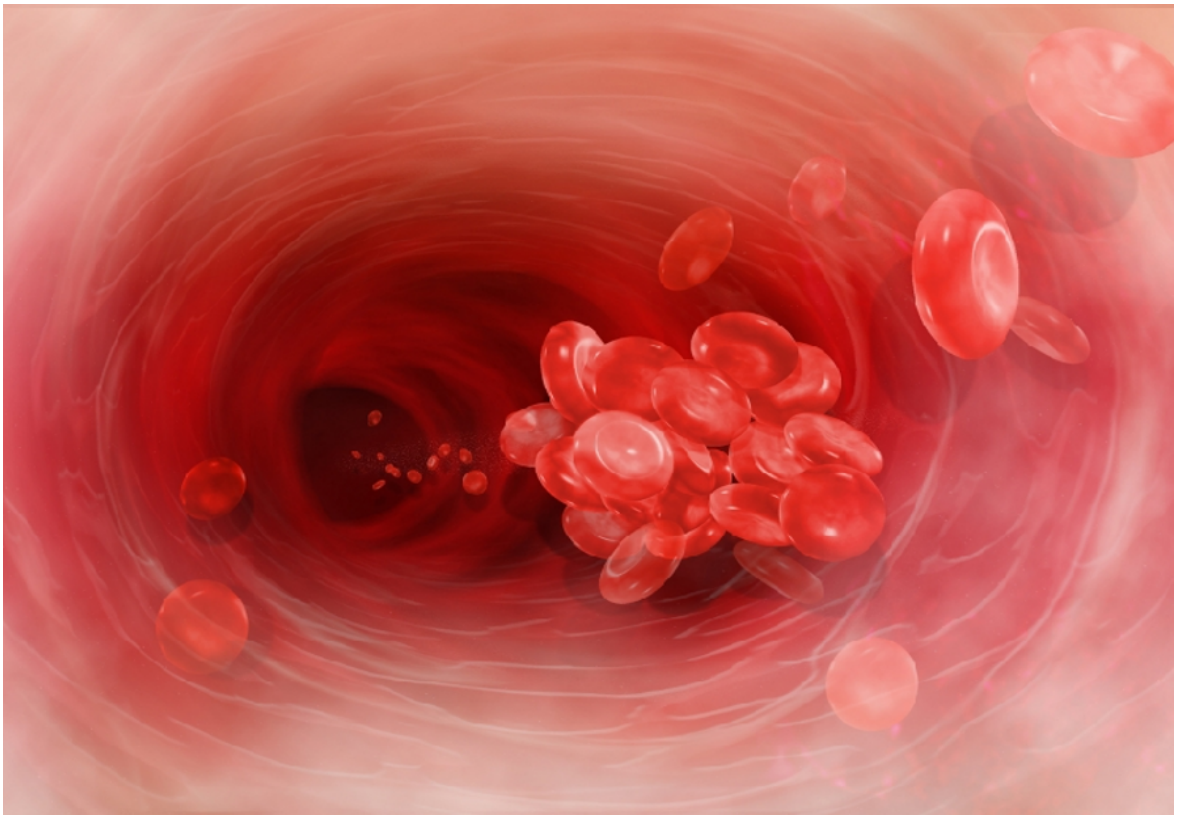
Cereno Scientific

Epigenetic Modulation for Cardiovascular Disease

Annual Report 2019



Corp. Reg. No. 556890–4071 | www.cerenoscientific.com | BioVentureHub Pepparedsleden 1, SE-431 83 Mölndal

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AGM

The Annual General Meeting will be held on 10 June at 11:00 in Gula salongen at the University of Gothenburg's premises at Universitetsplatsen 1, Gothenburg.

The right to attend the Annual General Meeting have shareholders, who are included in the share register kept by Euroclear Sweden AB on June 3, 2020, and not later than June 3, 2020, announce their participation to Cereno Scientific to participate in the Annual General Meeting. Notification of participation in the AGM must be made in writing with name, personal/organizational number, number of shares, address, e-mail address and telephone number to:

Cereno Scientific AB
BioVentureHub
Pepparedsleden 1
SE-431 83 Mölndal
Alternatively, via email: info@cerenoscientific.com

Financial information

Shareholders who have their shares registered through the bank's notary department or other nominee must, in order to be entitled to attend the meeting, temporarily register the shares in their own name. Such registration must be completed by 3 June, which means that shareholders must notify the trustee well in advance of this date.

Annual General Meeting: 10 June 2020
Interim Report, Q1 2020: 14 May 2020
Half-year Report, 2020: 28 August 2020
Interim Report, Q3: 19 November 2020

Cereno Scientific AB (publ), Corp. Reg. No. 556890–4071.

CEO Sten R. Sörensen comments

2019 was an important year for Cereno, highlighted by significant scientific, clinical and financial achievements. It is with immense satisfaction that I look back on the milestones that we achieved during a highly intensive year.

Advanced CS1 Program with Approval of Phase II Trial and Concluded Share Issue to Strengthen Financial Profile
In May 2019, we applied for authorization to perform our planned clinical phase II trial to evaluate CS1 as thromboprophylaxis in orthopedic surgery in Bulgaria and Russia. During the second half of the year, we achieved our most important milestone to date when we gained approval to initiate the study from ethical and regulatory authorities in both Bulgaria and Russia.

In June 2019, a successful share issue was concluded to strengthen the company's finances ahead of the upcoming phase II trial. The issue was oversubscribed and generated proceeds of MSEK 60.6 for the company before issue expenses.

Broadened Therapeutic Areas of Focus and Expanded Pipeline
In 2019, we broadened our focus area to include diseases that do not only involve the prevention of thrombosis, but also anti-inflammatory, anti-fibrotic and blood pressure-lowering characteristics. This constitutes an exciting opportunity for the development of our pipeline platform based on epigenetic modulation through HDAC inhibition (Histone DeACetylase inhibition). The broadened focus area enables the treatment of major cardiovascular disease groups, such as atrial fibrillation, stroke, and heart attack, as well as rare diseases related to pulmonary fibrosis, thrombosis, inflammation and high blood pressure within pulmonary circulation.

To investigate our broadened therapeutic areas, Cereno acquired two preclinical HDAC compounds, CS014, which was acquired from Emeriti Bio AB, and CS036, which was acquired from Inorbit Therapeutics AB. Cereno plans to continue to work on its preclinical programs in parallel with advancing its CS1 program.

