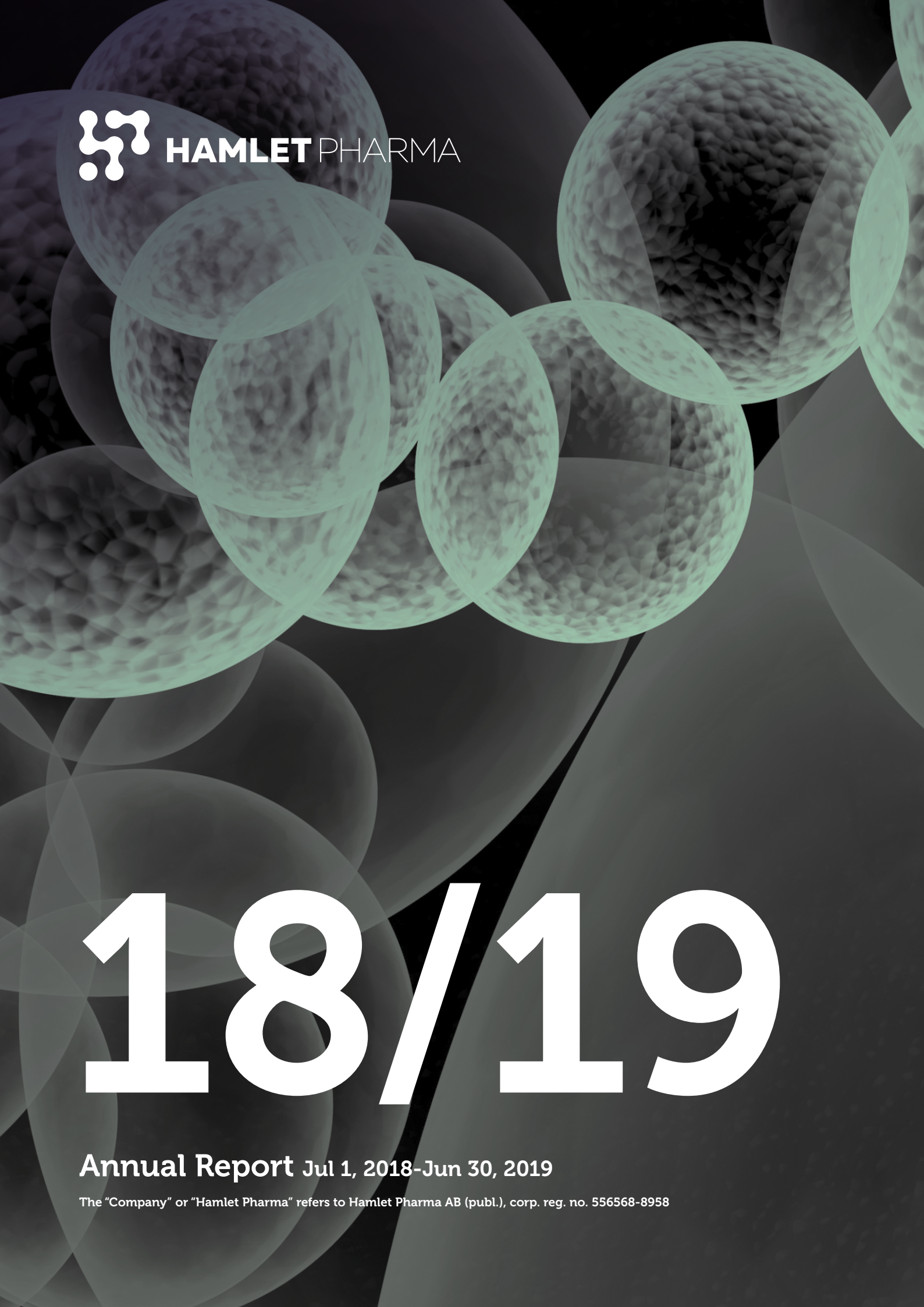


HAMLET PHARMA

18/19

Annual Report Jul 1, 2018-Jun 30, 2019

The "Company" or "Hamlet Pharma" refers to Hamlet Pharma AB (publ.), corp. reg. no. 556568-8958

Opening remarks from the Chairman and CEO

Few biotech companies manage to bridge the 'valley of death,' i.e. the gap between basic scientific research and novel therapeutics. Hamlet Pharma has now taken the discovery of HAMLET's tumoricidal effect through complex processes for drug development to a clinical trial, with positive results for both safety and efficacy. We are proud of this and are looking forward to taking this development further, and especially to reaching those patients who are in need of this new treatment. This Annual Report is focused on the efforts that led to these positive results. The trial results are presented in more detail below.

We would like to thank the Board and the researchers at Lund University, the clinic in Prague, consultants and partners who have led various aspects of the drug development process, and all investors who have followed our activities with such great interest.

Catharina Svanborg
Chairman of the Board

Mats Persson
CEO

Financial calendar

Interim report for Q1, 2019/2020	November 8, 2019
Annual General Meeting for 2018/2019	November 21, 2019
Six-month report for 2019/2020	February 28, 2020
Interim report for Q3, 2019/2020	May 22, 2020
Year-end report for 2019/2020	August 28, 2020
Annual Report for 2019/2020	November 5, 2020
Interim report for Q1, 2020/2021	November 12, 2020
Annual General Meeting for 2019/2020	November 26, 2020

If you would like more frequent information, visit www.hamletpharma.com or send an e-mail to info@hamletpharma.com

Hamlet Pharma's drug candidate, Alpha1H, has a unique ability to help cancer patients:

HAMLET kills tumor cells but spares healthy, mature cells.

HAMLET kills more than 40 different types of tumor cells, including those that are very difficult to treat with drugs that are currently available.

HAMLET stimulates programmed cell death (apoptosis) in tumor cells.

HAMLET has not shown toxicity in healthy tissues in animal models or clinical trials and is mainly taken up by tumor cells.

