Integrative Research Laboratories

Year-end Report January 1 – December 31, 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.

8.7 million

At present, 8.7 million people have Parkinson's, on the largest markets alone. 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 (RL790) to prevent and treat involuntary movements in Parkinson's, caused by long-term treatment with levodopa.
- Pirepemat (IRL752) to treat impaired balance and falls in Parkinson's.

Mesdopetam
Pirepemat

IRLAB generates drug candidates using the company's proprietary research platform, Integrative Screening Process, ISP. ISP comprises specialized, systems biology screening models, database, software, analysis models including AI and working methodology. We are a leader within technology development through the use of modern AI-based methods for developing new and better drugs.

ISP

IRLAB A

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

Calendar

YEAR-END REPORT
JAN – DEC 2020
23
FEBRUARY 2021

ANNUAL REPORT
JAN – DEC 2020
w.15
APRIL 2021

INTERIM REPORT
JAN – MAR 2021
6
MAY 2021

ANNUAL GENERAL MEETING 2021
GOTHENBURG
6
MAY 2021

INTERIM REPORT
APR – JUN 2021
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AUGUST 2021

INTERIM REPORT
JUL – SEP 2021
10
NOVEMBER 2021

YEAR-END REPORT
JAN – DEC 2021
23
FEBRUARY 2022

Fourth quarter 2020 in brief

Financial overview (October 1 – December 31, 2020)

	Oct-Dec 2020	Oct-Dec 2019	Jan-Dec 2020	Jan-Dec 2019
Operating result	–19 424	–26 315	–91 458	–95 848
Result for the period	–19 466	–26 376	–91 653	–96 120
Earnings per share before and after dilution attributable to the parent company's shareholders	–0.40	–0.65	–1.92	–2.37
Number of shares at the end of the period, incl. subscribed but not yet registered shares	51 748 406	43 109 695	51 748 406	43 109 695
Cash and cash equivalents	277 009	110 527	277 009	110 5277
Equity per share	6.72	4.22	6.72	4.22
Average no. employees	18	17	18	17
of which are in R&D	17	15	17	16

Significant events during the fourth quarter (October 1 – December 31, 2020)

- In October, the US FDA accepted mesdopetam as an investigational new drug (IND). The acceptance allows IRLAB to include patients in the US in the clinical Phase IIb/III study with mesdopetam in levodopa-induced dyskinesias in Parkinson's (PD-LIDs).
- Early November, patient recruitment started in the US to the Phase IIb/III study with mesdopetam in PD-LIDs and the first patients started treatment before end of year.
- In the beginning of December, the World Intellectual Property Organization (WIPO) published a new patent application for the drug candidate mesdopetam. This composition of matter patent could extend the market exclusivity for mesdopetam with up to eight years compared with existing patent protection, which would mean the protection stretches into the 2040s.
- In December, a directed share issue was carried out in the amount of 130 MSEK. The share issue facilitates an increased institutional ownership, larger investments in the company's clinical projects with the purpose to accelerate the generation of study results and to begin preparations for the next development phase.

Significant events after the reporting period

- In January, new preclinical data were presented that indicates that not only can mesdopetam treat, but also prevent, the development of levodopa-induced dyskinesias (LIDs) in Parkinson's. The new results increase the commercial potential of mesdopetam.
- In January, results were presented from a collaboration with Chalmers University of Technology, AI-company Smartr and IRLAB about the application of deep learning on multidimensional effects of CNS drugs. A summary of the interesting results were presented at the leading congress Society of Neuroscience (SfN) Global Connectome: A Virtual Event.

"Our innovative research now shows that more patients can benefit from mesdopetam.That, in combination with our successful patent strategy, which can provide significantly longer market exclusivity creates a very large commercial potential for mesdopetam. We are now entering 2021 with a strengthened financial position. The additional capital and broader shareholder base enable us to continue to develop the company at a high pace. We are increasing the resources in our clinical trials and speeding up the important preparatory work for Phase III studies to minimize the time to launch marketing authorized drugs."

