

2019 Annual Report

ENZYMATICA AB (PUBL)



 enzymatica

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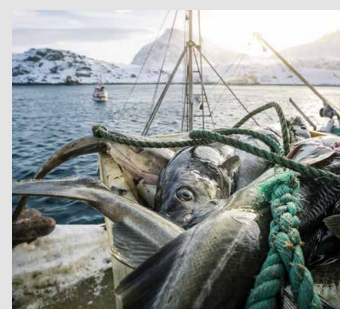
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Page 23. Strong results from three user studies

Enzymatica's cold spray, ColdZyme®, is aimed at different target groups. One such group is endurance athletes, where a number of studies in Sweden and the UK have been conducted with favorable results. The most recent is a UK study from the University of Kent. The first part of the study was completed in 2018 and showed that endurance athletes who used ColdZyme had substantially reduced the duration of illness compared with the competitive athletes who were not treated. The final portion of the study is expected to be completed in the second half of 2020.



The year in brief

Q1

- » January: Results from German multicenter study with a total of 400 subjects strengthen and broaden ColdZyme's product claims. The statistically significant results from the study showed that ColdZyme soothes sore throat, and alleviates nasal congestion and headache, while improving quality of life and reducing the need for concurrent use of symptom-relieving medication for colds.

Q2

- » April: For the first time, Enzymatica presents Swedish doctors with the final report from the German multicenter study that evaluated ColdZyme® for treatment of the common cold at the Ear-Nose-and-Throat Days conference in Malmö.
- » June: Enzymatica signs an agreement for delivery of an enzyme formulation worth SEK 120 million over three years with the German cosmetics company Maren.

Q3

- » August: Enzymatica launches Strawberry as its new flavor for its mouth spray ColdZyme and also introduces two new product claims - soothe sore throat and alleviate common cold symptoms.
- » September: Preliminary results from Enzymatica's prospective double-blind randomized study show that treatment with ColdZyme compared with placebo did not achieve the primary goal of significantly improving quality of life for people with colds.

Q4

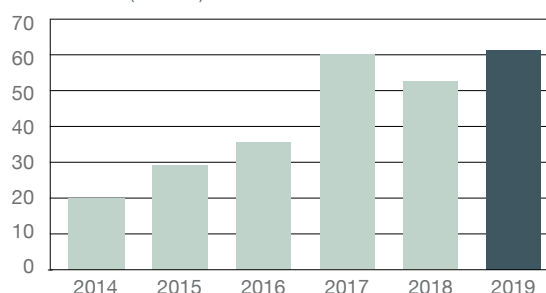
- » November: Enzymatica and its German partner STADA enter into an agreement for marketing and sales of a new mouth spray for the German market.
- » December: Enzymatica's subsidiary Zymetech signs a non-exclusive agreement with Dr Bragi Company Ltd for sales and delivery of three different enzyme formulations, which will be included in skin care products from Dr Bragi Company. The agreement applies to China and parts of Asia.

- » December: Enzymatica's CEO Fredrik Lindberg announces that he will step down after having accepted an offer from a non-competing private pharmaceutical company. Fredrik Lindberg will remain as CEO until the summer; at the Annual General Meeting in May 2020 he will be proposed to be elected to the Board of Directors of Enzymatica.

Significant events after the end of financial year 2019

- » January, 2020 Enzymatica announces that its partner Evergreen Health launched ColdZyme in conjunction with the Brands and Products expo in Hong Kong at the end of December 2019. Evergreen will market and sell ColdZyme in more than 240 stores in Hong Kong & Macau through the Watson pharmacy chain.
- » January, 2020 Enzymatica signs an exclusive 7-year agreement with Keyuan Xinhai (Beijing) Medical Products Trade Co. Ltd., a subsidiary of China's second largest pharmaceutical company, Shanghai Pharma, for marketing and sales of ColdZyme in China. Under this agreement, Keyuan Trade guarantees orders of SEK 92 million for the first five years from the launch.
- » The European Patent Office issues a notice of allowance indicating its intention to grant a patent for the key cod enzyme component of Enzymatica's cold spray ColdZyme. The expected patent will be valid until 2035.
- » Due to the coronavirus outburst (Covid-19) in the beginning of 2020 Enzymatica notes a strong demand of the cold spray ColdZyme during the month of March, which is expected to continue during the coming months. Current order-book and sales for the first quarter indicate a doubling of turnover for Q1 2020 compared to Q1 2019, which at that time amounted to SEK 13.3 million. As regards to production of ColdZyme our contract manufacturers in Europe follow decided production plans, so far without interruptions. However, there is great uncertainty when it comes to the continued development of demand and its effect on production and logistics, which may affect the company's order-intake and sales.

SALES TREND (SEK M)



GROUP

SEK m	2019	2018
Net sales	61.3	52.6
Gross margin, %	73	70
Operating profit/loss	-41.7	-40.6
Cash flow for the year, operating activities	-37.6	-28.8
Average number of employees	19	21

OUR VISION

"A world without the common cold"

Enzymatica in two minutes

Enzymatica AB is a life science company that is listed on the Nasdaq First North Growth Market. The company develops and sells products mainly to treat diseases and symptoms in the ear, nose and throat region. The products are based on a barrier technology that includes marine enzymes. The company's first product is the medical device product ColdZyme®, a mouth spray for common colds. The product has been launched in around ten markets. In 2019 Enzymatica took important steps in its international expansion plan. The company signed an agreement with our German partner STADA for marketing and sales of a new mouth spray for the German market. In addition, Enzymatica signed an agreement for delivery of an enzyme formulation worth SEK 120 million over three years with the German cosmetics company Maren, as well as an agreement for enzyme formulations with the Dr Bragi Company for the Chinese skin care market.

Business concept

We use cold-adapted marine enzymes from North Atlantic cod to create a clinically proven barrier solution that captures and deactivates cold viruses, which can help consumers all over the world to protect themselves from colds.

Goals

Enzymatica's goal is to establish ColdZyme as one of the leading brands in the cold category and to leverage the company's platform technology to formulate new products for additional applications.

Business model

For the cold product ColdZyme the Company is working with two different business models, adapted based on opportunity and risk. In both cases the product is sold to consumers via the pharmacy and health chains under its own brand or a combined brand, known as co-branding.

In Sweden, Denmark and Norway Enzymatica has its own industry-experienced sales force. This model provides Enzymatica with high margins and better control, but also with higher risk since the Company is responsible for the fixed costs for both the sales organization and for market investments. In markets outside Sweden, Denmark and Norway, Enzymatica sells via distributors who contribute to the market investment. The model provides lower margins, but also entails lower costs and risk. In the UK a combination of the two models is currently applied, where Enzymatica is responsible for the market investment, but distributors handle sales.

In some markets, ColdZyme is sold under combined brands, known as co-branding, including PreCold® (Iceland), Cortagrip® (Spain) and ViruProtect® (Austria and Belgium) and ColdGuard® (South Africa).

Growth strategy

The growth strategy has three pillars: strengthening the company's position in existing markets, expanding into more geographic markets and developing more unique products.

During the year we took a strategic decision to broaden the use of our enzyme technology in order to better leverage its commercial potential. We have chosen three models for sales of our products: Mouth spray as a medical device product, mouth spray as a cosmetic product and an enzyme formulation that is included in our customers' skin care products. As a result, we have shifted from being a single-product company to a company with a broader product portfolio. We are now able to adapt our product offering to the different regulatory conditions found in each market.

Distributor network

In recent years, Enzymatica has built up a network of international distributors. Collaboration with well-known partners is the foundation for implementing Enzymatica's growth strategy. In 2019 the company signed a new agreement with its German partner STADA for a new mouth spray for the German market. In addition, Enzymatica signed an agreement for delivery of an enzyme formulation worth SEK 120 million over three years with the German cosmetics company Maren, as well as an agreement for enzyme formulations with the Dr Bragi Company for the Chinese skin care market. In early 2020 Enzymatica signed an agreement with Keyuan Trade for marketing and sales of ColdZyme in China.



Enzymatica has agreements for the following markets: the UK, Finland, Iceland, Spain, Australia/New Zealand, Germany, Austria, Belgium, Greece & Cyprus, South Africa, Hong Kong & Macau, Japan and China.

Enzyme-based platform technology

Enzymatica uses a unique marine enzyme, a cold-adapted trypsin that forms in the pancreas of cod. The enzyme is extracted as a byproduct of fish processing (from fish waste) and therefore leaves no negative ecological footprint. The unique properties of the enzyme make it super-active at body temperature, about 37 °C (98.6 °F), and its enzymatic activity is more than 40 times higher than the corresponding enzyme in mammals. These properties make the enzyme highly effective in protecting against disease-related microorganisms such as viruses.

ColdZyme mouth spray treats the cause – instead of the symptoms

In our opinion, ColdZyme is unique in the market since it treats the cause of the cold, the actual cold virus. Most cold products on the market mainly focus on treating the symptoms by alleviating the effects of the cold. ColdZyme is easy to use and works immediately by forming a protective barrier in the mouth and throat.

ColdZyme captures and deactivates the cold virus, thereby protecting the throat. This means that there is less risk of coming down with a cold or the course of disease is shorter if a cold has already begun. The product is effective when used preventively or at an early stage of

infection. ColdZyme can also alleviate cold symptoms and improve quality of life. ColdZyme is also effective for throat problems associated with colds.

Product portfolio

Medical devices

- » ColdZyme® - a mouth spray for colds - 20 ml. ColdZyme reduces the risk of colds, can shorten the duration of colds and alleviate common cold symptoms and soothe sore throat.
- » ColdZyme® A mouth spray for colds - 7 ml. Sufficient for one cold episode.
- » ColdZyme® Strawberry 20 ml – in the late summer of 2019 we expanded our product range with a strawberry flavor for ColdZyme – which appeals to consumers of all ages.

Cosmetic products

- » STADAProtect - a new mouth spray to protect and care the oral cavity, that was launched by our partner STADA on the German market in early 2020.

Enzyme formulations

- » Enzymatica delivers enzyme formulations for other companies' products. In 2019 we signed an agreement with the German company Maren to sell an enzyme formulation for their cosmetic products; we signed a similar agreement with the Dr Bragi Company for the Chinese skin care market.

COMMENTS FROM THE CEO

Strong growth 2019 – Broadened commercial base for continued expansion

Enzymatica had a strong performance in 2019. We had good sales growth, ColdZyme became the third largest cold brand in Sweden, we modified our growth strategy by introducing a broader product portfolio, we signed several strategic distributor agreements, we strengthened the documentation for ColdZyme with several product claims and we introduced the new Strawberry flavor. In this context I would like to take this opportunity to thank the employees at Enzymatica – without their dedicated hard work we would never have achieved such great results in 2019.

