Interim Report January 1 – September 30, 2020

IRLAB Therapeutics AB (publ)

IRLAB is a Swedish research and development company that develops new drugs for the treatment of Parkinson's disease with the aim of transforming the lives of those affected and their relatives.

6 million

At present, six million people have Parkinson's, by 2040 this number is expected to have more than doubled. It is not known exactly what causes Parkinson's. There is currently no way to prevent the onset or slow down the development of the disease.

IRLAB has two drug candidates that have completed Phase IIa studies:

- Mesdopetam, previously known as IRL790, to treat involuntary movements in Parkinson's, caused by long-term treatment with levodopa.
- IRL752 (pirepemat) to treat impaired balance and falls in Parkinson's.

IRL752

Mesdopetam

IRLAB generates drug candidates using the company's proprietary research platform, Integrative Screening Process, ISP.

ISP

IRLAB A

Listed on the Nasdaq Stockholm Main Market since September 30, 2020.

Calendar

YEAR-END REPORT
JAN – DEC 2020
24
FEBRUARY 2021

LAST DAY TO SUBMIT PROPOSALS TO
THE NOMINATION COMMITTEE
31
JANUARY 2021

INTERIM REPORT
JAN – MAR 2021
6
MAY 2021

ANNUAL GENERAL MEETING 2021
GOTHENBURG
6
MAY 2021

INTERIM REPORT
APR – JUN 2021
25
AUGUST 2021

INTERIM REPORT
JUL – SEP 2021
10
NOVEMBER 2021

YEAR-END REPORT
JAN – DEC 2021
23
FEBRUARY 2022

Third quarter 2020 in brief

Financial overview (January 1 – September 30, 2020)

	Jul-Sep 2020	Jul-Sep 2019	Jan-Sep 2020	Jan-Sep 2019	Jan-Dec 2019
Operating result	–26 869	–21 489	–72 033	–69 533	–95 848
Result for the period	–26 915	–21 555	–72 187	–69 744	–96 120
Earnings per share before and after dilution attributable to the parent company's shareholders	–0.55	–0.53	–1.52	–1.72	–2.37
Number of shares at the end of the period, incl. subscribed but not yet registered & stock dividend issue	48 498 406	40 499 695	48 498 406	40 499 695	43 109 695
Cash and cash equivalents	169 693	68 011	169 693	68 011	110 527
Equity per share	5.03	3.52	5.03	3.52	4.22
Average no. employees	18	17	19	16	17
of which are in R&D	16	15	17	15	16

Significant events during the third quarter (July 1 – September 30)

- In August, the WHO announced that IRL752 is proposed to get the unique INN pirepemat. The WHO concludes that IRL752 is completely unique in its mechanism of action, which is why IRL752 has been assigned a unique generic name that may come to mark a completely new drug class. This demonstrates the innovative strength and breadth of our drug development, based on our technology platform ISP.
- During the summer, a scientific article was published online in the prestigious journal JPET, which describes the unique pharmacological profile of the drug candidate IRL752 (pirepemat). When the journal was published in print, IRL752 (pirepemat) was presented on the cover of JPET's September issue. This is the second time in a short period that our drug candidates have been shown on the cover of the top-rated journal.
- In September, IRLAB was approved for listing on the Nasdaq Stockholm Main Market, and the share was admitted to trading on September 30, 2020.

Significant events after the reporting period

- In October, the US Food and Drug Administration (FDA) accepted mesdopetam (IRL790) as an IND (investigational new drug). This allows IRLAB to include patients in the US in the clinical Phase IIb/III study with mesdopetam in PD-LIDs.
- In early November, patient recruitment began in the US for the Phase IIb/III study with mesdopetam in PD-LIDs.

CEO’s comments

On the last day of the third quarter, we rang the bell to mark our entry onto the Nasdaq Stockholm Main Market – one of the company’s foremost administrative milestones to date. The following day, we took another significant step forward when the US FDA accepted our IND application for the drug candidate mesdopetam, and in early November we were able to announce that the Phase IIb/III study with this unique drug candidate had begun. Overall, we have of late made significant progress towards establishing IRLAB as an internationally reputable pharmaceutical research and development company.

Establishment in the US through an accepted IND application

An accpeted IND application means that the US FDA has given us the go-ahead to include Parkinson’s patients in the US in our clinical Phase IIb/III study with mesdopetam. This is a seal of quality for the project, and validates mesdopetam as a safe and tolerable drug candidate. Being able to expand our clinical development activities to the US is a strategic milestone for IRLAB. This is important as we simultaneously build relationships with American clinics, doctors and government agencies.

We are convinced that mesdopetam has great potential to offer a completely new treatment for the large group of Parkinson’s patients who experience daily complications and reduced quality of life due to the involuntary movements that occur after long-term treatment with levodopa – today’s standard drug against the disease.

Phase IIb/III study with mesdopetam has begun

The initiation of our Phase IIb/III study with mesdopetam is progressing as planned. The first investigator meetings to educate about mesdopetam and instruct the clinics that will participate in the study were held in October. The study is planned to include approximately 140 patients randomized to four different groups, each with around 35 patients – three groups with different dose levels of mesdopetam and one placebo group. Patient recruitment for the study in the US started in early November, and application processes with authorities in Europe are ongoing.