Formed Scientific Advisory Board (SAB) with Thought Leaders in Cardiovascular Diseases
In March 2019, Cereno established its SAB, which comprises five world-leading researchers in the field of cardiovascular diseases. Our expanded future plans, with a broadened field of indication, have been developed in collaboration with our SAB. And recently, in April 2020, we also established a relationship with another leading international expert as a scientific advisor, Dr. Raymond L. Benza, Professor of Medicine and Director, Divison of Cardiovascular Medicine, at Ohio State University Wexner Medical Center in Columbus, USA.

Presented at Key International Conferences
Through our presence at several prestigious international conferences, we have expanded our network of world-leading researchers and potential financial and industrial partners. One of the highlights of 2019 was the award we received at the annual International Society on Thrombosis and Hemostasis 2019 Congress in Melbourne, Australia. Our co-founder Pia Larsson (PhD) presented our abstract A New Treatment for Thrombosis Prevention? in the form of a poster, which received a 'Top Poster' award.

At the end of 2019, we participated in the highly regarded 3rd Annual Anti-Fibrotic Drug Development Summit in Boston, the Global CardioVascular Clinical Trialists Forum in Washington, DC, and the Nordic-American Life Science Conference in New York. In both Boston and Washington DC, we presented our development concept based on epigenetic modulation through HDAC inhibition with possible treatment options for diseases related to fibrosis, inflammation and thrombosis that have been identified together with our SAB.

Recent 2020 Achievements and Looking Ahead
To continue our momentum from 2019, we have achieved several important milestones in 2020. In late Q1 2020, we were pleased to announce that the U.S. Food and Drug Administration (FDA) had granted orphan drug status for CS1 for the treatment of Pulmonary Arterial Hypertension (PAH). This enables us to conduct a clinical development program for the rare and serious disease PAH with the aim of helping a broader patient group that now includes patients with rare diseases.

Despite this favorable news, the CS1 program has been impacted by the COVID-19 global pandemic. The Phase II study, which was planned to initiate this year, has been paused, but we are continuing to prepare for the upcoming trial when we are able to safely initiate the study. We will also continue to work to define the

indications for our broadened pipeline and therapeutic areas of focus. The preclinical work remains ongoing with CS014 and CS036.

On the business front, we have recently expanded our footprint into the United States. In May 2020, we announced that we have established a US subsidiary with office space in Kendall Square in the Cambridge Innovation Center (CIC), in Cambridge, Boston, Massachusetts. The United States is the world's largest financial market and Cambridge, Boston, is considered to be one of the world's leading biotech hubs, providing us with great opportunities to scale up collaborations and networks with business partners and potential investors in the United States.

2020 plans to be another year of great growth for Cereno. We want to thank you, our shareholders, for your continued support of Cereno, and we look forward to updating you on our progress as the year continues to unfold.

Gothenburg, 14 May 2020
Sten R. Sörensen, CEO Cereno Scientific AB

About Cereno Scientific

• Thrombosis – causes the most deaths globally

Thrombosis-related disease (occluding blood clots) is the leading cause of illness and death worldwide. Myocardial infarction and stroke, which in most cases are caused by thrombosis, cause great suffering for the individual and high costs for society.

• Current treatments are inadequate – high risk of bleeding and suboptimal preventive effect

Blood-thinning medications are widely used today to prevent blood clots. They act by inhibiting coagulation or blood platelets. This treatment is associated with a relatively high risk for serious bleeding complications, resulting in insufficient prevention effect with current drugs, since the most effective doses cannot be used, or in some cases, treatment must be discontinued due to the risk of bleeding. This entails a high risk of new blood clots.

• Cereno Scientific works with the body's own intelligent blood clot-busting system to improve the preventive treatment of blood clots with reduced risk of bleeding side effects

Cereno Scientific's first drug candidate, CS1, is based on the body's own intelligent defence systems against blood clots. Cereno Scientific considers that the company's concept is unique because there are currently no clinical therapies that optimise the body's clot dissolving system (the fibrinolytic system) that is triggered when blood clotting (coagulation) begins after a vascular injury has occurred.

CS1 is expected to provide an opportunity for effective preventive treatment of blood clots and a lower risk of bleeding than is the case with today's treatments with blood-thinning drugs.

• Documented effect on risk markers for blood clots and proven preventive effect

CS1 has documented effect on risk markers in experimental studies and early human studies. Preventive effect against thrombosis has been demonstrated in *in vivo* studies in animals. Indication of clinical preventive effect against heart attacks and stroke has been shown in several large independent epidemiological studies. The first clinical study with CS1 showed positive results regarding safety, desirable pharmacokinetic properties and effect on a biomarker for the risk of thrombosis. Data shows that treatment with CS1 significantly lowers PAI-1 levels. PAI-1 is the factor that inhibits t-PA, which is the substance the body itself uses to dissolve blood clots.

• Expanded indication targets

Cereno Scientific has expanded its future plans through a possible broadening of indications and is evaluating the potential for epigenetic modulation in rare diseases related to pulmonary fibrosis, thrombosis, inflammation and high blood pressure in the pulmonary circulation. Cereno Scientifics aim is to form a platform of drug candidates that affects the field of epigenetic modulation through "HDAC inhibition" (Histone DeACetylase inhibition).

• Known substance that has been used for over 40 years in large patient populations indicates low development risk

CS1 is a new innovative formulation of a known substance that minimises the risk for unwanted side effects and indicates a relatively low development risk.

• Relatively short time to market and possible collaboration agreement with major pharmaceutical company

The company intends to seek collaboration agreements with major pharmaceutical companies for further development towards larger thrombosis prevention indications such as heart attack and stroke. In conjunction with the Phase II program, contacts with potential partners are expected to increase.

• Large market potential

CS1 has an intelligent mechanism with a possible broad indication window towards large thrombosis-related diseases, with long treatment times (preventive treatment) and therefore a large value and market potential. The company has an approved patent in the US and Australia for use of CS1. The approved patent provides Cereno Scientific with a platform for a significant market potential in the US, the world's largest drug market — a market that, for drug-related treatment of thrombosis alone, has estimated sales of approximately USD 10 billion annually and continues to grow. Furthermore, the FDA has granted the company's lead compound, CS1, orphan drug status for the indication Pulmonary Arterial Hypertension (PAH).

• HDAC inhibitor development program

Cereno Scientific has a preclinical HDAC inhibitor development program. In 2019, the compounds CS014 and CS036, were acquired from Emeriti Bio AB Inorbit Therapeutics AB. The acquisitions mean that Cereno Scientific has a portfolio of drug candidates with the potential for more indications in cardiovascular diseases.

Board of directors and management

Board of directors

Catharina Bäärnhielm
Chairman of the board
Chairman of the board of Cereno Scientific AB since November 2015

Björn Dahlöf – Board member
Board member of Cereno Scientific AB, since the start of the company in April 2012.