In 2019, we increased our sales by 17%, from SEK 52.6 million to SEK 61.3 million. Sales on the Swedish and Danish markets in particular made great strides. At the end of the year we passed Nipaxon in Sweden and are now the third best-selling brand in the cold segment in terms of SEK.

Strategic decision regarding our enzyme technology

During the year we took a strategic decision to broaden the use of our enzyme technology in order to better leverage its commercial potential. We have chosen three models for sales of our products: Mouth spray as a medical device product, mouth spray as a cosmetic product and an enzyme formulation that is included in our customers' skin care products. As a result, we have shifted from being a single-product company to a multiproduct company. We are now able to adapt our product offering to the different regulatory conditions and demand found in each market.

Several important distributor agreements

In line with our growth strategy, Enzymatica entered into several strategic distributor agreements in 2019. We signed an agreement with our German partner STADA for marketing and sales of a new mouth spray for the German market. The new product is based on the same barrier technology as previous products from Enzymatica and is a cosmetic that complies with the regulations for cosmetic products in the EU. We also signed an agreement with the German cosmetics company Maren to deliver an enzyme formulation based on our patented barrier technology for Maren's cosmetic skin care products. The value of this agreement is SEK 120

million over a three-year period. We also signed a non-exclusive agreement for China with Dr Bragi Company Ltd for sales and delivery of three different enzyme formulations, which will be included in skin care products from Dr Bragi Company.

Great potential in China

Finally, in early 2020 we entered into an agreement with Keyuan Xinhai (Beijing) Medical Products Trade Co. Ltd., a subsidiary of China's second largest pharmaceutical company, Shanghai Pharma, for marketing and sales of ColdZyme mouth spray in China. Under this agreement, Keyuan Trade guarantees orders of SEK 92 million for the first five years from the launch. The contract provides Enzymatica with access to one of the world's largest healthcare markets, with a population of about 1.3 billion and a cold remedy market with annual sales of about SEK 37 billion, with an annual growth rate of about 8%. The product is expected to be launched on the Chinese market in 2022.

Mixed findings from the two German studies

In early 2019 we published the final results from the German multicenter study for assessment of ColdZyme for colds. The convincing results enabled us to broaden and strengthen ColdZyme's product claims with soothe sore throat and alleviate common cold symptoms. A follow-up double-blind placebo-controlled study from Germany in 2019 did not reach the primary goal of significantly improved quality of life. A final report for the latter study is expected in the second quarter of 2020.



Hong Kong – first market in Asia

At the end of the year ColdZyme was launched by our partner Evergreen in Hong Kong & Macau. It is the first market in Asia where we are now selling the product. In 2018 we signed an agreement with one of the largest life science companies in Japan. Japan is one of the world's largest healthcare markets, for which reason we see substantial potential in this market. However, the registration process is taking a long time, for which reason we are planning for a launch at the end of 2021.

Considerable strengthening of our patent portfolio

In early February we announced that the European Patent Office had issued a notice of allowance indicating its intention to grant us a patent for the cod enzyme that is one of the key components of ColdZyme. The expected patent will extend protection for ColdZyme and other Enzymatica products based on the same technology platform until 2035. This is a considerable strengthening of Enzymatica's patent portfolio and increases the chances of signing new distribution agreements with major global life science companies and developing spin off products for other applications.

Strong foundation for continued growth

After having re-entered the German market through the agreement with STADA for the new mouth spray, signing the agreement for China, signing several new agreements for enzyme formulations, broadened product claims for ColdZyme, introducing a new flavor, receiving a notice of allowance for our patent and achieving double-digit growth in existing markets, we have laid an outstanding foundation for continued growth and international expansion in 2020.

A handwritten signature in blue ink, reading "Fredrik Lindberg". The signature is fluid and cursive, with the first name and last name clearly distinguishable.

Lund, March 2020
Fredrik Lindberg, Chief Executive Officer

INTERVIEW WITH BENGT BARON, CHAIRMAN OF THE BOARD OF ENZYMATICA:

Continued success in 2019

How would you summarize 2019 for Enzymatica? Highlights?

2019 was a great year for Enzymatica. We continued to have strong growth in the Swedish market with both current, loyal and new consumers who are discovering the benefits of ColdZyme. We also signed new distributor agreements with STADA in Germany and, at the beginning of the year, with Keyuan Trade in China. We also launched ColdZyme in South Africa and in Hong Kong & Macau. In addition, we received confirmation of the potential of the enzyme technology through agreements regarding enzyme formulations for skin care products with suppliers in Germany and China.

In 2019, you announced both successful results from the methodological study with ColdZyme and preliminary results from the placebo study that did not achieve their primary goal – how should this be interpreted?

Clinical trials are always difficult and complicated. Of course, it was disappointing that the German placebo study with ColdZyme did not achieve positive results for the primary goal of quality of life, which was also surprising after the strong results from the 2018 methodological study in Germany. So of course it's frustrating, especially since we see evidence that ColdZyme is an effective product, such as from the strong sales trend in Sweden with many loyal consumers. We are now waiting for further analysis and the final report from the placebo study to see what we can learn from it.

What is the significance of the STADA agreement for the new mouth spray?

It's an incredibly exciting agreement with a new mouth spray that is subject to the EU cosmetics directive. We know that the German consumers appreciated our

previous product. Germany is a large market and the product has excellent potential. The agreement also shows STADA's confidence in Enzymatica and our products.

You also signed an agreement with the Chinese company Keyuan Trade for China – what will that mean for Enzymatica's future?

It's a fantastic opening on one of the world's largest healthcare markets – and yet another acknowledgement of our products, our expertise and our organization. Entering the major markets is the key to Enzymatica's growth – this is a real breakthrough. We now have partners in both Japan and China, which provides us with the opportunity to build a strong position in Asia in the future.

How do you view the company's financial performance and position?

I continue to be optimistic regarding Enzymatica's financial performance and position. It is extremely encouraging that we continue to have the trust of our shareholders, especially among our principal owners. In early 2020 we secured a short-term loan of SEK 10 million, which the Board of Directors and management consider to be sufficient to finance the working capital needs and liquidity shortfall that could arise during the year.

In 2019 Enzymatica entered into an agreement with Maren Cosmetics, with an order worth SEK 120 million over three years. What significance does this have for the business?

Financially this agreement is extremely positive for Enzymatica and strengthens our financial position. It is also an exciting acknowledgement of our enzyme technology, but we continue to focus on colds and related symptoms.



What issues have you focused on in the Board of Directors in 2019? What issues are most important for you with respect to corporate governance?

One major issue has been Enzymatica's strategic focus on international expansion, at the same time that it is extremely important to continue to grow in more mature markets, like Sweden. Another issue that we have worked with is organizational development – ensuring that we have the resources and expertise to be able to handle the international expansion, especially signing agreements with major actors like Keyuan Trade in China. We have also focused on registration issues, learning about the new directives and making necessary adjustments to them. Other issues have involved securing financing and issues related to governance and control as a listed company.

What would you like to say about Enzymatica's growth strategy? What type of partners are you looking for? What new markets are you considering?

Colds are global, so we look at all major markets. Most important for us is to find the right partner, companies that have organizational and financial muscles. They should also have a strong commitment to our product and our product should fit in with their product portfolio.

What are Enzymatica's success factors?

The Company has a unique product that works. Eight years of continuous growth in Sweden show that we have loyal consumers and we attract new customers. This achievement shows just how well the product works.

Another success factor is that we have the right expertise in the right place. Finally, I'd like to point to the importance of having shareholders who are in it for the long haul who support the development of the company – especially when growth companies always have a somewhat erratic, uneven trend.

What experiences do you contribute from the consumer market?

Focus and tenacity from my previous experience with global brands such as Absolut, MIPS (growth company in helmet-based safety) and Cloetta. Building a company takes time, requires hard work and you have to be consistent and tenacious. It takes time to build relationships, find networks and build brands. The key is to always be a step ahead in planning the business, so that when growth is accelerating, you're ready to handle it.

What expectations should we have for Enzymatica in the future – 2020 and onwards?

I see a company that continues to have favorable growth. We will grow where we are and we will add new partners and markets. Preparing launches on major markets like Japan and China will be exciting, at the same time that we will continue to look for new markets. Finally, I'd like to point out that no organization is better than its people. I am proud and extremely grateful with respect to how much people accomplish every single day at Enzymatica.

Lund, March 2020
Bengt Baron, chairman

A clear strategy for international expansion

Enzymatica's growth strategy has three pillars: strengthening the company's position in existing markets, expanding into more geographic markets and developing more unique products. In 2019 the company updated its strategy and will now broaden the use of its enzyme technology in order to better leverage its commercial potential.

GROWTH STRATEGY

The growth strategy is based on three pillars

1 STRONG POSITION ON EXISTING MARKETS

In Scandinavia, where the company has its own sales organization, the Company will strengthen its market position, while maintaining its margin.

ColdZyme is now an established product on the Swedish market and is among the top-selling cold products in Swedish pharmacies. The Danish market follows the Swedish development curve.

2 GEOGRAPHIC EXPANSION

The Company currently has agreements with established partners regarding distribution on the following markets:

- » Spain
- » United Kingdom
- » Finland
- » Iceland
- » Germany, Belgium and Austria
- » Australia and New Zealand
- » South Africa
- » Japan
- » Hong Kong & Macau
- » China

ColdZyme was launched in South Africa and Hong Kong & Macau in 2019. Over the next few years the product will also be launched in Japan, Australia and New Zealand, as well as China.

Enzymatica intends to reach out with ColdZyme on more markets and continue its international expansion. The product is CE marked so it can be sold in countries within the EEA and the Company considers itself to be well prepared regarding the new EU legislation for medical devices, which will come into force in 2020.

3 MORE UNIQUE PRODUCTS

The Company's enzyme-based product portfolio will grow as a result of our own research and development. The strategy is to identify medical needs, primarily related to upper respiratory tract infections, for which there is no medical treatment or treatment is not fully effective.

The strategy moving forward includes strengthening the Company's technology platform with more products and continuing to pursue research in barrier technology.

Our platform for growth is now global, with a broader product offering

Enzymatica has chosen three models for sales of its products: Mouth spray for colds as a medical device product, mouth spray as a cosmetic and an enzyme formulation that is included in our customers' skin care products. Each model is based on collaboration with partners on different consumer markets around the world. We are now able to adapt our product offering to the different regulatory conditions found in each market.