HAMLET has demonstrated therapeutic effects in animal studies on several types of cancer (bladder cancer, brain tumors, colon cancer)/ prophylactic.

For drug development and clinical trials, the Company has elected to develop a peptide from the HAMLET protein, alpha-lactalbumin. The peptide in Alpha1H contains a peptide that can be produced synthetically in large amounts.

The first findings from the placebo-controlled phase I/II trial in 40 patients with bladder cancer shows significant effects without demonstrable Alpha1H-related side effects.

Content

The year in brief

Clinical trials

During the fiscal year, the Company was focused on the recruitment of all 40 patients to the clinical trial to assess the safety and efficacy of Alpha1H in patients with bladder cancer.

Patients who give their consent will be monitored for another two years after completion of the trial. Such monitoring is highly significant for understanding the long-term impact of the Alpha1H drug candidate. On February 7, the Czech regulator announced its approval of an application to extend the ongoing trial. The Company will thereby be able to monitor for long-term effects and study the therapeutic effect in patients treated with Alpha1H versus placebo.

In the fourth quarter, our application to study higher doses of Alpha1H was approved by the regulator in the Czech Republic. It will now be possible to include more patients and follow the same protocol, but at higher doses than in the first phase of the trial. The main goal is to determine whether higher doses have an acceptable safety profile and whether they increase the therapeutic effects. In the process of developing Alpha1H into a registered drug, optimizing the effect by determining the maximum tolerated dose is important. The regulator's decision to approve the dose-finding study is based on our animal models, which demonstrate increased therapeutic effect at higher doses, as well as toxicity studies confirming that the Alpha1H substance is not toxic at these higher doses, which is now being further investigated.

Financing and Accounting

During the fiscal year, Hamlet Pharma raised capital by implementing a private placement of shares. An initial amount of approximately MSEK 10 was injected on February 1, 2019. On October 7, additional capital of MSEK 12.95 was injected into the Company. The agreement also enables the Company to generate additional capital of approximately MSEK 13 by issuing subscription warrants during February 2020. The funding is in line with a resolution adopted by the Annual General Meeting (AGM) on November 22, 2018, which authorized the Board to seek new funding.

Manufacturing of Alpha1H for clinical trials

In collaboration with our partner, PolyPeptide Laboratories Holding (PPL) AB, we are producing more batches of the Alpha1H peptide on a larger scale. In collaboration with Recipharm AB, Alpha1H formulations and clinical trial material packaging are being developed. With higher volumes of the substance, the Company will be able to conduct new clinical trials in patients with bladder cancer on a large scale as well as commencing trials in other cancer indications.

Media and Communication

Hamlet Pharma has initiated a collaboration with an international public relations agency, Issa PR, with offices in both London and New York. Through its extensive network, Issa PR will be working with the Company's communication strategy and strengthening the Company's international presence. Issa PR will also provide support for the Company's English website. Due the major amount of international interest in the Company, we will be increasing our communication in English in the future. On April 16, The Times published an article on breast milk, Alpha1H and cancer. An interview with BBC Science was published as a BBC Science Pod. The interview is available on the BBC Science Focus website.

Patents

During the fiscal year, the Company's patent portfolio was expanded to ensure that our intellectual property is protected, and that our patent applications maintain a commercially relevant focus. We have also filed a patent application for the prevention of gastrointestinal (GI) cancer. Furthermore, we have made progress with regard to new substances and treatment strategies. Patents for Alpha1H have been granted in 15 countries.

Overview of Hamlet Pharma's patent portfolio

Patent family	Patent/application number(s)	Status	Valid until
1. Production of recombinant HAMLET	AU2010204178,	Granted	Jan 8, 2030
	CA 2,752,490	Pending	
	IN 5708/CHENP/2011	Granted	
	JP5679992	Granted	
	US8796218	Granted	
	EP2385954 (DE/DK/FI/FR/GB/NL/SE)	Granted	
2. Next-generation drug, peptide drug	US9,085,643	Granted	Nov 24, 2031
	US9,487,561	Granted	
	EP2643010 (CH/DE/DK/ES/FI/ FR/GB/HU/IE/IT/NL/NO/PL/SE)	Granted	
3. Use of HAMLET for prophylaxis	EP2882446 (CH/DE/DK/ES/FI/ FR/GB/HU/IE/IT/NL/NO/PO/SE)	Granted	Aug 8, 2023
	US16/389,451	Pending	
4. Nutraceutical	EP17187031.4	Pending	Aug 8, 2033
	HK18109328.4	Pending	
	US14/419,519	Pending	
5. Use of HAMLET for treating Papilloma	AU2003233116	Granted	May 8, 2023
	US7,270,822	Granted	
	US7,713,533	Granted	
	EP1506233(CH/DE/DK/FI/FR/GB/NL/SE)	Granted	
6. Alternative peptide drugs	AU2017381763	Pending	Dec 19, 2037
	CA3,047,114	Pending	
	CN201780079284X	Pending	
	EP17832342.4	Pending	
	IN201947028187	Pending	
	US16/468,605	Pending	
6. Enhanced production method	PCT/EP2018/062396	Pending	May 14, 2037

Results of the clinical trial

On July 18, 2019, the Company announced that the outcome of the bladder cancer trial had generated positive results. The endpoint of this phase I/II trial is to study the safety and efficacy of the treatment. Alpha1H satisfied the criteria for good safety, since no side effects due to Alpha1H were registered, which is consistent with the results from animal toxicity studies.

Alpha1H (active substance) also demonstrated a very clear and significant effect compared with patients who received a placebo (inactive substance).

Furthermore, some patients secreted whole tumor fragments, which further highlights the efficacy of Alpha1H compared with a placebo. Alpha1H also induced cell death in the tumor through apoptosis, which is an orderly process by which tissues shed cells. These findings support the mechanisms of action for Alpha1H demonstrated in the laboratory and in animal testing.