Jonas Faijerson Säljö - Board member
Board member of Cereno Scientific AB, since the start of the company in April 2012.

Sverker Jern – Board member
Board member of Cereno Scientific AB, since the start of the company in April 2012.

Anders Svensson – Board member
Board member of Cereno Scientific AB since October 2018.

Klementina Österberg - Board member
Board member of Cereno Scientific AB since August 2014 and CEO of GU Ventures.

Deputy board members

Niklas Bergh – Deputy board member
Deputy board member of Cereno Scientific AB since November 2015.

Jan Pilebjer – Deputy board member
Deputy board member of Cereno Scientific AB since June 2018.

Management

Sten R. Sörensen
Chief Executive Officer

Björn Dahlöf
Chief Medical Officer

Niklas Bergh
Chief Scientific Officer

Jonas Faijerson Säljö
Chief Intellectual Property Officer

Daniel Brodén
Chief Financial Officer

Jan-Peter Idström
Senior Director Development

Administration Report

The Board of Directors and the CEO of Cereno Scientific AB, (556890-4071, Gothenburg), hereby submit the Annual Report for the fiscal year 2019-01-01 - 2019-12-31. The Annual Report is prepared in Swedish kronor, SEK.

Operations

Cereno Scientific is developing a pipeline of preventive therapeutics that work through epigenetic modulation for cardiovascular diseases and rare diseases to meet significant unmet clinical needs. Cereno Scientifics aim is to form a platform of drug candidates that affects the field of epigenetic modulation through "HDAC inhibition" (Histone DeACetylase inhibition).

Cereno Scientific's first drug candidate, CS1, is expected to provide an opportunity for effective preventive treatment of blood clots and a lower risk of serious bleeding complications than today's treatments with blood-thinning drugs. CS1 is an innovative formulation of a known compound and, as such, is expected to have a relatively short development time. Cereno Scientific's concept is based on many years of research, and its effectiveness has been documented in experimental animal studies, clinical studies and epidemiological studies, the latter have seen a reduced risk of both heart attack and stroke. CS1 has a unique mechanism of action, a potentially wide range of indication opportunities connected to major thrombosis-related diseases and, consequently, a large market potential. Furthermore, Cereno Scientific has expanded its future plans for CS1 by increasing its potential target indications. In addition to the ability to prevent thrombosis, opportunities have been identified for CS1 to inhibit – or even reduce already established – fibrosis development. It opens up for additional benefits in cardiovascular indications such as atrial fibrillation, heart failure, chronic kidney damage and a number of rare thrombosis diseases with significant development of fibrosis. The FDA has granted ODD for the indication Pulmonary Arterial Hypertension (PAH) to the company's lead compund CS1. Cereno Scientific also has a preclinical HDAC inhibitor development program. The company is headquartered and operates in AstraZeneca's BioVentureHub. For more information, see www.cerenoscientific.com.

Summary

Cereno Scientific Group

(2019-12-20 – 2019-12-31)

- Net sales were 0 SEK.
- Loss after financial items was SEK -1 043 828.
- Loss per share was SEK -0,03 before dilution and SEK -0,02 after dilution*.
- The equity/assets ratio was 93,1 %.

Parent company

Twelve months (2019-01-01 – 2019-12-31)

- Net sales were SEK 0 (0).
- Loss after financial items was SEK -15 279 801 (-11 838 887).
- Loss per share was SEK -0,38 SEK (-0,81) before dilution and SEK -0,36 (-0,54) after dilution*.
- The equity/assets ratio was 93,1 % (63,5 %).

Amounts in parentheses: Prior year comparative period.
Equity/assets ratio: Shareholders' equity divided by total assets.
Earnings per share: Profit/loss for the period divided by 40 219 312 shares as of 31 Dec 2019 and 14 647 970 shares as of 31 Mar 2018.
**Diluted earnings per share: Profit/loss for the period divided by shares outstanding and warrants as of the balance sheet date, 31 Dec 2019 and 31 Dec 2018, respectively.*

Significant events during 2019

First quarter

- On 4 January 2019, Cereno Scientific requested the seventh tranche of convertible bonds with warrants attached to European High Growth Opportunities Securitization Fund which amounted to SEK 3,500,000.
- On 9 January 2019, Cereno Scientific received notification from European High Growth Opportunities Securitization Fund regarding conversion of convertible bonds into 533,333 class B shares in Cereno, corresponding to SEK 800,000 of the convertible loan. The conversion price per share amounted to SEK 1.50.
- On 17 January 2019, Cereno Scientific received notification from European High Growth Opportunities Securitization Fund regarding conversion of convertible bonds into 666,666 class B shares in Cereno, corresponding to SEK 800,000 of the convertible loan. The conversion price per share amounted to SEK 1.20.
- On 18 January 2019, the Board of Directors of Cereno Scientific decided to recall the latest tranche with associated warrants that the company issued on 4 January 2019 and to pause until further notice the call-down of new convertible bonds in the funding solution the company entered into with the European High Growth Opportunities Securitization Fund.
- On 22 January 2019, Cereno Scientific received notification from European High Growth Opportunities Securitization Fund regarding conversion of convertible bonds into 3,333,333 class B shares in Cereno, corresponding to SEK 4,000,000 of the convertible loan. The conversion price per share amounted to SEK 1.20. EHGOSF still has the right, according to the agreement, to convert the outstanding convertible loan into shares. After the conversion, SEK 5,200,000 remains of the convertible loan.
- On 1 Mars 2019, Cereno Scientific announced that the company has decided to completely end the financing solution the company entered into with European High Growth Opportunities Securitization Fund.
- On 6 March 2019, Cereno Scientific announced that the company will repay SEK 2,600,000 of the convertible loan to the European High Growth Opportunities Securitization Fund in cash instead of issuing new shares.
- On 7 Mars 2019 Cereno Scientific announced that the Company has received a new granted patent in Australia. The patent broadens the protection for the use of the drug candidate, CS1, in an important market for the company.
- On 11 Mars 2019 Cereno Scientific announced the establishment of a Scientific Advisory Board, whose purpose is to strengthen the transfer of knowledge from academic research into a business environment. Dr. Bertram Pitt, Honorary Professor Emeritus at the University of Michigan School of Medicine with long-standing experience and a strong reputation in the field of cardiovascular diseases, has accepted the offer to become the chair of the board.
- On 13 Mars 2019 Cereno Scientific announced that the Company has signed an agreement with Emeriti Bio AB regarding the acquisition of the compound CS014. The compound has innovative properties and will expand Cereno Scientific's pipeline product portfolio in cardiovascular diseases.
- On 18 Mars 2019 Cereno Scientific announced that the Company has recruited Dr Gordon H Williams, a Professor of Medicine at Harvard Medical School, as a new member of the Scientific Advisory Board.
- On 22 Mars 2019 Cereno Scientific announced that the Company repays the remaining convertible loan of SEK 2,600,000 to European High Growth Opportunities Securitization Fund in cash instead of issuing new shares. After the repayment, there are no longer any outstanding convertible loans left.