Listing on Nasdaq Stockholm Main Market

As of September 30, IRLAB’s share (IRLAB A) has been traded on the Nasdaq Stockholm Main Market. This brings increased visibility and transparency, and is a seal of quality for our organization and operations.

WHO proposes pirepemat as INN for IRL752

During the quarter, we were able to announce that the World Health Organization (WHO) has proposed our drug candidate IRL752 should receive the unique INN pirepemat. In view of the unique mechanism of action of IRL752, the WHO believes the drug candidate should not be incorporated into any existing INN stem in the classification systems; but should instead be assigned a unique generic name that may come to mark a completely new substance class.

In the September issue of the top-ranked Journal of Pharmacology and Experimental Therapeutics, JPET, we published a scientific article which described the unique pharmacological profile of IRL752. Furthermore,

the journal chose to present the article on the cover. The drug candidate is being developed for the treatment of impaired balance and falls in Parkinson's disease. Both of our clinical phase drug candidates have been assigned unique generic names, and scientific articles on both mesdopetam and pirepemat have been shown on the cover of JPET within a short period. This signals the strength and originality of IRLAB's research and our drug candidates, and is a very significant external validation of our unique research platform, ISP. We are obviously very proud of this, and see it as further confirmation of the great innovativeness at IRLAB.

Priorities in the future

We are monitoring the development of covid-19 and continuously evaluating potential risks that may impact our operations and our clinical studies. Patient safety has the highest priority, and is one of our most important quality goals.

We are now continuing to expand the mesdopetam study to more countries and engaging more clinics. The work on submitting applications for a clinical Phase IIb study with IRL752 (pirepemat) in the US and Europe is proceeding according to our established plan, with the aim of starting the study during the first half of 2021.

Gothenburg, November 2020
Nicholas Waters, CEO

"The work involved in being listed on the Nasdaq Stockholm Main Market has been intense since March, and we feel very proud that the entire team's hard work has brought us to this goal. The list change brings increased visibility, both among potential investors and the media, and is another important step towards becoming a well-established international pharmaceutical development company."

VIKTOR SIEWERTZ, CHIEF FINANCIAL OFFICER (CFO)

IRLAB enters the Nasdaq Stockholm Main Market

On September 30, 2020, IRLAB's share began trading on the Nasdaq Stockholm Main Market, after having been listed on the First North Premier Growth Market since 2017. This was the ultimate goal following a decision taken over two years ago, and where the work has been ongoing intensively since March 2020 in order to achieve the requirements for companies listed on the Nasdaq Stockholm Main Market.

Viktor Siewertz, CFO, on the work involved in the company's listing on the Nasdaq Stockholm Main Market:

What is the background to the new listing? What benefits will it bring to the company in the long run?

The listing had been a request from IRLAB's owners, and the purpose can be summed up in that it gives IRLAB more attention in the capital market and in the media, not least internationally. We have already seen that we are mentioned in contexts where we were not previously seen, and trading in the share has shown some changes. Some investors also have restrictions which mean that they can only trade in shares on the Nasdaq Stockholm Main Market. As a result of this increased attention, the hope is that liquidity in the stock trading will increase, with all the positive consequences that entails.

What has the work process for IRLAB entailed with the change of list to the Nasdaq Stockholm Main Market? How long has the process been going on and what has been most important?

One of the most concrete requirements for companies that want to be listed on the Main Market is the requirement on financing. We met this in practice through the successful share issues during the winter of 2019/2020, after which the work, together with the stock exchange auditor, could begin in earnest. We were well prepared even then, but it has still involved a lot of work for many of our employees and partners. The significant task has mainly been to build up, document and verify all the internal procedures that had to be in place in order to be approved. Above all, the requirements relating to corporate governance and risk management are increasing, where we have to have documented processes that are regularly monitored and reported back to the Board.

It may seem like a lot of paperwork and internal administration, but if you familiarize yourself with the requirements, an image will soon emerge that this is exactly how quality companies must be operated. Documented processes, clear control systems, and reporting, both upwards and downwards in the organization, are a large part of this. Due to the requirements set in conjuction with the stock exchange listing, IRLAB has definitely become a better company.

What requirements and criteria does a list change to the Nasdaq Stockholm Main Market place on IRLAB as a company?

Formally, the differences are not so great compared to First North Premier Growth Market – the same requirements are placed on communication to the market, handling of inside information and insiders, and external accounting in the form of IFRS. What is different is, above all, that higher demands are placed on our internal processes and the documentation of them. This is also audited by the stock exchange auditors in a way that is not done when listing on First North.

IRLAB'S R&D PORTFOLIO

PFC = prefrontal cortex

Project portfolio

IRLAB's project portfolio consists of drug candidates in the clinical and preclinical development phase. The project portfolio focuses on new treatments for patients with Parkinson's disease. All drug candidates have been developed with the help of the company's systemsbiology research platform, ISP.

CLINICAL PHASE

Tolerability, safety and efficacy studies.

Mesdopetam

Mesdopetam (IRL790) is being developed for the treatment of levodopa-induced dyskinesias (troublesome involuntary movements, PD-LIDs) in Parkinson's disease. The aim is to reduce troublesome dyskinesias and then extend the daily time with good and controlled mobility, so-called "good ON-time". Mesdopetam also has antipsychotic properties, and so is also being developed for Parkinson's (PD-P) psychosis.