NICHOLAS WATERS, CHIEF EXECUTIVE OFFICER (CEO)

CEO's comments

During the fourth quarter, we raised additional capital to continue to develop the company at a high pace, primarily to accelerate our Phase IIb/III studies and prepare for future Phase III studies. The start of the clinical Phase IIb/III study with mesdopetam was one of the highlights during the quarter and the first patients began their treatment at the end of the year. We were also excited over the new preclinical results indicating that mesdopetam may slow the progression of disease symptoms, which has long been a highly sought-after goal. All in all, we enter 2021 strengthened with a focus on our clinical Phase IIb projects, preclinical projects in late development phase and to improve our research platform ISP.

Successful capital raising

We enter 2021 with an increased financial strength following the share issue in December. The additional capital and the broadened shareholder base enable us to continue to develop the company at a high pace. More specifically, we will have the possibility to increase resources in our clinical studies and to accelerate the crucial preparatory work for Phase III studies with the aim of minimizing the time to launch of marketing authorized drugs. It also means that we are now expanding our capacity in communications and administration as well as attracting new expertise within clinical development and research, based on our unique discovery research platform, ISP.

First patients receive treatment with mesdopetam in our Phase IIb/III study

During the fourth quarter, recruitment of patients began for the Phase IIb/III study with mesdopetam. First out was the US and in parallel, with additional US centers recruiting patients, we are now working intensively together with our partners to begin treatment of patients in Europe.

New patent applications extend market exclusivity

The new patent application for mesdopetam that was published during the quarter increases the commercial potential for the drug candidate. The patent may come to extend the market exclusivity by up to eight years compared with current patent protection, which would result in protection for mesdopetam by two solid patent families stretching a bit into the 2040s.

Mesdopetam can prevent dyskinesia – significantly greater market potential

In parallel with the clinical studies, preclinical studies are ongoing that aims to expand the knowledge about our drug candidates, an important component in the discovery of new clinical applications to reach a greater market potential.

At the leading neuroscience conference SfN Global Connectome 2021, which were held in January, preclinical results were presented indicating that mesdopetam, in addition to treat already developed dyskinesias, also can be used to prevent them. Should future studies in patients confirm these results, mesdopetam could contribute to slow the progression of disease symptoms, which has long been a highly sought-after goal within research and highly anticipated by patients. This would significantly increase the number of patients who could benefit from mesdopetam but also the time during which they benefit from the drug.

Pirepemat being prepared for Phase IIb

The next development step for pirepemat is to study the effect on impaired balance and falls in Parkinson's. During the quarter, we worked with complementary studies that are part of the documentation needed to obtain approval to start the next study. The aim is to start the Phase IIb study with pirepemat during the first half of 2021.

Leading within technology development

With modern artificial intelligence (AI)-based methods to develop novel and better drugs, IRLAB leads the technology development within systems biology-based drug discovery in the CNS space. In collaborations with Chalmers University of Technology, Smartr's specialists on AI and scientific advisors, we continue to refine the computation models in our research platform ISP. The combination of our systems biology ISP database and advanced AI-based calculations is an essential part of our business and strengthens our competitiveness and generates innovative drug candidates and development programs. We have obtained a seal of quality on the power of innovation in ISP by the fact that ISP-generated mesdopetam and pirepemat both now have external validation though the WHO's INN assessment that they are so innovative that they are recommended to represent completely new drug classes.

Impact of covid-19 on our operations

During the year, IRLAB has adapted its operations following guidelines set by authorities and legislators because of the covid-19 pandemic. We work from home when possible and help to responsibly protect our community. The adaptions have enabled us to plan the operations and carry out work so that it is not affected by the pandemic to any significant extent. However, in interactions with authorities and certain suppliers, we have during 2020 seen that decisions and deliveries have been taking somewhat longer due to the pandemic.

In the ongoing clinical study with mesdopetam, we have not yet seen any effect on the possibility of recruiting patients, however, any effect cannot be ruled out in the future. We carefully follow the developments and have prepared measures aimed at minimizing the risk that IRLAB's clinical studies and research activities are affected.