In the clinical trial, 20 patients were treated with Alpha1H and 20 patients with a placebo. The patients were treated six times in one month followed by surgery to remove the remaining tumors. About one month after surgery, the patients visited the clinic for the documentation of Alpha1H's safety. The most important trial results are summarized below. The results are currently being summarized for publication in an international scientific journal.

Analysis of the safety profile

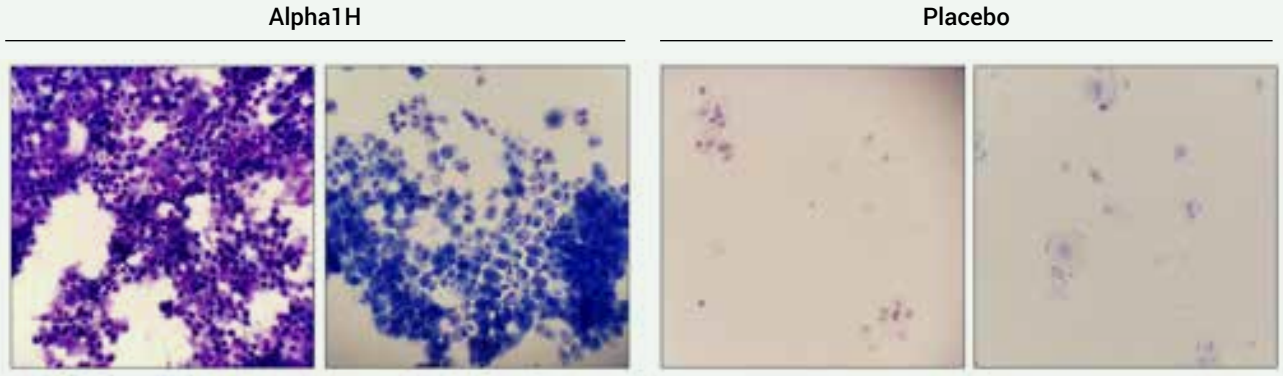
No adverse events (AEs) or serious adverse events (serious AEs) were observed in relation to Alpha1H. The conclusion of the clinical trial is that instillation of 1.7 mM of Alpha1H into the bladder is therefore safe.

No. of AEs	Active (n=20)	Placebo (n=20)	Total (n=40)
Drug-related AEs	0	–	0
Serious AEs	0	1	1
AE resulting in discontinuation	0	0	0

Analysis of efficacy variables

1. After treatment with Alpha1H, tumor cells are secreted in the patient's urine.

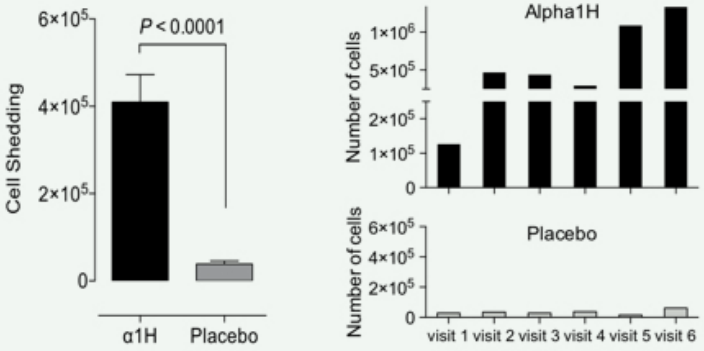
The trial shows a significant difference between patients treated with Alpha1H and the placebo group (P <0.0001). The patients' response to treatment with Alpha1H was the same at each time point (visits 1-6), compared with the placebo group. The patients also secreted tumor fragments, which were detected in the urine of patients treated with Alpha1H (P <0.0001).



Secretion of cells in the urine of patients treated with Alpha1H. No significant effect in the placebo group.

Picture on the left: Significant difference between patients treated with Alpha1H and the placebo group.

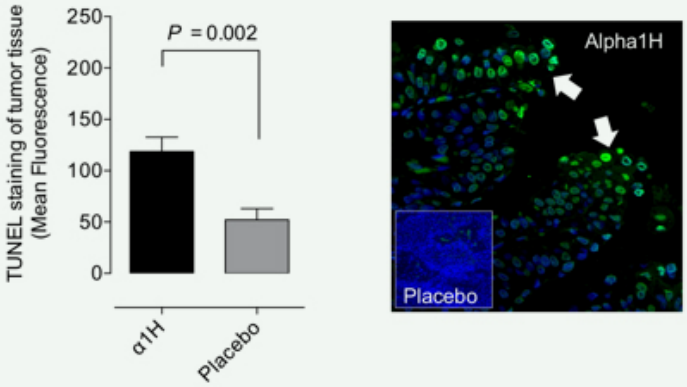
Picture on the right: Difference in response between a patient treated with Alpha1H and a placebo-treated patient. Data from each individual visit (visits 1-6).



To investigate how the tumor responds to Alpha1H, biopsies were taken from the tumor during surgery. Cell death in the tumor was studied using a TUNEL assay, a widely used method for the detection of apoptotic events. Apoptosis is a healthy, non-toxic form of cell death. A significant increase in apoptotic events was observed in patients treated with Alpha1H compared with the placebo group. The results show that Alpha1H accelerates cell death in the tumor.

Picture on the left: Analysis of apoptosis in tumor biopsies. Statistically significant difference between patients treated with Alpha1H vs and the placebo group.

Picture on the right: An example from a patient showing apoptosis in tumor (green), compared with a placebo-treated patient.