IRL752 (pirepemat)

IRL752 is being developed to treat impaired balance (postural dysfunction) and falls in Parkinson's disease. Impaired balance is strongly associated with impaired cognition (memory and thinking ability). IRL752 is also being developed for the treatment of dementia in Parkinson's disease (PD-D).

PRECLINICAL PHASE

Laboratory studies to meet the requirements for studies in the clinical phase.

IRL942 & IRL1009

The purpose of these two drug candidates is to treat psychiatric, cognitive and motor symptoms linked to neurodegenerative and age-related CNS diseases.

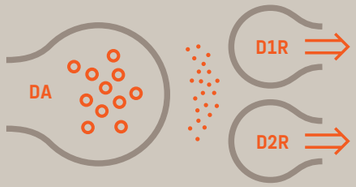
DISCOVERY PHASE

Laboratory tests for discovering drug candidates.

The P003 research program includes a group of molecules with the potential to be developed into drugs for the treatment of newly diagnosed Parkinson's disease.

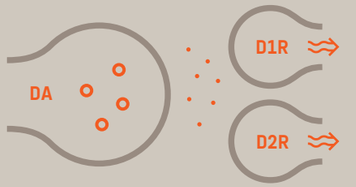
MECHANISM OF ACTION (MOA) OF MESDOPETAM

1. HEALTHY PERSON



NORMAL NERVE ACTIVITY
BALANCED AND HIGH STIMULATION OF D1R AND D2R

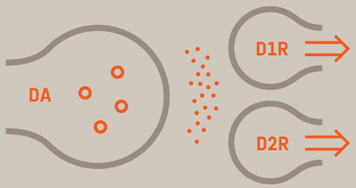
2. PARKINSON'S DISEASE DIAGNOSIS



LOW NERVE ACTIVITY DUE TO
LOSS OF DOPAMINE
LOW STIMULATION OF D1R AND D2R

PARKINSON'S SYMPTOMS APPEAR

3. PARKINSON'S DISEASE + LEVODOPA TREATMENT



INTRODUCTION OF LEVODOPA TREATMENT
LEVODOPA INCREASES DOPAMINE
RESTORED HIGH STIMULATION OF D1R AND D2R

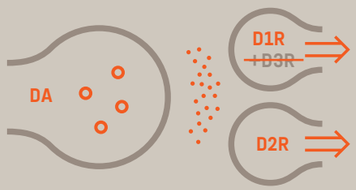
PARKINSON'S SYMPTOMS ARE UNDER CONTROL

4. PARKINSON'S DISEASE + LEVODOPA TREATMENT = LEVODOPA-INDUCED DYSKINESIAS (PD-LIDS)

CONTINUOUS LEVODOPA TREATMENT
DOPAMINE D3R OCCURS AND ENHANCES D1R ACTIVITY
INBALANCE BETWEEN [D1R+D3R] AND D2R STIMULATION

DYSKINESIAS EMERGE

5. PARKINSON'S DISEASE + LEVODOPA TREATMENT + MESDOPETAM TREATMENT ~~= LEVODOPA INDUCED DYSKINESIAS (PD-LIDS)~~



CONTINUOUS LEVODOPA TREATMENT
MESDOPETAM TREATMENT BLOCKS D3R
RESTORED BALANCE BETWEEN D1R AND D2R STIMULATION

PARKINSON'S SYMPTOMS ARE UNDER CONTROL WITHOUT TROUBLESOME DYSKINESIAS

DA = dopamine ; D1R = dopamine receptor D1; dopamine receptor D2; D3R = dopamine receptor D3

Clinical drug candidate mesdopetam

The drug candidate mesdopetam is being developed for the treatment of dyskinesias and psychosis in Parkinson's disease, PD-LIDs. The next step in the development plan is to carry out a Phase IIb/III study in PD-LIDs. The US FDA accepted the company's IND application in October, after which patient recruitment in the US could begin in the fourth quarter of 2020.

The objective of mesdopetam is to increase the time of day when patients have the optimal effect of their standard treatment with levodopa, i.e. good mobility and control of the basic symptoms, without being troubled by involuntary movements or psychoses that may arise during levodopa treatment.

Mesdopetam (IRL790) is an antagonist of the dopamine D3 receptor and reduces the overactivity which, via the D3 receptor, leads to dyskinesias (involuntary movements) in Parkinson's.

Clinical development of mesdopetam

IRLAB has completed clinical Phase I, Phase Ib and Phase IIa studies with mesdopetam. Following positive results in the Phase I and Phase Ib studies, a clinical Phase IIa study was carried out on patients with Parkinson's and dyskinesias. The aim was to study the efficacy, safety and tolerability of mesdopetam in patients (approx. 70 patients). Analyses of efficacy data indicate that mesdopetam can reduce dyskinesias, the involuntary movements in Parkinson's (PD-LIDs) without affecting other mobility in patients.

The study results indicate that mesdopetam has good potential to help patients with Parkinson's to optimize their treatment with levodopa without risking dyskinesias.

This increases the time of day when levodopa treatment helps with the basic symptoms (called "good ON-time") without the patient experiencing troublesome dyskinesias.