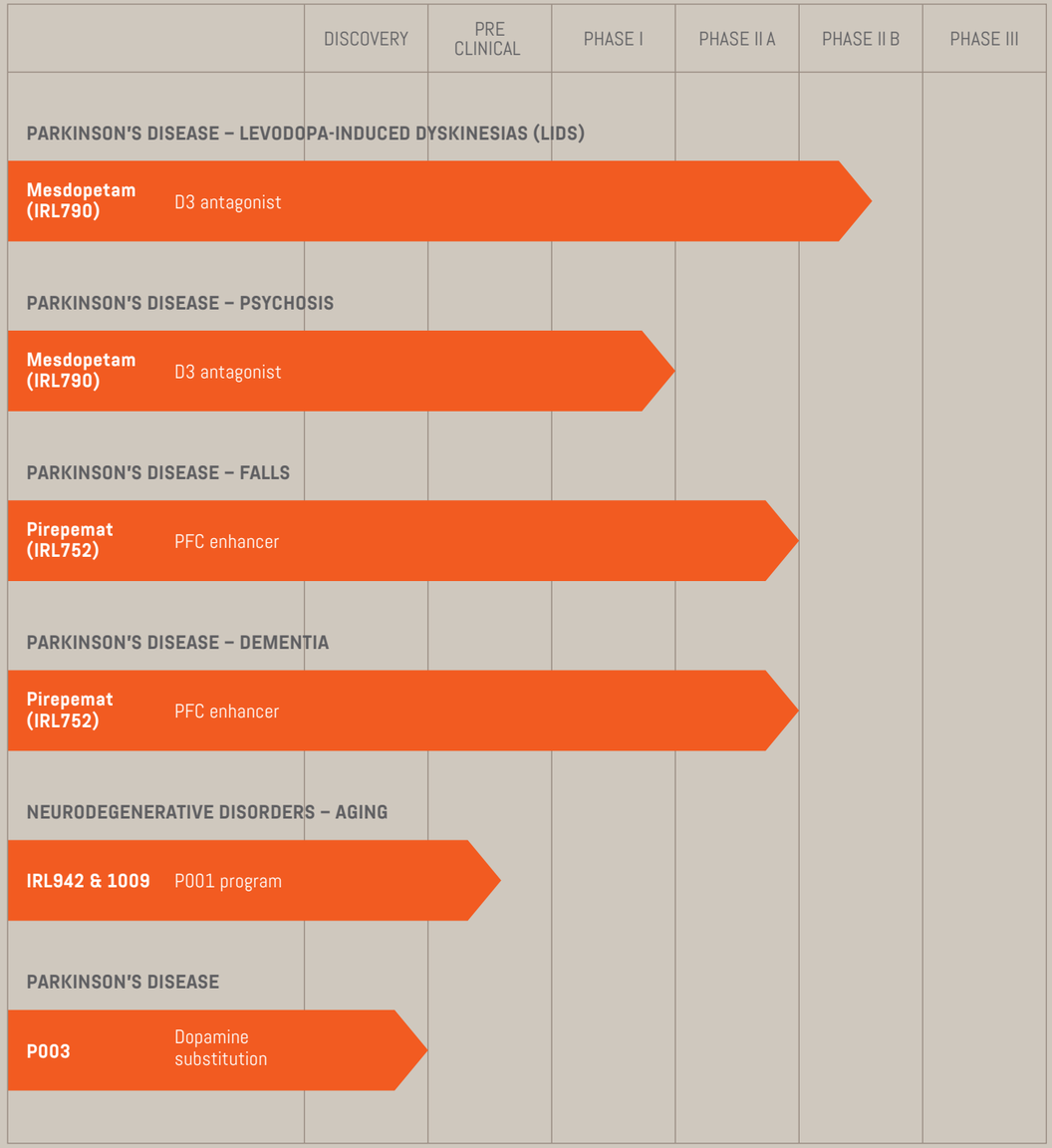
Priorities ahead

The company's most important priority is to ensure that the clinical projects are run efficiently and according to plan. We have linked world-leading experts in Parkinson's and clinical drug development to the mesdopetam and pirepemat projects, with the task of supporting patient recruitment and ensuring that time schedules are met.

With active studies in both projects in clinical phase later this year, we can increase the internal resources on the preclinical programs P001 and P003 as well as refine and strengthen the research platform ISP. The goal is to become even more efficient in the development of our clinical programs and to further increase the precision in the discovery and development of drug candidates with good safety and efficacy.