Second quarter

- On 2 April 2019, Cereno Scientific announced that the company was continuing to strengthen its clinical expertise by recruiting three leading international experts in cardiology to its Scientific Advisory Board. The Scientific Advisory Board will bring world-leading expertise and experience in planning and conducting clinical studies. The new members are Dr Deepak Bhatt from Harvard Medical School, Dr Faiez Zannad from the Université de Lorraine and director of the department of heart failure, high blood pressure and preventive cardiology at Centre Hospitalier Universitaire de Nancy, and Dr Gunnar Olsson who worked as a senior executive at AstraZeneca for over 20 years. The Board is led by chairman Dr Bertram Pitt from the University of Michigan School of Medicine, and Dr Gordon H Williams of Harvard Medical School has also been a member since early on.
- On 12 April 2019, Cereno Scientific announced the company's resolution to issue shares in a partially guaranteed preferential issue of approximately SEK 55,600,000, with preferential rights for the company's existing shareholders, contingent on the Extraordinary General Meeting's subsequent approval and resolution on changing the Company's Articles of Association regarding the number of shares and share capital. The company also announced it had entered into an agreement regarding a contracted bridge loan of SEK 12,000,000 to safeguard its short-term operating capital requirement.
- On 3 May, Cereno Scientific announced the appointment of Daniel Brodén as the new Chief Financial Officer. Daniel Brodén had been the acting CFO since May 2018 and had been working for Cereno Scientific as a consultant.
- On 7 May 2019, it was announced that Cereno Scientific had submitted a patent application for its CS014 compound with the intent of strengthening and expanding the company's product portfolio.
- An Extraordinary General Meeting of Cereno Scientific was held on 15 May 2019. The Meeting resolved, in accordance with the proposal from the Board of Directors, to adopt new Articles of Association with amended limits for share capital and the number of shares. The Meeting resolved to approve the Board's decision on a new issue with preferential rights for existing shareholders. Additionally, the Meeting resolved in accordance with the Board's proposal to authorise the Board of Directors, without preferential rights for shareholders, to make decisions on increasing the company's share capital through the new issue of Class B shares, meaning the company's share capital may increase by no more than SEK 172,413.70, corresponding to no more than 1,724,137 new Class B shares.
- On 22 May, Cereno Scientific announced that the company had submitted an application for clinical testing to the government agencies in Russia regarding the company's Phase II study with the drug candidate CS1.
- On 24 May, Cereno Scientific announced that the company, through its Scientific Advisory Board, had identified that the company's treatment concept for cardiovascular diseases had the potential to inhibit, or even prevent, the progression of fibrosis. The company can thus expand the field of indication for its treatment concept with its drug candidates CS1 and CS014. This potential expansion of indication could result in a significantly larger market potential than the company has previously communicated.
- On 31 May, Cereno Scientific announced that the company had submitted an application to the government agencies in Bulgaria regarding the company's clinical Phase II study with the drug candidate CS1.
- On 13 June, Cereno Scientific announced that the company had completed the preferential issue of Class B shares for SEK 55.6 million, which was announced on 12 April and approved at an Extraordinary General Meeting on 15 May. Total subscription to the preferential issue was 109.5%, of which approximately 61.1% was subscribed using subscription rights. The preferential issue generated approximately SEK 55.6 million in proceeds before issue expenses for the company. The overallotment issue was 100% utilised, thus generating approximately SEK 5 million in proceeds before issue expenses for the company. Issue expenses totalled approximately SEK 11 million, including remuneration to the guarantors.

- On 28 June, Cereno Scientific announced that the company, in conjunction with the preferential issue, the outcome of which was announced on 13 June, would be carrying out a private placement of 132,571 Class B shares in total with a subscription price of SEK 3.15 per share, in accordance with a guarantee agreement, for the guarantors of the preferential issue who had chosen to receive guarantee remuneration in the form of shares.

Third quarter

- On 5 July 2019, Cereno Scientific announced the registration of the rights issue and over-allotment issue, which provided the company SEK 60,6 million before issue costs. At the beginning of the quarter, a directed issue to the underwriters of the Rights Issue who have chosen to receive their underwriting remuneration in the form of shares was carried out and registered. In total, 132,571 shares of series B were issued to the underwriters.
- On 11 July, Cereno Scientific announced that the company recently participated at ISTH in Melbourne, Australia. The company's co-founder Pia Larsson, PhD presented Cereno's positive phase I results in the form of a poster, which received the award "Top Poster Winner".
- On 29 July, Cereno Scientific announced the publication of the company's article "A First in Class Treatment for Thrombosis Prevention. A Phase I Study With CS1, a New Controlled Release Formulation of Sodium Valproate" in the Journal of Cardiology and Vascular Medicine.
- On 28 August, the company announced that the Extraordinary General Meeting resolved unanimously on the proposal of the Board to issue at most 650,000 warrants to key persons, executive Board members and deputy Board members. Each warrant bears the right to a new subscription of 1 Class B share in the company during the period from 1 April 2023 to 31 October 2023. The subscription price is SEK 15.26 per share.
- On 6 September, the Board of Directors of Cereno Scientific resolved to issue at most 300,000 warrants to members of the company's Scientific Advisory Board. Each warrant bears the right to a new subscription of 1 Class B share in the company during the period from 1 April 2023 to 31 October 2023. The subscription price is SEK 15.26 per share.
- On 26 September, Cereno Scientific announced that the authorities in Russia have issued approval regarding the company's application to initiate a Phase II clinical trial with the drug candidate CS1. The company intends to start the study the first half of 2020 with the intention of demonstrating CS1's preventative effect against the formation of blood clots after orthopedic surgery.

Fourth quarter

- On 19 November, Cereno Scientific announced that the authorities in Bulgaria have issued approval regarding the company's application to initiate a Phase II clinical trial with the drug candidate CS1. The company intends to start the study at mid-year 2020 with the intention of demonstrating CS1's preventative effect against the formation of blood clots after orthopedic surgery. The study will be conducted in both Bulgaria and Russia, and the company has previously been granted to start the study in Russia.
- On 10 December, Cereno Scientific announced that the company has signed an agreement with Inorbit Therapeutics AB regarding the acquisition of a new compound in preclinical phase. The compound CS036 provides a further extension of Cereno Scientific's portfolio in cardiovascular diseases.