Phase IIb/III studies to start in the US

The next step in IRLAB's development plan for mesdopetam is to initiate a Phase IIb/III study. Mesdopetam is planned to be given over a three-month treatment period to a total of approximately 140 patients divided into four different groups: three dose levels of mesdopetam and a placebo group. The study is planned to be carried out at clinics both in Europe and the US, and the primary endpoint is the change in the daily number of hours with good mobility without troublesome dyskinesias, so-called "good ON-time", which is measured via patient diaries.

In October 2020, IRLAB's application for an IND (investigational new drug) for mesdopetam was accepted by the US FDA. This means that IRLAB can now include patients in the US in the upcoming clinical study for Parkinson's disease, in accordance with the study protocol included in the IND application. The aim is to be able to start patient recruitment during the fourth quarter of 2020.

Through the US FDA's acceptance, the company's clinical development work is expanded to the US, which is an important strategic goal for the company and further validates mesdopetam as a safe drug candidate.

Application processes to regulatory authorities and ethics committees in selected European countries are ongoing in parallel, according to plan.

In addition, IRLAB's develpment plan includes further clinical studies to also evaluate the effect of mesdopetam on psychotic symptoms, PD-P. Start dates for these are further in the future than the mentioned Phase IIb/III study within PD-LIDs.

"After a long process and hard work together with our collaboration partners in the US, it feels very gratifying that we have succeeded in getting our IND application for mesdopetam accepted. Preparations for the start of the Phase IIb/III study are now beginning to enter a final phase, and the first investigator meetings to instruct the clinics in the US participating in the study have been held."

MARIA JALMELID, CHIEF OF CLINICAL OPERATIONS AND RESPONSIBLE FOR QUALITY ASSURANCE

MESDOPETAM INCREASE THE TIME OF DAY THAT IS PERCEIVED AS GOOD ("GOOD ON-TIME") BY REDUCING DYSKINESIAS

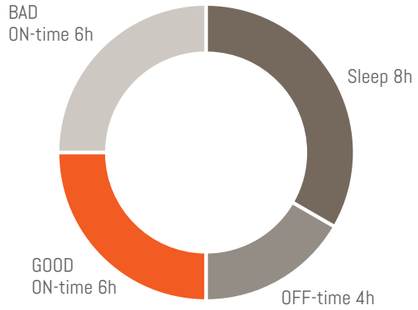


Illustration of a day for a Parkinson's patient with standard anti-Parkinson's medication (levodopa).
The time is aggregated and grouped according to categories.

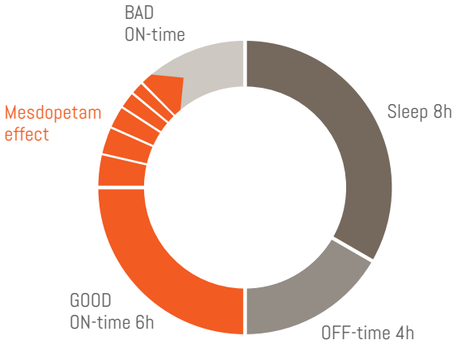


Illustration of a day for a Parkinson's patient with standard anti-Parkinson's medication (levodopa) and mesdopetam.
The time is aggregated and grouped according to categories.

PATENT OVERVIEW FOR MESDOPETAM (IRL790)

Molecule	**IRL790**
WO No.	WO2012/143337
Granted patent	All major markets in Europe, USA, Canada, Australia and China
Patent expiration	Until 2037 in EU/JP/USA based on: • IND application strategies • Supplementary Protecton Certificate (SPC) • Patent Term Extension (PTE)

Additional patent applications have been submitted during 2020, which, if approved, could give mesdopetam exclusivity well into the 2040s.

Source: The company's statement

COMPETITIVE ADVANTAGE

- Indications of significantly better efficacy and a better safety profile than competitor drugs and projects.
- "First-in-class": Mesdopetam is a drug candidate with a new mechanism of action, and which has the possibility of becoming the first in a completely new drug class for the treatment of complications in Parkinson's disease.
- Obtained mesdopetam as International Non-proprietary Name (INN, generic substance name).
- Strong IP protection: global patent protection until 2037.
- Development within two indications; dyskinesias and psychosis in Parkinson's.
- Demonstrated good tolerability in clinical Phase I, Ib and Phase IIa studies.
- Study results published in highly ranked scientific journals.
- FDA accepted IND for the Phase IIb/III study in PD-LIDs.

The group's performance January–September 2020

IRLAB Therapeutics AB is the parent company of Integrative Research Laboratories Sweden AB (IRL Sweden), a research company that develops new treatment principles for neurological and psychiatric conditions, with the main effect on the functions of the central nervous system. The company's main assets are the drug candidates mesdopetam (IRL790) and IRL752 (pirepemat), which are being developed in order to offer life-changing treatments for some of the most troublesome and difficult-to-treat symptoms of Parkinson's disease – involuntary movements after long-term use of levodopa (LIDs) and impaired balance, leading to falls and injuries. The IRL752 (pirepemat) and mesdopetam projects are in a clinical phase. The company also has a unique and proprietary research platform for developing new drug substances.

The parent company's operations

The parent company's operations mainly consist of providing company management and administrative services for the group's business companies. In addition, the parent company manages group-wide issues, such as activities and information related to the stock market, as well as other group management issues.