Gothenburg, February 2021
Nicholas Waters, CEO

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 thus 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.

Pirepemat

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). Pirepemat 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.

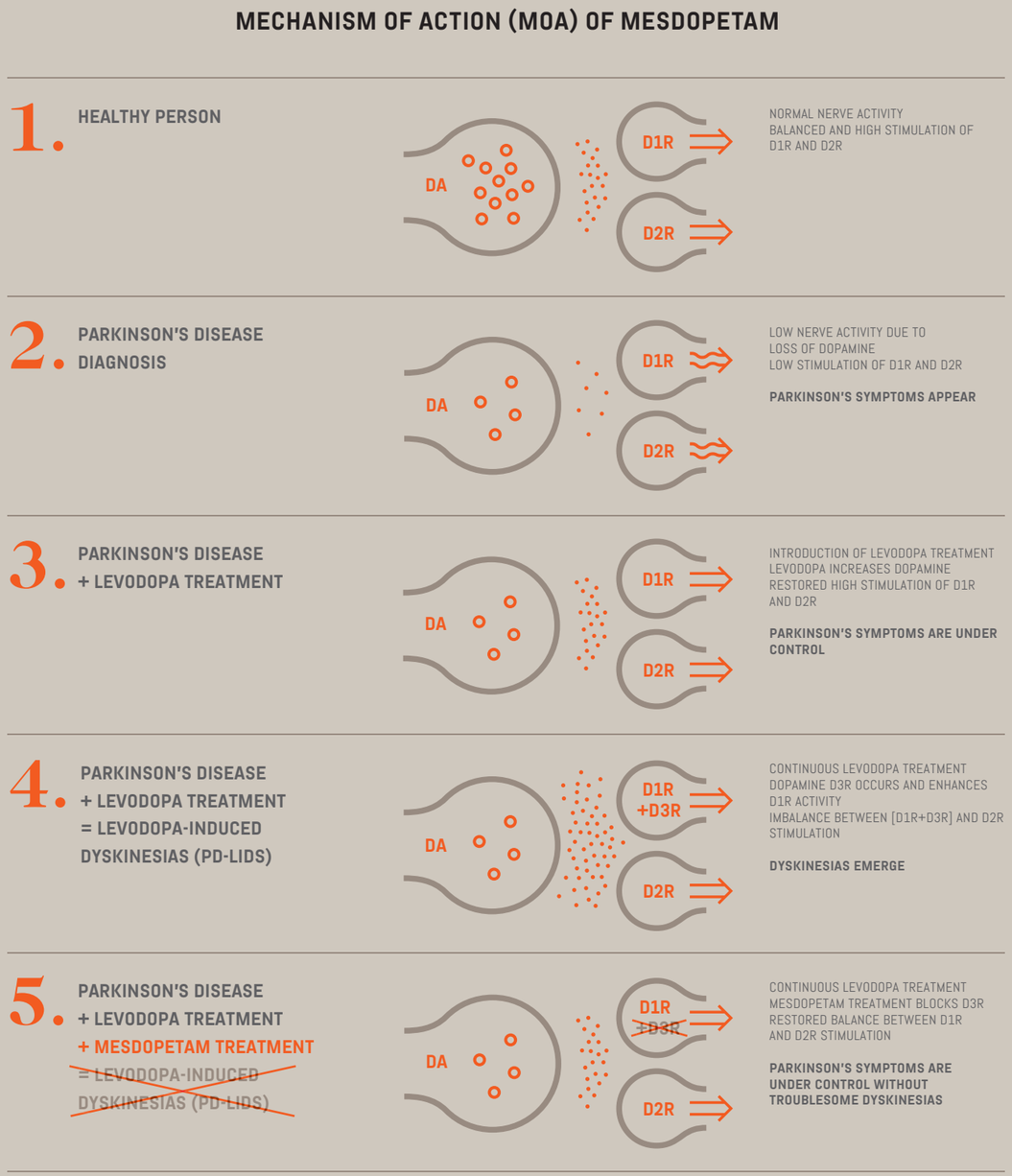
IRL942 & IRL1009

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.