Significant events after the end of the fiscal period

- On 10 March 2020, Cereno Scientific announced that the U.S. Food and Drug Administration (FDA) has granted Orphan Drug Designation to the company's lead compound CS1, for the treatment of Pulmonary Arterial Hypertension (PAH).
- Due to the global spread of the Sars-cov-2 virus Cereno Scientific announced on 30 March 2020, that the company will postpone the planned Phase II clinical trial with the company's lead compound CS1. The start of the study was previously planned for mid-year 2020. Cereno Scientific is adjusting planned activities to start by the end of the year, but is prepared for further adjustments if needed, due to the uncertainty of the further development of the pandemic.
- Cereno Scientific announced on 2 April 2020, that the company is strengthening its clinical expertise by recruiting Dr. Raymond L. Benza, Professor of Medicine and Director, Division of Cardiovascular Medicine, at the Ohio State University Wexner Medical Center in Columbus, USA, as Scientific Advisor to the company.
- Cereno Scientific announced on 13 May 2020, that the company has expanded its global footprint by establishing a subsidiary with new office space located in Kendall Square at the Cambridge Innovation Center (CIC), Cambridge, Boston, Massachusetts.

Company structure and shareholding

On December 20, 2019, a US subsidiary, Cereno Scientific Inc. was formed. The company is a wholly owned subsidiary of Cereno Scientific AB. In 2019, no operations were conducted in the subsidiary.

Company share

Cereno Scientific's B shares were listed on Spotlight Stock Market on 22 June 2016. Spotlight Stock Market is an affiliate of ATS Finance AB, which is a securities company under the supervision of Finansinspektionen, the Swedish financial supervisory authority. Spotlight Stock Market operates a multilateral trading facility (MTF), which is not a regulated market. On 31 March 2020, share capital was divided across 40,219,312 shares. The company has two classes of shares (of which 722,248 Class A shares). The Class A share carries the right to ten (10) votes per share. Each Class B share carries the right to one (1) vote per share. Each share gives equal rights to the company's assets and earnings. The quote value (share capital divided by number of shares) amounts to SEK 0.10.

Warrants of series 2016/2019

At the Annual General Meeting on 29 January 2016, it was resolved to issue 325,289 warrants (series 2016/2019) through a private placement, thus entitling to a subscription of 325,289 Class B shares. During the third quarter of 2017, the company repurchased 65,058 warrants at the issue price. The repurchased warrants have been cancelled; of the original 325,289 warrants, 260,231 now remain. After the completed preferential issue in June 2019, the restated number of shares that the options give entitlement to is 275,736 and the restated subscription price is SEK 5.66. The warrants can be used for subscribing Class B shares during the period 1 March 2019 – 1 December 2020. For information regarding holders of warrants, refer to the Listing Memorandum.

Warrants of convertible loans

The financing agreement concluded with the European High Growth Opportunities Securitization Fund on 1 March 2019 and consisted of convertible loans and associated warrants. The company no longer has any outstanding convertible loans. The number of warrants outstanding at the balance sheet date, 31 Dec 2019, was 2,247,569. After the completed preferential issue in June 2019, the restated number of shares that the options give entitlement to is 2,270,044. Of the warrants, 1,142,306 have a maturity of five years from the respective registration dates, with subscription prices between SEK 3.60 and 8.40. The 1,105,263 warrants issued on 1 March 2019 have a subscription price of SEK 1.90 and a maturity of six years, with a lock-up period during the first year in which the options may not be sold or utilised.

Warrants of series OP 2018/2022

The Extraordinary General Meeting on 23 October 2018 resolved to issue 647,256 warrants and/or employee warrants (series OP 2018/2022) entitled to subscription of 647,256 Class B shares. 323,628 warrants and/or employee warrants have a subscription price of SEK 15.00 per warrant, and 323,628 of the warrants and/or employee warrants have a subscription price of SEK 30.00 per warrant. 617,256 warrants were cancelled in the second quarter of 2019 at no cost to the company, after which 30,000 warrants are outstanding. After the completed preferential issue in June 2019, the restated number of shares that the options give entitlement to is 31,787. Of the 30,000 warrants outstanding, 15,000 now have a restated subscription price of SEK 14.16 and 15,000 have a restated subscription price of SEK 28.31. The warrants can be used for subscribing Class B shares during the period 24 July 2022 – 23 October 2022.

Warrants of series 2019/2023 N01 and series 2019/2023 S01

The Extraordinary General Meeting on 28 August 2019 resolved to issue 650,000 warrants, of which 450,000 relate to key persons (series 2019/2023 N01) and 200,000 relate to operational Board members (series 2019/2023 S01), giving an entitlement to subscribe for a total of 650,000 class B shares. The warrants have a subscription price of SEK 15.26 per warrant, and can be used for subscribing for Class B shares during the period 1 April – 31 October 2023.

Warrants of series 2019/2023 SAB01

On 6 September 2019, the Board of Directors of Cereno Scientific resolved to issue at most 300,000 warrants to members of the company's Scientific Advisory Board (series 2019/2023 SAB01). Each warrant bears the right to a new subscription of 1 Class B share in the company during the period from 1 April 2023 to 31 October 2023. The subscription price is SEK 15.26 per share.

The five largest shareholders as of 31 Dec 2019

Name	Capital	Votes
• Sverker Jern (privately and through companies):	3,04%	7,10%
• Niklas Bergh (privately and through companies):	2,97%	6,99%
• Avanza Pension:	5,46%	4,70%
• Jonas Faijerson Säljö (privately and through companies):	2,17%	4,47%
• Björn Dahlöf (privately and through companies):	2,38%	4,44%

AGM

The Annual General Meeting will be held on 10 June at 11:00 in Gula salongen at the University of Gothenburg's premises at Universitetsplatsen 1, Gothenburg.

Risk factors

A number of risk factors can have a negative impact on Cereno Scientific's operations. It is therefore of great importance to take into account relevant risks in addition to the company's growth opportunities. These risks are described without mutual arrangement and without claims to be comprehensive in the company's prospectus issued in connection with the rights issue in May 2019 and which can be read on the Company's website.

Upcoming financial reports

Interim Report, Q1 2020	14 May 2020
Half-year Report, 2020	28 August 2020
Interim Report, Q3 2020	19 November 2020

The Board of Directors and CEO certify that this Annual Report provides a true and fair view of the company’s operations.