Research and development work

The research and development work has advanced according to plan. Total costs for research and development during the period January to September amount to TSEK 59 553 (TSEK 57 356), which corresponds to 82% (82%) of the group's total operating costs. Development costs vary over time, depending on where the projects are in the development phase.

Comments on the income statement

The result for the period January 1 – September 30, 2020 amounts to TSEK –72 187 (TSEK –69 744). Earnings per share amount to SEK –1.52 (SEK –1.72). The company's operating expenses during the period amounted to TSEK 72 333 (TSEK 69 943), which was an increase of TSEK 2 390 on the same period in 2019. The increase can mainly be attributed to the company having slightly higher activity in ongoing studies and thereby higher costs during the period in 2020 than during the same period in 2019.

Financing and cash flow

Cash flow from operating activities for January 1 – September 30, 2020 amounts to TSEK –72 785 (TSEK –65 199) and the cash flow for the period amounts to TSEK 59 167 (TSEK –66 431). Cash and cash equivalents as of September 30, 2020 amount to TSEK 169 693 (TSEK 68 011). Equity on September 30, 2020 amounted to TSEK 244 105 (TSEK 142 732) and the equity/assets ratio was 92% (87%).

The executive management makes the assessment that there is sufficient working capital to cover the working capital needs for the next twelve months, given the current business and development plan, and financing plan. This mainly refers to activities within the framework of future clinical studies for pirepemat (IRL752) and mesdopetam (IRL790), as well as costs for preclinical studies, the new projects/candidate drugs, and other operating costs.

Investments

Investments for the period January 1 – September 30, amounted to TSEK 394 (TSEK 79).

Personnel

The number of full-time positions in the group during the period January 1 – September 30, 2020 averaged 19 (16) and at the end of the period the number of full-time positions was 19 (18), divided between 22 (22) people. The number of full-time positions, including long-term contracted consultants, amounted to 21 (21) at the end of the period, divided between 26 (27) people.

Share data

The number of registered shares at the end of the reporting period was 48 498 406 (40 499 695) shares, of which 48 418 630 (40 141 940) were A shares and 79 776 (357 755) were B shares.

Nomination Committee

Prior to the 2021 Annual General Meeting, and in accordance with the instructions that apply to IRLAB's Nomination Committee, the following Nomination Committee has been appointed. The Nomination Committee consists of Daniel Johnsson (Chairman), Bo Rydlinger, Clas Sonesson, and the Chair of the Board Gunnar Olsson, who together represent approximately 53 per cent of the votes and capital in IRLAB as of September 30, 2020. Shareholders who wish to submit proposals to the Nomination Committee can do so via e-mail to info@irlab.se no later than January 31, 2021.

Annual General Meeting 2021

IRLAB's Annual General Meeting 2021 is planned to be held on May 6, 2021 in Gothenburg. As there is significant uncertainty about the development of the prevailing pandemic, a decision will be made at a later stage on the necessary precautionary measures that need to be taken in order for the Annual General Meeting to be conducted with the least possible risk to shareholders, employees and other participants. All AGM documents, including the annual report, will be available on the company's website no later than three weeks before the AGM.

Share capital development

Year	Event	Issued amount (SEK)	Total share capital (SEK)	Change (SEK)	Total number of shares	Change in shares	Quota value (SEK)
2013	Formation	25 000 000	50 000	50 000	100 000	100 000	0.50
2015	Rights issue	24 106 969	84 473	34 473	168 946	68 946	0.50
2015	Rights issue	14 772 000	104 169	19 696	208 338	39 392	0.50
2015	Rights issue	8 407 125	115 379	11 210	230 757	22 419	0.50
2015	Share subdivision	0	115 379	0	2 307 570	2 076 813	0.05
2015	Cash issue	54 515 644	181 358	65 980	3 627 162	1 319 592	0.05
2016	Rights issue	41 350 000	231 358	50 000	4 627 162	1 000 000	0.05
2016	Rights issue	15 350 195	249 919	18 561	4 998 388	371 226	0.05
2016	Rights issue	726 243	253 497	3 578	5 069 939	71 551	0.05
2016	Stock dividend issue	0	506 994	253 497	5 069 939	0	
2017	Rights issue	115 800 000	699 994	193 000	6 999 939	1 930 000	0.10
2018	Rights issue	138 600 000	809 994	110 000	8 099 939	1 100 000	0.10
2019	Share split 5:1	0	809 994	0	40 499 695	32 399 756	0.02
2019	Rights issue	70 470 000	862 194	52 200	43 109 695	2 610 000	0.02
2020	Rights issue	145 495 197	969 968	107 774	48 498 406	5 388 711	0.02
At the end of the period		**654 593 373**	**969 968**		**48 498 406**		**0.02**

The issued amount above is the total issued amount incl. share premium but before issue costs.