Enzymatica's three models

Medical device for colds

Continue to commercialize the enzyme technology as a medical device under its own brand. The product and the brand's claims are based on Enzymatica's barrier technology, supported by clinical findings.

Mouth spray as a cosmetic product

At the same time, Enzymatica will undergo rapid commercialization on markets where there are opportunities to sell products that are subject to regulations for cosmetics. This model will leverage the advantages of Enzymatica's enzyme technology and consumer interest in improved quality of life, affected by the air we breathe and the environment in which we live. In this type of market, such as Germany where STADA launched a mouth spray in early 2020, and potentially the US, the appeal of the product with its physical barrier is being tested through development on the market or through consumer surveys.

Enzyme formulations for skin care products

Through the third model, Enzymatica will have opportunities for global collaborations regarding additional areas in which the company's patented enzyme technology can be used, driven by the successful response that Enzymatica has received from cosmetic companies through agreements for delivery of enzyme formulations. Such examples from 2019 include the agreements with Maren Cosmetics and Dr Bragi Company.



Diversified growth strategy for success

In summary, by being able to work with both medical device and cosmetic products, alongside bulk deliveries of enzyme formulations, Enzymatica can fully leverage business opportunities in both the short and long term, supported by confirmed consumer needs and demand. This diversified strategy creates the best conditions for rapid global success at entering markets, penetrating them and capturing market share.

Sustainable growth potential

Enzymatica's growth strategy is supported by recurrent surveys which clearly show that once consumers begin to use the product, a high repeat repurchase rate is generated along with loyalty that contributes to the volume growth of the product – which creates conditions for successful long-term growth and profitability.

MARKET OVERVIEW AND OUR INTERNATIONAL PARTNERS

International launches on a growing market

In 2018, the value of the global market¹ for over-the-counter drugs and self-care products was estimated to be USD 163 billion for sales from manufacturers. The market is expected to increase by 6.5% annually over the next ten years. The market for over-the-counter cold products is also large, with sales of USD 21.5 billion². On the Swedish market, ColdZyme® strengthened its position in the cold segment and is now the third largest cold brand with a market share of 6.5%³. In 2019 ColdZyme was launched on the South African market and at the end of the year in Hong Kong & Macau. During the year Enzymatica also signed an agreement with STADA for marketing and sales of a new mouth spray for the German market, along with agreements to deliver enzyme formulations for skin care products in Germany and China. In early 2020 Enzymatica signed an exclusive 7-year agreement with Keyuan Xinhai (Beijing) Medical Products Trade Co. Ltd. for marketing and sales of ColdZyme in China.

Over-the-counter cold remedies

– a large market

Enzymatica is active with ColdZyme on the market for over-the-counter cold remedies.

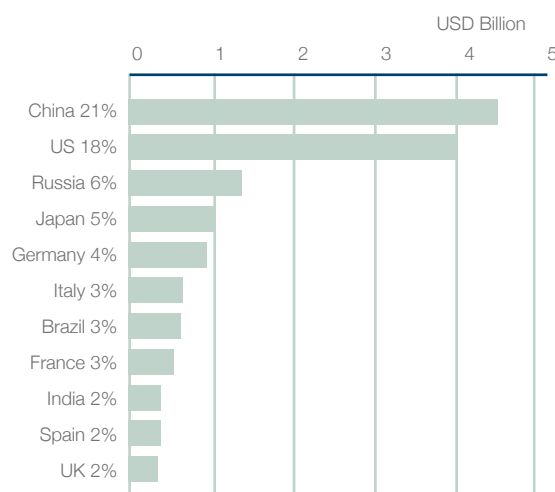
The common cold is one of the most common infectious diseases worldwide and is a frequent cause of absence from work and school, as well as visits to the doctor. Each year, the industry sells over-the-counter cold products for around USD 21.5 billion worldwide. China is the single largest market ahead of the US, Russia and Japan, which are followed by the largest EU markets for cold products, Germany, the UK, Italy, France and Spain.

While pharmacies continue to consolidate, suppliers are facing increased price pressures, and are looking for new innovative products to bolster growth. In this context, small companies like Enzymatica can add value by offering innovative products with unique properties for a global market.

Higher growth for over-the-counter goods

The market for over-the-counter (OTC) drugs and self-care products is growing faster than the market for prescription

Sales of OTC cold and flu products



Source: Nicholas Hall, 2017 Database – ex-factory (manufacturers' sales)

1) <https://www.visiongain.com/report/global-otc-pharmaceutical-market-forecast-2019-2029/>

2) Nicholas Hall, 2017 Database – ex factory (manufacturers' sales)

3) IQVIA Analysis Manager, MAT w.52/2019

drugs. The global OTC market is estimated to be USD 163 billion for sales from manufacturers. This increase is estimated at 6.5%, (CAGR - Compound Annual Growth Rate) over the next ten years.

The OTC market is still extremely fragmented, where the ten largest companies account for over 34%⁴ of the total market, with continued market consolidation expected over the next few years. The focus on self-care attracts both the pharmaceutical industry and the fast-moving consumer product industry. The market is growing as global companies focus on broadening the product base, driving innovation and increasing their market focus. The largest OTC segments are vitamins/minerals, followed by cold and allergy products, painkillers, stomach ailments products and skin care products.

Global driving forces behind increased self-care

Consumer awareness of the importance of preventing disease and maintaining good health has increased with the global trend, and with it the OTC and self-care product market has also grown. There are many driving forces underlying the growth of self-care products: convenience, increased consumer knowledge, lower prices and innovations. Other strong contributing factors include the demographic trend with an aging population, as well as the growing global economy, in which more people can afford to buy health products. In addition, politicians have a goal to reduce healthcare costs, which also shifts the focus to self-care products.

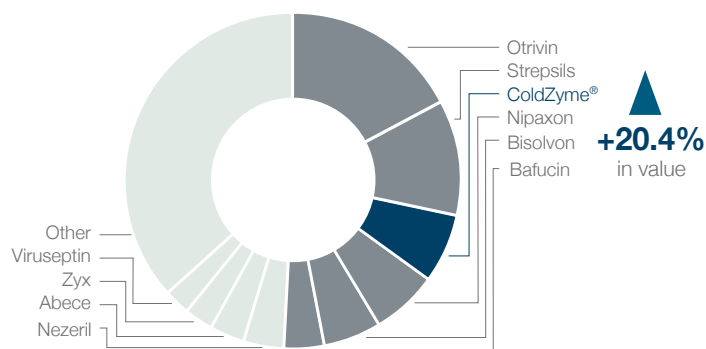
Retail, the traditional sales channel for OTC products, is still largest, but e-commerce is rapidly growing. This trend is leading to ongoing consolidation of pharmacies through acquisitions and mergers.

ColdZyme is third largest on the Swedish market and the launch of Strawberry

In Swedish pharmacies, the cold segment consists of approximately 170 items, with symptom-relieving products in various package sizes and strengths to relieve cold symptoms accounting for a large part of sales. In Sweden, approximately 80 percent of total sales are through pharmacies, with 20 percent through health stores, supermarkets and service stores, as well as online⁵.

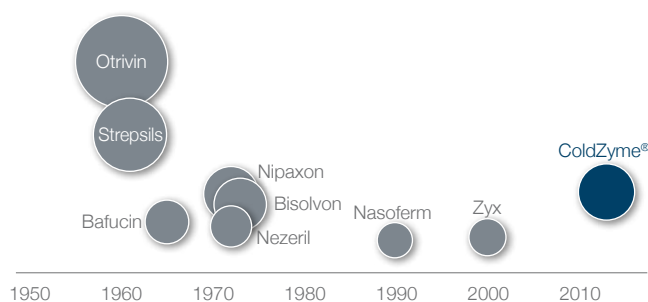
In 2019, the total market for cold products in Sweden increased by 4.9% in value and 0.4% in volume. Total sales to consumers amounted to about SEK 966 million. ColdZyme sales to consumers in the Swedish market increased by 20.4% in value and 18% in volume. Thus ColdZyme strengthened its position as one of the best-selling brands in the cold category in Sweden. ColdZyme is now the third largest brand, passing both Bisolvon and Nipaxon during the year. ColdZyme increased its market share from 5.6% to 6.5% in 2019, with sales to consumer of about SEK 62.4 million.⁶

Pharmacy sales in Sweden - cold category



ColdZyme is the third largest brand in the cold category and had a market share of 6.5% in 2019*. Growth for the product over a 12-month period was over 20%.
Source: IQVIA Analysis Manager, MAT w.52/2019

The launch of ColdZyme in 2013 was the most successful launch in the cold category since the mid-1970s. The diagram below shows market share illustrated by the size of the circles, with launch year entered along the x-axis:



Prior to the 2019/2020 cold season, ColdZyme Strawberry 20 ml was launched in Sweden and Denmark. ColdZyme users have been requesting a new flavor for a long time and ColdZyme Strawberry appeals to both young and old. Strawberry was well received in both the Swedish and Danish markets. In 2019 ColdZyme's product claims were expanded from preventing and reducing the duration of colds to also being used for soothe sore throat and alleviate common cold symptoms, based on the successful multi-center study in Germany in 2018.

Factors underlying ColdZyme's success on the Swedish market include optimization of the sales organization, consistent and effective marketing through available channels and the launch of new product claims and the new product ColdZyme Strawberry. In 2019, Enzymatica carried out digital video campaigns on social media targeting areas such as children, parenting, school and sports. A collaborative effort was carried out with microbloggers and influencers who are role models for the target groups that Enzymatica wants to reach. Seasonal TV campaigns were also conducted before and during cold season. Enzymatica also participated at conferences for doctors and nurses, trade fairs for athletes and seniors, and exercise and health-related events.

4) Nicholas Hall, 2017 Database – ex factory (manufacturers' sales)

5) IQVIA Analysis Manager w.52/2019

6) IQVIA Analysis Manager w.52/2019

European market

In Europe, the value of the market largely follows the population of each country. The total cold remedy market in 2017 (sales from manufacturers) in western Europe amounted to about USD 3.4 billion. The five largest markets for cold products within the EU together accounted for about EUR 2.9 billion.⁷

The structure of the pharmacy market and how it is regulated varies from country to country, as does price level for self-care products. For example, the UK pharmacy market is largely reminiscent of the Scandinavian structure with a number of nationwide pharmacy chains, while such chains are not permitted in Germany, Spain and France. In France, for example, pharmacists often own their own pharmacies.

