assets	3, 4	2,809,597	3,035,393
Total non-current assets		4,635,311	6,078,249
Current assets			
Current receivables			
Accounts receivables		697,646	899,587
Other receivables		995,669	1,302,735
Prepaid expenses and accrued income		388,848	94,851
		2,082,163	2,297,173
Cash and bank balances		30,882,428	62,972,202
Total current assets		32,964,591	65,269,375
TOTAL ASSETS		37,599,902	71,347,624
EQUITY AND LIABILITIES			
Equity			
Share capital		809,404	809,404
Other equity, including profit for the year		32,437,707	64,920,790
Equity attributable to shareholders in parent company		33,247,111	65,730,194
Total Equity		33,247,111	65,730,194
Liabilities	5		
Liabilites to credit institutions		714,038	714,038
Other liabilities		280,860	330,869
Total non-current liabilities		994,898	1,044,907
Current liabilities			
Accounts payable – trade		1,310,633	3,409,044
Income tax liability		149,139	163,248
Other liabilities		186,203	74,350
Accrued expenses and deferred income		1,711,918	925,881
Total Current liabilities		3,357,893	4,572,523
TOTAL EQUITY AND LIABILITIES		37,599,902	71,347,624

Statement of changes in equity

Group	Share capital	**Other equity including profit** for the year	Total
Amount at beginning of year	809,404	64,920,790	65,730,194
Profit for the year		-32,483,083	-32,483,083
Amount at year-end	809,404	32,437,707	33,247,111

Group Cash Flow Statement

	Not	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Operating activities			
Profit after financial items		-32,483,083	-8,431,984
Adjustment for items not included in cash flow		960,012	369,255
Cash flow from operating activities before changes in working capitall		-31,523,071	-8,062,729
Cash flow from changes in operating capital			
Change in accounts receivable		201,941	-849,587
Change in operating receivables		13 069	-831,492
Change in accounts payable		-2 098 409	2,462,674
Change in operating liabilities		883 781	322,922
Cash flow from operating activities		-32 522 689	-6,958,212
Investing activities			
Acquisition of other financial non-current assets		471,896	294,767
Cash flow from investing activities		471,896	294,767
Financing activities			
New share issue		0	63,097,078
Amortisation of debt		-38,981	0
Cash flow from financing activities		-38,981	63,097,078
Cash flow for the year		-32,089,774	56,433,633
Cash and cash equivalents at start of year		62,972,202	6,491,244
Exchange rate difference in cash and cash equivalents		0	47,326
Cash and cash equivalents at year- end		30,882,429	62,972,203

Parent company Income statement

	Not	2018-01-01 - 2018-12-31	2017-01-01 - 2017-12-31
Net sales		2,416,784	612,102
Other operating income		8,538	43,592
Total income		2,425,322	655,694
Operating expenses			
Goods for resale		-23,808,764	-10,301,788
Other external expenses		-5,654,690	-9,011,506
Employee benefits expense	2	-4,251,323	-2,874,294
Other operating expenses		-101,698	-65,252
Total operating expenses		-33,816,475	-22,252,840
Operating profit		-31,391,153	-21,597,146
Result from financial investments			
Other interest income and similar income items		-36,162	-97,724
Interest expenses and similar expense items		-277	-315,548
Financial net		-36,439	-413,272
Profit after financial items		-31,427,592	-22,010,418
Group contributions received		0	14,540,368
Pre-tax profit		-31,427,592	-7,470,050
Tax on profit for the year			0
Profit for the year		-31,427,592	-7,470,050

Parent company balance sheet

	Not	2018-12-31	2017-12-31
ASSETS			
Non-current assets			
Financial non-current assets			
Participations in Group companies	6, 7	10,398,333	10,398,333
Current assets			
Accounts receivable		697,646	899,587
Receivables from Group companies		5,004,244	5,004,244
Taxes recoverable		143,209	143,209
Other receivables		776,751	1,035,804
Prepaid expenses and accrued income		305,609	87,261
		6,927,459	7,170,105
Cash and bank balances		26,024,798	58,406,021
Total current assets		32,952,257	65,576,126
TOTAL ASSETS		43,350,590	75,974,459
EQUITY AND LIABILITIES			
Equity			
Restricted Equity			
Share capital		809,404	809,404
Statutory reserve		380,349	380,349
		1,189,753	1,189,753
Unrestricted equity			
Share premium reserve		129,528,782	129,528,782
Profit or loss carried forward		-59,449,244	-51,979,194
Profit for the year		-31,427,592	-7,470,050
		38,651,946	70,079,538
Total equity		39,841,699	71,269,291
Non-current liabilities	5		
Bond loans		280 861	330 870
Current liabilities			
Accounts payable		1 166 462	3 252 952
Income tax liability		0	97 040
Other liabilities		220 277	108 424
Accrued expenses and deferred income		1 841 291	915 882
Total current liabilities		3 228 030	4 374 298
SUMMA EGET KAPITAL OCH SKULDER		43 350 590	75 974 459