The group's performance January – September 2020

Shares and owners

The largest owners
as of September 30, 2020

Owners	Shares	Share of capital/votes
Avanza Pension (insurance company)	3 937 447	8.1%
Ancoria Insurance Pubic Ltd	3 826 638	7.9%
FV Group AB	3 665 626	7.6%
Johnsson, Daniel	2 684 551	5,5%
Fourth Swedish National Pension Fund	2 419 366	5.0%
Pension, Future	1 761 439	3.6%
Third Swedish National Pension Fund	1 666 125	3.4%
Diklev, Philip	1 590 316	3.3%
Marininvest Securities AB	1 208 250	2.5%
Handelsbanken Pharmaceuticals Fund	986 591	2.0%
Total ten largest shareholders	**23 746 349**	**49.0%**
Other shareholders	24 752 057	51.0%
Total	**48 498 406**	**100.0%**

Consolidated income statement in summary

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating income					
Net revenue	0	0	0	26	26
Other operating income	0	0	300	384	422
Total income	*0*	*0*	*300*	*410*	*448*
Operating expenses					
Other external costs	–22 055	–16 701	–52 710	–51 652	–71 162
Personnel costs	–4 193	–4 190	–17 912	–16 622	–22 136
Depreciation of intangible and tangible fixed assets	–569	–548	–1 686	–1 640	–2 931
Other operating costs	–52	–50	–25	–29	–67
Total operating expenses	*–26 869*	*–21 489*	*–72 333*	*–69 943*	*–96 296*
Operating result	**–26 869**	**–21 489**	**–72 033**	**–69 533**	**–95 848**
Result from financial items					
Financial income	0	0	1	0	0
Financial costs	–46	–66	–155	–211	–272
Total financial items	*–46*	*–66*	*–154*	*–211*	*–272*
Result after financial items	**–26 915**	**–21 555**	**–72 187**	**–69 744**	**–96 120**
Tax on income	0	0	0	0	0
Result for the period	**–26 915**	**–21 555**	**–72 187**	**–69 744**	**–96 120**
Earnings per share before and after dilution (SEK)	–0.55	–0.53	–1.52	–1.72	–2.37
Average number of shares, before and after dilution	48 498 406	40 499 695	47 357 730	40 499 695	40 592 654

The result for the period is in its entirety attributable to the parent company's shareholders.

The group's performance January – September 2020

Consolidated statement of comprehensive income in summary

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Result for the period	–26 915	–21 555	–72 187	–69 744	–96 120
Other comprehensive income	0	0	0	0	0
Total result for the period	**–26 915**	**–21 555**	**–72 187**	**–69 744**	**–96 120**

The group's performance January – September 2020

Consolidated statement of financial position in summary

Amount in TSEK	2020-09-30	2019-09-30	2019-12-31
ASSETS			
Fixed assets			
Intangible fixed assets	82 076	83 075	82 270
Tangible fixed assets	4 822	6 375	5 919
Total fixed assets	**86 898**	**89 450**	**88 189**
Current assets			
Short-term receivables	8 256	6 856	9 351
Cash and cash equivalents	169 693	68 011	110 527
Total current assets	**177 949**	**74 866**	**119 878**
TOTAL ASSETS	**264 847**	**164 316**	**208 067**

Amount in TSEK	2020-09-30	2019-09-30	2019-12-31
EQUITY AND LIABILITIES			
Equity Note 5			
Share capital	970	810	862
Other contributed capital	562 454	362 679	428 097
Retained earnings incl. results for the year	–319 319	–220 757	–247 133
Total equity	**244 105**	**142 732**	**181 827**
Long-term liabilities			
Interest-bearing liabilities, leasing debt	769	3 313	2 900
Total long-term liabilities	**769**	**3 313**	**2 900**
Short-term liabilities			
Interest-bearing liabilities, leasing debt	1 654	1 623	1 643
Other liabilities	18 319	16 648	21 697
Total short-term liabilities	**19 973**	**18 271**	**23 340**
TOTAL EQUITY AND LIABILITIES	**264 847**	**164 316**	**208 067**

Summary report of the group's change in equity

Amount in TSEK	Share capital	Other capital contributed equity	Retained earnings incl. total result for the period	Total equity
Equity January 1, 2019	**810**	**362 679**	**–151 013**	**212 476**
Total result for the period			–69 744	–69 744
Equity September 30, 2019	**810**	**362 679**	**–220 757**	**142 732**
Total result for the period			–26 375	–26 375
Transactions with owners in their capacity as owners:				
Rights issue	52	70 418		70 470
Issue costs		–5 000		–5 000
Equity December 31, 2019	**862**	**428 097**	**–247 132**	**181 827**
Equity January 1, 2020	**862**	**428 097**	**–247 132**	**181 827**
Total result for the period			–72 187	–72 187
Transactions with owners in their capacity as owners:				
Rights issue	108	145 387		145 495
Issue costs		–11 030		–11 030
Equity September 30, 2020	**970**	**562 454**	**–319 319**	**244 105**

The group's performance January – September 2020

Consolidated statement of cash flow in summary

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating activities					
Operating result	–26 869	–21 489	–72 033	–69 533	–95 848
Adjustment for items not included in the cash flow	568	548	1 685	1 640	2 960
Interest received	1	0	1	0	0
Paid interest	–47	–65	–155	–211	–272
Cash flow from operating activities before changes in working capital	**–26 347**	**–21 007**	**–70 502**	**–68 104**	**–93 160**
Cash flow from changes in working capital					
Change in operating receivables	–1 147	669	1 095	–1 283	–3 778
Change in operating liabilities	–2 411	–2 802	–3 378	4 187	5 737
Cash flow from operating activities	**–29 905**	**–23 140**	**–72 785**	**–65 199**	**–91 201**
Investment activities					
Acquisition of tangible fixed assets	–25	–54	–394	–79	–137
Cash flow from investment activities	**–25**	**–54**	**–394**	**–79**	**–137**
Financing activities					
Amortization of financial liabilities incl. leasing liabilities	–1 182	–389	–2 119	–1 153	–1 547
Issue of new shares	–979	0	134 465	0	68 970
Cash flow from financing activities	**–2 161**	**–389**	**132 346**	**–1 153**	**67 423**
Cash flow for the period	**–32 091**	**–23 583**	**59 167**	**–66 431**	**–23 915**
Cash and cash equivalents at the start of the period	201 784	91 594	110 527	134 442	134 442
Cash and cash equivalents at the end of the period	**169 693**	**68 011**	**169 693**	**68 011**	**110 527**