Enzymatica is continuing its international expansion and intends to reach out with ColdZyme on several markets. The product is registered so it can be sold in countries within the EEA. In markets outside the EEA, Enzymatica sells ColdZyme through national, regional and global distributors.

Denmark

In Denmark ColdZyme is sold through the company's own sales organization. In 2019 the total cold remedy market increased by 8% in value, while ColdZyme grew 44% in value and increased its market share to 3.2%⁸. A TV campaign was carried out, along with digital and social media campaigns. In August ColdZyme Strawberry was introduced, along with the new product claims that ColdZyme can

soothe sore throat and alleviate common cold symptoms. Enzymatica participated in a number of marketing activities aimed at doctors and nurses in primary care, as well as marketing aimed at pharmacy students. Such marketing activities have been digital, in social media and through influencers.

Norway

In Norway, sales of ColdZyme at the wholesaler level are about on a par with the previous year, when Enzymatica chose to prioritize negotiations with distributors on significantly larger markets. Marketing has mainly taken place through pharmacy campaigns in cooperation with the pharmacy chains.

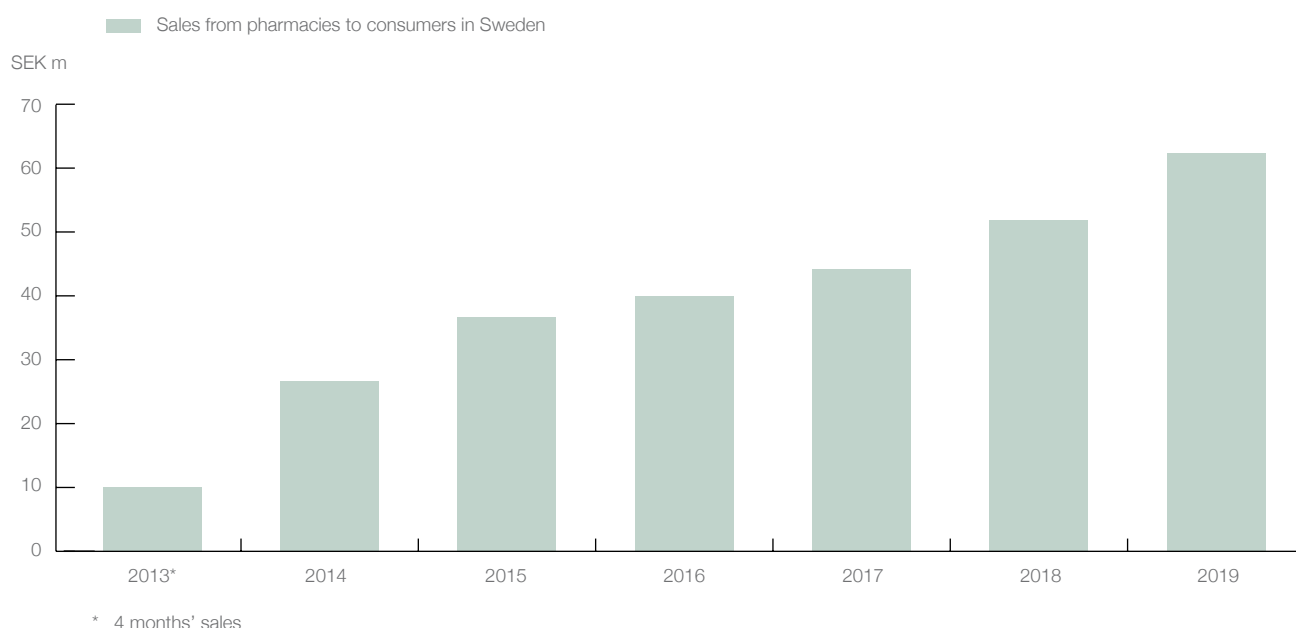
Finland

In Finland ColdZyme is sold by the pharmaceutical company Tamro. Finland has a total of 800 pharmacies with many smaller pharmacy branches. Sales of ColdZyme in Finland are mainly positioned in relation to the preventive segment. Competition mainly comes from zinc products, which are heavily dominant in Finland. ColdZyme has a market share of about 2% in the preventive segment, about the same as the previous year.⁹

Spain

In Spain ColdZyme is sold under the Cortagrip® brand by the pharmaceutical company Esteve. It is one of the ten largest pharmaceutical companies in Spain. With full market coverage, their products are in more than 21,000 pharmacies. The cold season in Spain is short but intensive.

ColdZyme sales at Swedish pharmacies 2013-2019



7) Nicholas Hall 2017 Database - ex factory (tillverkarnas försäljning)

8) DLI - Dansk Laegemiddel Industri, w.52 2019

9) IMS data ex-pharmacy to consumers, IMS 2019

It begins in November/December and ends in February. Cortagrip sales to pharmacies increased as a result of the regional test in Catalonia carried out the previous year, when more pharmacies began to carry Cortagrip. Cortagrip sales to consumers started strong in early 2019, but declined later in the year because of a weak cold season at the end of 2019.¹⁰ The market had negative growth with -2%, and Cortagrip was no exception at (-8%) in 2019 compared with 2018.

Greece and Cyprus

Enzymatica sells ColdZyme through the distributor Qualia Pharma on the Greek and Cypriot market. The Greek market is small and ColdZyme sales are on about the same level as the previous year.

Germany

In the autumn of 2019 Enzymatica signed an agreement with its German partner STADA for marketing and sales of a new mouth spray, STADAProtect, for mouth and throat problems, aimed at the German market. The product was launched in early 2020. In 2019 Enzymatica also signed an agreement with the German cosmetics company Maren to deliver an enzyme formulation based on the Enzymatica's patented barrier technology for Maren's cosmetic skin care products.

Austria and Belgium

In Austria and Belgium ColdZyme is sold under the ViruProtect brand by the German pharmaceutical company STADA. In Austria the market segment in which ViruProtect (ColdZyme) is sold decreased by 8.3% based on rolling 12-month data – October 2018 – September 2019¹¹. The segment includes the products Coldamaris and ViruProtect, which during this period declined in sales by 7.4% and 9.8%, respectively, compared with the previous year. ViruProtect has a market share within the segment of 36% even though the product is only marketed in pharmacies. There were no TV commercials for ViruProtect because the product is no longer sold on the German market.

Just as in Austria, ViruProtect sales in Belgium were impacted by STADA's decision not to actively market the product to consumers at this time.

United Kingdom

In the UK, ColdZyme is sold through the largest pharmacy chain, Boots, Amazon and through some smaller chains. Distribution is managed by a contract sales force, but the intention is to find a distributor who will be responsible for both sales and marketing. Marketing in the UK is mainly handled through PR and pharmacy campaigns.

South Africa

ABEX Pharmaceutica launched ColdZyme under the ColdGuard brand (20 ml) in May 2019 during the South African winter season. The South African cold remedy market is estimated at ZAR 2.1 billion, corresponding to about

SEK 1.4 billion. Most cold preparations provide symptomatic relief and only a few cold sprays focus on the cold virus. ABEX succeeded well in the sales campaign to introduce the product to all major pharmacy chains and grocery stores in the country. The company then conducted an extensive marketing campaign, including advertising in traditional media and in-store advertising, as well as radio commercials and marketing in social media. ABEX has achieved good penetration in the market in a short period of time and is now increasing its efforts to broaden the target groups for ColdGuard. To increase the number of consumers who test ColdGuard and thus accelerate sales, ColdGuard 7 ml will be introduced in 2020.

Hong Kong & Macau

In the fall of 2018 Enzymatica signed a distribution agreement with the healthcare company Evergreen Health Ltd for sales and marketing of ColdZyme in Hong Kong and Macau. Evergreen Health launched ColdZyme in conjunction with the Brands and Products expo in Hong Kong at the end of December 2019. Evergreen will market and sell ColdZyme in more than 240 stores in Hong Kong & Macau through the Watson pharmacy chain.

Japan

In the fall of 2018 Enzymatica signed a contract with a large Japanese pharmaceutical company regarding registration, marketing, distribution and sales of the cold remedy ColdZyme. Access to the Japanese market is subject to approval by the national authority. Since the registration process has dragged on in time, ColdZyme is expected to be launched at the end of 2021. Through this contract with the Japanese pharmaceutical group, Enzymatica will have access to between 5,000 and 10,000 pharmacies, and as many as 17,000 supermarkets.

China

In early 2020 Enzymatica signed an exclusive 7-year distribution agreement with Keyuan Xinhai (Beijing) Medical Products Trade Co. Ltd., a subsidiary of China's second largest pharmaceutical company, for marketing and sales of ColdZyme mouth spray in China.

Under this agreement, Keyuan Trade guarantees orders of SEK 92 million for the first five years from the launch. The contract provides Enzymatica with access to one of the world's largest healthcare markets, with a population of about 1.3 billion and a cold remedy market with annual sales of about CNY 27 billion (*MENET, 2018), corresponding to SEK 37 billion, with an annual growth rate of about 8%. The product is expected to be launched on the Chinese market in 2022. In 2019 Enzymatica signed a non-exclusive agreement with Dr Bragi Company Ltd for sales and delivery of three different enzyme formulations based on Enzymatica's patented enzyme technology, which will be included in skin care products from Dr Bragi Company. The five-year agreement applies to China and parts of Asia.

10) IMS data ex-pharmacy to consumer, IMS 2019

11) IQVIA Analysis Manager, MAT 9/19

Australia and New Zealand

Enzymatica has entered into an agreement with Symbion, a leading wholesaler in Australia and New Zealand. Under this agreement, Endeavour Consumer Health within Symbion has exclusive rights to sell, market and distribute ColdZyme on these two markets. The agreement was Enzymatica's first outside the EU.

The regulatory conditions for medical devices in Australia differ from the European and ColdZyme will therefore be registered in a higher class. Work with registration is still under evaluation and registration has therefore been delayed.

Competition

ColdZyme's competitors are essentially all cold products. Of the direct competitors, mouth sprays for sore throat and cold symptoms are most similar because of their formulation (mouth spray). Among all mouth sprays for sore throat and cold symptoms, ColdZyme has a market share of almost 60 percent in Sweden¹². ColdZyme's market share in value within the cold category overall was 6.5%.

Our partners

Collaboration with large retailers is of course important for all companies that want to distribute their products to consumers. Since the cold remedy market is highly competitive and it is difficult to capture market share, partners must be found with the financial strength necessary to finance marketing and successfully launch new products.