Development of the company's operations, profit/loss and position

(SEK)	31 Dec 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016	31 Aug 2015
Net sales	-	-	-	-	-
Loss after financial items	-15,279,801	-11,838,887	-4,600,804	-6,051,347	-24,490
Total assets	64,060,123	36,836,765	25,759,479	30,474,886	1,703,769
Equity/assets ratio %	93,1	63,5	91,3	92,4	44,1

Parent Company – Condensed change in equity

2019-01-01 - 2019-12-31	Share capital	Fund for development expenses	Share premium reserve	Retained earnings	Net loss for the year
At start of the year	1,464,797	20,228 580	11,334,253	2,203,254	-11,838,887
Allocation in accordance with AGM resolution			-11,334,253	-504,634	11,838,887
New share issue through loan conversion	453,333		5,146,667		
Deficit in the exercise of conversion rights				-4,120,652	
Warrants				375 510	
Rights issue	2,103,801		58,939,572		
Issue costs			-11,360,865		
Redistribution in equity		10,869,705		-10,869,705	
Loss for the year					-15,279,801
At the end of the year	**4,021,931**	**31,098,285**	**52,725,374**	**-12,916,227**	**15,279,801**

Proposed disposition of the company's profit or loss

The Board of Directors and the CEO propose that available profits, SEK 24,529,346, be disposed of as follows:

Share premium reserve	52,725,374
Retained earnings	-12,916,227
Profit/loss for the year	-15,279,801
Amount	24,529,346
Retained in new account	24,529,346
Amount	24,529,346

Regarding the company's profit/loss and position in general, reference is made to subsequent income statements and balance sheets with accompanying notes.

Consolidated income statement

(SEK)	Note	20 Dec 2019 31 Dec 2019
Net sales		-
Capitalised work for own account		187,544
		187,544
Operating expenses		
Other external costs	3	-990,364
Personnel costs	4	-238,987
Operating loss		**-1,041,807**
Loss from financial items		
Interest expense		-2,021
Loss after financial items		**-1,043,828**
Loss before tax		**-1,043,828**
Tax on profit for the year	5	-
Loss for the year		**-1,043,828**

Consolidated balance sheet

(SEK)	Note	31 Dec 2019
ASSETS		
Fixed assets		
Intangible assets		
Capitalised expenditures for development activities	6	31,438,808
Patents, trademarks, licenses and similar rights	7	4,981,277
		36,420,085
Tangible assets		
Fixtures, tools and installations	8	65,390
		65,390
Total fixed assets		**36,485,475**
Current assets		
Current receivables		
Other receivables		1,008,819
Prepaid expenses and accrued income		465,339
		1,474,158
Cash and bank balance		***26,099,549***
Total current assets		**27,573,707**
TOTAL ASSETS		**64,059,182**

Consolidated balance sheet, continued

(SEK)	Note	31 Dec 2019
EQUITY AND LIABILITIES		
Equity		
Share capital		4,021,931
Other contributed capital		52,725,374
Other capital including loss for the year		2,902,257
Equity attributed to the Parent Company's shareholders		**59,649,562**
Holdings without controlling influence		-
Total equity		**59,649,562**
Long-term liabilities		
Other liabilities to credit institutions	10	400,000
		400,000
Current liabilities		
Accounts payable		2,489,039
Other liabilities		93,141
Accrued expenses and deferred income		1,427,440
		4,009,620
TOTAL EQUITY AND LIABILITIES		**64,059,182**

Consolidated cash flow statement

(SEK)	Note	20 Dec 2019 31 Dec 2019
OPERATING ACTIVITIES		
Loss after financial items		-1,043,828
Cash flow from operating activities before changes in working capital		**-1,043,828**
Cash flow from changes in working capital		
Increase (-)/Decrease (+) in operating receivables		-661,012
Increase (+)/Decrease (-) in operating liabilities		926,457
Cash flow from operating activities		**-778,383**
Investment		
Acquisition of intangible assets		-349,993
Cash flow from investing activities		**-349,993**
Financing activities		
		-
Cash flow from financing activities		**0**
Cash flow for the period		**-1,128,376**
Cash and cash equivalents at start of period		**27,227,925**
Cash and cash equivalents at end of period		**26,099,549**

Parent Company's condensed income statement

(SEK)	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
Net sales		-	-
Capitalised work for own account		10,869,705	6,785,733
Other operating income	2	125,862	145,889
		10,995,567	**6,931,622**
Operating expenses			
Other external costs	3	-23,161,120	-15,763,255
Personnel costs	4	-942,954	-855,165
Operating loss		**-13,108,507**	**-9,686,798**
Loss from financial items			
Interest expenses and similar expenses		-2,171,294	-2,152,089
Loss after financial items		**-15,279,801**	**-11,838,887**
Loss before tax		**-15,279,801**	**-11,838,887**
Tax on profit for the year	5	**-**	**-**
Loss for the period		**-15,279,801**	**-11,838,887**

Parent Company's condensed balance sheet

(SEK)	Note	31 Dec 2019	31 Dec 2018
ASSETS			
Fixed assets			
Intangible assets			
Capitalised expenditures for development activities	6	31,438,808	20,569,104
Patents, trademarks, licenses and similar rights	7	4,981,277	3,886,587
		36,420,085	**24,455,691**
Tangible assets			
Fixtures, tools and installations	8	65,390	-
		65,390	**0**
Financial assets			
Shares in Group Company	9	941	-
		941	**0**
Total fixed assets		**36,486,416**	**24,455,691**
Current assets			
Current receivables			
Other receivables		1,008,819	1,015,973
Prepaid expenses and accrued income		465,339	127,960
		1,474,158	**1,143,933**
Cash and bank balance		***26,099,549***	***11,237,141***
Total current assets		**27,573,707**	**12,381,074**
TOTAL ASSETS		**64,060,123**	**36,836,765**

Parent Company's condensed balance sheet, continued

(SEK)	Note	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		4,021,931	1,464,797
Fund for development expenses		31,098,285	20,228,580
		35,120,216	**21,693,377**
Non-restricted equity			
Share premium reserve		52,725,374	11,334,253
Retained earnings		-12,916,227	2,203,254
Profit/loss for the year		-15,279,801	-11,838,887
		24,529,346	**1,698,620**
Total equity		**59,649,562**	**23,391,997**
Long-term liabilities			
Other liabilities to credit institutions	10	400,000	400,000
		400,000	**400,000**
Current liabilities			
Accounts payable		2,489,039	1,521,672
Convertible loan		-	9,550,404
Other liabilities		94,082	-
Accrued expenses and deferred income		1,427,440	1,972,692
		4,010,561	**13,044,768**
TOTAL EQUITY AND LIABILITIES		**64,060,123**	**36,836,765**