Clinical drug candidate mesdopetam

The drug candidate mesdopetam is being developed for the treatment of dyskinesias (PD-LIDs) and psychosis (PD-P) in Parkinson's disease. Following the US FDA's acceptance of the company's IND application to carry out a Phase IIb/III study in PD-LIDs in October, patient recruitment in the US began in November 2020. The first patients were treated already at the end of the year.

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 in 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 normal 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

Mesdopetam is currently being studied in 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 could begin patient recruitment in the US for the clinical study in PD-LIDs, in accordance with the study protocol included in the IND application. The patient recruitment began 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.

"It is very pleasing to see how the mesdopetam study now has started with the first patients being treated. Our focus is now to initiate more clinics to increase access to patients that fit the study criteria."

MARIA JALMELID, CHIEF OF CLINICAL OPERATIONS

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

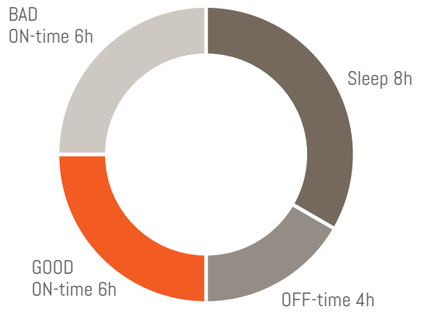


Illustration of a day for a Parkinson's patient with standard Parkinson's medication (levodopa).
The time is aggregated and grouped according to categories.

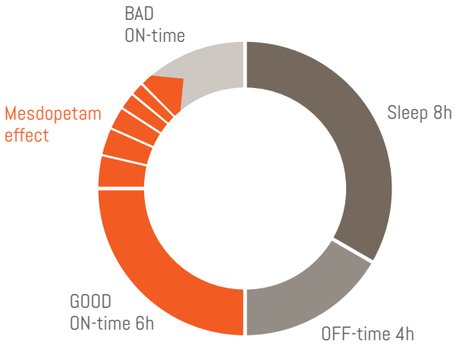


Illustration of a day for a Parkinson's patient with standard Parkinson's medication (levodopa) and mesdopetam.
The time is aggregated and grouped according to categories.

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 published 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, which also has the possibility of becoming the first in a completely new drug class to prevent and treat 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 – December 2020

IRLAB Therapeutics AB (publ) (with prior names Integrative Research Laboratories Holding AB and Integrative Invest AB) is the parent company of Integrative Research Laboratories Sweden AB (IRL Sweden), a research and development company with the aim of transforming life for patients with Parkinson's through novel treatments. The company's most advanced candidates, mesdopetam (IRL790) and pirepemat (IRL752), intends to treat some of the most difficult symptoms related to Parkinson's: levodopa-induced dyskinesias (PD-LIDs), psychosis (PD-P) and impaired balance leading to falls (PD-Falls). Both drug candidates have completed Phase IIa studies. The company also has a unique and proprietary research platform for developing new drug substances. The two most recently generated drug substances IRL942 & IRL1009 are both in preclinical phase and intended to improve motor function as well as mental and cognitive health in age-related diseases of the central nervous system (CNS).

The parent company's operations mainly consist of providing management and administrative services for the group's operative 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. The research and development operations are conducted in the wholly owned subsidiary Integrative Research Laboratories Sweden AB.

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 December amount to TSEK 75 989 (TSEK 79 381), which corresponds to 83% (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 – December 31, 2020 amounts to TSEK –91 653 (TSEK –96 120). Earnings per share amount to SEK –1.92 (SEK –2.37).

Financing and cash flow

Cash flow from operating activities for January 1 – December 31, 2020 amounts to TSEK –89 214 (TSEK –91 201) and the cash flow for the period amounts to TSEK 166 482 (TSEK –23 915). Cash and cash equivalents as of December 31, 2020 amount to TSEK 277 009 (TSEK 110 527). Equity on December 31, 2020 amounted to TSEK 347 880 (TSEK 181 827) and the equity ratio was 94% (87%). During the period, the company has via share issues received net TSEK 257 706 (TSEK 65 471) after transaction costs.