Requirements from distributors

These companies – usually within larger groups in the pharmaceutical industry – in turn place heavy demands on the companies with which they choose to cooperate. They expect attractive gross margins and periods of exclusive rights on the market so that they can build up the brand and receive a return on their invested capital. It often takes up to three years for an investment in a commercially successful product to reach break-even and the investment does not become profitable until perhaps year five or six. Consequently, potential partners want some form of intellectual property protection, through patents, clinical evidence, production warranties, or product formulation. They assume that their partners follow the regulations and live up to the high demands for quality.

Attractive offering

In recent years Enzymatica has worked systematically to upgrade its quality management system. After the acquisition of Zymetech, Enzymatica became an attractive partner for major pharmaceutical companies since the Company can offer exclusive rights and patent protection for ColdZyme on various markets. The product is particularly interesting for potential partners since it is one of the few cold products aimed at the cause of colds by attacking the virus, rather than just treating the symptoms. Interest in ColdZyme has also increased as the clinical documentation for the product has strengthened.

Market	Partner	Contract	Launch
United Kingdom	Boots, Amazon	2014	2014
Iceland	Vistor	2014	2015
Finland	Tamro	2015	2015
Spain	Esteve	2015	2016
Australia and New Zealand	Symbion	2016	
Germany	STADA - sales on hold because of market restrictions	2017	2017
Austria	STADA	2017	2017
Belgium	STADA	2017	2017
Greece and Cyprus	Qualia	2018	2018
South Africa	ABEX	2018	2019
Hong Kong & Macau	Evergreen	2018	2019
Japan	One of the largest pharmaceutical companies in Japan	2018	prel. 2021
China	Keyuan Xinhai (Beijing) Medical Products Trade	2019	prel. 2022

Market	Partner	Contract	Launch enzyme formulation
Germany	Maren Cosmetics	2019	2019
China	Dr Bragi Company	2019	2020

Market	Partner	Contract	Launch cosmetic Product
Germany	STADA – new mouth spray	2019	2020

12) IQVIA Analysis Manager w52/2019



Promotional material for launch
of ColdZyme Strawberry in
Sweden - strawberry tea

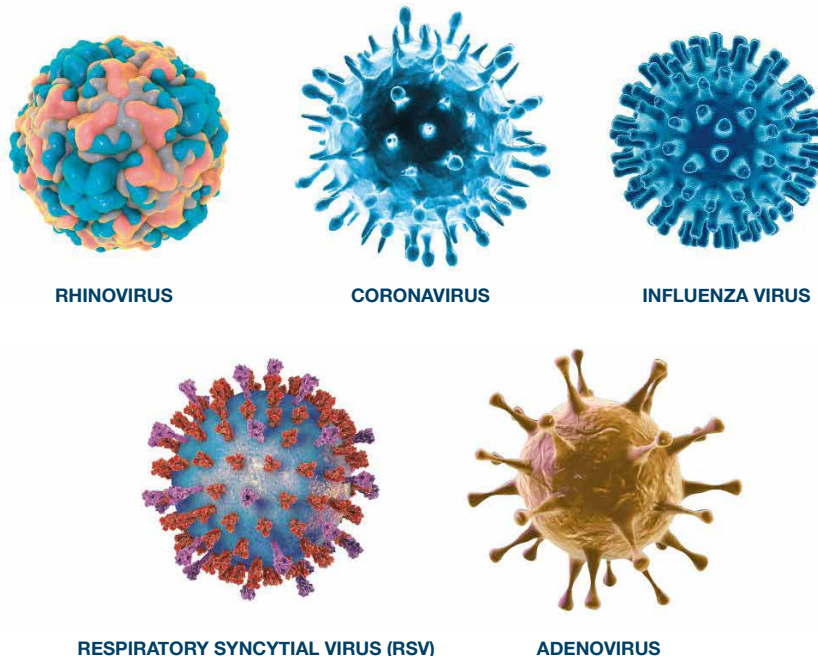
PRODUCT DESCRIPTION

ColdZyme treats the cause instead of the symptoms

ColdZyme® mouth spray is unique because it treats the cause of the cold, the actual cold virus. ColdZyme can prevent colds or shorten their duration among people who already have a cold. ColdZyme is easy to use and works immediately by forming a protective barrier in the mouth and throat.

Barrier to block virus

When ColdZyme is sprayed, a barrier forms on the mucous membrane of the oral cavity. The barrier works through osmosis – it captures the cold virus and inhibits the ability of the virus to infect cells, which protects the mouth and throat and allows the body to rid itself of the virus naturally. ColdZyme can prevent and reduce the course of disease if it is used at an early phase of infection.



ColdZyme is effective against the majority of cold viruses

In vitro studies have shown that ColdZyme deactivates the majority of known viruses that cause colds, while in vivo (clinically controlled) studies have subsequently shown that ColdZyme is effective against the viruses found with colds during cold season.

Note that in the in vitro study that included the coronavirus a viral load reduction of up to 99.9% was achieved. But the coronavirus that causes colds, called coronavirus 229e, is milder than Covid-19, the coronavirus that has caused the global pandemic during the first quarter of 2020. Enzymatica has not carried out any tests, either in vitro or in vivo on this form of coronavirus (Covid-19).

Double effect

Treatment:

If you catch a cold, ColdZyme should be used as soon as possible to reduce the duration of the cold. Treating the cold with ColdZyme immediately makes it possible to alleviate the symptoms, reduce the viral load and thereby reduce the duration of the cold.

Prevention:

ColdZyme can also be used for preventive treatment, when you are not ill, but are exposed to viruses and have an increased risk of catching a cold, such as on planes, in crowds, when traveling on public transportation, or if colleagues or family members have a cold. Many amateur and elite athletes use ColdZyme preventively, especially to prevent lost training and racing days, since athletes who catch colds suffer twice – from the cold itself, and from getting out of shape.



Well-documented product

ColdZyme is well documented for both broad user groups and individual groups (e.g. athletes, preschool staff, senior housing staff, etc.), where ColdZyme can help to avoid or reduce the duration of colds. Between 2017 and 2019, Enzymatica published the results from several studies on the use of ColdZyme, including clinical studies, observation studies and one in vitro study. Read more about the positive effects of ColdZyme on colds in the section ColdZyme studies.

Socioeconomic benefits

Colds are the single biggest cause of sickness absence, corresponding to just over 30 percent of all sick leave according to occupational health company Previa. According to a survey¹³ carried out by Nordeg and commissioned by Enzymatica, major socioeconomic benefits can be achieved by reducing the number of sick days due to colds. The report shows that a reduction of a single sick day in Sweden would result in an annual savings of SEK 1.4 billion for society, based on 10 percent of all 4.7 million full-time employed individuals.

13) A study of the socioeconomic effect for the Swedish population when using ColdZyme Mouth Spray, Nordic Evaluation Group AB (Nordeg) on behalf of Enzymatica 2013-2014.

RESEARCH & DEVELOPMENT

Research & Development – focus on new EU regulations and development of new product claims and products

Enzymatica primarily develops medical devices in the colds therapeutic area and is continually working on regulatory matters and is compiling the documentation required to register a product in selected markets. In 2019, the Company continued to strengthen its quality management system and is continually working to meet the requirements of the new EU Medical Device Regulation (MDR). Enzymatica introduced new product claims for ColdZyme®, launched a new flavor for the product, Strawberry, and developed a new mouth spray for better oral health.

Enzymatica focuses on research and development based on the tested and patented barrier technology used in the cold product ColdZyme. Strengthening the clinical documentation for the ColdZyme mouth spray is a key part of Enzymatica's R&D activities. The Company's total research and development expenses amounted to SEK 28.5 (20.8) million in 2019, of which SEK 0 (0) million was capitalized on the balance sheet.

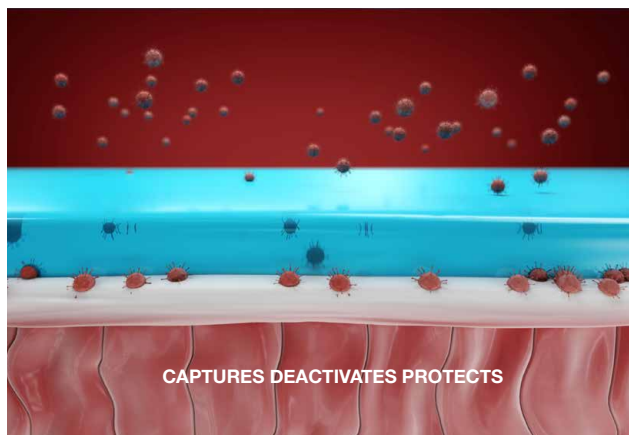
In 2019 Enzymatica worked on introducing more product claims through the strong findings from the German multicenter study that was carried out in 2018 - soothe sore throat and alleviate common cold symptoms. The indication of sore throat associated with colds has a great economic value and accounts for about 30% of the cold category. In addition, the company strengthened the documentation relating to ColdZyme and introduced new consumer packaging.

Over the next few years the Company aims to expand the range of enzyme-based products for colds, such as the new flavor Strawberry, which was launched in 2019. The new flavor appeals to consumers of all ages.