Statement of changes in equity

Parent company	Share capital	Statutory reserve	Unrestricted equity	**Profit for the year**	Total
Amount at beginning of year	809,404	380,349	77,549,589	-7,470,050	71,269,292
Disposition according to decision by AGM:			-7,470,050	7 470,050	0
Profit for the year				-31,427,592	-31,427,592
Amount at year-end	809,404	380,349	70,079,539	-31,427,592	39,841,700

Parent company cash flow statement

	Not	2018-01-01 -2018-12-31	2017-01-01 -2017-12-31
Operating activities			
Profit after financial items		-31,427,591	-22,010,418
Adjustment for items not included in cash flow		-11,027	460,600
Exchange rate difference in cash		0	-25,680
Income tax paid		0	0
Cash flow from operating activities before changes in working capital		-31,438,618	-21,575,498
Cash flow from changes in operating capital			
Change in accounts receivable		201,941	-899,587
Change in operating receivables		40,704	-5,834,557
Change in accounts payable		-2,086,490	2,423,423
Change in operating liabilities		940,222	395,120
Cash flow from operating activities		-32,342,241	-25,491,099
Investing activities			
Acquisition of other financial non-current assets		0	-300,000
Cash flow from investing activities		0	-300,000
Financing activities			
New share issue		0	63,097,078
Amortisation of debt		-38,981	330,368
Group contributions paid to/received from Parent Company		0	14,540,368
Cash flow from financing activities		-38,981	77,967,814
Cash flow for the year		-32,381,222	52,176,715
Cash and cash equivalents at start of year		58,406,020	6,229,305
Cash and cash equivalents at year-end		26,024,798	58,406,020

Notes

Note 1 Accounting and valuation policies

General information
The report has been drawn up in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Accounting Standards Board's (BFNAR) General Recommendation 2012:1: Annual Report and Consolidated Accounts ("K3").

The amounts stated in the Annual Report are in Swedish kronor (SEK).

Unless otherwise stated below, assets and liabilities are measured at historical cost. Receivables and liabilities in foreign currencies are measured at the closing rate. Exchange gains and losses on operating receivables and operating liabilities are recognised in the operating profit.

Financial instruments are measured at historical cost, adjusted for any impairments. Any need for impairments is based on the difference between the carrying amount on the one hand and fair value less cost of selling on the other. Holdings that are traded on an active market are treated as a securities portfolio.

Pension plans are recognised in accordance with the simplification rule, under which the cost is recognised as the premiums are paid.

The accounting principles are unchanged compared to last year.

Revenue recognition
IRevenue is recognised at the fair value of what has been received or will accrue to the company and Note until the income can be calculated reliably.

Consolidated accounts

Consolidation method
The consolidated accounts have been prepared in accordance with the acquisition method. This means that the identifiable assets and liabilities of acquired activities are reported at market value according to established acquisition analysis. If the acquisition value of the business exceeds the estimated market value of the expected net assets according to the acquisition analyses, the difference is reported as goodwill.

Transactions between Group companies
Intra-group receivables and liabilities and transactions between group companies as well as unrealized gains are eliminated in their entirety. Unrealized losses are also eliminated unless the transaction corresponds to a write-down requirement.

Changes in internal earnings during the fiscal year have been eliminated in the consolidated income statement.

Intangible non-current assets and property, plant and equipment
Intangible non-current assets and property, plant and equipment are recognised at historical cost less accumulated amortisation and depreciation, after adjustment for any revaluations or impairments. Amortisation/depreciation is applied as of when the asset is placed in service. Property, plant and equipment that is of minor value within the meaning of the Swedish Income Tax Act (1999:1229) are recognised as an expense on the first accounting occasion. The historical cost of property, plant and equipment is allocated to components if the asset consists of major components with considerable differences in their useful life.

Depreciation and amortisation is based on the estimated useful life, as follows:

Goodwill	20%

Key ratio definitions
Net sales
Operating revenue, invoiced costs, page revenue and revenue corrections.