The 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. This mainly refers to activities within the framework of Phase II studies for mesdopetam and pirepemat, as well as costs for preclinical studies, the new projects/drug candidates, and other operating costs.

Investments

Investments for the period January 1 – December 31, amounted to TSEK 394 (TSEK 137).

Personnel

The number of full-time positions in the group during the period January 1 – December 31, 2020 averaged 18 (17). The number of full-time positions, including long-term contracted consultants, amounted to 20 (22) at the end of the period, divided between 25 (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 (40 419 919) were Class A shares and 79 776 (79 776) were Class B shares.

The resolved share issue in December meant that additional 3 250 000 Class A shares were registered during January, 2021.

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.

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		115 379		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 (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
2020	Rights issue	130 000 000	1 034 968	65 000	51 748 406	3 250 000	0.02
At the end of the period		**784 593 373**	**1 034 968**		**51 748 406**		**0.02**

The issued amount above is the total issued amount incl. share premium but before issue costs.
The later share issue during 2020 was not registered by closing day.

Share and owners

The largest owners as of December 31, 2020, refers to registered shares.

Owners	Shares	Share of capital/votes
Avanza Pension (insurance company)	3 990 989	8.23%
Ancoria Insurance Public Ltd	3 826 638	7.89%
FV Group AB	3 665 626	7.56%
Daniel Johnsson	2 690 000	5.55%
Fourth Swedish National Pension Fund	2 419 366	4.99%
Futur Pension	1 756 639	3.62%
Third Swedish National Pension Fund	1 647 994	3.40%
Philip Diklev	1 588 900	3.28%
Marininvest Securities AB	1 208 250	2.49%
Handelsbanken Pharmaceuticals Fund	1 011 311	2.09%
Total ten largest shareholders	**23 805 713**	**49.09%**
Other shareholders (total 3 405 shareholders)	24 692 693	50.91%
Total	**48 498 406**	**100.0%**

After the closing day, the share issue resolved in December was registered, whereupon Nordnet Pensionsförsäkring AB and Unionen are the ninth and tenth largest owners, respectively. The total number of registered shares increases in connection with the share issue with 3 250 000 Class A shares.

Proposed dividend

The Board proposes that no dividend be paid for the financial year 2020.

Consolidated income statement in summary

Amount in TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Operating income				
Net revenue	0	0	0	26
Other operating income	121	38	404	422
Total income	*121*	*38*	*404*	*448*
Operating expenses				
Other external costs	–12 919	–19 511	–65 630	–71 162
Personnel costs	–6 055	–5 514	–23 968	–22 136
Depreciation of intangible and tangible fixed assets	–570	–1 291	–2 256	–2 931
Other operating costs	0	–38	–8	–67
Total operating expenses	*–19 545*	*–26 354*	*–91 862*	*–96 296*
Operating result	**–19 424**	**–26 316**	**–91 458**	**–95 848**
Result from financial items				
Financial income	0	0	1	0
Financial costs	–41	–61	–196	–272
Total financial items	*–41*	*–61*	*–195*	*–272*
Result after financial items	**–19 466**	**–26 376**	**–91 653**	**–96 120**
Tax on income	0	0	0	0
Result for the period	**–19 466**	**–26 376**	**–91 653**	**–96 120**
Earnings per share before and after dilution (SEK)	–0.40	–0.65	–1.92	–2.37
Average number of shares, before and after dilution	48 641 263	40 868 499	47 677 734	40 592 654
Number of shares at year-end	51 748 406	43 109 695	51 748 406	43 109 695

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

The group's performance January – December 2020

Consolidated statement of comprehensive income in summary

Amount in TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Result for the period	–19 466	–26 376	–91 653	–96 120
Other comprehensive income	0	0	0	0
Total result for the period	**–39 736**	**–26 376**	**–111 923**	**–96 120**

Consolidated statement of financial position in summary

Amount in TSEK	2020-12-31	2019-12-31
ASSETS		
Fixed assets		
Intangible fixed assets	82 011	82 270
Tangible fixed assets	4 317	5 919
Total fixed assets	**86 327**	**88 189**
Current assets		
Short-term receivables	6 732	9 351
Cash and cash equivalents	277 009	110 527
Total current assets	**283 741**	**119 878**
TOTAL ASSETS	**370 068**	**208 067**