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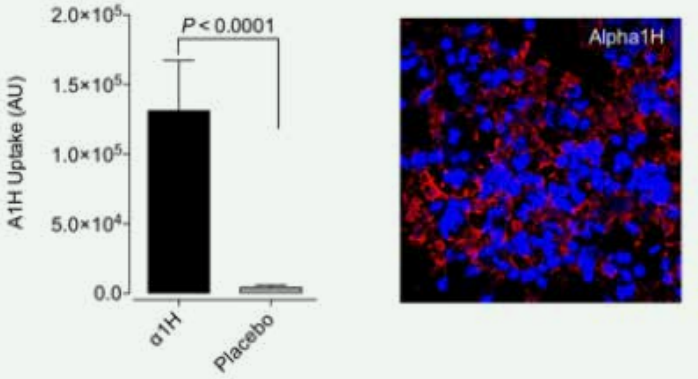
3. Alpha1H is taken up by the tumor cells. We have used fluorescence microscopy (red) to show how Alpha1H is taken up by tumor cells. This demonstrates that the drug candidate Alpha1H interacts with the tumor.

Picture on the left: Alpha1H uptake in tumor cells. Statistically significant difference between patients treated with Alpha1H and the placebo group.

Picture on the right: An example from a patient treated with Alpha1H. Red shows the uptake of Alpha1H in the cell. Blue shows the cell nuclei.



The results show the significant differences between patients treated with Alpha1H and the placebo-treated group.

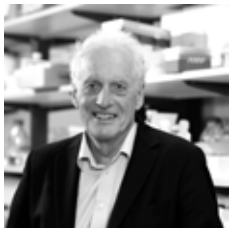
The results attracted a great deal of media attention both in Sweden and internationally. The article in The Daily Telegraph was the second-most visited article in the Science category in the first week of publication. The Company has also been featured in Swedish press – in Dagens Industri on July 18, 2019, Sydsvenska Dagbladet on July 22 and Lokaltidningen Lund on August 6, 2019 as well as the radio station P4.

Board and Management

Catharina Svanborg

Founder of the Company and Chair of the Board.

Professor of Clinical Immunology at Lund University in Sweden, leads research into HAMLET together with senior employees and an international network of researchers. As Hamlet Pharma's Chief Medical Officer (CMO), Professor Svanborg also coordinates the development of Alpha1H, the clinical trials and new indication evaluations. Professor Svanborg has been a member of the Royal Swedish Academy of Sciences since 1997 and received multiple national and international awards. Professor Svanborg has published some 500 articles and is a highly cited researcher (h-index of 102 on Google Scholar), which demonstrates the international impact of her research.



Bengt Westermark

Board member.

Senior Professor of Tumor Biology at Uppsala University in Sweden. Has also served as Dean of the Medical Faculty (1996-2002) and Vice Rector of Medicine and Pharmacy (1999-2002). Chairman of the Swedish Cancer Society's Research Council (2003-2013). Professor Westermark has received numerous awards and distinctions, including the Swedish Society of Medicine's Jubilee Prize, the Nordic Fernström Prize, a Farber Award, the Lennox K Black Prize, the Acta Endocrinologica Prize and HM The King's Medal 8th size with the ribbon of the Order of the Seraphim in 2014. Member of the Royal Swedish Academy of Sciences, the Royal Swedish Society of Sciences and the European Molecular Biology Organization. Board member of Medivir AB.

Christer Köhler

Board member.

Former Professor of Neuroscience. Extensive experience in the global pharmaceutical industry from such companies as Roche and AstraZeneca. Most recently as VP and Head of Innovative Medicines, CNS and Pain Control and Head of Global Discovery Research at AstraZeneca. Christer Köhler now serves as advisor to various investment groups, private investors, biotech/pharma and other life science companies. Other assignments: LeCare AB: co-founder and Chairman. KyNexis Medicine Development AB: Board member. Intidyn LLC: Board member. Greenleaf Medical AB: Chairman of the Board.

Helena Lomberg

Board member.

Medical Degree from the University of Gothenburg. Dr. Lomberg is an international expert in clinical drug development with a focus on clinical trials, and has more than 20 years of experience in senior positions at international companies including GlaxoWelcome, Bayer and Quintiles. Was a Board member of the Clinical Trials Section of the Swedish Pharmaceutical Society for 13 years, and Chair of the Section from 2006-2009. In 2005, Helena Lomberg received the Section's annual scholarship for her efforts to actively promote development in clinical trials. Helena Lomberg has run a consulting firm, BCT Consulting, since 2008, which mainly advises small biotech firms and offers clinical research training.

Mats Persson

Chief Executive Officer.

Mats Persson holds a PhD in molecular biology from 1991, and has extensive drug development experience. He has held senior positions in companies for many years, including LEO Pharma in Denmark, where he was a member of the R&D management team and responsible for external partnerships with academics as well as external experts. Mats also has more than 20 years of experience in clinical R&D from AstraZeneca and of drug projects in phase I-IV clinical trials.

Legal expertise

Jan Zetterberg takes major responsibility for strategic and legal matters and is responsible for the agreements concluded with external partners and for the Company's compliance with the regulatory framework for listed companies. Jan Zetterberg has extensive drug development experience with many years of experience in senior positions at AstraZeneca. His experience in R&D as well as drug manufacturing and commercialization is a major asset for Hamlet Pharma.

Auditor

Martin Henriksson, Authorized Public Accountant and Partner, Ernst & Young AB, Malmö, Sweden, has been the Company's Auditor-in-Charge since January 2017.

Finance

The Company engages in regular informal discussions with financial advisors with experience across a wide range of industrial applications and funding strategies. The Company engages Adderat, an accounting firm in Lund, for assistance with its accounting, income tax returns and financial reporting. Lars Isaksson is a partner and the Company's contact person.

Directors' Report

The Board of Directors and Chief Executive Officer of Hamlet Pharma AB, 556568-8958, with its registered office in the Municipality of Malmö, hereby present the Company's Annual Report for the period of July 1, 2018 to June 30, 2019.