Profit after financial items
Profit after financial income and expenses, but before taxes.

Total assets
The company's total assets.

Return on equity (%)
Profit after financial items as a percentage of adjusted equity (equity are untaxed reserves less deferred tax).

Operating margin (%)
Operating profit as a percentage of sales.

Equity/assets ratio (%)
Adjusted shareholders' equity (equity and untaxed reserves less deffered tax) as a percentage of total assets.

Note 2 Employee benefits expense

Group

	2018	2017
Average number of employees	1	2

Parent company

	2018	2017
Average number of employees	1	1

Note 3 Other securities held as non-current assets

Group

	2018-12-31	2017-12-31
Opening balance, accumulated historical cost	37,175,387	37,280,499
Sales	-448,935	-105,112
Closing balance, accumulated historical cost	36,726,452	37,175,387
Opening balance, accumulated impairments	-34,139,995	-35,421,337
Sales	448,936	2,152,073
Impairments for the year	-225,796	-870,731
Closing balance, accumulated impairments	-33,916,855	-34,139,995
Closing balance, book value	2,809,597	3,035,393

Note 4 Other securities held as non-current assets

Group

	Book value	Market value
Other securities held as non-current assets	2,809,597	3,035,393
	2,809,597	3,035,393

Note 5 Non-current liabilities

Group

	2018-12-31	2017-12-31
Falling due more than five years after the balance sheet date		
Other liabilities	280,860	330,869
Liabilities to credit institutions	714,038	714,038
	994,898	1,044,907

Parent company

	2018-12-31	2017-12-31
Falling due more than five years after the balance sheet date		
Other liabilities	280,860	330,869
	280,860	330,869

Note 6 Participations in Group companies

Parent company

	2018-12-31	2017-12-31
Opening balance, accumulated historical cost	10,402,588	10,102,588
Purchases	0	300,000
Closing balance, accumulated historical cost	10,402,588	10,402,588
Opening balance, accumulated impairments	-4,255	-4,255
Closing balance, accumulated impairments	-4,255	-4,255
Closing balance, book value	10,398,333	10,098,333

Note 7 Participations in Group companies

Parent company

Name	Share of equity
Pergamum AB	100%

	Reg no	Reg office
Pergamum AB	556759-9203	Solna

Solna 28 April 2019

Göran Pettersson
Ordförande

Marianne Dicander Alexandersson

Torsten Goesch

Satyendra Kumar

Göran Linder

Jonas Ekblom
Verkställande direktör

My Auditor’s Report was submitted on 30 april 2019

Ola Spinnars
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Promore Pharma AB
Corporate identity number 556639-6809

Report on the annual accounts and consolidated accounts

Opinions

I have audited the annual accounts and consolidated accounts of Promore Pharma AB for the year 2018-01-01—2018-12-31.

In my opinion, the annual accounts and consolidated 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 group as of 31 december 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated.

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

Basis for Opinions

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

Det är styrelsen och verkställande direktören som har ansvaret för aThe 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. 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 mistake.

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 intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

My 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 misstake, and to issue an auditor's report that includes my 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 mistake 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.
As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

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

exists, I am required to draw attention in my auditor's report to the related disclosures in the annual accounts and consolidated accounts, or if such disclosures are inadequate, to modify my opinion about the annual accounts and consolidated accounts.. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my opinions.

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

Report on other legal and regulatory requirements

Opinions

In addition to my audit of the annual accounts and consolidated accounts, I have also audited the administration of The Board of Directors and the Managing Directors of Promore Pharma AB for the year 2018-01-01—2018-12-31 and the proposed appropriations of the company's profit or loss.

I recommend to the general meeting of shareholders that the loss be dealt with in accordance with the proposal in the statutory administration report and that the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Responsibilities of the Board of Directors and the Managing Director

Det är styrelsen som har ansvaret för förslaget till dispositioner The Board of Directors and the Managing Director are responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's 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

My objective concerning the audit of the administration, and thereby my 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.

My objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby my 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.

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

Stockholm 2019-04-30

Ola Spinnars
Authorized Public Accountant

Welcome to the Annual General Meeting

The Annual General Meeting of Promore Pharma AB (publ) will be held Tuesday, 21 May at 2 pm at Wenner-Gren Center Biblioteket,Sveavägen 166, in Stockholm, Registration begins at 1 pm. Anyone wishing to attend the meeting must be entered as a shareholder in the share register kept by Euroclear Sweden AB as of 15 May. 2019.