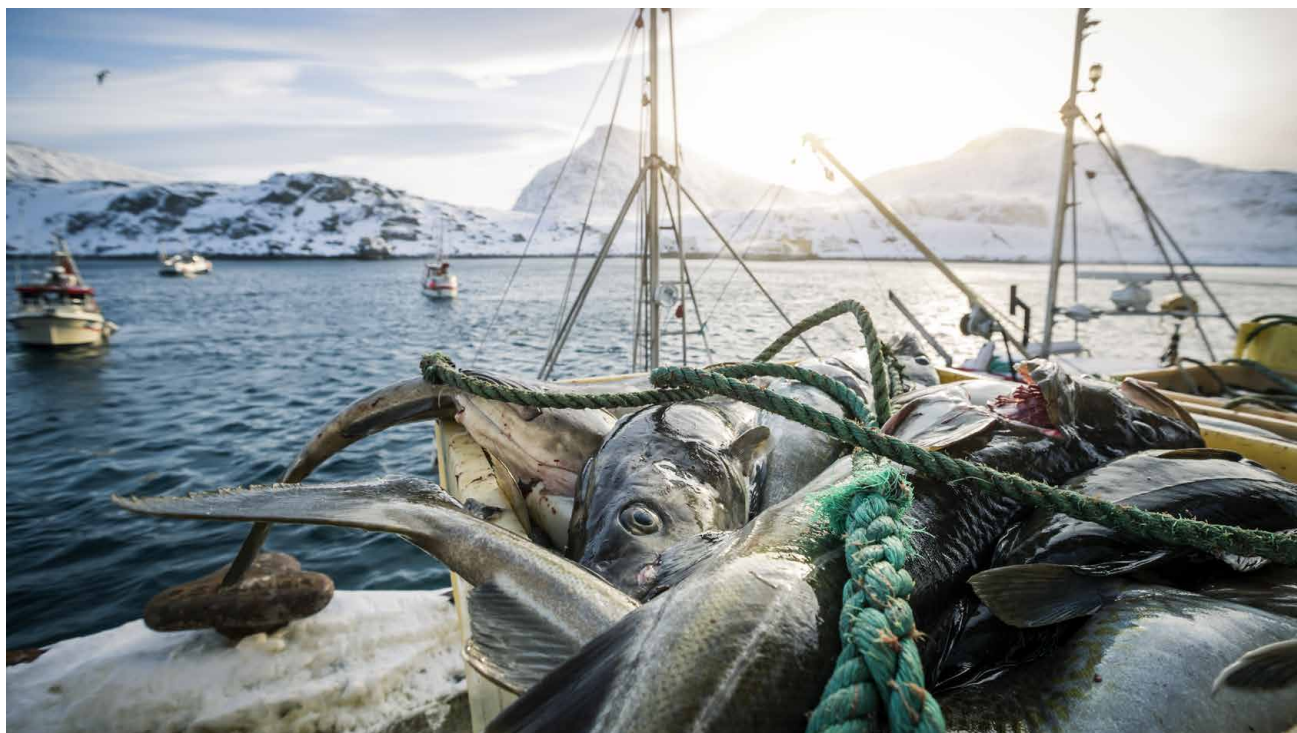
In 2019 a new mouth spray was also developed that is subject to European cosmetics legislation and is aimed at the German market, with a focus on oral health. In the longer term, the intention is to develop products for other indications.

Barrier technology

The barrier in ColdZyme consists of a transparent hypertonic solution that includes glycerol and enzymes. The main mechanism of action of the barrier is based on its ability to generate a viscous osmotic barrier on the mucous membrane in the mouth/throat draws fluid out of the mucous membrane. This fluid contains viruses. When applied to the mouth/throat, as in the case of ColdZyme, the presence of virus declines, thereby facilitating a faster natural recovery from the common cold. ColdZyme can prevent and reduce the duration of colds, while soothing sore throat and alleviating common cold symptoms.



The barrier in ColdZyme, which works through osmosis, traps the cold virus and deactivates the ability of the virus to infect cells, which protects the mouth and throat.



Enzyme from deep-sea cod

A key sub-component of the barrier is an enzyme. The enzyme from deep-sea cod is a cold-adapted trypsin that has evolved to be active at a temperature of around four degrees Celsius. As a result of this adaptation to the cold, this type of enzyme has become extremely effective at higher temperatures, as in humans.

Regulatory framework for medical devices

Enzymatica is in an internationalization phase with launches in Europe and a number of additional markets, with extensive registration and documentation requirements. Enzymatica is continually working on regulatory matters and is compiling the documentation required to register a product in selected markets. From May 2020, new legislation, MDR 2017/745, must be applied to new product registrations and quality management systems. Products that have a valid product registration under the previous regulations, MDD 93/42 EEC before May 2020, may have this product registration until May 2024. Efforts to meet the requirements of the new regulatory framework are ongoing and have been assigned high priority.

Enzymatica's quality and regulatory work focuses on the following:

- » Quality assurance and control of the various steps in the value chain, from raw material to finished product purchased by the consumer.
- » Continually work to ensure that the quality management system meets the increased external requirements and facilitates a long-term, efficient and structured initiative
- » Continually strengthen the documentation for the main product, ColdZyme, based on the requirements of different countries. This documentation includes data such as the quality, safety, function and clinical advantages of the product.

Product development strategy

Enzymatica's product development strategy has the following priorities:

1. Optimize ColdZyme (production, technical documentation, regulatory status outside the EU, clinical studies, new patents, etc.).
2. Strengthen and expand existing claims through additional studies.
3. Formulate new ColdZyme versions ("line extensions") to expand the product offering and to increase shelf exposure at the sales location.
4. Explore new indications with the same formulation and function, which requires minimal lead time for product development (existing storage studies, toxicity tests, etc., can be used).
5. Develop new product formulations for use within the file of ear, nose and throat (ENT).
6. Develop new products for completely new indications.

COLDZYME STUDIES

Significant advantages with ColdZyme strengthen and broaden product claims

During the 2018 cold season Enzymatica conducted a prospective, controlled multicenter study on ColdZyme in Germany. At an event for Icelandic doctors in Reykjavik in early 2019, Enzymatica presented the results of the study, which showed a significant reduction of cold duration and milder cold symptoms with ColdZyme use. The study also showed reduced use of symptom-relieving drugs, compared with a control group that did not use ColdZyme. The most striking effect of ColdZyme proved to be a significant improvement in quality of life because of the milder cold.

A total of 400 subjects participated in the prospective, randomized study conducted at six study centers in Germany. At the first sign of cold symptoms, subjects either did or did not initiate treatment with ColdZyme. A total of 267 people with confirmed colds were evaluated. The study was single-blinded, which means that the investigator was unaware of the distribution between the treatment groups.

The study was a methodological parallel group study designed to investigate the ability of the Wisconsin Upper Respiratory Symptom Survey-21 (WURSS-21 Quality of life scale), Jackson's cold scale, and two different scales for sore throat, to detect positive effects from ColdZyme compared with a group that was not treated with ColdZyme. In addition, safety data and simultaneous use of symptom-relieving drugs were recorded.

All four symptom scales showed statistically significantly improved effects when using ColdZyme compared with no treatment. The functional parameters of the WURSS-21 scale were the most sensitive for detecting significant effects with ColdZyme use. Moreover, use of symptom-relieving cold medications was significantly lower among those who used ColdZyme. No difference in frequency of side effects was seen between the two patient groups.

"The consistently positive results for ColdZyme strongly indicate that our cold spray reduces both the intensity of symptoms and the duration of colds. The results also support previously conducted large observation studies on ColdZyme that show the positive effects of the product on colds. The multicenter study results create a strong foundation on

which to continue to build the brand internationally and to broaden the product claims within the scope of our clinical program," says Fredrik Lindberg, CEO of Enzymatica.

The statistically significant results from the study strengthen the clinical documentation for ColdZyme. They also strengthen the intended use of reducing the duration of colds, while also broadening its clinical benefit by showing that ColdZyme significantly soothes sore throat and alleviates common cold symptoms, improves quality of life and reduces the need for concurrent use of symptom-relieving medication for colds.

QUALITY OF LIFE SCALE (WURSS-21)

	Control	ColdZyme	p-value
Item 12: Think clearly	11.30	8.60	0.009
Item 13: Sleep well	17.48	14.66	0.039
Item 14: Breathe easily	18.14	14.88	0.018
Item 15: Walk, climb stairs, exercise	14.35	9.94	0.001
Item 16: Accomplish daily activities	13.24	9.82	0.007
Item 17: Work outside the home	13.72	9.74	0.003
Item 18: Work inside the home	12.66	9.07	0.006
Item 19: Interact with others	12.56	8.74	0.009
Item 20: Live your personal life	11.85	8.50	0.015

p-value less than 0.05 is statistically significant

Ref. Single (investigator)-blind, randomized, parallel-group study to evaluate the use of various assessments of common cold symptoms for proof of efficacy of ColdZyme

Strong results from three user studies

In 2019, Enzymatica commissioned the market research company IPSOS to conduct three user studies. Customer experiences of using ColdZyme and other self-care products in the cold category are being evaluated, as is ColdZyme in children between the ages of 4 and 17 years and the use of ColdZyme for preventive purposes. The three surveys show that ColdZyme users are satisfied with the efficacy of the product and that it is a well-tolerated product, which results in a high repeat repurchase rate for ColdZyme.

Post Market Surveillance – general experiences from users

An online survey, in which 104 ColdZyme users and 86 users of other OTC products in the cold category were evaluated, revealed that sore throat, irritated throat and feeling sick are the cold symptoms best treated with ColdZyme, which gives the product a unique profile on the market.

Responses regarding gender, age, family and living situation, education and income, as well as responses about colds, symptoms, use of other self-care products, side effects, awareness of reasons for using ColdZyme, when and how ColdZyme is used and experiences from use were analyzed. Among ColdZyme users, a clear majority (68%) are satisfied or very satisfied, and 88% intend to buy ColdZyme again within the next 12 months.

ColdZyme is usually used at the first sign of cold symptoms and about one of three (32%) say that they do not come down with colds as often since they began using ColdZyme. More than half of those who use ColdZyme regularly claim that ColdZyme both relieves symptoms and reduces the duration of the cold.

ColdZyme for children (4-17 years)

In one survey, ColdZyme was evaluated by parents of 50 children aged 4 to 17 years. According to the parents, a majority of the younger children (ages 4 to 12 years) experienced colds that were shorter in duration and milder symptoms, and about one third responded that ColdZyme had protected their children from colds. The majority of the parents would recommend ColdZyme to other parents.

The evaluation of ColdZyme in children aged 4 to 17 years shows that use, assessed efficacy and side effects are in line with the results among adults.

Preventive, protective use

A review of four previous evaluations conducted on behalf of Enzymatica between 2015 and 2019 summarized customers' experience of using ColdZyme before they felt a cold had developed. Data were collected from 146 people, all of whom stated that they had used ColdZyme preventively. Almost half (48%) of respondents answered that use of ColdZyme preventively resulted in fewer colds. Of those ColdZyme users who used ColdZyme preventively, three out of four (72%) felt that their colds were less severe, with fewer sick days and milder intensity as a result. They also experienced fewer side effects with ColdZyme than with other self-care products or compared with drugs used to alleviate, treat, or prevent cold symptoms. The majority of users are satisfied with ColdZyme and the repeat repurchase rate is high, since 92% intend to buy ColdZyme again within the next 12 months.

VALUE CHAIN

Strengthening of Enzymatica's value chain

The 2016 acquisition and integration of the Icelandic company Zymetech gave Enzymatica full control over the value chain, from the production of enzymes to the sale of medical devices. The Company combines expertise in enzyme research and development of medical devices with its experience of global market penetration and sales. In 2019, Enzymatica also worked on improving its production and strengthening its quality management system under ISO9001:2015 for the operation in Iceland, in our endeavor to meet increasingly stringent legislation regarding medical devices and other products for treatment of human health problems. In early 2020 Enzymatica was notified by the European Patent Office that it had issued a notice of allowance indicating its intention to extend patent protection for the cod enzyme that is one of the key components of ColdZyme.