Operations

Hamlet Pharma, whose shares are traded on Spotlight Stock Market, is part of a Group and is a subsidiary of Linnane AB, which owns about 53% of Hamlet Pharma AB. The Company is engaged in drug development based on a tumoricidal protein-lipid complex, HAMLET, formed by two generally regarded as safe (GRAS) molecules present in human milk. The novel therapeutic entity HAMLET is formed when alpha-lactalbumin (the primary protein component of human milk) undergoes a conformational change and binds to oleic acid. The aim is to develop drugs that can primarily be used for the treatment and prevention of cancers. HAMLET selects and removes tumor cells efficiently and has not shown toxicity in two proof-of-concept studies in humans. The agent has shown a therapeutic effect on skin papillomas in a placebo-controlled clinical trial and induces shedding of dead cancer cells after injection into the bladder of patients with bladder cancer.

Alpha1H is the synthetic variant of HAMLET, which has enabled development of the agent for clinical trials. Alpha1H kills different types of tumor cells and has demonstrated therapeutic effects on bladder cancer in animal models. Hamlet Pharma conducts clinical trials with Alpha1H in patients with bladder cancer, a costly form of cancer that is difficult to treat, and intends to expand its activities into other types of cancer. The initial clinical results show that the Alpha1H drug candidate is effective in the treatment of bladder cancer without causing serious adverse events.

The Company's operations are based on R&D. The Company has therefore concluded an agreement with Lund University to ensure that Hamlet Pharma gains access to the research findings underlying the continued development of its research portfolio. The protein-lipid complex HAMLET is formed when alpha-lactalbumin (a human milk protein) binds to oleic acid (a fatty acid), which is also present in milk. The Company has also identified the active components of the HAMLET molecule that are responsible for the tumoricidal activity, and developed large-scale production of these components. The peptide complex that we have named Alpha1H has shown efficacy in relevant animal bladder cancer models and in a phase I/II clinical trial. Alpha1H has been granted patents in both Europe and the US.

Revenue and earnings

During the fiscal year, Hamlet Pharma's sales amounted to KSEK 0 (0). Costs were related to the continued R&D activities of the research team at Lund University, and to implementation of the clinical trial in bladder cancer patients. The research led to new patent applications during the financial year. The team at Lund University is also responsible for the development of manufacturing methods, stability testing and chemical and functional characterization of existing and new drug substances, and plays a key role in the coordination of laboratory testing in the clinical trial. Costs were also related to production of the Alpha1H drug candidate, for use in ongoing and forthcoming clinical trials. Loss before tax for the year was KSEK -17,103 (-16,299).

Financial position

In the third quarter of the fiscal year, the Company issued new shares. In addition, the Board has decided to issue subscription warrants. Read more about the issue of new shares and subscription warrants below.

At the end of the fiscal year, the equity/assets ratio was 71.2% (89.3). At the end of the fiscal year, the Company's cash and cash equivalents amounted to KSEK 10,618 (15,461).

The issue in October 2019, after the end of the fiscal year, generated proceeds of MSEK 12.95 for Hamlet Pharma and management expects the issue in January/February 2020 to generate an additional MSEK 13.

Cash flow and investments

The new share issue in February 2019 generated net proceeds of KSEK 10,338 for the Company. No intangible assets were capitalized during the period, since the Company is in an R&D stage. R&D costs are therefore recognized as operating expenses in the income statement. No new investments in tangible assets were capitalized during the fiscal year.

The share

At June 30, 2019, the number of shares totaled 31,624,899. The Company's shares have been traded on Spotlight Stock Market (formerly AktieTorget) since October 23, 2015. Spotlight Stock Market is the secondary name of ATS Finans AB, a securities company under the Swedish Financial Supervisory Authority's supervision.

New share issue and subscription warrants

On February 1, 2019, the Board of Hamlet Pharma AB decided to implement a private placement of shares and subscription warrants that would generate proceeds of approximately MSEK 36 for the Company if fully exercised.

In the third quarter of the fiscal year, the Company implemented the adopted new issue of KSEK 10,350, with issuance costs of KSEK 12, generating net proceeds of KSEK 10,338. The new issue was registered on February 15 at the Swedish Companies Registration Office.

The subscription warrant decision comprises 1,000,000 subscription warrants series 2019 and 1,000,000 subscription warrants series 2020 (units) with the following terms.

Each unit comprises one share, one subscription warrant that may be exercised between September 30-October 4, 2019 and one subscription warrant that may be exercised between January 27-31, 2020. The right to subscribe for units will be offered to the following people, who have also subscribed for all units in accordance with the decision.

Eligible for subscription	No. of units
Östen Carlsson	200,000
Erik Lindbärg	350,000
Tobias Persson Rosenqvist	350,000
Kristian Kierkegaard	100,000

The subscription price in February 2019 was SEK 10.35 per unit. The subscription price corresponded to the volume-weighted average price of the Company's share during the ten trading days prior to the decision. The subscription warrants were issued without consideration but may only be subscribed for as part of a unit. One subscription warrant series 2019 entitled the holder to subscribe for one new share at a subscription price of SEK 12.95 from September 30–October 4, 2019. One subscription warrant series 2020 entitles the holder to subscribe for one new share at a subscription price of SEK 12.95 between January 27 and January 31, 2020.

The Board's decision meant that the Company's share capital was increased by SEK 30,000 by issuing 1,000,000 shares. The Board's decision also means that a maximum of 2,000,000 subscription warrants will be issued, entitling the holders to subscribe for a maximum of 2,000,000 shares. If the subscription warrants are exercised, the Company's share capital will increase by a further maximum of SEK 60,000.

The new shares will not carry the right to a dividend until the first record date after the shares have been registered with Euroclear Sweden AB.