Notification

Notification of attendance may be given in writing to the Company by e-mail to info@promorepharma.com or by mail Promore Pharma AB, Karolinska Institutet Science Park, Fogdevreten 2, SE-171 65 Solna, Sweden or by telephone on +46-(0)8-124 548 59. When giving notification, please state your name or company name, personal ID or company registration number, address and daytime telephone number as well as the number of advisors.

Nominee registered shares

To be entitled to attend the meeting, holders of nominee registered shares must instruct the nominee to have the shares registered in the holder's own name, so that the holder is entered in the share register kept by Euroclear Sweden AB as of 15 May 2019. Registration in this way may be temporary.

Shareholders wishing to register their shares in their own name should inform the bank or nominee well before this date.

Proxy and proxy form

Anyone who does not attend the meeting in person may exercise its right at the meeting via a proxy in possession of a signed and dated form of proxy. The form of proxy may be obtained from the company and they are also available on the company's website: www.promorepharma.com. Representatives of a legal person must attach a copy of the registration certificate or equivalent documentary authority. To facilitate entry to the meeting, forms of proxy, registration certificates and other documentary authority must be received by the company at the above stated address, in good time before the meeting.

Shareholder information

Interim reports, annual reports and press announcements from Promore Pharmas are availagle on the company's website promorepharma.com and can be ordered from kan Promore Pharma AB, Karolinska Institutet Science Park, Fogdevreten 2, SE-171 65 Solna. The annual report for 2018 in printed form will be sent to all who so requests and is always availble to download from the company's website promorepharma.com.

Financial calendar

Interim Report Q1 2019	21 May 2019
Annual General Meeting 2019	21 May 2019 at 2 pm
Interim Report Q2 2019	27 August 2019
Interim Report Q3 2019	26 November 2019

Board of Directors

Göran Pettersson
Board member and Chairman since 2015.
Born: 1945.
Göran previously was Chairman in Axelar AB, Medivir AB (publ) and OxyPharma AB, Board member in Recipharm AB (publ) and CEO of Astra Pain Control, Kabi Pharmacia UK Ltd, KabiPharmacia Terapeutics AB and Meda Sverige AB. He holds a M. Pharm Sc. from Uppsala University and an MBA from IHM in Stockholm.
Other assignments: Göran is deputy chairman in Mobidiag Oy and chairman in Mobidag Sverige AB. He is board member in G. Pettersson & Partners AB, Pfizer Pensionsstiftelse I and Brf Trumslagaren 3. He is deputy board member in Karl Jungstedt AB.
Independent in relation to Promore Pharma and its senior executives: Yes.
Independent in relation to major shareholders (per today): Yes.
Share Holding in Promore Pharma: No current holding.

Marianne Dicander Alexandersson
Board member since 2017
Born: 1959.
Marianne was previously CEO of Kronans Droghandel AB, Sjätte AP-fonden and Global Health Partner AB and deputy CEO of Apoteket. She holds an M.Sc. in Chemical Engineering from Chalmers Technical College in Gothenburg.
Other Assignments: Marianne serves as Chairman of Sahlgrenska Science Park AB; Board Member and CEO of MDA Management AB; Board member of Recipharm AB (publ), Enzymatica AB (publ), Praktikertjänst Aktiebolag, Camurus AB and AdderaCare AB.
Independent in relation to Promore Pharma and its senior executives: Yes.
Independent in relation to major shareholders (per today): Yes.
Share Holding in Promore Pharma: No current holding

Torsten Goesch
Board member sincen 2015
Born: 1959.
Torsten serves as Senior Executive in Rosetta where he is responsible for investments. He has served as Board Member of several biotechnology companies. Torsten has served as Board Member of STI Ltd and Cytochroma Ltd. He holds an M.D. and a Ph.D. from Heinrich Heine University Düsseldorf, Germany and an MBA from the Kellogg School of Management in Evanston, USA.
Other Assignments: Torsten serves as Chairman of Biosergen AS; Board Member of Rosetta, Forward Pharma, Vistagen Pte Ltd, Dilafor AB, Modus Therapeutics AB, Karolinska Development Invest AB and Eyesense GmbH.
Independent in relation to Promore Pharma and its senior executives: Yes.
Independent in relation to major shareholders: No.
Share Holding in Promore Pharma: No current holding.