As a result of the acquisition of Zymetech, Enzymatica gained international exclusive rights to a patent-protected enzyme, a key component of the cold spray ColdZyme® and control over production of the enzyme, as well as access to international research and development expertise and Zymetech's research portfolio. As a result, Enzymatica can sign exclusive agreements with leading international distributors to obtain broad market coverage. In 2019 we continued to improve and streamline enzyme production in the Reykjavik facility. In addition to producing enzymes for the ColdZyme cold spray, Zymetech also delivers enzymes for a new mouth spray for oral health, as well as bulk formulations that are included in customers' skin care products.

Patent protection and production

Enzymatica has patent protection for its own products in regions and countries such as the EU, China, Australia, Russia and Canada. Since Enzymatica is the sole producer worldwide of the specific deep-water enzyme, the Company also has global control of enzyme production, which could significantly delay competition in key countries where there is not full patent protection. Enzymatica thus has exclusive rights in countries with patent protection until 2020 and a technological lead of several years over the rest of the world. Enzymatica has an active patent strategy and continually submits patent applications for new applications and technical innovations. See the table on the next page for more information about the Company's granted patents and patent applications.

In early February 2020 Enzymatica announced that the European Patent Office had issued a notice of allowance indicating its intention to grant a patent for the cod enzyme that is one of the key components of Enzymatica's cold spray ColdZyme. The expected patent will be valid until 2035. The new patent considerably strengthens Enzymatica's patent portfolio and also strengthens the position of ColdZyme's other products on the market.

Design & Development

Enzymatica has refined its research and development portfolio in recent years. The focus has been on documentation, development and research related to ColdZyme.

The Company has extensive knowledge in enzyme technology, applied enzyme research, and processing and formulation of the relevant enzyme, which also allows for a broadening of the areas of use for ColdZyme and facilitates development of new products based on the Company's technology platform.

Enzymatica's patents

Product	Countries/markets	Approved, year	Status	Relates to	Expires, year	Number
ColdZyme	Europe, Australia, Canada, China, India, Iceland, South Korea, Mexico, Norway, New Zealand, Poland, Russia, US	2000	Granted	Enzyme from cod for medical and cosmetic use	2020	1
ColdZyme	Europe		Notice of allowance regarding intention to approve	enzymes from cod for medical and cosmetic use	2035	1
Unspecified	International applications	-	Applications	-	-	6

Value chain for Enzymatica

Enzymatica has full control over the entire value chain, from production of enzymes to the sale of medical devices. Enzymatica has the ability to offer exclusivity for the enzyme that is included in the Company's product development and the Company therefore has full control over enzyme production, product development and registration. Products are manufactured through contract manufacturing in accordance with Enzymatica's specifications and quality requirements. Marketing and sales are both in-house and through partners, depending on the market.



CORPORATE GOVERNANCE

Corporate governance

Governance of Enzymatica takes place through the Annual General Meeting, the Board of Directors, the CEO and senior management in accordance with the Swedish Companies Act, the Articles of Association, Enzymatica's internal policy documents and the rules and recommendations for companies whose shares are listed on Nasdaq First North Growth Market. In 2019 Enzymatica held 17 board meetings. Important matters addressed included strategy, growth issues, funding, organization, adoption of the budget and regulatory matters, such as how the company will address the new EU Medical Device Regulation.

Annual General Meeting

The Annual General Meeting (AGM) is the highest decision-making body and the forum through which shareholders exercise their influence over the Company. The Annual General Meeting resolves on how to address a number of central issues, including disposition of the Company's profit or loss, adoption of the income statement and balance sheet, discharge from liability for the Board of Directors and the CEO, election of the Board of Directors and the auditor, as well as fees to the Board and auditor. An Extraordinary General Meeting may be held if the Board considers that there is a need to do so, or if the Company's auditors or owners of at least 10 percent of the shares should so request.

Board of Directors

In 2019, the Board of Directors consisted of six members who are elected for one year by the Annual General Meeting. According to the Articles of Association, the Board of Directors shall consist of at least three and a maximum of ten members with a maximum of ten deputies. The Board of Directors elects its officers at a meeting held immediately after the Annual General Meeting. A list of the members with their respective shareholdings, attendance record, and their respective independence to the owners and the Company, respectively, please see chart on next page.

Chairman of the Board

Bengt Baron is the Chairman of the Board. In addition to leading Board meetings, the Chairman of the Board is responsible for ongoing contact with the CEO, monitoring the development of the Company and consulting with the CEO on strategic matters. The Chairman of the Board shall, in consultation with the CEO, be responsible for notice to attend Board meetings and the agenda, as well

as for ensuring that matters are not handled in violation of regulations. Once a year, the Chairman evaluates the work of the Board with each of the members.

Committees

The Board has established an Audit Committee and a Remuneration Committee. The Audit Committee is responsible for quality assurance regarding the company's financial reporting and for work concerning internal control at Enzymatica. The Audit Committee is also responsible for the Board's ongoing communication with auditors, adoption of guidelines for what services are to be purchased from auditors in addition to auditing, evaluating the audit engagement, assisting the Nomination Committee in preparing proposals for the auditor and fees for the audit engagement. The Audit Committee consists of Board members Marianne Dicander Alexandersson, Louise Nicolin and Sigurgeir Gudlaugsson. Marianne Dicander Alexandersson is the committee chairperson.

The Remuneration Committee addresses matters concerning remuneration and benefits for senior executives, including the CEO. The committee consists of Bengt Baron, Mats Andersson and Gudmundur Palmason. Mats Andersson is the committee chairperson.

Board meetings

During the year, Enzymatica's Board of Directors held 17 meetings at which the minutes were recorded, 7 of which were by telephone and 3 per capsulam. Four of the meetings were held in conjunction with approval of the year-end report and the interim reports. Important matters addressed during the year included strategy, growth issues, funding, organization, adoption of the budget and regula-

Board members' shareholdings, attendance record, and respective independence to owners and the Company, respectively

Name	Number of shares	Attendance board meetings	Independence to owners and the Company, respectively
Bengt Baron, chairman (chairman beginning December 19, 2016)	614,277	17/17	Yes
Marianne Dicander Alexandersson	72,912	16/17	Yes
Gudmundur Palmason	9,360,622	17/17	Yes
Sigurgeir Gudlaugsson	1,002,001	17/17	Yes
Mats Andersson	27,837,483	15/17	No
Louise Nicolin	23,000	17/17	Yes

The share holdings shown above apply as of December 31, 2019.

tory matters, such as how the company will address the new EU Medical Device Regulation. The CEO, CFO and COO of the company regularly participate at the Board meetings. Other senior executives participate at Board meetings as needed. The Company's auditor attends at least one regular meeting during the year.

Audit

In 2019 Deloitte AB was elected to serve as auditor of the Parent Company for the period until the 2020 Annual General Meeting. In addition to the annual audit, the auditor reviews at least one interim report per year. Authorized auditor Per-Arne Pettersson is the principal auditor.

CEO and senior management

The CEO is appointed by the Board of Directors and leads the Company in accordance with the guidelines and instructions adopted by the Board. The CEO appoints a Management Group. The Management Group consisted of five people in addition to the CEO during the year. A more detailed description of the CEO and the Management Group can be found in the Swedish version of the annual report on pages 76-77.

Remuneration

Salaries, remuneration and other benefits to the Board, the CEO and other senior executives are presented in Note 7 in the Swedish version of the annual report.

Guidelines for remuneration to senior executives

Remuneration to the Chief Executive Officer and other senior executives comprises basic salary and other benefits (relates to car allowance). The Company's senior execu-

tives, in addition to the Chief Executive Officer, include an additional five individuals. Decisions on remuneration and benefits to the Chief Executive Officer have been taken by Enzymatica's Board of Directors. Decisions on remuneration and benefits to other senior executives are prepared by the Chief Executive Officer, who submits a proposal to the Board.

The Chief Executive Officer's employment agreement cites a period of notice from the Company of twelve months during which the level of salary and other benefits paid remains unchanged. The period of notice for the CEO is six months. No special severance package is paid. The period of notice for other senior executives is between three and six months, and the period of notice for the Company is between three and twelve months. No special severance package is paid. For information on the 2019 guidelines for senior executives, please refer to the Company's notice to attend the 2019 Annual General Meeting.

Internal control

Internal control in the Company follows the procedures and principles established in the Company using various systems, controls and ongoing reporting. The Board of Directors is responsible for compliance with these procedures and principles. Each individual entity in the Company is followed up with reporting according to a set schedule and scope. Authorization guidelines and rules of procedure regulate who and how decisions are made regarding length of contract, costs or risk for the Company. Signing on behalf of the Parent Company and subsidiaries, as well as managing cash and cash equivalents, are handled by several people to create good control. Enzymatica does not have an internal audit function because such a function is not justified by the scope and risk exposure of the Company.

THE SHARE

Enzymatica share in 2019

Enzymatica has been listed on Nasdaq First North Growth Market since 2015. At year-end 2019/2020 Enzymatica had 2,842 shareholders – an increase of about 10 percent compared with 2018. In 2019 the company's market capitalization increased from SEK 314 million to SEK 567 million.



Shares and share capital

At the end of 2019, the share capital of Enzymatica AB was SEK 5,712,950 SEK, distributed among 142,823,696 shares, each with a par value of SEK 0.04. The Company has only one class of stock. Each share entitles the holder to one vote at Enzymatica's general meeting of shareholders. Each shareholder who is entitled to vote may vote at the general meeting for the full number of shares that he or she owns and represents. Each share carries equal rights to a part of the Company's assets and profit.

Employee Warrant Plans I and II

The Annual General Meeting on April 20, 2017, and the Extraordinary General Meeting on October 25, 2017, resolved to authorize the employee warrant plans 2017/2023 I and 2017/2023 II. The total number of employee warrants allocated in the two employee warrant plans is 3,740,000. In order to enable the Company to deliver shares under the plans for issuance of warrants to Company employees and to ensure payment of costs associated with the employee warrants, primarily social security contributions, the General Meetings resolved to carry out directed issues of a maximum of 4,915,108 warrants to Enzymatica's wholly owned subsidiary Enzymatica Care AB.