Significant events during the fiscal year

– On October 12, 2018, it was announced that the recruitment of patients to the bladder cancer trial, which had commenced in May 2018, had proceeded as planned. It was also announced that the trial had been registered in the EU Clinical Trials Register *www.clinicaltrialsregister.eu* as well the US registry of clinical trials *clinicaltrials.gov*

– On October 16, 2018, it was announced that a US company had performed an evaluation of Hamlet Pharma's documentation in preparation for a future FDA contact. The statement highlighted, in particular, the quality of our preclinical research, production of Alpha1H and preparation of clinical trial materials. The evaluation was also highly positive in regard to the trial design for assessing toxicity, which forms the basis of the clinical trial in patients with bladder cancer.

– The AGM of Hamlet Pharma AB was held on November 22, 2018. The Meeting resolved to adopt the income statement and balance sheet in the annual accounts that were presented. The AGM also authorized the Board to seek new funding.

– On December 5, 2018, it was announced that the therapeutic effect of Alpha1H increases at higher doses in the animal model of bladder cancer.

– On December 17, 2018, it was announced that half of the patients had been included in the bladder cancer trial.

– On February 1, 2019, the Board decided to implement a private placement of shares and subscription warrants, of which MSEK 10.35 was paid. If fully exercised, a group of investors with long-term ownership ambitions would provide an injection of approximately MSEK 36 to the Company.

– On February 7, 2019, the Company received clearance from the Czech regulator to conduct a two-year follow-up of the patients in the ongoing bladder cancer trial. The trial patients will be monitored in accordance with clinical practice guidelines.

– On March 8, 2019, manufacture of the Alpha1H peptide commenced for future dose-response meta-analyses in the field of bladder cancer. PolyPeptide Laboratories Holding (PPL) AB supplies the peptide.

– On April 8, 2019, it was announced that patient recruitment had continued as planned and a detailed schedule was presented for the period up to the assessment of the clinical trial.

– On April 16, 2019, Hamlet Pharma was featured in the British daily newspaper The Times, with a comprehensive article about the Company's research and future prospects. In its magazine and on its website, BBC Science has also published a podcast featuring an interview with the Company's founder, which has proved popular.

– On May 16, 2019, the Company formalized its collaboration with public relations agency Issa PR, with a focus on international communication from offices in London and New York.

– On June 14, 2019, the Czech regulator SUKL approved Hamlet Pharma's application to conduct a dose-finding study for the Alpha1H drug candidate.

Significant events after the end of the fiscal year

– An initial assessment of the clinical trial has shown a good safety profile and positive effect variables (see above).

– On October 7, it was announced that Hamlet Pharma had generated proceeds of MSEK 12.95 from the exercising of the private placement warrants from February 1, 2019. The issuance of 1,000,000 shares increased the Company's share capital by SEK 30,000 to SEK 978,747. The total number of shares after the issue was therefore 32,624,899. The new shares will not carry the right to a dividend until the first record date after the shares have been registered with Euroclear Sweden AB.

Development of the Company's operations, earnings and financial position

Amounts in KSEK	Jun 30, 2019	Jun 30, 2018	Jun 30, 2017	Jun 30, 2016	Jun 30, 2015
Net sales, KSEK	0	0	0	0	0
Loss after financial items, KSEK	-17,103	-16,299	-10,888	-6,256	-658
Total assets, KSEK	11,285	16,564	32,929	35,714	4,103
Equity/assets ratio, %	71	89	94	93	96
No. of shares As per share register	31,624,899	30,624,899	30,624,899	27,900,698	19,687,500
Loss/share	-0.5408	-0.5322	-0.4464	-0.1953	-0.0261

Definitions: see Note

Expected future development and significant risks and uncertainties

During the fiscal year, management and the Board made important strategic decisions in regard to commercial drug development, based on new research findings and consultations with experts. The Company also discussed major risks and uncertainties, including:

– *Continued clinical trials in patients with bladder cancer.* Future trials may be delayed or produce unexpected results that affect the future approval of Alpha1H as a drug for treating bladder cancer.

– *Production of the Alpha1H complex prior to commercialization*. The Company currently has a large-scale manufacturing process for the Aplha1H peptide that it believes could be scaled up for commercial manufacturing. However, the Company needs to develop a more robust formulation for the complex with a long shelf life, in order to cut costs for the storage and transport of a future drug. The Company believes this is fully viable, but cannot rule out unexpected events that could lead to delays. The focus is to define the future commercial product and thereby keep manufacturing costs down.

– *External partnerships prior to phase III and future commercializations.* The Company is open to partnering with companies that are already established in markets with expertise in the various cancer indications. The Company intends to establish Alpha1H as a new treatment option within a range of indications. Agreements with such external partners are complicated in regard to phase III funding.

– *Future capital requirements.* Hamlet Pharma will require funding to complete the process of producing an approved drug. In October 2019, the Company raised MSEK 12.95 through an agreement with the four investors who purchased subscription warrants with a fixed exercise price in February 2019. These funds have secured the Company's continued operations for the 2019/2020 fiscal year. An additional capital injection of approximately MSEK 13 has been planned for February 2020, under the same agreement. Should the market price of the Company's share fall below the agreed subscription price of SEK 12.95, there is a risk that investors will decline the offer to subscribe for shares, whereby the Company will not be able to raise the expected proceeds of MSEK 13.

Largest shareholders and ownership changes during the year

Shareholder	Jun 30, 2019	Jun 30, 2018	Jun 30, 2017
Linnane Pharma AB (Owned by Prof. Catharina Svanborg)	53.36%	55.10%	55.10%
Försäkringsaktiebolaget Avanza Pension	4.54%	4.69%	4.48%
Nordnet Pensionsförsäkring AB	4.13%	2.88%	3.52%
FV Group AB	1.90%	1.96%	1.96%
Herslow & Partners AB	1.58%	2.58%	4.01%

Activities subject to a permit or the duty to notify under the Swedish Environmental Code

Hamlet Pharma does not conduct any activities that are subject to a permit or the duty to notify under the Swedish Environmental Code.