Satyendra Kumar
Board Member since 2016
Born: 1954
Satyendra serves as full time advisor to the Board of Directors of PharmaResearch Products Ltd. He has previously worked with licensing, alliances and business development for Daewoong Pharmaceutical Company Ltd. and established international distribution for Samyang's medical devices and pharmaceutical business. Satyendra holds B. Pharm (Hons.) from the Birla Institute of Technology and Science in Pilani, India and a Ph.D. from Seoul National University in Seoul, Korea.

Independent in relation to Promore Pharma and its senior executives: Yes.
Independent in relation to major shareholders: No.
Share Holding in Promore Pharma: No current holding

Göran Linder
Board member since 2015
Born: 1962
Göran serves as Senior Executive in several investment companies. e was previously board member in among others Transic AB, Jensen Devices AB, Airgrinder AB and Lamera AB. Göran holds an M.Sc. from the KTH Royal Institute of Technology in Stockholm.
Other assignments: CEO and Board member in Midroc New Technology AB, Midroc Invest AB and Midroc Finans AB. Board member in Powercell Sweden AB (publ), Powercell Warrants One AB, Nilsson Special Vehicles Aktiebolag (publ), Pergamum AB, Minesto AB (publ), Minesto Warrants One AB, Crunchfish AB (publ) M&J by Malin & Johanna AB and QCG Sweden AB
Independent in relation to Promore Pharma and its senior executives: Yes.
Independent in relation to major shareholders: No.
Share Holding in Promore Pharma: No current holding

Auditor

Ola Spinnars, Finnhammars

Management

Jonas Ekblom
President & Chief Executive Officer (CEO)
Born: 1965.
Jonas has worked over 25 years in the Life Science sector. He is an assistant professor in pharmacology at Uppsala University, he has a B.Sci. in chemistry from University of Stockholm, and a Ph.D. in experimental neurology from Uppsala University, post-doctoral studies at University of Southern California, School of Pharmacy in LA. He has also received education in strategic planning and business management. Jonas has previously held executive roles in biotech companies in Sweden, Switzerland and US. Most recently, he served as CEO for the Swiss biotech BOWS Pharmaceuticals SA, and prior held senior and executive positions in Pharmacia, Biovitrum, Sequenom and Invitrogen.
Other Assignments: Chairman of Axelar AB and EffRx Pharmaceuticals SA as well as principal of his own consultancy practice Edge of the World Strategies Corporation.
Share Holding in Promore Pharma: No current holding

Ulrika Wennberg
Chief Operating Officer (COO)
Born: 1970.
Ulrika has more than 20 years of experience in project management, management consulting and business leadership in biotech, IT and media. She was previously CEO of Axelar AB and CFO and CEO of Jederström Pharmaceuticals. Ulrika started within the group in 2009.

Other Assignments: Ulrika is civil accountant in SRV Återvinning AB, Söderenergi Aktiebolag and Söderenergi Kraftvärme Aktiebolag. She is deputy civil accountant in Huge Bostäder AB, Huddinge Samhällsfastigheter AB, Södertörns Fjärrvärme AB and Södertörns Energi AB.

Share Holding in Promore Pharma: 500 shares

Jenni Björnulfson
Chief Financial Officer (CFO)
Born: 1971.
Jenni has extensive professional experience from the financial markets having worked with corporate finance for over ten years with Handelsbanken Markets and Alfred Berg Fondkommission/ABM AMRO. Jenni has also worked as a stock analytics at Standard & Poor's and at ABG Sundal Collier. She has been business area manager at Global Health Partners AB. Jenni has a training in economy from Stockholm School of Economics, and has served as CFO of Promore Pharma since 2016.

Other Assignments: Jenni is a board director in Hemcheck Sweden AB (publ) and Gjutformen 2 as well as principal of her own consultancy practice The C Story AB.

Share Holding in Promore Pharma: 1,500 shares

Margit Mahlapuu
Chief Scientific Officer (CSO)
Born: 1972.
Margit has over 15 years of experience in pharmaceutical research and development. She has had assignments at companies such as AstraZeneca, Arexis, and Swedish Orphan Biovitrum. Margit holds an associate professorship in molecular medicine at Sahlgrenska Academy, Sweden. She has a Ph.D. in molecular and cellular biology from the University of Gothenburg. Margit joined the company in 2007 and has since then been responsible for regulatory affairs strategy and clinical development.
Other Assignments: Margit is a director of the board in Sixera AB, she is CEO of to IP holding companies ScandiCure AB and Alexera AB and she is CEO and chairman of her own consultancy practice Arexela AB, an intellectual property holding company.
Share Holding in Promore Pharma: No current holding.

PROMORE PHARMA

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