The group's performance January – December 2020

Amount in TSEK		2020-12-31	2019-12-31
EQUITY AND LIABILITIES			
Equity	Note 5		
Share capital		970	862
Unregistered share capital		65	0
Other contributed capital		685 630	428 097
Retained earnings incl. results for the year		–338 786	–247 133
Total equity		**347 880**	**181 827**
Long-term liabilities			
Leasing debt		1 270	2 900
Total long-term liabilities		**1 270**	**2 900**
Short-term liabilities			
Leasing debt		1 657	1 643
Other liabilities		19 261	21 697
Total short-term liabilities		**20 918**	**23 340**
TOTAL EQUITY AND LIABILITIES		**370 068**	**208 067**

Summary report of the group's change in equity

Amount in TSEK	Share capital	Unregistered share capital	Other capital contributed equity	Retained earnings incl. total result for the period	Total equity
Equity January 1, 2019	**810**	**0**	**362 678**	**–151 013**	**212 476**
Total result for the period				–96 120	–96 120
Transactions with owners in their capacity as owners:					
Rights issue	52		70 418		70 471
Issue costs			–5 000		–5 000
Equity December 31, 2019	**862**	**0**	**428 097**	**–247 133**	**181 827**
Equity January 1, 2020	**862**	**0**	**428 097**	**–247 133**	**181 827**
Total result for the period				–91 653	–91 653
Transactions with owners in their capacity as owners:					
Rights issue	108	65	275 322		275 495
Issue costs			–17 789		–17 789
Equity December 31, 2020	**970**	**65**	**685 630**	**–338 786**	**347 880**

Consolidated statement of cash flow in summary

Belopp i TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Operating activities				
Operating result	–19 424	–26 316	–91 458	–95 848
Adjustment for items not included in the cash flow	570	1 319	2 256	2 960
Interest received	0	0	1	0
Paid interest	–41	–61	–196	–272
Paid tax	0	0	0	0
Cash flow from operating activities before changes in working capital	**–18 895**	**–25 057**	**–89 397**	**–93 160**
Cash flow from changes in working capital				
Change in operating receivables	2 441	–2 495	2 620	–3 778
Change in operating liabilities	941	1 550	–2 437	5 737
Cash flow from operating activities	**–15 513**	**–26 002**	**–89 214**	**–91 201**
Investment activities				
Acquisition of tangible fixed assets	0	–58	–394	–137
Cash flow from investment activities	**0**	**–58**	**–394**	**–137**
Financing activities				
Amortization of financial liabilities	–414	–394	–1 616	–1 547
Issue of new shares	123 241	68 970	257 706	68 970
Cash flow from financing activities	**122 828**	**68 576**	**256 091**	**67 423**
Cash flow for the period	**107 315**	**42 515**	**166 482**	**–23 915**
Cash and cash equivalents at the start of the period	169 693	68 011	110 527	134 442
Cash and cash equivalents at the end of the period	**277 009**	**110 527**	**277 009**	**110 527**

Parent company income statement in summary

Amount in TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Operating income				
Net revenue	889	674	3 274	2 828
Total income	*889*	*674*	*3 274*	*2 828*
Operating expenses				
Other external costs	–2 155	–2 162	–8 052	–8 673
Personnel costs	–1 563	–1 157	–7 794	–7 356
Total operating expenses	*–3 717*	*–3 318*	*–15 845*	*–16 029*
Operating result	***–2 828***	***–2 644***	***–12 572***	***–13 201***
Result from financial items				
Result from shares in group companies	0	–25 000	–35 000	–25 000
Interest income	0	0	1	0
Interest costs	0	0	–1	0
Total financial items	*0*	*–25 000*	*–35 001*	*–25 000*
Result after financial items	***–2 828***	***–27 644***	***–47 572***	***–38 201***
Provided group contribution	–150 000	0	–150 000	0
Tax on the year's result	0	0	0	0
Result for the period	**–152 828**	**–27 644**	**–197 572**	**–38 201**