Changes in equity

Equity (SEK)	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Result for the year
At the beginning of the year	918,747	20,000	48,725,414	-18,566,755	-16,299,020
Balance carried forward				-16,299,020	16,299,020
New share issue	30,000		10,308,495		
Result for the year					-17,102,985
At year-end	**948,747**	**20,000**	**59,033,909**	**-34,865,775**	**-17,102,985**

Proposed appropriation of the Company's profit

SEK	
The Board and CEO propose that the funds at their disposal:	
retained earnings	13,859,639
new share issue	10,308,495
result for the year	-17,102,985
Total	**7,065,149**
be carried forward	7,065,149
Total	**7,065,149**

In regard to the Company's financial results and position in general, please refer to the following income statement and balance sheet and accompanying notes.

Income statement

SEK	*Note*	Jul 1, 2018- Jun 30, 2019	Jul 1, 2017- Jun 30, 2018
Operating expenses			
Other external costs	*3, 4*	-14,514,793	-14,574,524
Employee benefit expenses	*4*	-2,213,402	-1,291,233
Depreciation/amortization and impairment of tangible and intangible assets		-315,024	-315,023
Other operating expenses		-59,524	-116,487
Operating loss		**-17,102,743**	**-16,297,267**
Profit from financial items			
Profit from other securities and receivables that are fixed assets		1,523	0
Interest expense and similar loss items		-1,765	-1,753
Loss after financial items		**-17,102,985**	**-16,299,020**
Loss before tax		**-17,102,985**	**-16,299,020**
RESULT FOR THE YEAR	**5**	**-17,102,985**	**-16,299,020**

Balance sheet

ASSETS, SEK	*Note*	Jun 30, 2019	Jun 30, 2018
Fixed assets			
Tangible assets			
Plant and machinery	*6*	0	279,024
Equipment, tools, fixtures and fittings	*7*	81,000	117,000
		81,000	396,024
Total fixed assets		**81,000**	**396,024**
Current assets			
Current receivables			
Other receivables		485,463	421,738
Prepaid expenses and accrued income		101,205	284,395
		586,668	706,133
Cash and bank balances		10,617,570	15,461,436
Total current assets		**11,204,238**	**16,167,569**
TOTAL ASSETS		**11,285,238**	**16,563,593**

EQUITY AND LIABILITIES, SEK	*Note*	Jun 30, 2019	Jun 30, 2018
Equity			
Restricted equity			
Share capital	*8*	918,747	918,747
Statutory reserve		20,000	20,000
		938,747	938,747
Non-restricted equity			
Share premium reserve		59,033,909	48,725,414
Retained earnings		-34,865,775	-18,566,755
Result for the year		-17,102,985	-16,299,020
		7,065,149	13,859,639
Total equity		**8,033,896**	**14,798,386**
Current liabilities			
Accounts payable		2,251,704	830,213
Other current liabilities		246,041	55,417
Accrued expenses and deferred income		753,597	879,577
		3,251,342	1,765,207
TOTAL EQUITY AND LIABILITIES		**11,285,238**	**16,563,593**

Cash flow statement

SEK	*Note*	Jul 1, 2018- Jun 30, 2019	Jul 1, 2017- Jun 30, 2018
Operating activities			
Loss after financial items		-17,102,985	-16,299,020
Adjusted for non-cash items, etc.		315,024	315,023
		-16,787,961	-15,983,997
Cash flow from operating activities before changes in working capital		**-16,787,961**	**-15,983,997**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		119,465	-290,213
Increase (+)/Decrease (-) in operating liabilities		1,486,135	-66,092
Cash flow from operating activities		**-15,182,361**	**-16,340,302**
Investing activities			
Acquisition of tangible assets		0	-558,047
Cash flow from investing activities		**0**	**-558,047**
Financing activities			
New share issue		10,350,000	0
Issuance costs		-11,505	0
Cash flow from financing activities		**10,338,495**	**0**
Cash flow for the year		**-4,843,866**	**-16,898,349**
Opening cash and cash equivalents		**15,461,436**	**32,359,784**
Closing cash and cash equivalents		**10,617,570**	**15,461,435**

Notes

Note 1 Accounting policies

All amounts are in SEK unless otherwise stated

General accounting policies

The annual accounts were prepared in accordance with the Swedish Annual Accounts Act and the K3 framework for financial statements (both annual report and consolidated statements, BFNAR 2012:1) issued by the Swedish Accounting Standards Board.

Measurement bases, etc.

Assets, provisions and liabilities are measured on the basis of cost, unless otherwise stated below.

Intangible assets

R&D costs

Work to produce an internally generated intangible asset is divided into a research phase and a development stage. All costs incurred in the Company's research phase are recognized as an operating expense when they arise. Costs for the development of an asset are recognized as an asset if all of the following criteria are met:

- It is technically feasible to complete the intangible asset and use or sell it.
- The Company's intention is to complete the intangible access and use or sell it.
- It will be possible to use or sell the asset.
- It is likely that the asset will generate future economic benefits.
- Adequate technical, financial and other resources are available to complete the development of, and to use or sell, the asset.
- The costs attributable to the asset during its development can be measured reliably.

Unless all of the above criteria are met, costs incurred in the development phase are recognized as an operating expense when they arise. According to the above criteria, the Company recognizes all R&D costs on the income statement.

Tangible assets

Tangible assets are recognized at cost less any accumulated depreciation and impairment loss. In addition to the purchase price, cost also includes expenses directly attributable to the acquisition.

Depreciation

Assets are depreciated on a straight-line basis over their estimated useful life, as this reflects the expected consumption of the asset's future economic benefits. Depreciation is recognized as an expense on the income statement.

Tangible assets	Year
Plant and machinery	2
Equipment, tools, fixtures and fittings	5

Leases

The Company recognizes all leases, both finance and operating leases, as operating leases. Operating leases are recognized as an expense on a straight-line basis over the lease term.

Foreign currency

Monetary items in foreign currency are translated using the closing rate. Non-monetary items are not translated, but recognized using the exchange rate on the date of transaction.