If all warrants related to the two outstanding employee warrant plans that have been issued are exercised, a total of 4,915,108 shares will be issued, corresponding with dilution of approximately 3.5 percent of the Company's share capital and votes after full dilution. Upon full exercise of the warrants for subscription of new shares, the share capital will increase by a total of SEK 196,604.40.

For further information, please refer to the Administration Report in the Swedish version of the annual report.

Authorization for the Board to decide on the issuance of shares from the 2019 Annual General Meeting

The 2019 Annual General Meeting of shareholders authorized the Board to resolve on the issuance of shares corresponding to a maximum of 10 percent of the total number of shares in the company, with or without deviation from preferential rights, in order to enable the company to raise working capital and to take advantage of future opportunities to acquire long-term strong owners, as well as to further finance the company's growth strategy through a non-cash issue.

Share capital trend

Since its formation, the company's share capital has changed as shown in the table below.

Trading with the Enzymatica share on First North

Enzymatica's shares were admitted for trading on Nasdaq First North Growth Market on June 15, 2015. The number of shares is 142,823,696. Closing price on Monday, December 30, 2019 was SEK 3.97, corresponding to a market capitalization of approximately SEK 567 million. In 2019, average turnover per trading day was approximately 100,703 shares, equivalent to approximately SEK 310,000. In 2019, the share price increased by 80 percent, from SEK 2.20 to SEK 3.97. Enzymatica's market capitalization increased from SEK 314 million to SEK 567 million.

Ownership structure

The number of shareholders at year-end was 2,842, an increase of 10 percent during the year. The table below shows information about ownership of the Company as of Monday, December 30, 2019. For information about the shares in Enzymatica held by Board members and senior executives, please see pages 75-77 of the Swedish version of the annual report.

Dividend policy

The Board of Directors does not intend to propose any dividend until the Company generates a profit and a positive cash flow.

Share-based incentive programs

See earlier in this section under Shares and share capital, Employee Warrant Plans I and II.

Analyses

During the year Enzymatica was analyzed by ABG Sundal Collier and Erik Penser Bank.

» Christopher W. Uhde, ABG Sundal Collier: christopher.uhde@abgsc.se

» Johan Löchen, Penser: johan.lochen@penser.se

The Enzymatica share

Ticker: ENZY

ISIN code: SE0003943620

Sector: Health care

Registered	Transaction	Increase in number of shares	Total number of shares	Change in share capital	Total share capital	Par value
2006	Founded	1,000	1,000	100,000	100,000	100.00
2009	Rights issue	200	1,200	20,000	120,000	100.00
2011	Rights issue	3,800	5,000	380,000	500,000	100.00
2011	Split	12,495,000	12,500,000	–	500,000	0.04
2011	Rights issue	2,220,000	14,720,000	88,800	588,800	0.04
2012	Rights issue	1,783,832	16,503,832	71,353	660,153	0.04
2012	Rights issue	1,375,319	17,879,151	55,013	715,166	0.04
2013	Rights issue	890,000	18,769,151	35,600	750,766	0.04
2014	Rights issue	4,692,287	23,461,438	187,691	938,457	0.04
2014	Rights issue	1,500,000	24,961,438	60,000	998,457	0.04
2016	Non-cash issue	20,905,942	45,867,380	836,238	1,834,695	0.04
2016	Rights issue	27,520,428	73,387,808	1,100,817	2,935,512	0.04
2016	Rights issue	17,500,000	90,887,808	700,000	3,635,512	0.04
2018	Rights issue	51,935,888	142,823,696	2,077,436	5,712,950	0.04

Amounts above are stated in SEK

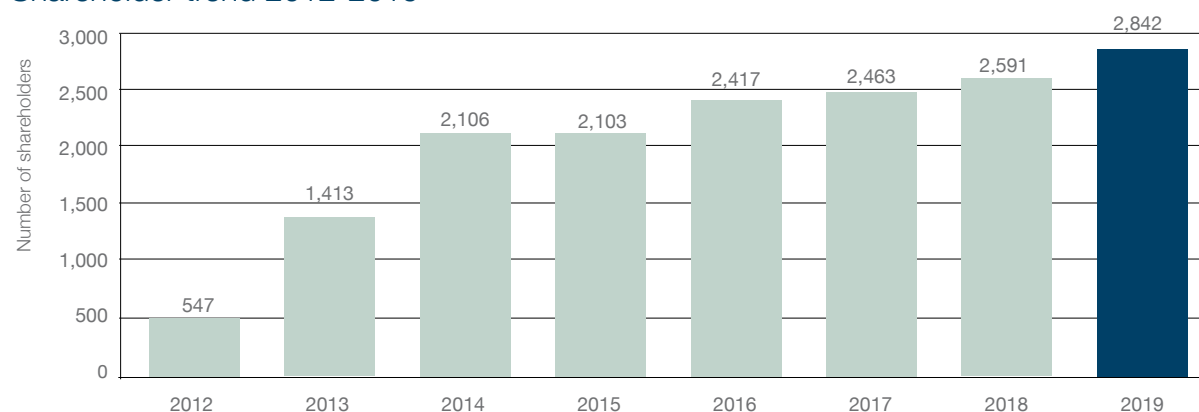


Enzymatica's ten largest shareholders December 31, 2019

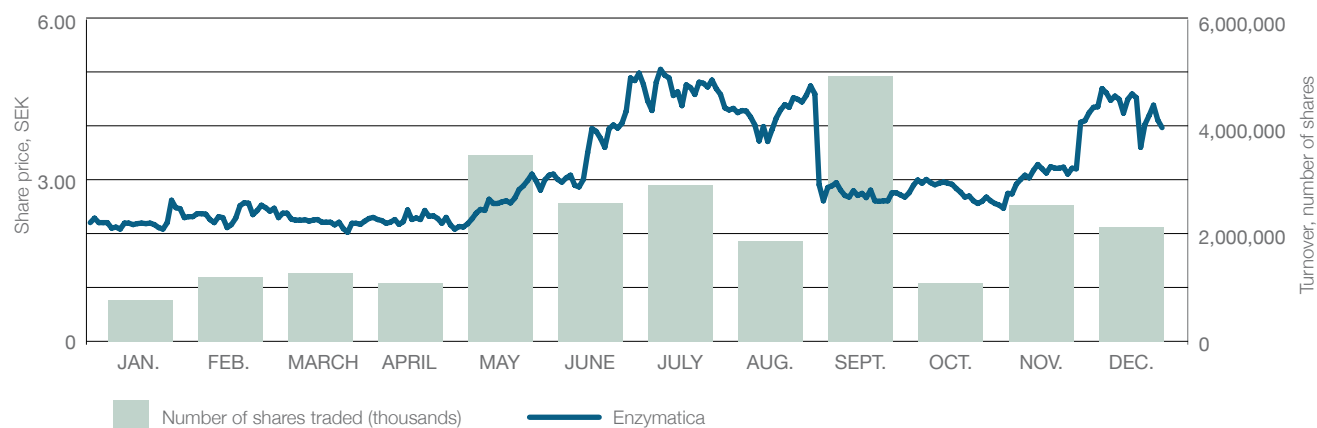
Name	Number of shares	Percentage of capital and votes (%)
Mats Andersson, privately and through company	27,837,483	19.5%
Roosgruppen AB (Håkan Roos)	16,836,088	11.8%
Fibonacci Asset Management (Björn Algvist)	15,055,004	10.5%
Gudmundur Palmason, privately and through company	9,360,622	6.6%
Ágústa Gudmundsdottir, privately and through company	6,864,381	4.8%
Aktiebolaget Possessor	3,000,000	2.1%
Öhman Bank	2,771,428	1.9%
Ulf Winberg, privately and through company	2,468,657	1.7%
Nordnet Pensionsförsäkring AB	2,430,485	1.7%
Avanza Pension Försäkring AB	2,173,532	1.5%
Holdings 10 largest shareholders	88,797,680	62.2%
Other	54,026,016	37.8%
Total	142,823,696	100.0%

Source: Euroclear, December 31, 2019

Shareholder trend 2012-2019



Share price trend 2019



Financial Overview

(SEK thousand)	2019	2018	2017	2016	2015
Net sales, SEK thousand	61,306	52,560	59,446	36,482	27,912
Capitalized development costs, SEK thousand	-	-	-	7,625	3,053
Cash flow for the period, SEK thousands	-40,975	59,428	-24,656	27,189	-29,855
Gross margin, %	73	70	61	61	70
Equity/assets ratio, %	81	86	83	87	50
Debt/equity ratio, times	0.2	0.2	0.2	0.1	1.0
Equity (SEK thousand)	119,203	159,660	110,695	142,041	21,985
Cash flow for the year, operating activities, SEK thousands	-37,576	-28,793	-22,545	-38,434	-37,648
Net investments, SEK thousands	-866	-520	-1,265	-18,995	-3,146
Average number of employees	19	21	21	21	16
Number of shares at end of period	142,823,696	142,823,696	90,887,808	90,887,808	24,961,438
Earnings per share, basic and diluted, SEK ¹	-0.29	-0.45	-0.35	-0.69	-1.64
Equity per share, SEK	0.83	1.12	1.22	1.56	0.88

¹ Based on weighted average of the number of outstanding shares.

Definitions of – Alternative performance measures

Enzymatica uses alternative performance measures to increase understanding of the information in the financial statements, both for external analysis and comparison, and for internal evaluation.

Alternative performance measures are measures that are not defined in financial statements prepared in accordance with IFRS. The following ratios are used:

Gross margin

Net sales for the period less costs for raw materials and supplies in relation to net sales. Gross margin shows earnings in relation to net sales and margin to cover other expenses, as well as profit margin.

Equity per share

Reported consolidated shareholders' equity divided by the number of outstanding shares. Shows the share of equity attributable to each share.

Earnings per share

Profit/loss for the year in relation to average number of outstanding shares.
Shows the share of profit/loss for the year attributable to each share.

Earnings per share, diluted

Profit/loss for the year in relation to average weighted number of shares increased by the amount at full dilution. Shows the share of profit/loss for the year attributable to each share after taking potential shares such as warrants into account.

Debt/equity ratio

Total liabilities divided by shareholders' equity. Shows the company's net debt and is used as a measure to measure debt and future financing needs.

Equity ratio

Equity as a percentage of total assets. Shows the share of equity in relation to total assets.

Net investments

Cash flow from investing activities Shows the amount used to invest in property, plant and equipment during the year.



Enzymatica's business concept is to use cold-adapted marine enzymes from North Atlantic cod to create a clinically proven barrier solution that captures and deactivates cold viruses, which can help consumers all over the world to protect themselves from colds.



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