Parent Company's condensed cash flow statement

(SEK)	Note	1 Jan 2019 31 Dec 2019	1 Jan 2018 31 Dec 2018
OPERATING ACTIVITIES			
Loss after financial items		-15,279,801	-11,838,887
Adjustments for items not included in the cash flow			
Accrued expenses for borrowings		1,249,596	2,145,404
Share issue through conversion of loans		5,600,000	-
Deficit in resolve of conversion rights		-4,120,651	-
New share issue through offset liability		491,399	-
		-12,059,457	**-9,693,483**
Cash flow from operating activities before changes in working capital		**-12,059,457**	**-9,693,483**
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-330,225	-735,558
Increase (+)/Decrease (-) in operating liabilities		-9,034,207	1,665,768
Cash flow from operating activities		**-21,423,889**	**-8,763,273**
Investment			
Acquisition of intangible assets		-11,964,395	-7,743,444
Acquisition of tangible assets		-65,390	-
Acquisition of financial assets		-941	-
Cash flow from investing activities		**-12,030,726**	**-7,743,444**
Financing activities			
New share issue		60,551,974	-
Issue expenses		-11,360,865	-
Warrants issued		375,510	-
Borrowings		12,000,000	-
Amortisation of loans		-12,000,000	-
Convertible loans		-	22,500,000
Costs associated with convertible loans		-1,249,596	-3,395,000
Cash flow from financing activities		**48,317,023**	**19,105,000**
Cash flow for the period		**14,862,408**	**2,598,283**
Cash and cash equivalents at start of period		**11,237,141**	**8,638,858**
Cash and cash equivalents at end of period		**26,099,549**	**11,237,141**

Accounting policies and notes

Note 1 Accounting policies

Amounts in SEK unless otherwise indicated.

This Annual Report has been prepared in accordance with the Annual Accounts Act and the Swedish Accounting Standards Board BFNAR 2012:1 Annual Report and Consolidated Accounts (K3).

The accounting policies are unchanged from the previous year.

Assets, provisions and liabilities have been measured at cost unless otherwise indicated below.

Consolidated financial statement

Subsidiaries

Subsidiaries are companies in which the Parent Company directly or indirectly holds more than 50 per cent of the voting rights or otherwise exercises a controlling interest. A controlling interest entails the right to design a company's financial and operational strategies for the purpose of obtaining financial benefit. The recognition of business acquisitions is based on the economic entity approach, which means that an acquisition analysis is prepared as of the point in time when the acquirer obtains a controlling interest. As of that point in time, the acquirer and the entity acquired are regarded as a single economic entity. Furthermore, the application of the economic entity approach means that all assets (including goodwill) and liabilities, as well as revenue and costs, are taken into account in their entirety, even for partially owned subsidiaries.

The cost of subsidiaries is calculated as the sum of fair value on the acquisition date for assets paid for plus liabilities that have arisen or were taken over, as well as equity instruments issued, expenditures directly attributable to the business acquisition and any purchase considerations. The acquisition analysis establishes the fair value on the acquisition date, with a few exceptions, of identifiable assets acquired and liabilities taken over as well as minority interests. Minority interests are measured at fair value on the acquisition date. As of the acquisition date, the consolidated financial statement includes the company's revenue and costs, identifiable assets and liabilities, and any goodwill or negative goodwill that has arisen.

Elimination of intra-Group transactions

Intra-Group receivables and liabilities, revenue and costs, and unrealised gains or losses that arise in conjunction with intra-Group transactions are eliminated in their entirety. Unrealised losses are eliminated in the same manner as unrealised gains, but only to the extent that there is no indication of a need for impairment.

Intangible fixed assets

Intangible fixed assets are recognised at cost less accumulated amortisations and impairments. In addition to the purchase price, the costs includes expenditures directly attributable to the acquisition.

Research and development expenditures

When recognising expenditures for development, the capitalisation model is applied. This means that expenses that arose during the development phase are recognised as assets when all the conditions below have been met:

- Completion of the intangible fixed asset is possible so that it can be used or sold.
- The intent is to complete the intangible fixed asset, either to use it or to sell it.
- The conditions exists to use or sell the intangible fixed asset.
- It is probably that the intangible fixed asset will generate future financial benefit.
- The necessary technological, financial and other resources are adequate for completing development and for using or selling the intangible fixed asset.
- The expenditures attributable to the intangible fixed asset can reliably be calculated.

Amortisations

The asset is amortised on a straight-line basis over its estimated useful life. The amortisation is recognised as a cost in profit or loss. No intangible assets were amortised during the year. Amortisations will take place when the products are commercialised.

Impairments

At every balance sheet date, the asset is assessed to determine whether there is any indication that its value is less than its carrying amount. If there is such an indication, the recoverable amount of the asset is calculated.

The recoverable amount is the higher of fair value less selling costs and value in use. Calculation of value in use estimates the present value of future cash flows that the asset is expected to give rise to in operating activities, and when it is sold or disposed of. The discount rate used is before tax, and reflects the market assessments of the time value of the money and the risks pertaining to the asset. A prior impairment is cancelled only if the reasons that formed the basis for calculating the recoverable amount at the most recent impairment have changed.

Tangible fixed assets

Tangible fixed assets are recognised at cost less accumulated depreciation and impairments. In addition to the purchase price, the costs includes expenditures directly attributable to the acquisition.

Depreciation

The asset is depreciated on a straight-line basis over its estimated useful life, since this reflects the expected use of the asset's future financial benefit. The depreciation is recognised as a cost in profit or loss.

The estimated residual value, established at the time of purchase at the price level then prevailing, is taken into account.

	Useful life
Equipment, tools, fixtures and fittings	5 years

Leases (lessees)

All leases have been classified as finance or operating leases. A finance lease is a lease under which the risks and benefits associated with owning an asset are essentially transferred from the lessor to the lessee. An operating lease is a lease that is not a finance lease.

Finance leases

Rights and obligations under finance leases are recognised as assets and liabilities in the balance sheet. At initial recognition, the asset and liability are measured at the lesser of the asset's fair value and the present value of the minimum lease payments. Expenditures directly attributable to signing and arranging the lease are added to the amount recognised as an asset.

Operating leases

Lease payments under operating leases, including increased initial rent but excluding expenditures for services such as insurance and maintenance, are recognised as a cost on a straight-line bases over the term of the lease.

Foreign currency

Monetary items in foreign currency are restated at the exchange rate on the balance sheet date. Non-monetary items are not restated, but are recognised at the exchange rate on the date of purchase.