The group's performance January – December 2020

Parent company statement of comprehensive income in summary

Amount in TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Result for the period	–152 828	–27 644	–197 572	–38 201
Other comprehensive income	0	0	0	0
Total result for the period	***–152 828***	***–27 644***	***–197 572***	***–38 201***

The group's performance January – December 2020

Parent company balance sheet in summary

Amount in TSEK	2020-12-31	2019-12-31
ASSETS		
Fixed assets		
Financial fixed assets		
Shares in group companiesg	350 320	350 320
Total fixed assets	**350 320**	**350 320**
Current assets		
Other receivables	1 232	1 215
Cash and cash equivalents	239 693	79 166
Total current assets	**240 926**	**80 381**
TOTAL ASSETS	**591 246**	**430 701**

Amount in TSEK	2020-12-31	2019-12-31
EQUITY AND LIABILITIES		
Equity		
Restricted equity		
Share capital	970	862
Unregistered share capital	65	0
	1 035	*862*
Unrestricted equity		
Share premium fund	739 740	482 206
Retained earnings including total result for the period	–258 891	–61 318
	480 849	*420 888*
Total equity	**481 884**	**421 751**
Short-term liabilities		
Other liabilities	109 362	8 951
Total liabilities	**109 362**	**8 951**
TOTAL EQUITY AND LIABILITIES	**591 246**	**430 701**

Parent company's cash flow analysis

Amount in TSEK	2020 Oct-Dec	2019 Oct-Dec	2020 Jan-Dec	2019 Jan-Dec
Cash flow from operating activities	2 391	–323	–12 179	–10 533
Cash flow from investment activities	–50 000	–25 000	–85 000	–25 000
Cash flow from financial activities	123 241	68 970	257 706	68 970
Cash flow for the period	**75 632**	**43 647**	**160 527**	**33 437**
Cash and cash equivalents at the start of the period	164 061	35 519	79 166	45 729
Cash and cash equivalents at the end of the period	**239 693**	**79 166**	**239 693**	**79 166**

The group's performance January – December 2020

Key financial ratios for the group

	2020 Jan-Dec	2019 Jan-Dec	2018 Jan-Dec	2017 Jan-Dec
Operating result, TSEK	–91 458	–95 848	–73 897	–54 218
Result for the period, TSEK	–91 653	–96 120	–74 099	–56 225
Result for the period attributable to parent company shareholders, TSEK	–91 653	–96 120	–74 099	–56 225
Earnings per share before and after dilution, SEK	–1.92	–2.37	–1.94	–1.67
R&D costs, TSEK	75 989	79 381	58 927	45 219
R&D costs as a percentage of operating costs, %	83	82	80	82
Cash and cash equivalents at the end of the period, TSEK	277 009	110 527	134 442	74 709
Cash flow from operating activities, TSEK	–89 214	–91 201	–70 790	–57 741
Cash flow for the period, TSEK	166 482	–23 915	59 733	48 973
Equity, TSEK	347 880	181 827	212 476	155 000
Equity attributable to the parent company's shareholders, TSEK	347 880	181 827	212 476	155 000
Equity per share, SEK	6.72	4.22	5.25	4.43
Equity ratio, %	94	87	94	95
Average number of employees	18	17	15	12
Average number of employees in R&D	17	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 management in the parent company thereby reflects the accounting 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, and 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 December 31, 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 share 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, 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 277 190 (TSEK 110 527).

Note 5. Equity

In December, a directed share issue was carried out. A total of 3 250 000 Class A shares were issued, which yielded approximately TSEK 123 241 in cash and cash equivalents after transaction costs.

Incentive program

In April 2016, a decision was taken on a share and 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 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.

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 January, new preclinical data were presented that indicates that not only can mesdopetam treat, but also prevent, the development of levodopa-induced dyskinesias (LIDs) in Parkinson's. The new results increase the commercial potential of mesdopetam.

In January, results were presented from a collaboration with Chalmers University of Technology, AI-company Smartr and IRLAB about the application of deep learning on multidimensional effects of CNS drugs. A summary of the interesting results were presented at the leading congress Society of Neuroscience (SfN) Global Connectome: A Virtual Event.

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, February 23, 2021

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 focuses 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