Parent company income statement in summary

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Operating income					
Net revenue	683	622	2 384	2 153	2 828
Total income	*683*	*622*	*2 384*	*2 153*	*2 828*
Operating expenses					
Other external costs	−2 223	−1 640	−5 897	−6 511	−8 673
Personnel costs	−1 182	−1 028	−6 231	−6 199	−7 356
Total operating expenses	*−3 405*	*−2 668*	*−12 128*	*−12 710*	*−16 028*
Operating result	***−2 722***	***−2 046***	***−9 743***	***−10 557***	***−13 201***
Result from financial items					
Result from shares in group companies	−10 000	0	−35 000	0	−25 000
Interest income	0	0	1	0	0
Interest costs	−1	0	−1	0	0
Total financial items	*−10 000*	0	*−35 001*	0	*−25 000*
Result after financial items	***−12 724***	***−2 046***	***−44 744***	***−10 557***	***−38 201***
Result for the period	**−12 724**	**−2 046**	**−44 744**	**−10 557**	**−38 201**

The group's performance January – September 2020

Parent company statement of comprehensive income in summary

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Result for the period	−12 724	−2 046	−44 744	−10 557	−38 201
Other total results	0	0	0	0	0
Total result for the period	***−12 724***	***−2 046***	***−44 744***	***−10 557***	***−38 201***

The group's performance January – September 2020

Parent company balance sheet in summary

Amount in TSEK	2020-09-30	2019-09-30	2019-12-31
ASSETS			
Fixed assets			
Financial fixed assets			
Shares in group companies	350 320	350 320	350 320
Total fixed assets	**350 320**	**350 320**	**350 320**
Current assets			
Other receivables	1 522	944	1 215
Cash and cash equivalents	164 061	35 519	79 166
Total current assets	**165 583**	**36 463**	**80 381**
TOTAL ASSETS	**515 903**	**386 784**	**430 701**

Amount in TSEK	2020-09-30	2019-09-30	2019-12-31
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	970	810	862
Unrestricted equity			
Share premium fund	616 564	416 789	482 206
Retained earnings including total result for the period	–106 062	–33 674	–61 318
Total unrestricted equity	*510 501*	*383 114*	*420 888*
Total equity	**511 471**	**383 924**	**421 750**
Short-term liabilities			
Other liabilities	4 432	2 860	8 951
Total liabilities	**4 432**	**2 860**	**8 951**
TOTAL EQUITY AND LIABILITIES	**515 903**	**386 784**	**430 701**

Parent company's cash flow analysis

Amount in TSEK	2020 Jul-Sep	2019 Jul-Sep	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec
Cash flow from operating activities	–2 160	–2 094	–14 571	–10 210	–10 533
Cash flow from investment activities	–10 000	0	–35 000	0	–25 000
Cash flow from financial activities	–979	0	134 465	0	68 970
Cash flow for the period	**–13 138**	**–2 094**	**84 895**	**–10 210**	**33 437**
Cash and cash equivalents at the start of the period	177 199	37 613	79 166	45 729	45 729
Cash and cash equivalents at the end of the period	**164 061**	**35 519**	**164 061**	**35 519**	**79 166**

The group's performance January – September 2020

Key financial ratios for the group

	2020 Jan-Sep	2019 Jan-Sep	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec
Operating result, TSEK	–72 033	–89 533	–95 848	–73 897	–54 218
Result for the period, TSEK	–72 187	–69 744	–96 120	–74 099	–56 225
Result for the period attributable to parent company shareholders, TSEK	–72 187	–69 744	–96 120	–74 099	–56 225
Earnings per share before and after dilution, SEK	–1.52	–1.72	–1.94	–1.67	–1.75
R&D costs, TSEK	59 553	57 356	79 381	58 927	45 219
R&D costs as a percentage of operating costs, %	82	82	82	80	82
Cash and cash equivalents at the end of the period, TSEK	169 693	68 011	110 527	134 442	74 709
Cash flow from operating activities, TSEK	–72 785	–65 199	–91 201	–70 790	–57 741
Cash flow for the period, TSEK	59 167	–66 431	–23 915	59 733	48 973
Equity, TSEK	244 105	142 732	181 827	212 476	155 000
Equity per share, SEK	5.03	3.52	4.22	4.43	4.10
Equity ratio, %	92	87	87	94	95
Average number of employees	19	16	17	15	12
Average number of employees in R&D	17	15	16	14	11

Of the above key financial ratios, only the key ratio Earnings per share before and after dilution, and R&D costs, are defined in accordance with IFRS. Of the other key financial ratios, Result for the period, Liquid assets at the end of the period, Cash flow from operating activities, Cash flow for the period, and Equity are drawn from from a financial statement defined by IFRS. For the derivation of key financial ratios, as well as definitions and justifications for the selected key financial ratios, please refer to IRLAB Therapeutics AB (publ) annual report 2019.