Exchange rate differences arising from the settlement or restatement of monetary items are recognised in profit or loss for the financial year in which they occur.

Financial assets and liabilities

Financial assets and liabilities are recognised in accordance with Chapter 11 (Financial instruments measured on the basis of cost) of BFNAR 2012:1.

On initial recognition, financial assets are measured at cost including any transaction expenditures directly attributable to the acquisition of the asset.

Non-current financial liabilities are recognised at amortised cost. Expenditures directly attributable to raising loans have adjusted the cost of the loan.

Convertible loans

Outstanding convertible loans are recognised at amortised cost. The costs for loans raised are recognised as an adjustment of the cost of the loan and are allocated over the term of the convertible loan.

Government grants

A government grant that is not linked with requirements for future performance is recognised as revenue when the conditions for winning the assignment have been met.

A government grant that is linked with requirements for future performance is recognised as revenue when performance is complete. If the grant has been received before the conditions for reporting it as revenue are met, the grant is recognised as a liability.

A government grant attributable to the acquisition of a fixed asset is recognised as a reduction in the cost of the asset.

Note 2 Other operating income

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Vinnova grant	–	–	125,862	145,889
Total	**0**	**0**	**125,862**	**145,889**

Note 3 Operating leases (lessees)

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Rent for premises	-2,825	–	95,277	52,072
Total	**-2,825**	**0**	**95,277**	**52,072**

Future rent for premises totals SEK 181,700 per year.

Note 4 Employees

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Average no. employees	1	–	1	1
Total	**1**	**0**	**1**	**1**

Note 5 Tax on profit for the year

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Total unutilised taxable loss carryforwards	-37,983,645	–	-37,983,645	-22,756,422
Total	**-37,983,645**	**0**	**-37,983,645**	**-22,756,422**

Deferred tax assets on the taxable loss carryforward are not recognised, based on the precautionary principle.

Note 6	Capitalised expenditures for development activities	Group		Parent Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Opening cost	31,251,264	–	20,569,104	14,199,969
	Capitalisation for the year	187,544	–	10,869,704	6,785,733
	Less grant-financed capitalisation	–	–	–	-416,598
	Closing carrying amount	**31,438,808**	**0**	**31,438,808**	**20,569,104**

Note 7	Patents		Group	Parent Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Opening cost	4,818,828	–	3,886,587	2,512,277
	New purchases	162,449	–	1,094,690	1,374,310
	Closing carrying amount	**4,981,277**	**0**	**4,981,277**	**3,886,587**

Note 8	Equipment, tools and installations	Group		Parent Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Opening cost	–	–	–	–
	Purchases	65,390	–	65,390	–
	Closing accumulated costs	**65,390**	**0**	**65,390**	**0**
	Opening depreciation	–	–	–	–
	Depreciation for the year	–	–	–	–
	Closing accumulated depreciation	**0**	**0**	**0**	**0**
	Closing carrying amount	**65,390**	**0**	**65,390**	**0**

Note 9	Shares and participations in Group companies	Parent Company 31 Dec 2019	31 Dec 2018
	Opening cost	–	–
	Purchases	941	–
	Closing accumulated costs	**941**	**0**
	Closing carrying amount	**941**	**0**

Information on the corporate identity numbers and domiciles of subsidiaries is indicated below.

Company, corp. ID no., domicile	Number of shares	Participation (%)	Carrying amount
Cereno Scientific Inc., 32-0618732, Cambridge, MA, USA	100	100	941

Pertains to owner share of capital, which also corresponds with the share of votes for the total number of shares.

Note 10	Non-current liabilities	Group		Parent Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Swedish Agency for Economic and Regional Growth	400,000	–	400,000	400,000
	Total	**400,000**	**0**	**400,000**	**400,000**

The loan is a conditional loan, and no amortisation plan exists. The obligation to repay the loan arises only in conjunction with the project reaching the commercial phase and generating revenue.

Note 11	Securities pledged and contingent liabilities	Group		Parent Company	
		31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	Securities pledged	None	–	None	None
	Contingent liabilities	None	–	None	None

Note 12 Significant events after the end of the fiscal period

- On 10 March 2020, Cereno Scientific announced that the U.S. Food and Drug Administration (FDA) has granted Orphan Drug Designation to the company's lead compound CS1, for the treatment of Pulmonary Arterial Hypertension (PAH).
- Due to the global spread of the Sars-cov-2 virus Cereno Scientific announced on 30 March 2020, that the company will postpone the planned Phase II clinical trial with the company's lead compound CS1. The start of the study was previously planned for mid-year 2020. Cereno Scientific is adjusting planned activities to start by the end of the year, but is prepared for further adjustments if needed, due to the uncertainty of the further development of the pandemic.
- Cereno Scientific announced on 2 April 2020, that the company is strengthening its clinical expertise by recruiting Dr. Raymond L. Benza, Professor of Medicine and Director, Division of Cardiovascular Medicine, at the Ohio State University Wexner Medical Center in Columbus, USA, as Scientific Advisor to the company.
- Cereno Scientific announced on 13 May 2020, that the company has expanded its global footprint by establishing a subsidiary with new office space located in Kendall Square at the Cambridge Innovation Center (CIC), Cambridge, Boston, Massachusetts.

Signatures

Gothenburg in May 2020

Catharina Bäärnhielm	Björn Dahlöf	Anders Svensson
Chairman of the board	Board member	Board member
Jonas Faijerson Säljö	Klementina Österberg	Sverker Jern
Board member	Board member	Board member

Sten R. Sörensen
Chief Executive Officer

Our Audit Report has been submitted in May 2020
Frejs Revisorer AB

Mikael Glimstedt
Chartered Accountant

About Cereno Scientific AB

Cereno Scientific is developing a pipeline of preventive therapeutics to treat cardiovascular and rare diseases by epigenetic modulation through histone deacetylase inhibition (HDACi). The company's lead program, CS1, is a phase II dual-acting antithrombotic drug aimed at venous thrombosis and stroke prevention for atrial fibrillation. Cereno Scientific also evaluates the potential of epigenetic modulation for rare diseases related to pulmonary fibrosis, thrombosis, inflammation and high blood pressure in the pulmonary circulation system. The FDA has granted ODD for the indication Pulmonary Arterial Hypertension (PAH) to the company's lead compund CS1. Cereno Scientific also has a preclinical HDAC inhibitor development program. The company is located in AstraZeneca's BioVenture Hub. Cereno Scientific's B share has been listed on Spotlight Stock market since June 2016 with the ticker CRNO B, ISIN SE0008241558.