Employee benefits

Employee benefits refer to all types of remuneration that employees receive from the Company. The Company's remuneration includes salaries, paid vacations, paid absence and any post-employment benefits. These expenses are recognized when earned. The Company has no other long-term employee benefits.

Tax

Tax on profit for the year in the income statement consists of current tax and deferred tax. Current tax is income tax for the current fiscal year relating to taxable income for the year, and that part of the previous fiscal year's income tax that has not yet been recognized. Deferred tax is income tax for taxable income in future fiscal years, arising from earlier transactions or events.

A deferred tax liability is recognized for all taxable temporary differences, except for temporary differences arising from the initial recognition of goodwill. A deferred tax asset is recognized for deductible temporary differences, and for the ability to carry tax losses forward to future years. The measurement is based on how the carrying amount of the corresponding asset or liability is expected be recovered or settled, respectively. The amounts are based on the tax rates and tax rules enacted before the balance-sheet date, and have not been calculated at present value.

Deferred tax assets are measured at the maximum amount likely to be recovered, based on current and future taxable income. The measurement is reviewed at each balance-sheet date.

Note 2 Accounting estimates and judgments

According to the accounting policies applied by the Company, as described under 'General accounting policies' above, it is possible, under certain conditions, to capitalize tax loss carryforwards. As the Company is currently in an R&D phase, the Board has made the assessment that it is not possible to recognize deferred tax attributable to tax loss carryforwards in the present situation.

Note 3 Operating leases – lessee

Future minimum lease payments related to non-terminable operating leases:

	Jul 1, 2018-Jun 30, 2019	Jul 1, 2017-Jun 30, 2018
Less than 1 year	0	179,167
Between 1-5 years	0	0
More than 5 years	0	0
	0	**179,167**
Lease payments expensed during the fiscal year	**179,167**	**35,833**

Note 4 Employees and employee benefit expenses

Average number of employees

	Jul 1, 2018-Jun 30, 2019	Jul 1, 2017-Jun 30, 2018
Company	2	1
Total	**2**	**1**

Salaries and other benefits divided between Board members, etc. and other employees

	Jul 1, 2018-Jun 30, 2019	Jul 1, 2017-Jun 30, 2018
Salaries and other benefits, Board and CEO	1,770,000	2,080,000
(of which consulting fees to the CEO)	210,000	1,020,000
(of which consulting fees to the Chair)	0	360,000
(of which salary to the CEO)	480,000	0
(of which salary to the Chair)	930,000	450,000
(of which Board fees to the Chair)	0	50,000
(of which Board fees to other members)	150,000	200,000
(of which bonus payments and similar remuneration)	0	0
Salaries and other benefits, employees	125,000	347,597
Social security expenses	388,516	207,375
(of which pension expenses)	0	0

Under an agreement between Hamlet Pharma AB and Linnane Pharma AB, the Company paid SEK 420,000 during the fiscal year to Linnane Pharma AB, a company that is wholly owned by the Chair of Hamlet Pharma AB, as well as a subsidiary of Hamlet Pharma AB.

The Company had no related-party transactions other than this payment.

Note 5 Tax on profit for the year

SEK	Jul 1, 2018-Jun 30, 2019	Jul 1, 2017-Jun 30, 2018
Deferred tax	0	0
	0	**0**

Reconciliation of tax expense

SEK	Jul 1, 2018-Jun 30, 2019	Jul 1, 2017-Jun 30, 2018
Loss before tax	-17,102,985	-16,299,020
Tax calculated using the current tax rate (22%)	3,762,657	3,585,784
Tax effect of non-deductible expenses	-44,092	-44,305
Loss carryforwards for which the tax benefit is not recognized as an asset	-3,718,565	-3,541,479
Recognized tax expense	**0**	**0**

A deferred tax asset is not recognized for accounting purposes, but remains taxable. See Note 2. The tax loss carryforward amounts to KSEK 57,113.

Note 6 Plant and machinery

SEK	Jun 30, 2019	Jun 30, 2018
Accumulated cost		
-At the beginning of the year	558,047	0
-Investments	0	558,047
At year-end	558,047	558,047
Accumulated depreciation		
-At the beginning of the year	-279,023	0
-Depreciation for the year	-279,024	-279,023
At year-end	-558,047	-279,023
Carrying amount at year-end	**0**	**279,024**

Purchases relate to machinery used in the clinical trial in Prague during 2018 and 2019. The machinery is therefore depreciated over two years.

Note 7 Equipment, tools, fixtures and fittings

SEK	Jun 30, 2019	Jun 30, 2018
Accumulated cost		
-At the beginning of the year	180,000	180,000
	180,000	180,000
Accumulated depreciation		
-At the beginning of the year	-63,000	-27,000
-Depreciation for the year	-36,000	-36,000
	-99,000	-63,000
Carrying amount at year-end	**81,000**	**117,000**

Note 8 Disclosure of share capital

	No. of shares	Par value per share
Opening no./value	30,624,899	0.03
New share issue	1,000,000	0.03
Closing no./value	**31,624,899**	**0.03**

Note 9 Significant events after the end of the fiscal year

For significant events after the end of the fiscal year, please refer to the Directors' Report.

Note 10 Group information

The Company is a subsidiary of Linnane Pharma AB, Corp. Reg. No. 556949-4346, with its registered office in the Municipality of Malmö.

Note 11 Key ratio definitions

Total assets:
Total assets.

Equity/assets ratio:
(Total equity + 78% of untaxed reserves)/Total assets.

Malmö, October 25, 2019

Catharina Svanborg
Chair

Mats Persson
Chief Executive Officer

Christer Köhler
Board member

Bengt Westermark
Board member

Helena Lomberg
Board member

We submitted our Auditor's Report on October 25, 2019
Ernst & Young Aktiebolag

Martin Henriksson
Authorized Public Accountant

HAMLET PHARMA

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