Notes

Note 1 Accounting principles

The group applies the Swedish Annual Accounts Act and International Financial Reporting Standards (IFRS) as adopted by the EU and RFR 1 Supplementary accounting rules for groups when preparing financial reports. The parent company applies the Swedish Annual Accounts Act and RFR 2 Accounting for legal entities when preparing financial reports.

As of January 1, 2019, shareholder contributions rendered to subsidiaries that are intended to cover the subsidiaries' costs for research are expensed in the parent company. The cost is reported in the income statement under Profit from participations in group companies. The accounting management in the parent company thereby reflects the management in the group, where all costs for research are charged to the result. The opening balance remains unchanged as the company's assessment is that there is no need for impairment. Applied accounting principles are in accordance with what is stated in the 2019 Annual Report.

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

New and amended standards adopted from 2020 have not had any significant impact on the group's financial position.

Note 2 Risks and uncertainties

IRLAB Therapeutics' financial risk exposure and risk management are described on pages 93–94, with business risks described on pages 67–69, of the Annual Report 2019. No significant changes have occurred that affect the reported risks.

Covid-19

Up until September 30, 2020, the global pandemic has not had any significant direct effects on IRLAB's operational activities, results or financial position.

Effects in the medium to long-term cannot yet be assessed, but the company is monitoring and evaluating the situation on an ongoing basis. The circumstance that is deemed to pose the greatest potential risk is that patient recruitment in future clinical studies may be delayed if the outbreak of covid-19 continues to strain global health care resources, and restrictions on individuals' freedom of movement is extended beyond what is known today. Delayed patient recruitment could mean that the company's costs during the period the studies are in progress will increase, and the company's possibility of implementing new issues is adversely affected, which could have an impact on its financial position.

Note 3 Related party transactions

With the exception of salaries and other remuneration to the executive management, as well as board fees, in accordance with the resolution of the Annual General Meeting, to the board, no transactions have taken place with related parties.

Note 4 Financial instruments

The group currently has no financial instruments that are valued at fair value, rather all financial assets and liabilities are valued at accrued acquisition value. It is judged that there are no significant differences between fair value and book value regarding the financial assets and liabilities. The carrying amount for financial assets on the closing date amounts to TSEK 169 693 (TSEK 68 011).

Note 5 Equity

In March, a rights issue was carried out, with preferential rights for existing shareholders. A total of 5 388 711 Class A shares were issued, which yielded approximately TSEK 135 444 in cash and cash equivalents after issue costs.

Incentive program

In April 2016, a decision was taken on a share and subscription warrant program for key personnel, both employees and board members. A total of 71 551 Class B ordinary shares (357 755 after split) and 39 355 warrants (196 775 after split) were subscribed for in the program. The subscription price for the shares and subscription warrants respectively corresponded to the market value. The issue payment for the shares was paid by the group as a benefit to the key personnel.

During July 2019, conversion of B shares to A shares was called for by holders of B shares. 277 979 B shares were converted into A shares. The remaining 79 776 B shares are not subject to conversion as the holders may only convert B shares on one occasion, and all holders have now exercised this and carried out a conversion.

Subscription warrant program

Each warrant entitles the holder to subscribe for one Class A ordinary share at a subscription price of SEK 82.70 after split. The warrants may be exercised up to and including June 30, 2023. Upon full exercise of the warrants, share capital increases by SEK 3 935.50 through the issue of 196 775 Class A ordinary shares.

Note 6 Significant events after the closing date

In October, the US FDA accepted mesdopetam (IRL790) as an IND (investigational new drug). This allows IRLAB to include patients in the US in the clinical Phase IIb study with mesdopetam in PD-LIDs.

In early November, patient recruitment in the US began for the Phase IIb/III study with mesdopetam in PD-LIDs.

This interim report has not been reviewed by the company's auditors. The Board of Directors and the CEO assure that the interim report provides a fair overview of the parent company's and the group's operations, position and results, and describes significant risks and uncertainties faced by the company and the companies included in the group.

Gothenburg, November 11, 2020

GUNNAR OLSSON Chair of the Board	EVA LINDGREN Board member
CAROLA LEMNE Vice Chair	REIN PIIR Board member
LARS ADLERSSON Board member	LENA TORLEGÅRD Board member
NICHOLAS WATERS CEO	

CONTACT INFORMATION

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IRLAB is a Swedish research and development company that ocuses on developing novel treatments in Parkinson's disease.

The company's most advanced candidates, mesdopetam (IRL790) and pirepemat (IRL752), both of which completed Phase IIa-studies, intends to treat some of the most difficult symptoms related to Parkinson's disease: involuntary movements (PD-LIDs), psychosis (PD-P) and symptoms linked to cognitive decline such as impaired balance and increased risk of falls (PD-Falls).

Through its proprietary research platform, ISP (Integrative Screening Process), IRLAB discovers and develops unique drug candidates for diseases related to the central nervous system (CNS), where significant growing medical needs exist.

In addition to the clinical candidates, the ISP platform has also generated several CNS programs that are now in preclinical phase.

Integrative
Research
Laboratories